Section II:

Introduction to the Israel Situation:

The State of Israel, founded in 1948, is a young nation in comparison to other developed nations. Israel along with its environmental challenges is accursed with multiple problems, both international and domestic. The state which boasts a population of over five million persons has limited land space and hostile neighbor countries as well as internal group dissent from some Palestinians in the administered territories, mixed villages, and Arab villages. Some things which may seem a benefit such as a highly educated citizenry is becoming a partial burden because their is an increasing lack of Israeli Jews to do the lower skilled jobs, thus creating an over-qualified citizenry for many jobs and needing to bring outside labor namely Arab workers to perform lower level skill jobs.

The question of what to do with the former Soviet Union citizens, in the above environment, who are highly educated, according to under Soviet systems, and who are not only having great difficulty assimilating culturally to Israel, but finding their livelihood as well, is a perplexing one. Israel, because of their "Law of Return," allows any Jew from the Diaspora to come to Israel and be granted citizenship. These Jewish immigrants are hence all legal citizens.

Since the dismantling of the Eastern block at the start
of the 1990s hundreds of thousands of former Soviets have made aliya to Israel. Departments of absorption and immigration have been working at a fervent rate to try to assimilate these people who have basically been estranged to a "western" style of life.

The Situation of the Former Soviet Immigrant Entrepreneur:

It can be argued that since Periostrika under Gorbachov began in 1985 in the U.S.S.R. some capitalism and entrepreneurship existed there. Further evidence claims that in Georgia, a province of the former U.S.S.R., the roots of capitalism had never left in 1917 when the Soviet Union was formed. The Russian immigrants to Israel of the 1970s' actions of immediately going into the established work force, cloaked in what they felt to be their unbreakable professional titles, hints that before 1985 the majority of Soviet Citizens were quite unaware of capitalistic initiative or entrepreneurship. Communism, as a system, had lulled its individuals under its economic and social ways into complacency by providing an assured living. When things began to become disheveled in the former Soviet Union more people started to look to the west for ideas on how to run a more efficient economy. The Jews, some leaving like refugees to avoid what they believed to be potential Polgroms in the future and some leaving for religious or economic reasons, converged upon Israel with high hopes and promises of jobs. If the jobs were not developed by the free market then the "socialist inclined" Israeli government would create some
forms of employment. This, due to many reasons including far greater numbers of aliya olim than expected, meant that even the limit of artificially created, sometimes unnecessary, jobs by the various branches of government had to meet its limit.

Currently, because news has returned to the Independent Commonwealths that there are practically no jobs in Israel, Jews are going elsewhere. However, when the first few waves of olim came, finished open, and after receiving their heavy government assistance in meeting their living costs, they were to discover there were no jobs; thus, some took the initiative to become entrepreneurs. Some olim came to Israel in hopes of starting a new business, but the majority became entrepreneurs because the situation of them being potentially unemployed or unemployable in the established job market demanded it.

In the past employment at the cost of inefficiency was the rule in Israel because of its socialistic bias. If people are employed then they can provide for their basic needs and fuel the market with their consumerism. "In recent years, Israel has begun a gradual transition from its historical state controlled economy towards a more liberal orientation. The current wave of aliya, arriving during this transitional phase in world affairs and creating an urgent need for rapid economic growth has generated a public debate regarding the appropriate economic approach required under the circumstances. There are those who claim that the present urgent demands for employment for olim require an immediate backtrack to the old philosophy where government "purchases" jobs for olim (with obvious
advantages in the short term but distinct problems over time). Others maintain that the present trend towards privatization must be maintained at all costs in order to ensure a healthy economy in the long term." (Waldinger 1989, p. 3)

The first wave of Russian immigrants had not been exposed to the ideas of enterprise. "The U.S.S.R. origin group differed from the other groups of European origin, consisting of a large segment of new immigrants who arrived during the 1970s and early 1980s. New immigrants in general had a lower rate of self-employment (7.0%) than the total Jewish population of Israel (11.6%), and new immigrants from the U.S.S.R. in particular had a low rate of self-employment (5.1%). This might have been due to the initial preference of North America by the entrepreneurial immigrants from the U.S.S.R. during the 1970s and early 1980s, and perhaps also due to high proportion of poorly educated Georgians among the new immigrants. Thus, the rate of self-employment of the U.S.S.R. origin group was lower than that of European groups." (Razin 1989, p. 175) The rate of immigrant entrepreneurs from the wave of the 1990s is higher than from the wave of the 1970s, partially because other nations placed a quota on the number of now freely leaving former soviets who could enter their nation's borders and become citizens. In Israel, any Soviet who was Jewish was welcomed to Israel and granted citizenship with the aid of the "Law of Return" and the former Soviets also came in droves compared to the wave of the 1970s.
The only capitalistic entrepreneurship in pre-1985 Soviet Union, because of strict government regulations on commerce, was illegal and often employed foreign or "hard" currencies for its transactions. As well, the Soviet Union had a thriving vice market which ranged from the black market's ability to obtain a special grade of Caviar to prostitution. "In the command economies what has emerged is a new class of entrepreneurs. In the Soviet Union the activities of this class are often illegal but essential, particularly in the production of food. The thriving black market and the existence of parallel production in socialist enterprises with its attendant corruption is testimony to the efficacy of markets in producing both efficiency and innovation" (Kent 1984, p. 17)

Historical Perspective of the Soviets as Immigrants In Israel:

Israel previous to economic reforms was not a particularly attractive place for immigrant entrepreneurs because it lacked a fertile open market. The majority of the Soviets who came to Israel during the 1970s lived under the mentality of "old Russia" and thus, "Only 7 per cent of the Soviet olim who arrived in the 1970s went into business for themselves, compared to 16 per cent of Israelis who are involved in independent operations. The exception was Georgian Jews, with 17 per cent of them opening their own enterprises." (Keinon, p. 6)

The Georgian Jews, the least educated of the Russians who came, had to go into entrepreneurship, mostly of a low level
type, because they were not educated sufficiently to fit into Israel's knowledge based economy. Presently, the opposite is occurring with highly educated people coming from major urban areas they are not getting jobs for which they are qualified because basically the jobs are filled with the already highly educated native population.

When Jewish olim return back to the former Soviet Union for a visit and tell their relatives and friends that Israel is not the land of milk and honey as far as employment is concerned their natural reactions is if they are going to leave one chaotic environment they would prefer to go to a more stable place where their chances of procuring employment are greater.

Soviets do not want to come to a land where they have heard there is little promise for employment at their respective levels. "It was both saddening and frustrating to learn Soviet immigration is expected to drop because of growing unemployment." (Neuvinwirth, p. 4)

During the 1970s when Israel was not as atuned to western economic policy even those who were Jews in Russia who were fortunate enough to be able to emigrate, because they knew they wanted to be entrepreneurs, chose not to commit aliya. "The 'capitalists' among the olim of the 1970s were lured to the U.S., while the idealist came here (Israel)." (Keinon, p.7)
In Israel:

Israel's socialistic tendencies creates barriers, due to its formation, for entrepreneurs. "The greater bureaucratization of the absorption process in Israel, as well as Israel's economic attributes and implications of its regional policy could have created a climate less conducive for entrepreneurship among immigrants than the North American climate." (Razin 1990, p. 24)

Israel is selective in choosing its population by the fact that it is not as welcoming to non-Jewish immigrants. By maintaining the Jewish identity of the State of Israel it is potentially discouraging many qualified and productive individuals who could be of assistance to where they chose to work and the state as a whole. "Immigration policy has been motivated by the maintenance of national identity considerations, and the almost sole criteria for granting Israeli citizenship has been the Jewish religious domination. Immigrants to Israel have not been usually motivated by economic considerations. However, deteriorating economic and political conditions since 1973 have reduced immigration flows to Israel, despite all incentives." (Halpern, p. 10)

"The percentage of self-employed in Israel has been declining through the early 1980s, perhaps due to the initially higher rates of self-employment in the less advanced Israeli economy." (Razin 1990, p. 14) Less and less people are selling from fruit
and nut stands like in earlier times when the State of Israel was more basic in its economic structure. Individuals who are immigrants are either joining the established work force, even if it is below their professional level, or entering more advanced forms of entrepreneurship mainly in the knowledge based industries such as chemical engineering and computers.

"Today's immigrant is interested in working in private. The feeling is that every job is good, as long as you make money." (Keinon, p. 6) This goes against former state of Russia idealism. Partly due to post Periostrika reforms the new Russians have a different view as immigrants than those Russians who came earlier to Israel. The idea of the first waves of the 1970s that they could rap themselves in their profession turned out to be erroneous. New olim better understand the necessity to conform to the methods of the host market if they plan to succeed in either the established market or as entrepreneurs.

Groups that Aid in the Establishment of Immigrant Entrepreneurs
(Sources of Initial Business Assistance and Monetary Assistance):

Many entrepreneurial aid programs are joint sponsored by different departments of the government and the private sector to offer a service and not to alturisiticly fulfill ulterior motives of the movement of individuals to development towns as would be the case of regional councils of economically depressed development towns or the department of absorption
rationale to increase population in under populated areas. One example of a joint sponsored programs, "In the hopes of turning Soviet immigrants' long frustrated entrepreneurial instincts into an engine of economic growth, the Joint Distribution Committee has launched a training program for would-be capitalists...The aim is to get people with business ideas to translate them into reality." (Josh Weinstein, p. 7)

Incubators are one of the leading ways for an entrepreneur to have a no loss environment. "Incubators nurture the start-up of new private businesses and assist in the development of marketable products. Public support for incubators takes the form of funding the core staff and central support services offered by the incubator to its inhabitants." (Waldinger 1989, p. 4)

Incubators can take various forms and can be comprehensive in offering aid to the tenant to varying degrees. Some incubators serve only as a physical space where immigrant entrepreneurs can set up shop, while some serve as a source of aid in a type of learning process. "Incubators serve to create economic opportunities by nurturing the startup of new private businesses and assisting olim with entrepreneurial vision to develop marketable products. The incubators currently being developed are taking the form of a) business incubators - which deal with the development of commercial products and services for the creation of new business ventures, and b) technological-scientific incubators whose main activity is the
development of scientific technology that can be harnessed for the advancement of new products." (Neuvirth, p. 3)

"There is also retraining of the core of civil servant that could be potential entrepreneurs." (Opportunity Calls) The named civil servant could be a former math teacher from the former U.S.S.R. who could offer a private tutoring service to students studying for the matriculation exam. Many of these civil servants because of their previous jobs have the skills to do privately what they had done publicly in the Soviet Union.

Economic incentives to immigrant entrepreneurs are offered through private and public organizations. This public assistance to private entrepreneurs is to the benefit of the public because sometimes the funds given are contingent on such factors as the entrepreneur establishes his business in the periphery or in development towns. This may not be totally beneficial for the entrepreneur because he may need the large number of people in the major metropolitan areas for his or her business as customers, but the government is loaning the money, in a sense, to insure continued population growth in the less populated areas of Israel. It is the feeling of many groups offering aid to immigrant entrepreneurs that, "Now the immigrant should be encouraged - via special funds and loans - to open up private businesses." (Keinon, p. 6)

"The chamber of Commerce attempts to coordinate with similar projects of the Jewish Agency and the Absorption Ministry. The
latter has a loan fund, up to $30,000 for would-be immigrant entrepreneurs, but requires both guarantors or tangible assets as guarantors." (Josh Weinstein, p. 7) This requirement of the presentation of tangible assets or having another individual guaranty the entrepreneur’s loan, does not take into consideration that if he or she is an immigrant he or she may very well have few tangible assets (at least not enough to cover a loan) and may know few people well enough that he or she could present someone who he has known and has enough capital to co-sign. For this very reason immigrant entrepreneurs find it difficult to nearly impossible to acquire a loan for a new business. As a British immigrant entrepreneur who opened a bar in Rehovot stated, "It’s a catch 22. Who would be foolish enough to sign for something as risky as a bar in a place where people don’t drink much?"

Re-Education:

Adults who have been working for many years in the former U.S.S.R. are not familiar enough with western economics to be competent business people and so they assume the role of students to be educated. "The students are learning the basics of business practices, including how to open and operate small trade, service or manufacturing enterprises."

The course attempt to give a comprehensive education on the multiple aspects of business. In one, "The students will study the principles of western economics, the Israeli economic system,
interpersonal and business communication, entrepreneurial risks, and tax regulations...Participants have completed at least a half year of Hebrew studies and also have a basic knowledge of English." (Ronnen, p. 10) These programs are exclusive of who they admit to assure that they are not wasting time on individuals whose entrepreneurial endeavors will be more likely to fail because of their personal lack of knowledge. For some admissions to these programs psychological screening are done to see if the immigrants have the proper characteristics to become an entrepreneurs. (For discussion of qualities see earlier section)

A holistic approach including follow up is far more helpful to the entrepreneurs in their re-education because the classroom theoretical lessons they are learning may not always correlate with what really happens in business and so the option established by many of the courses is for continued contact with knowledgeable personnel, many of them business men and women, which is an assurance to the immigrant entrepreneur that they are not alone in a possibly still not completely familiar capitalist economy. "After the classroom sessions, the fledging businessmen will continue to receive support, in the form of contact with city development center." (Josh Weinstein, p. 7) Continued advice and support to help not only first time entrepreneurs but first time capitalists as well survive their first filing for taxes and other items which a business must do is a very supportive step taken by the community of these immigrant entrepreneurs.
A misconception that is to be avoided is that by taking a course the immigrant entrepreneur will receive extra financial aid and will somehow be guaranteed more options or even employment. "In the Soviet Union, you know that if you take a course and finish it, you can count on a job." (Haim Shapiro, p. 7) In reality, an entrepreneurship course cannot teach an individual all there is to know about business. To become a competent business person an individual needs experience in the field working.

"If you are talking about new immigrants coming from a country with anti-business traditions and who don't know the language. It was clear that we needed a complete approach that would help these people along their entire process, rather than just giving them money." (Ziv Hellman, Features, p. 5) Entrepreneurship classes often feature instructors and guest lecturers who are established business persons as well as a bit of testimonial from established entrepreneurs. The individuals taking a class in Rehovot upon questioning admitted that they learn more from the guest speakers than the regular lecturer, because what the speaker has to say is more relevant to the day to day situation instead of the larger ideas of capitalism vs. communism or the theories of supply and demands. If money is given to an entrepreneur in the form of seed money for his or her business, much advice and sometimes restrictions come along with the financial aid.
The Role of the Various Markets

An entrepreneur goes to where the market for his or her proposed good or service is. Dependent on what goods an entrepreneur is selling or services he or she is offering he or she must wisely chose his or her market. It would be fruitless to open a roasted pork stand in the middle of an observant Jewish neighborhood.

To compliment the concept of starting small instead of with grand plans that might not fully develop the following advice of one businessman to entrepreneurs is also true. "Don't always look for new inventions - go with what exists if it works. Right now there is a big demand for something not so radical: construction work." (Ziv Hellman, Features, p. 5)

Types of Entrepreneurship:

Types of entrepreneurship can range from the very simple (semi-illegal) selling towels from the back of one's car, the car obtained with no taxes because of the entrepreneurs immigrant status, to the founding of a software development corporation with international connections. "In metropolitan areas the major trend in small-business sector was from retail to various professional services, in development towns it was the share of construction contractors, carpenters, metal workshops, car repair shops, and some retail activities which showed the highest growth." (Razin 1990, p. 155)
A certain percentage of immigrants go into the service industry as their entrepreneurial endeavors. The vice industry will be used as the example. This could mean entrepreneurial services could be one man operations like drug pushing or multi-person businesses such as massage parlors. Usually, ethnic groups like to monopolize in an ethnic field and may actually have it within a physical ethnic enclave like a China Town. Members of the ethnic enclave have control over the vice industries such as the much reported upon Russian prostitution rings brought from the former U.S.S.R. to Israel, mainly in the major urban nodes such as Tel Aviv and Haifa.

The Establishment of Russian Ethnic Enclaves, Detrimental or Beneficial:

The following are quantifiable advantages for an individual to belong to an ethnic enclave. "The enclave-economy hypothesis must be revised to focus on the advantages of ethnic entrepreneurs in enclave economies: While immigrant-minority workers in the open economy tend to receive higher returns to human capita: than immigrant-minority workers in an ethnic-enclave economy, immigrant-minority entrepreneurs in an ethnic enclave tend to gain returns to human capital similar to immigrant-minority entrepreneurs in the open economy." (Sanders and Nee 1987, p. 763)

Ethnic enclaves can be used as a stepping stone to independent
entrepreneurship to work in or work outside the enclave in the established market. Only can the person join the established market if he or she has been minimally assimilated. "According to proponents of the enclave economy hypothesis, a major advantage of enclave employment is that immigrants gain entry into an ethnic network that assists workers in starting up their own businesses. (Sanders and Nee 1987, p. 763)

A disadvantage to the ethnic enclave is the repetition of stores offering similar or the same goods and services at relatively the same price. This leads to heavy competition and sometimes even turf wars between sects of an ethnic groups such as the Asian between those from mainland China and Korea. "The local businesses are in fierce competition with each other, and are based on self-exploitation, use of family labor, poor wages and evasion of tax and social security contributions." (Razin 1990, p. 6)
Objective:

To investigate whether former Soviet immigrant entrepreneurs will follow the patterns of other immigrant entrepreneurs. Also to examine how environment bears an affect on immigrant entrepreneurs.

Hypothesis:

Former Soviet immigrants who become entrepreneurs will face challenges because of three essential factors: First, They are, for the most part, highly educated and are entering a market which is already saturated with highly educated people in advanced businesses. Second, the higher age and limited and sometimes non-transferable job experience and skills of the immigrants will work against them in competing with individuals who are used to working within a more capitalistic system than the Communist economic environment to which the immigrants had become accustomed. Third, The economic system that dominated the Soviet Union for most of these peoples' life times has had a profound affect on the way they think about business. Further, Israel as a primarily Socialist nation may not be able to maintain the levels of aid it is currently providing to aspiring and established former Soviet entrepreneur olim.

Methodology of Field Study:

The field study was accomplished through a combination of
interviews with owners and employees in sample stores and monitoring by periodic observation of these sample stores in the Rehovot and Rishon Lezion metropolitan areas of Israel.

Information from Survey of Aspiring Immigrant Entrepreneurs Enrolled in a Class on the Basics of Business:

A survey handed out to 34 aspiring entrepreneurs enrolled in a class on entrepreneurship provided a concept of the status of aspiring entrepreneurs.

The data to be presented is from only one sample group. Those taking the survey may have been hesitant to answer some questions fully or may have misunderstood some questions meaning; hence, the data may have a wide range of error. The conclusions reached and interpretations of data are made keeping in mind other information learned about the general trends of immigrant entrepreneurs. (Note: Survey administered at the Development Study Center. Results translated into English by Sharon)

Only 2 out of the 34 participants in the course were in Israel two years, the recommended amount of time for familiarizing with the Israeli culture for taking the course, before their enrollment into the course. This lack of familiarity with the Israeli culture and market place puts the aspiring immigrant entrepreneur at a disadvantage because he or she may not be able to understand such intricacies as what types of advertisement and attractive to Israelis or what type of service
they expect in a retail store.

The majority of those surveyed had high school or above education levels. This supports the information stating that the immigrants are highly educated. Unfortunately, their high educations are often in esoteric fields and their skills are often hard to include in their aspired entrepreneurial endeavors.

24 out of the 36 participants were engineers in the former Soviet Union. The title of engineer is non-descriptive in terms of what most western individuals would thinks of as the typical engineers with full certifications in such fields as Civil, Mechanical, or Electrical. An engineer can be anything from a carpenter, a glorified custodian, or designer of the Chernobyl nuclear power plant.

The majority resided in large urban areas in the former U.S.S.R. They are familiar with urban life and urban commerce. One difference is with price control in the former Soviet Union, the cost of living between the urban center and the rural regions was not as great.

An equal proportion of the jobs they want to do are innovative compared to established types of businesses. The younger participants who have less to lose are in the spirit of entrepreneurship greater risk takers. Those who have more responsibilities, like taking care of a family, take a more conservative route and attempt to open types of stores which
Names:
Alexander Brandis, Alexander Freedland, Marc, Alexander Gidom,
Natalie, Alexander, Maggie Meron

Respective Ages:
28, 35, 50, 44, 44, 51, 50+

Education Level:
PH.D., Master Engineer, Academic, Electronic Engineer, 10 years
of Soviet Schooling, high education, college education

Type of Entrepreneurship:
Aspires to open a chemical plant, aspires to manufacture
industrial air filtration systems, owns a gourmet food goods
store, Basic grocery store, owns a second hand store, owns a
small grocery store, owns a second hand store

Sources of finances:

Does not plan on borrowing from Russian friends; No financing
as of yet (problem); Personal savings, loan from bank, and loans
from friends; Personal savings accumulated from work in Israel
before establishing store; Personal money of her and partner’s
brought from Soviet Union, a bank loan; Personal money

Business background: Chemist for university; Established a
cooperative firm in U.S.S.R. named "Science and Production Center
Ecology"; No other job but his electronic engineering job with government; He and his partner had no previous experience in the grocery business; She had a prestigious job in the U.S.S.R. unlike what she was doing now; He had no previous experience in his field of grocery and knew no entrepreneurs in that field; She is Israeli and owned another second hand store in Israel.

Location planned to establish or have established: Rehovot; Center of the country where there is cheap land; located in arcade of stores off of Herzl, Rehovot; arcade of stores off of Herzl in Russian district, Rehovot; store front off of Herzl in Russian district, Rehovot; Russian enclave of Rishon-Lezior - off of main street.

Why becoming/became an entrepreneur instead of laborer: Did not want to be a laborer; He has experience and is sure he can become an entrepreneur; Did not want a boss above him; She would only join the established labor force if she could get a good job like she had in the U.S.S.R.; because of his unemployment he had to become an entrepreneur; she is an entrepreneur part time and works elsewhere in the afternoon.

Where did they live in the former U.S.S.R.: Urban area; Rural Ukraine; urban; Urban Odessa; Trier near Moscow, urban; In Issbakestan, A Moslem Republic, Tashkan an urban area; (exception) she is from Israel.

Conclusions of Data on Case Studies:
Entrepreneurs by circumstance, those who can not find employment in the established market, may have become entrepreneurs because they are past the age at which most firms prefer to hire people. Alexander about his experience says, "I knew no entrepreneurs. I could not find work in my profession. Because of my age (51) the companies did not want me. I have not taken an entrepreneurship course. I started the store on my own." Alexander continues that he started to be an entrepreneur because of circumstance, "I had to be an entrepreneur to make a living."

Due to the general level of high education in all cases, save one, if these individuals were in a more open market they would all be qualified to obtain "white collar jobs." Some highly educated and motivated people all though they could have an established job prefer to be entrepreneurs and forego the stability of a "white collar job" for that.

The entrepreneurs are starting with small businesses, some with the intention of expansion. They are changing their careers totally and the only individuals who would like to be in a field of business similar to what they did in the former U.S.S.R. are the two aspiring entrepreneurs interviewed. The reality is that most people leave what they did in Russia behind to fit the job needs of their new host country, Israel.

Financial questions seemed to put the interviewees at ill-ease. Possibly because of fear that the interviewer was with
a tax authority, immigrant entrepreneurs in many societies are infamous for tax evasion, the questions were not answered with complete candor. They mostly said that it was their own money that filled the need for initiation costs. If not their own money, they were not specific what banks or organizations the money was lent from. None claimed the extensive use of relatives, friends, or the ethnic enclave as a source of a finance.

Many of these individuals have taken a status fall and their egos are bruised that they have to do jobs they may have even looked down upon in the Soviet Union. Alex Freedland, an aspiring entrepreneur taking a course on entrepreneurship comments on his present employment of assembling air conditioners, "it is a step down from what I did in Russia" In the Soviet Union once a person had a professional title this was his or her status and even compensated or served as a replacement of material items he or she could not obtain. Here, they have no title and to do labor what they feel to be below them is an insult. As an entrepreneur they can at least have the knowledge that they are their own bosses. Alexander Gidom states as one of his reasons for being an entrepreneur, "I don't want a boss above me like in Russia."

Some immigrants refuse to work in a lesser job in the established market than what they had previously left for a supposed equal or better job in Israel. Natalie explained "I would work (in the established market) only if I could get a good job, like I had in the Soviet Union."
Those with retail stores want to be in the main areas of town with the greatest traffic flows to take advantage of larger potential customer pools. Some with stores that brought in less income needed, because of high rent for the prime storefronts, to be off the main street and in locations off the street in an arcade of stores.

Maggie Meron says on the reasoning for the location of her store in the Rishon Lezion ethnic enclave in alley of shops of the main road in Rishon-Lezion, "the location is cheap rent." Others may pick a location because of its proximity to a target consumer pool. Natalie decided on the location of her business because "that is where the Russian community had been and was building an ethnic business enclave." Near her store are other Russian owned businesses such as a tailor shop. The aspiring entrepreneurs who both want to do industrial entrepreneurial endeavors (chemical manufacturing and industrial air filtering equipment respectively) realize the concept of ubiquity, that Israel is a small enough country that if producing for the domestic market, products can be produced anywhere (more profitably in more remote areas on cheaper land) and with little transportation cost due to the relatively short distances the items are shipped to where they are needed.

The majority became entrepreneurs because of circumstance and not choice. Marc, a store owner who could not find employment in the established market and had to become an entrepreneur
laments, "I'd rather work as a laborer, it is a safer economic alternative. My wife and I cannot find jobs."

On the contrary, some see entrepreneurship as safer than holding a job in the established employment market. In the established market one can still lose his or her job and is at the mercy of the employer. Alex Freedland comments on how he has obligations. He explains, "I need to support my family." All though one's own store may be more responsibility it may, in the long run, prove to be a better employment than working in a firm without advancement, for in an entrepreneurial business once things are established a frequent happening is an expansion of the business and subsequent increased income.

Individuals from urban areas and especially the port cities were used to commerce and urban life. This familiarity makes the adjustment into a foreign differently economically motivated economic system market place a little easier.

The initial capital needed to start the businesses was gained by either working in established jobs doing menial labor or even in one case working on a kibbutz as an electrical engineer, was brought from Russia, or was obtained by loan. After all individuals finished their enrollment in open some of the established entrepreneurs went straight into business, some took an entrepreneurship course and then went into business, and some worked in the established market and then went into their own business. The aspiring entrepreneurs are finished
with open and are both working during the day while taking a course on entrepreneurship at night.

The strong immigrant entrepreneur trend of working with the family as do the Koreans is not present; however, various family members in some cases do work part time and there is little dependence on outside labor in any of the stores. It seems that those people who had partners had their partners with them at the store instead of taking shifts. This implies the immigrant entrepreneur, like most entrepreneurs universally, spends a very high number of hours at the store.

Alex Freedland in a determined response to the question of "Do you feel you have a good grasp on the Israeli way of business and their form of social-capitalism economics?" was a determined, "No. I will learn the way."

Natalie’s goal in opening the second hand shop was so, "I could serve my own group (former soviet)." She is content that she is employed but she complained many times, "My work in the Soviet Union was nothing like what I do now. My former job was prestigious." Natalie when asked if she had help in starting her business replied, "I did it myself."

Case Studies Synopsis:

For the case studies highly visible retail stores were used as the sample stores for the cases. The two specific types of
retail stores were the ethnic oriented grocery store and the second hand store. Limitations existed in what information was gathered because of some store owners reluctance to be interviewed and some observations may not be correct because of the author’s unfamiliarity with the former Soviet culture. However, most facts are taken from interviews and ambiguities were cleared up through return visits to the stores.

One popular business venture for immigrant entrepreneurs to enter is the field of retail grocery. These groceries are usually relatively small in scale and cater mainly to the owner’s ethnic group or individuals in economically disadvantaged areas, rather than the more general population of a given area.

The former Soviet immigrant entrepreneurs have followed this trend and these small recently established grocery stores serve as one main example of this trend. One of the most fascinating phenomena the researcher has come across in his field work on former soviet olim entrepreneurs is to be found in the founding of small grocery stores that serve almost exclusively members of the soviet ethnic enclave. These grocery stores, three found in Rehovot and one found in Rishon Lezion, have some common characteristics and some rather outstanding differences.

All four stores were located in high rent areas of the respective towns’ central business districts, one along the high street of Herzl in Rehovot in an arcade of shops, one along the main street, but less trafficked area, one at the
end of the main CBD in the Russian district, and one in a seemingly temporary location in a storefront of a shopping mall being constructed in Rishon Lezion. Further, all of the stores were in easy walking distance of major supermarkets.

Due to the language barrier only two complete comprehensive interviews were obtainable along with a collection of basic information from a third store, and the fourth store only provided very basic information to provide confirmation of trends witnessed in the other three stores. Much of the information concerning the latter two stores was taken by observation of similar features to those of the stores where the extensive interviews took place.

The structure and the merchandise of these stores changed rapidly. From one visit to the next taken in weekly intervals a store may have changed its stock so dramatically or appearance so greatly that the original observation would be correct only to a minimum as an accurate description of the store.

Since the investigation began many more similar Russian ethnic grocery stores have gone into business in the Rehovot area, concentrating in the Russian district. This, if research was done could possibly give insight as to whether there may be a glut or super-saturation in one business field with so many entrepreneurs starting their stores at the same time in such close proximity to one another. To maintain continuity, only the four original stores in the investigation were regularly
examined.

All four stores, upon first visit, offered a minimal numbers of goods. Uniformly, product such as grains and canned peas were displayed without out flair on simple metal shelves. One store on the high street of Herzl used the psychology of sensory (visual) perception. Items in immediate eye site are preferred by the customer thus the store places the luxury products such as Vodka at eye level on the first shelf so as to attract the eye as one enters the store. This subtle form of advertisement is in this case unique. The other stores had a more warehouse like ambiance with the merchandise not so neatly displayed.

None of the stores had an abundance of luxury goods such as name brand canned food, high quality meat cuts or meat products, domestic or imported canned beverages, produce, perishable dairy or confectionaire. Most items were from bulk lot and sold in plastic bags by pre-weighed kilos and the processed goods such as canned vegetable and cooking oil were from off-brands and of lower quality.

This selling of low priced/low quality goods in a nation where higher quality goods are available leads to a perplexing question. The question exists of why would people who have just left a land where there was little available to them in the form of consumer goods, be content or even happy to shop at small groceries with low quality goods and a minimum stock. There are some easy explanations such as they are not financially secure enough to shop at more expensive/higher scale stores.
or the foods these stores offer are more in synch with what they are used to consuming.

These explanations are too simple. If they were true then the stores merchandise dictated by the demands of the customers would not change. In fact, such things as canned beverages and perishables such as a limited supply of cookies or produce began appearing to appease the tastes of the quickly assimilating into more western style of food tastes customers.

Both these theories although having some validity must not be necessarily taken for fully true. For upon investigation at most major supermarkets the soviet olim consumers are assimilating well into the shopping patterns of native Israelis. It was discovered by interviews and in more casual conversation these small limited goods stores serve other purposes. They serve as primarily social nodes for the olim to meet others like themselves and feel they have a comfortable place in the community and more importantly a place where there can be a continuation of a soviet mind-set. Alexander Gidom, a grocery store owner, tells of the other use and need for his store, "This is like a social gathering place." (A node for the ethnic enclave.) Alexander, who happens to be rather paternalistic, elaborates on the comforting psychological aspect of a store for immigrants of the same ethnic group. Another reason for the founding of his store is that "opening a place would be a psychological comfort to the customers and I could give personal friendship and advice to new Olim."
The store owners provide a secure place for Russian immigrants to shop. Immigrants, who in many other aspects are unsure about their host country, return to these paternalesque proprietors who earn the right to a secure customer base. The grocery stores instead of working on a high profit margin work rather on steady income on goods which do not bring considerable profit per unit sold.

Alexander Gidom (above quoted), one half of a partnership (his partner is also a former Soviet citizen), who owns a grocery store off of Herzl sees his store as a place where Russians can shop and not have to worry about spending more than they intended due to the attractiveness of advertising. He, in typical entrepreneur style, wants to expand his holdings. His plan is to go into a type of import business between the Commonwealth of Independent States and Israel. This line of business would correlate well with what he did in the former U.S.S.R. with his shipping company at the port city of Odessa. He claims he still has 5 ships and assets as well as valuable connections in Russia and the store is a temporary endeavor which allows him to maintain contact with the Russian immigrants and possibly help form networks for future businesses.

Alexander, after living in Israel for over a year working at both a private firm and at a Kibbutz, decided to strike out on his own in this business with the little capital he gained from working. He follows the theory, as do the other three stores, that the merchandise offered is more important than
the location. Thus, his initial costs were low because of low overhead, no advertising, simple displays etc., and his products are in such small quantity that he could afford to stock his shelves basically from his own pocket. In fact, when Alexander boasts of needing no advertising, thus keeping the overhead costs down, because customers spread the news of the store by perewise telling, he is reaffirming one of the main advantages of an immigrant entrepreneur specializing in serving his or her ethnic enclave instead of the community at large. He believes for the type of store he has he could expect no better income than he receives. As long as there are new Russian olim they will gravitate toward something familiar, continuing an enclave, and these new olim are going to gravitate to the ethnic enclave stores and become his customers and the customers of stores like his. The question which must be raised is once the flow of former Soviet immigrants lessens, who will support the stores once the current olim have assimilated and start shopping at more mainstream Israeli supermarkets?

Blatant advertising of its goods was only witnessed at one store on Herzl. Oddly, it was discovered that this store was not opened by new Olim. Rather, it was opened by Russians who arrived during the great wave of 1973. These were former Soviet olim who saw, in classic entrepreneurial style, an opportunity to make a profit off the specialized needs and wants of a small group, the ethnic group of the Soviet olim. Neither of the other three stores pushed their products and felt it was more financially sound for them to have steady customers who bought
what they wanted without pressure and in whatever quantity they chose instead of pressuring customers to buy things they did not originally intend to buy or buy more of what they had, possibly weakening a paternal like bond of trust, and striving for the high quantity quick sale, but possibly losing the customer in the process. The aggressive selling store had a more boisterous owner who practiced hard sell as well as for advertisement displayed its goods on a table on the sidewalk outside the store’s door with a taped on price list of the displayed items in Russian. By alerting the consumer to some of the more commonly consumed goods they offered like pasta and oatmeal one could see that this store was trying to expand its consumer base past the currently stable market but potentially very unstable market of the Russian olim to members of the community at large.

The notion of the Russian Olim coming to Israel with no money in their pockets is true for some, but not for all. Shrewd thinkers and quite often businessmen and women in Russia have a nest egg of capital to start their businesses on or soon after arrival in Israel so they are not dependent on needing to get loans from banks or government affiliated institutions. This is a common trend seen in other parts of the world by such peoples as the Koreans in New York and cities in California. This method of financing is discussed and examined in the previous theoretical section of the paper.

The concept of selling low quality/second quality/over run
goods directly to the public foregoing the middleman/distributor to keep the cost at a minimum is not novel. These stores work by their connections to keep prices low enough so the immigrants are attracted to their stores. If they cannot buy in bulk like the larger supermarkets then they must stock separate products because the immigrants, who are on very limited budgets quite often, will betray allegiances to a small store for lesser priced goods at supermarkets. What is different is the humanitarian-like attitude taken by the stores. Alexander wants his store to be a place where he can help customers if they are having problems, a sort of grocery and advice store. Alexander’s adopted paternalistic attitude for the new Olim makes his store attractive to the olim who are by the very nature of being new needing to adjust to their host society, Israel. The Olim seemingly appreciate, as exhibited by their steady patronage, a place within a formed ethnic enclave where they can be among people like themselves and, most importantly, be relieved of the burden of making choices, unlike one needs to make in a supermarket, but not in the former U.S.S.R. where few goods were available.

All four stores had been in existence for 6 months or less (at first visit.) The details on financing are unsure for two stores, but for the store owned by Alexandar he says he financed the business without outside loans or aid. The continuing expenditures were low for all stores because they carried few perishable goods or products which had short shelf lives i.e. produce, large quantities of dairy products. Basically, once
Alexander bought a tin of sardines he knows it will be sold eventually within it long shelf life. The luxury goods were mid-quality luxury and Alexander provided these goods at cost to the consumers because he felt that if somebody wanted to buy a treat, something that was not necessary, like a couple squares of chocolate or some salami, their obtaining of a little pleasure would not benefit him while it would altruistically on his part not break the olim financially either.

Finally, Alexander Gidom says he became an entrepreneur in this type of business, realizing full well that it would not bring him great riches and a possible lowering of status, because like the other soviet olim entrepreneurs one of his main goals was to be independent by not having a boss over him. He also wanted to maintain his Russian ethnicity. He states, "It is a good location because it is close to Russian friends. I want to maintain a Russian network."

First stores opened by entrepreneur olim are often not financially as successful as the enthusiastic entrepreneurs hoped they would be or not as successful as they even need to be resulting in the closing of the business; however, opening a business at all is a great step towards sometimes financial independence and symbolically independence from the psychology of previous ways in the former U.S.S.R.

Upon weekly return inspections considerable change was observed in all the stores. Some stores changing more
dramatically than the others. To compliment the expansion of the established stores, similar stores are also emerging in other areas of the Soviet olim enclave in cities like Tel Aviv and Haifa. In the larger cities there has even been a breaking down of the food stores into basic food divisions and specialty ethnic items. This actually can be witnessed in one store, although not strictly grocery, that is in the business of food. This store in Rehovot sells gourmet foods not, although owned by a former Soviet, not to soviets but to the more established Yemenite population. The established Yemenites have the money to buy goods at this store which the former Soviet immigrant entrepreneur bought in its entirety as an established store in the community with a good reputation and a large loyal customer base.

Alex Gidom's store had begun to sell semi-perishable goods. His new stock were mass made cookies sold in large quantity out of cardboard boxes, popular at many smaller Israeli grocery stores. Further, His store also began selling one variety of canned beverage, (Grapefruit Nez) and has cut back on his stock of alcohol.

At another store where an interview was granted there was one major noticeable factor besides that there was still little choice in the brand or type of an item bought, but the goods were all semi-perishable (canned) and some had the label printed in Russian (such as Tomatoes Paste) and then other writing in Hebrew. This may mean the large food companies are making generic
or "in house" brands for these small entrepreneurial grocery stores and thus is supplying the fodder to maintain distinctly Russian enclave stores.

The most surprising change took place at the Rishon-Lezion location where the store began to sell non aesthetically displayed produce (vegetables) and milk. Both these products being highly perishable and a loss to the store if not sold within a reasonably short amount of time. Perishable goods are usually only available if it is certain there will be a large enough customer flow to purchase the perishable items before they expire.
To maintain an increasingly sophisticated and assimilated customer base all the stores will need to take steps to enhance their products offered, or like one of the stores in Rehovot clean its originally rather filthy store and make a more western image if they plan to attract members of the community by their prices or continue their hold on the immigrants.

Business establishments of the former Soviet olim, possibly because some of the owners are receiving or have received entrepreneurial training, are changing more rapidly than other comparable establishments of comparable entrepreneur immigrant groups. Grocery stores are going away from their ideals and realizing that the general public needs to be attracted through more inviting displays and general advertising. With the expedient assimilation of these entrepreneurs (including getting a better grasp on the language) these stores are becoming more included in their surrounding community instead of being kept in the web of the immigrant enclave.

Second Hand Stores:

To continue the Soviet individuals connection with the motherland a considerable number of olim entrepreneurs are in a sense selling solace to the newly arrived olim by selling Russian used goods at second hand stores.

Second hand stores selling primarily Russian paraphernalia - chess boards, Russian dress, wood dolls et cetera are moving
into supplying their main customer pool, the olim, with household items, used cookery and lamps. The longing for extraneous goods by the olim is being replaced by a sensibility brought by the lessening of available funds. Those who are not employed but need to settle are finding their government allotments diminishing. Basic living necessities and furnishings now are becoming more popular now that the olim have started to move into their homes. Items like tooth brushes and table lamps are more important to the people then buying knick-knacks from their former country.

Natalie, a recent immigrant to Israel, opened a second hand shop in an arcade of shops off of the high street of Rehovot, Herzl. There she sold clothes which would be attractive to Russian consumers. Some of these clothes are not up to par with western fashions of the 1970s; however, the clothes are relatively inexpensive considering their durable quality. The Babooshkas (older ladies who wear scarves) do not mind sporting unfashionable attire due to the fact that is what they had in their previous dreary environment of the former U.S.S.R. In her store she also sold items unique to Russia such as crafted chess boards and wood dolls.

On return visits she began to include more household goods to sell to the increasingly greater numbers of settling Russians. Since the Russians are moving out of government housing, Caravans, Hostels et cetera, they have been taking apartments in ethnic dominated areas where immigrant groups before them
had lived. These apartments are inexpensive and are a good starting block on which to build the immigrants interrelations with the community. Natalie’s store sold medium quality level used goods compared to what the quality of what was sold in three other stores the researcher observed in the Rishon Lezion enclave of second hand stores and two stores in the same general area in Rehovot as where Natalie’s store is located. Natalie along with her partner seemed relatively satisfied with her work fixing the clothes to be sold, but would rather have been employed in the established market. She claimed that this type of petty capitalism was below her previous status. When the research inquired as to what type of aid she received she with a bit of indignation stated, "I did it by myself."

Maggie Meron is an Israeli native, but decided to open a second hand store in the Russian ethnic enclave of Rishon Lezion. She saw it as a possibility to altruistically aid the immigrants by offering cheaper quality clothes, which are sold on consignment from the original owners through the store, and to make some money or enterprise off of the potentially large pool of former Soviet immigrant customers.

She admits that the immigrant entrepreneur olim who own second hand stores which sell a greater variety of practical goods (lamps, cutlery, dishes) and less clothing do a very respectable business. She says that she is only attracting 20% of immigrants and now must depend on the larger more general consumer pool.
Maggie observed that many Russians because upon arrival to Israel they receive money in a lump sum instead of in increments do not know how to wisely spend their money basically because the government in the former U.S.S.R. used to take care of most the people's needs. She has taken note that by the time the olim arrive at the second hand stores some are pretty desperate for monetary assets. She also believes that because so many olim are becoming entrepreneurs the Russians are not becoming assimilated as quickly because they are being pampered by such things as stores directed only towards their olim group because of their large numbers and their resistance to learning the language, as mentioned earlier an important step in assimilation, by having signs for and at the stores written in Russian. As an interesting note, major appliance stores because the olim are settling in are aiming right at the largest potential customer group which happens to be the Russian olim who are in want of consumer goods they lacked in Russia like washing machines and dishwashers. In fact, many people believe, according to her, that the Russians are misspending their allotments which some seem to believe will be replenished by buying high priced "status raising" consumer goods even Israelis would not buy in such quantities such as Levis blue jeans=, major appliances, and gourmet foods in the super markets.

Cases of Failure:

All though there is a recognizable consumer pool that are potential customers, it seems as though those immigrant
entrepreneurs who do not direct enough of their energies to win the business of their intended customers and did not provide for the needs of their customers coming from a non-intended but potential customer pool, fail.

One business in Rehovot which failed was a baker. Upon interviewing a fellow neighbor baker the researcher was informed that this former Soviet immigrant entrepreneur was rude with his customers, was often inebriated by means of potent libations, and was undependable keeping erratic hours. This description can be translated in many ways. Possibly, this entrepreneur did not know the ways of conducting Israeli business. Maybe the entrepreneur did not know how to build up and maintain a good customer base. Another explanation might be locational, in that in the area he was established there were already two other bakeries with higher quality or equal quality goods with similar prices that had a loyal customer base. The entrepreneurs must be careful not to go into a market that is near the saturation point. In smaller towns especially, not only are there smaller ethnic enclaves, in this case olim, to serve, but there is also a smaller general populous whose many needs may well be, be taken care of by the existing structure of business on or near a town’s central business districts.

The waves of immigrants spoken of in an earlier section of the paper may quite easily bear reverse effects if the wave reduces down to a trickle. If no new immigrants fill the place of a previous group after a certain duration, then the businesses
will have no customer base unless the temporary customer, when they were olim, become permanent customers as they progress into being functional members of the consumer community.

Analysis:

Being from a non-capitalist society makes the transition to capitalism in the form of becoming an entrepreneur more difficult. All though entrepreneurship may seem an option for employment for many young and independent persons, for older individuals who are entrepreneurs they are often so because they are unable to obtain employment in the established sector. For these older individuals there may be difficulties in maintaining the entrepreneurial drive needed to operate entrepreneurial endeavors. Immigrant entrepreneurs have strikes against them in that they have no connections in the host society's business community and if the business community is relatively closed then the entrepreneur may be deprived of some information that could aid in the success of his or her business.

Conclusions:

Entrepreneurship is often for an individual the result of circumstances and serves as the sole means for immigrants turned entrepreneurs to provide for their livelihoods. Entrepreneurs with training in business and that have continued support through advice networks and education have a better chance at succeeding. If the new wave of highly educated olim
do not find employment in the established market then there is a distinct possibility they may move into high technology entrepreneurship and other specialized service and production industries, both in the urban areas and in the periphery. Immigrant entrepreneurs' businesses are often dependent upon a continued influx of new Russian olim to support their ethnic targeted stores. Entrepreneurship may provide a viable alternative to former Soviet citizens rather than becoming employed in the established job markets. With aid from both private and public sources (government agencies) entrepreneurs have a greater chance at success because of financial and other forms of supports. If the Israeli economy does not provide for more jobs, immigration will decline and the foundation of the ethnic enclaves may be weakened. With the advantages of being educated and the disadvantage of being unfamiliar with their host country, Israel, the former Soviet immigrants face a challenge in becoming entrepreneurs in, to them, a foreign environment.

Prediction:

The researcher's prediction is that with the increased mobility of the olim due to many of them owning cars which they purchased tax free under a government incentive program, the void of off price merchandising or discount stores will be filled by the enterprising former Soviet immigrant entrepreneurs. The stores will be located away from central business districts and a reasonable distance from major cities to take advantage
of lower land rent. The store's will work on the principle some entrepreneur's have already discovered in the grocery business of not dealing with a distributor, rather with the manufacturing companies directly. These stores will be larger than urban stores, will have plentiful parking so that the newly mobilized population of Israel and the general Israeli population with the ever increasing number of cars sold will find shopping convenient, and the goods will be sold at a low enough price as to offer valid reason for an individual to shop at that store instead of in the central business district usually along a town or city's high street.

Final Comment:

As with any research this report has not been fully inclusive of all the facts concerning the phenomena of the immigrant entrepreneur. It has attempted partly to investigate specifically the situation of the former Soviet immigrant entrepreneur in the State of Israel. Due to this phenomena being novel in Israel the duration of the validity of the researcher's observations may be limited.
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have proven success in the past like grocery stores, tailoring shops, or cobbler shops.

13 of them will work with their families. Thirteen people out of 34, taking into the consideration that not all the people in the course have families, is less than what one find in an ethnic group such as the Koreans or Hispanic Latinos where the entire family works. In some cases the family needs more income than the single entrepreneur can fetch or the job does not require the family to work and so the spouse and possibly the children of the family work elsewhere to bring in supplementary income.

19 will take partners. Some will take partners who are fellow former Soviet citizens while others will team up with Israelis for mutual benefits. These mutual exploitations are of the Israeli’s familiarity with the culture and his or business knowledge and the immigrant entrepreneur’s possible special knowledge in a field.

The majority would like to locate in the central cities. The aspiring immigrant entrepreneurs prefer to be where the largest numbers of potential customers will be. This, by definition of metropolitan areas, is going to be in the major urban nodes where large quantities of people can buy goods and employ services.

Data on Case Studies (Information from Interviewies):