Case Study Series

University of St.Gallen

Open for Business in Russia:

Payments with Nikolay Zhmurenko's 2can

Teaching Note

Reference no. 814-056-8

This case was written by Tomas Casas i Klett (Assistant Professor at the Research Institute of International Management at the University of St. Gallen, FIM-HSG). The case is exclusively intended as the basis for class discussion rather than to illustrate either the effective or ineffective handling of a business situation. The case was compiled from interviews, internal documents, and publicly available sources. The case was developed without external funding.

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I. Synopsis

In 2010 Nikolay Zhmurenko, a highly successful Moscow executive with a solid track record at Russia Inc., caught the entrepreneurial bug. His first step was a search for possible ventures. In July 2011, after identifying a credible opportunity in the mobile payments space, he quit his CFO job. Half a year later he launched, together with his friend Dr. Yury Vladimirov, JSC "Smartfin"[1] (better known for its *2can* brand). The founders invested (the equivalent of) $300,000 USD of their own money in the adventure, and Nikolay became the majority shareholder and CEO.

The entrepreneurial story is about how 2can – sometimes called the 'Russian clone' of America's Square (www.squareup.com) – became the leading local firm in mobile payments. The product is a payments system that uses a dongle plugged into a smart mobile device to enable any Russian merchant to accept credit card payments. This approach facilitates commerce in a low-trust culture where "first you see, then you pay." Unlike players abroad, Nikolay's business model is based on a dual strategy that includes both the 2can own brand and white label. Under the second approach, partner banks distribute under their own bank brand the 2can OEM card payment solution to their merchants.

By June 2013, 2can signed its 1,000th user under the 2can own brand model, and by January 2014 it boasted 4,000 (each merchant averages 2.25 users). To consolidate its market leader position, Nikolay aims to reach 300,000 users by 2017. A key factor in meeting this goal is that the number of white label partner banks increase from 3 to 13 in the course of 2014. Can 2can do it?

With the firm's rapid growth, cash flow pressure increases and additional external financing is needed. The Series A $2 million USD raised at the end of 2012 ran out in early 2014 and $6 to $8 million USD in "smart money" was sought. Shortly after the case was written, the sought after Series B financing deal closed (in March 2014) – raising exciting questions and possibilities about the scalability of Nikolay's venture.

Questions on the stability of the Russian environment and its regulated finance industry loom over the case. Key technological and business model decisions that will determine 2can's fate will be taken over the next 12 months.

[1] Note: JSC is the abbreviation for joint-stock company, the legal entity under Russian law for limited liability firms owned by shareholders. JSC "Smartfin" (ЗАО «Смартфин») is a 'closed' JSC or a ZAO (ЗАО being the Russian abbreviation of Закрытое акционерное общество). ZAOs can have a maximum of 50 shareholders and their minimum capital is 10,000 rubles

Most importantly, OEM bank deals need to be inked fast. If Nikolay's vision does not work, should he plan for an early trade-sale exit? To succeed on his terms, Nikolay is set of further embed his company in the Russian business system, and make the OEM white label model work, ideally in partnership with the country's top banks.

The inception and development of 2can not only makes for an interesting story in itself; it also shows how Russia's business system is transforming. The picture that emerges, refreshingly, is not one centered on stereotypes of shadowy oligarchs and a closed economy. As Nikolay thinks about how to best grow his start-up, a different side of Russia emerges. Although traditional aspects appear (yes, oligarchs play a role) and Russia's banking and payments system may have significant differences from other economies, in other respects Russian high-tech entrepreneurs make decisions in ways that would seem familiar to similar entrepreneurs in the West and in other emerging economies.

2. Case Positioning in Your Course, Learning Objectives

Uses of the Case

This case fits in the following courses:

- Entrepreneurship
- Emerging Markets/Russia [Doing Business in]

The case is especially relevant to a course where the two themes intersect.

Additionally the case might also have a role to pay in *general contextual studies*, or in courses at the intersection of business and culture, such as:

- Cross-Cultural Management; International Business

The case describes the on-going real-life experience of Nikolay Zhmurenko and is positioned to support understanding of an entrepreneurial journey, as well as success, in the Russian business context. It does so through the analysis and frameworks it presents, as well as the discussion it elicits.

Learning Objectives

- Russia and doing business in Russia
- Introduction of basic concepts related to start-ups, with a focus on the early stage and high-growth phases
- Culture, institutions, politics and their interplay in emerging markets
- The fragile, complex and random nature of the entrepreneurial process
- The central importance of the founder and his/her subjective rationality
- Decision making under uncertainty
- Company valuation and funding strategies
- Evaluation of analytical frameworks used to assess a venture, taking a business angel, VC or general investor perspective
- Deep dive into the payments industry, its ecosystem and connection to banking, the incumbent players, as well as opportunities and entry barriers
- How a founder operationalizes a vision and transforms it into a concrete action plan
- The nature of opportunity in emerging markets: Is it for you?

Potential Audience for the Case

Student Characteristics	
Academic level	- MBA, EMBA and advanced undergraduate students in business administration - Executive education programmes themed around Doing Business in Russia/BRICS.
Nationality	- *American and European* students, wishing to understand or work in Russia (and other emerging countries) are a primary audience for the case. - *Russian and Eastern European* students aiming to understand entrepreneurship close to home; this case is also designed for usage at Russian and Eastern European business schools. - The case might be of interest to *emerging economy* students from China, India, Latin America, the Arab world, Africa. The point is to stimulate the drawing of comparisons with their own environments and structure of opportunity, thereby identifying issues common to emerging markets and issues particular to their own country or to Russia.
Requirements	- Students should have a basic understanding of entrepreneurship. - No basic knowledge of Russia is required; case can be used to introduce Russia and its business system.

Suggested Readings, Theoretical Material

Prior reading of literature is not necessary to review and discuss the case. The material below might be assigned to students:

Russia

- For preparatory readings on Russia, *The Russian Management Model: Hidden Reflections* by Alexander P. Prokhorov (Moscow School of Management SKOLKOVO, 2008), *The Key Commandments for Doing*

- *Business in Russia*, by Carl F. Fey and Stanislav Shekshnia, 2008 (available at http://www.insead.edu/facultyresearch/research/doc.cfm?did=19598).
- In terms of theoretical frameworks, generic Varieties of Capitalism literature will help to convey something about Russia, and the impact of culture and institutions on the business system and on operating in Russia. General *Institutional Economics* readings will also support the analysis of parts of the case.
- One important aim is that the case, by touching cutting edge entrepreneurship and high technology, provides a novel conceptualization of the Russian business system and Russian businesspersons.

Entrepreneurship

- At the SSA academy, Nikolay was educated with Bob Dorf and Steve Brank's concepts found in the bestseller *The Startup Owner's Manual: The Step-By-Step Guide for Building a Great Company* (K & S Ranch, 2012); this work would connect the case to the entrepreneurship student in more ways than one.
- The case brings entrepreneurship to life - the following three well-known readings contain actionable frameworks and supply relevant analysis tools in the context of the case:
    - Gassmann, Oliver and Karolin Frankenberger, Michaela Csik. *The St. Gallen Business Model Navigator*. Working Paper. University of St. Gallen.
    - Osterwalder, Pigneur. *Business Model Generation*: Preview. Self-published, pp 1-72, 2009. available at: http://www.businessmodelgeneration.com/downloads/businessmodelgeneration_preview.pdf
    - *Business Model Kit*, available at www.boardofinnovation.com

Payments industry

- The case contains various url references in the footnotes that students can explore as an initial step to understand and access a vast literature (including especially industry sources) that is available on the mobile and card payments industry, its players and dynamics.

Research Methods

The research basis for gathering the case information was a direct dialogue with Nikolay Zhmurenko conducted through conference calls, e-mails and face-to-face interactions in Moscow. This access allowed the author to slowly, over a period of seven months, understand the 2can story as well as the relevant context.

The author is grateful to SKOLKOVO's School of Management and its SKOLKOVO Start-up Academy (SSA) for providing the initial lead as well as the

inspiration for writing the case. At the time of writing, the author was a visiting professor at SKOLKOVO; he has never had a formal relationship with the SSA.

The introduction to Nikolay Zhmurenko was mediated by Lawrence Wright, the founder and at the time director of the SSA. Lawrence also supplied insights during the early stages of the research. His two decades of international business development, and recognized expertise in entrepreneurship and innovation, provided critical views that were incorporated in the case. Lawrence left the SSA in early 2014 and continues to support successful early stage entrepreneurship initiatives in Russia via the Launch Gurus (http://launch-gurus.com/) platform, which he co-founded.

Style Elements

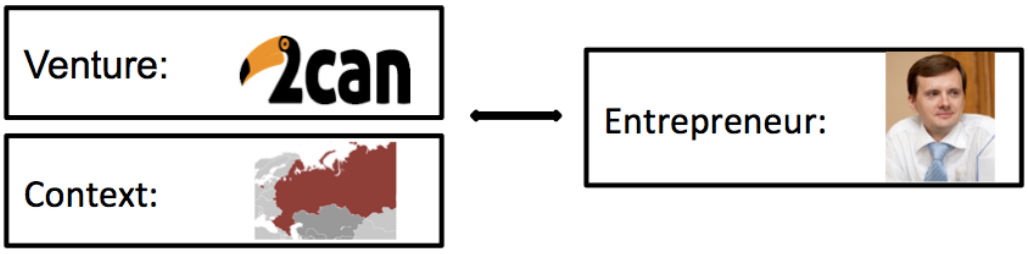
During the production phase of the case, the need for background and rich context became evident.

The case is therefore a **lengthy** one as it aims to deliver **thick descriptions**. There are repeated references to the (a) business environment, the Russia market, its institutions, business system and players, as well as to (b) the global card payments industry, business models and related technology. Both levels of analysis are somewhat complex for the uninitiated, and therefore call for the detailed descriptions. As a result the reader is taken into accounts of local shopping customs, references to ownership structures, and comparisons between the American and Russian card payments industry ecosystems.

Names of selected companies, businesspersons and institutions are often rendered both in English and in original Russian. For Russian and some Eastern European readers this will facilitate the drawing of equivalencies (as English transliterations are not always easily recognizable), and further research. The author's purpose is also to endow the case with a **local feel**. This will drive home the importance of familiarization with the Russian language and the Cyrillic alphabet for those wishing to do business in Russia.

3. Teaching Plan

The learning objectives result in a suggested teaching approach for the case, revolving around three fundamental content areas, depicted below:[2]



The three discrete content areas structure the discussion and elicit questions; these can be pursued to varying degrees depending on the available time and the depth level the instructor wishes to engage.

Warm up introduction

To warm up the class, icebreakers have worked well. The first two questions lead to a third one that brings close to home what to many students is a far-away venture:

- ✓ What do you know about doing business in Russia?
- ✓ Have you ever launched or plan to start a venture?
- ✓ Would you – both the Russians and non-Russians in class – ever consider starting a venture in Russia?

The questions are posed in rapid sequence to stimulate the appetite for the session. It is important to be aware that the two last questions surface again, albeit in a different format, during the organized discussion. Often the answers post-discussion differ from the ones supplied during the initial icebreaker, thereby allowing the instructor to close a circle with interesting reflections.

Organizing discussion

The teaching plan assumes a 60- or 90-minute plenary session and is organized around a five-block progression:

[2] Picture courtesy of 2can. Map sourced and modified from online CIA Factbook.

	Theme	Teaching Plan: Discussion Points	60 min Session	*90 min Session*
(a)	**Opening**	Introduce the case via students providing succinct and pointed reactions on the most salient aspects of the case. What are the central learning themes to be covered?	10 min	*10 min*
(b)	**Russia**	Discuss Russia-specific Issues. Hone in on what seems different and is different about *Doing Business in Russia* (both students familiar and unfamiliar with Russia to comment). Focus on the emerging market theme: Use other BRICS or developing countries as references and draw analogies/highlight differences with their business systems.	15 min	*20 min*
(c)	**Venture**	Recount 2can's entrepreneurial journey (try to avoid Russia-specific issues even if they seem to lurk at every corner). Analyze the industry, the technology and the business models. What key decisions must be made to scale (and exit) well?	15 min	*20 min*
(d)	**Founder and the Future**	Assess the most likely future for Nikolay and 2can. What are the main risks for the founder moving forward? What are the key decisions that will shape 2can's future? What are the main scenarios? Which ones might equal entrepreneurial success and which ones point to failure? What advice would you give to Nikolay today?	10 min	*20 min*
(e)	**Closing Self-reflection**	"You [the *student*] have a chance to venture in a developing country (Russia, China, India, South Africa etc.) via a friend, an investor, a technology partner, or even a spouse. Assume this is a high-potential, truly irresistible opportunity. Now ask yourself: What am I lacking to engage? What questions do I need to ask? How will I fill my knowledge gaps? What can I learn in Russia (or in other BRICS) that will make me a more formidable businessperson in my home market? Lastly, will I jump into the (foreign) ocean, or will I pass up the opportunity?"	10 min	*20 min.*

Extended 180-minute Format

The class might be extended to a 180-minute format. Under this option an additional 10 minutes could be devoted to the last four questions. In addition, there would be a full 50-minute slot for preparatory excises. That is, the students would either (a) present their selected preparatory exercises conclusions and research, or (b) in-class debates could be organized.

Preparatory Exercises

Students will come prepared to class by virtue of having read the case. Optionally the following preparatory exercises (1 to 3 page analysis) are suggested:

Suggested Optional Exercises	
Debate Topics	○ Put yourself in Jack Dorsey's skin (the founder of Square and Twitter) as he evaluates expansion: Russia is an important market. Should he acquire 2can before it lists? If so, explain why (and the terms of the deal). If the answer is negative, also discuss why the venture (or the Russian market) is an unattractive bet for Square. ○ The structure of opportunity. What is easier, (a) for a talented Russian to make money in Russia (hereto a fast growing emerging market, albeit now slowing down), or (b) for Americans/Western Europeans to succeed in their own more competitive, mature economies? ○ Is Nikolay's decision-making rational? Do uncertainty, behavioral biases, culture or institutions (negatively) affect his judgment (underestimating risks, the business model choice, etc)? ○ Payments Ecosystem: Finance + Tech is a very attractive combination, or is it not? Do you see opportunity in the payments market? Are the biggest chances in mobile payments or somewhere else?
Exercises	○ 2can's business model / revenue model: Based on the case reading pictorially draw both, the (a) business model and the (b) revenue models. Use any of the variety of tools available (see further reading). ○ Doing Business in Russia Manual: Provide your *Does* and *Don'ts* list ○ Field research on Russian websites: The case presents a variety of Russian websites, from 2can clients to partner banks. Select two companies whose url you find in the case and analyze the Russian entity comparing it with a similar entity, in your country. What are the differences and similarities? What surprised you?

4. Drilling Down Themes: Question Lists

As a supplementary support of the teaching plan, discussion points are further broken down via a series of specific questions on each of the three fundamental content areas: (a) Context: Russia; (b) Venture: 2Can; (c) Entrepreneur: Nikolay. Each question has potentially multiple answers, many of which are interlinked and interdependent. The question lists are meant to be a reference resource, and can be supplemented with others.

(a) Context: Russia (Doing Business In)

Russia Opportunity	
Calibrate the Market	Students to independently evaluate the "Russia opportunity." For instance in mobile payments, Russia tied with Brazil at 220 million mobile users, ranking fourth after China, India and the US. • Are there other data or metrics (e.g., revenue per user) that tell a different story of the mobile payments market size? • More generally, should Russia be a secondary or a top strategic priority for Western firms going global?
Risks	Note the case reference to Central Bank of Russia (CBR) chairwoman Elvira Nabiullina's withdrawal of the business license from Master-Bank. The decision happened while the author was teaching in Moscow; one of his students, a business owner, lost $20 million USD (which he never expects to recover), while another, more dramatically, saw most of her savings being wiped out. 2can was marginally affected. Other risks were brought to light on March 2014, when as a result of the Ukrainian crisis and on the back of US sanctions against Russia, both Visa and Mastercard suspended the relationship with large financial institutions like Rossiya Bank, Sobinbank or SMP Bank. The two incidents raise the next questions: • What are the risks of doing business in Russia? • Once Russia-specific risks are identified, what protection measures can one take? The questions apply to the case, yet also more generally, to the opportunities associated with Doing Business in Russia.

Business System	
Politics and Business	In emerging economies there are often important links between the two domains. The case touches upon the role of connections across business, institutions and politics. SKOLKOVO is a node for business connections in Russia. Some of them are international (Singapore's founding father Lee Kwan Yew sits on its International Advisory Board, which is chaired by Russia's Prime Minister). While the school benefits from the relationship with the state, the state in turn aims to create a leading global business school in its capital. • What is the role of the state and leading formal institutions for doing business in Russia (and in emerging markets)? • How is that role different from that in the EU/US? • What is the point of the helicopter scene describing Prime Minister Medvedev's landing?
Oligarchs	Oligarchs are perceived as a feature of Russia's business system. They are not absent in this story; e.g., the Ananiev brothers enter the case twice. Some are referenced because of the uniqueness of their models (e.g., Rustam Tariko owner of Russian Standard Bank and Russia Standard Vodka). Students of business in Russia would need to be familiar with the leading oligarchs and their business. • You are a high-tech venture in Russia: can oligarchs in traditional business support your start-up? • Did Nikolay benefit from his connections to the rich and powerful and if so, how?

Culture on Business	
Culture Dynamics	Reconstruct the cultural assumptions under which Nikolay operates. • Could a new generation of Russians, possibly a new professional class, be emerging? If so, how is this class different from previous generations in attitudes to business and in their degree of openness to the world? • Is Nikolay an example of a changing Russian culture or is he a non-representative outlier? • List the main ways in which young Russians (born post 1980) are different from the older generations • How unique is an apparent Russian generational culture change process compared to changes that are also occurring India or China?
Cooperation	From different cultural dimension indices you might have concluded that Russia is a low trust society, and at the same time very hierarchical. That means that eliciting collective action

	outside the coverage of certain institutions (like the firm or the state) is challenging. Nikolay is trying to build a blacklist of fraudulent merchants and cardholders: "We are competitors but we should cooperate in our fight against fraud in mobile payments." • What is the likelihood of his initiative succeeding? • Generally speaking for Russia (and for your own cultural context); how easy is it to oscillate between competition and cooperation?
Thinking Across Cultures	Nikolay understands the world well despite his broken English, and yet he is deeply Russian. • Let us say you are a local entrepreneur in Germany, China or the US; reflect on how your venture behavior is impacted by culture. Think of family support, decision to launch, networking dynamics, speed of execution, etc. • Nikolay retires and hires you as CEO: What would you do differently? • What cultural Russia-only issues are you able to identify from reading the case? • Has the case changed your perception of Russians in any way?

The Market	
Emerging Market Models	Square, which served as an inspiration for the launch of 2can, is held up as a mirror. There is a thread running through the case: • Identify original aspects of the 2can business model. • How unique is 2can's model really? Nikolay notes that his challenges cannot be resolved by looking at the American leader. Russian companies like VK (VKontakte, after Facebook Europe's 2nd largest social network) or Yondex (owns 60% of Russia's search engine market) seem to follow a 'localized innovation model'. That is, the initial venture idea, the technology and market approaches are inspired by leading global (mostly US) firms. In a second stage the venture adapts ('copy-and-paste' ceases to be relevant) to the reality of the emerging economy. • How (a) critical for success and (b) innovative is the above described adaptation process? • Does high-tech innovation in emerging markets like Russia, China or India really follow the described pattern? Can ideas from emerging markets make it (or make it back in adapted form) to the US and Europe (think of Baidu or Youku)? • Can Western firms such as Square or Ingenico be successful in Russia on the strength of their business models? • From a customer acquisition perspective, how different is Russia's market from the EU and the US?

Competitors	For a thorough analysis of the market and competitive landscape, a comparative analysis is an option (by no means an easy task). The following quote from the Habrahabr blog indicates where to start the research: "First place ranking is for 2can's service. Second place is rightly shared by LifePay, Sum Up and Pay Me. The third and worthy place is for iPay and iBox. Simple Pay, RBKCard, Termite and Paybyway are currently (…)". • Make you own ranking of competitors in terms of revenue, users, valuation, future prospects. • How did you get the data? • Did you supplement literature research methods with direct contacts and conversations with Russian sources?
Quantitative Data	During case writing, the author tried to supply as much data and figures as possible. • Does this case contain more or less data than a similar case would supply in the US or Europe? • Was this data enough to analyze the case and what is still missing? • What other data would you wish to collect yourself to really understand the case and the prospects of 2can? • How would you go about obtaining this missing data if you tried to enter the Russian market for a (non-2can!) personal business project?
Regulation	Regulation is critical in any industry, especially in finance and for the credit card payments segment. • Provide evidence for the argument that Russia is a more / less regulated economy than that of (your own) country. • Why are the MasterCard and Visa fees different in the US and Russia? (Hint: try to connect your answer with the fact that Visa listed in 2008 – then largest ever American IPO)

(b) Venture: 2can

Business Models	
Innovation	Innovation is often the result of Schumpeterian new combinations. • What combinations have enabled the mobile card payments industry to emerge? • What is Nikolay combining in Russia? • Are mobile payments firms just 'agents' (on steroids)? • Are mobile payments agents innovators in reaching clients?

Disruptive	This case is about mobile card payments, a segment recently getting significant media coverage. It has even been billed as a revolutionary business. • Are mobile payments revolutionary in the technological sense and/or in some social or organizational sense? • How will the winners of this technology disrupt the industry, and which players specifically in the payments ecosystem could be disrupted? • When the dust settles will the new mobile payments firms dominate the payments industry, or will they be players at the margins of a vast ecosystem?
Business Models in the Payments Ecosystem	The payments ecosystem is structured around a complex value chain with many specialized players, each having sophisticated proprietary business models. • What is the most profitable business model in the mobile payments ecosystem (the agents, the issuing banks, the processors, the card brands, etc)? • Do you endorse 2can's dual business model strategy with its own brand and 'white label' approaches? • Do you believe in the eWallet model and if so, who is best positioned to make it work? • Discuss the other business models that Nikolay is considering; if you were a consultant how would you rank the models in terms of revenue potential and feasibility? • What is the addressable market for 2can? • Is 2can leaving money on the table by not moving aggressively enough into a specific area (which)?
Industry evolution	The questions below discuss the industry ecosystem and the relationship and impact of new players on incumbents. • Will mobile payments start-ups (a) become a force in their own right; (b) end up being acquired (note ROAM's acquisition by Ingenico the leading French payments equipment firm); or (c) will mobile models be incorporated by existing players while the start-ups remain minor players? • In America, are mobile payments a $10 billion or a $100 billion USD (revenue) market opportunity? • Could 'mobile' be just a commodity function in the future payments industry (easily offered by everybody)? • Calculate the size of the opportunity (market size) in Russia. • Will Square succeed and if so, what will be their valuation one year after IPO? $1/$5/$10 /$20 billion USD? • Will success (or failure) of mobile payments firms in the US/EU mean the same fate for industry players in Russia?

Business Basics	
Profitability and Revenues	While the author was not authorized to publish 2can's financial statements (or key information such as revenues), a variety of data points are provided throughout the case. A-students able to 'connect the dots' might find ways to answer the questions below: • Does the data supplied allow you to calculate revenues? • How profitable can the business really become and what is the breakeven point? • What is the relationship between fixed and variable costs? • The variable costs of client acquisition are business secrets; can you figure out a way to approximate these costs?
Early Stage Funding	One of the pillars of the case is the funding decision. It is important to emphasize how much of a fund-raiser Nikolay is (and how much of his attention is devoted to this matter). • Do we perceive from the case that his focus on funding detracts from the other business questions? • Is Nikolay a well-rounded founder versed in technology, sales and finance or does he have a narrow skill profile? • Did Nikolay give up too much equity during the Series A round (40% against $2 million USD)? • For an entrepreneurship course where students need to prepare a business plan: How much equity *in your firm* would you give away at the first formal funding round?
Growth Funding	Students can do a valuation exercise based on the overall market size, and the total value that can be created in the space in Russia. • Is 2can worth the valuation implied in the $6 - $8 million USD deal ($12 USD million pre-money) Nikolay is offering? • What is your valuation based on your top/bottom-line calculations? • Besides cash, what should Series B investors bring? • Did Nicolay leverage his contacts in the finance industry properly? (At a first glance his personality is not that of the stereotypical networker or the aggressive entrepreneur). • How much could 2can be worth in three years?
Exit	Nikolay did not wish to get off-track by discussing the exit. Various future scenarios seem plausible today. In the most optimistic scenario, 2can becomes Russia's undisputed leader in the mobile payments space and lists in NASDAQ. In another scenario, 2can remains an independent but small player. In yet

	another path forward, 2can does a trade sale to a large Russian (or foreign) bank. • Analyze these three future scenarios (or a fourth one) and build a narrative (next steps) around the one exit scenario you deem most likely to occur.
Beyond Dollars & Cents	On the Social impact of new business models: • What do critical customer reports have to say about Square and its business practices? • Can the business model be tweaked to allow less controversy (relatively high fees, hidden chargers, fraud) or are such issues unavoidable with this technology and this model going for the bottom of the pyramid? • Do these issues represent a substantial business risk? • On encryption (or the lack thereof), research the surrounding controversies in the US. Is Nicolay wise to make this an investment priority at 2can?

(b) Entrepreneur: Nikolay

The Individual and the System	
Networking	Individuals in Russia have been characterized as constrained because of the need to link up with institutions. This sheds light on one of the key resources in firm founding: effective networks. • Recount Nikolay's networks; were they sufficient to venture? • How well does Nikolay leverage his networks? • How good is he at building new ones? • Who are Nikolay's mentors? • Nikolay emphasizes that he sought "smart money": do you agree with his definition of *smart*? Is anything missing? • Nikolay noted that getting to the core of a big account is "very complex, involving long chains of people;" how is networking in Russia different from networking in (your home) country?
Educational Institutions	Nikolay quit his job and began to inquire about educational programmes. His claim is that SKOLKOVO helped him fill key gaps. • What gaps? • Why are you taking (or would you take) a business administration course or join an MBA/EMBA programme? • If you are doing an MBA/EMBA, discuss the relative

	importance to your future career of (i) acquired knowledge, (ii) networks, and (iii) personal brand building. • Note that a faculty member helped Nikolay "organize the various parts of the network:" how central are educational institutions in your country's networks?

Up Personal	
First Decision	Russia and Entrepreneurship are brought together by Nikolay's decisions; they connect the individual to the system. • What was Nikolay's pre-entrepreneurial mind-set? • Was it worth it for Nikolay to leave a plumb job and its associated perks to jump into the ocean of entrepreneurship? • Is it likely that Nikolay will regret the decision to launch a venture? • Is it likely that Nikolay becomes a living-dead entrepreneur?[3] • List what Nikolay is giving-up or compromising by venturing; also list the opportunity costs if any. • In your case, what would the trade-off be in launching a new venture? • What is the biggest thing you could lose? • How rational can we expect *you* to be, if and when you decide to launch a new venture? • Think of yourself as a wannabe founder: identify any decision-making biases (such as over-optimism, irrational escalation of commitment, action bias) that might influence your decision to jump into the ocean.
Family	An often-overlooked aspect of entrepreneurship is the personal support infrastructure. During the interviews it was obvious that to Nikolay his family is central. His eyes brightened up when talking about his wife and son. • Is Nikolay's family impacting 2can's performance and if yes, how so? • Can family be a substitute for mentorship? • You start a venture: what do you expect from your family? • What will your family expect from you?

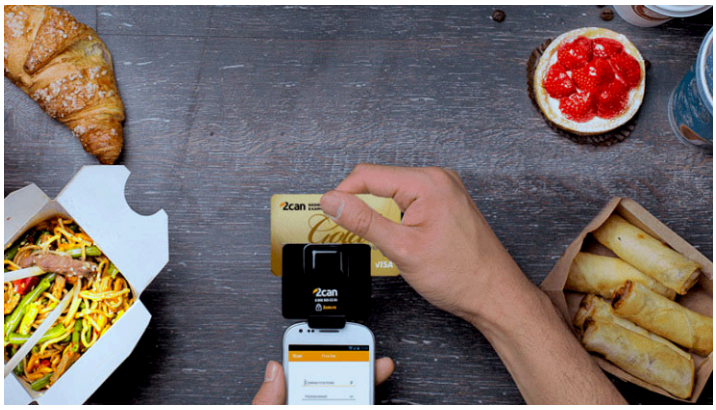
[3] Note: 'Living dead ventures' are in a state characterized by sustained under-performance combined with survival. Firms in this situation persist for long periods of time without meeting the expectations of their founders and investors. Entrepreneurs holding on to the last ditch at the helm of such ventures typically fall into a living dead trap. The normative decision in a living-dead trap situation calls for termination of the venture. Source: *The living-dead trap: An exploration of entrepreneurs' persistence in under-performing businesses*, Thierry Volery, Michael Hilb and Tomas Casas. Forthcoming.

6. Epilogue

2can is a going concern. Nikolay is as ambitious and energized as he was when he quit his job. Growth is validating many of his earlier bets. As students research the case, they will find that a new group of investors believes in him too. News that Nikolay successfully closed the Series B round (raising nearly the total targeted amount!) even hit the wire at *TechCrunch* on March 31st 2014.[4]

Russian Square Clone 2can Raises $5M To Scale Up

> "The company claims that its revenue increased 500 times in 2013, with the number of transactions made through 2can terminals increasing 200 times over the same period – though with (no) actual figures these numbers should be taken with a grain of salt."



2can is on the radar at Silicon Valley. Success of the Series B has encouraged Nikolay to start a Series C round shortly. Indeed, one investment fund wishing to participate in the B round "was late;" their participation in 2can will be facilitated via the Series C round.

The other key issue is signing up Russia's largest banks. This could make or break the white-label strategy and even the venture. At the time of going to press, a deal with [name withheld] seemed almost done. Nikolay sees this contract as the key milestone to achieve the fast growth his investors are expecting. He has worked harder on this deal than on any other aspect of the firm and he has activated all his connections and networks for this commercial cause. The author feels that nothing has mattered more to Nikolay than bringing this prospect to a good conclusion.

The author plans to update the teaching note. For any questions he can be contacted. Criticisms are very welcome; suggestions to improve the case or teaching note will be met with gratitude.

[4] http://techcrunch.com/2014/03/31/russian-square-clone-2can-raises-5m-to-scale-up/