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**PROGRAM REPORT**

PERIOD:

October 1 to December 31, 1992

for

**Management and Economics Education  
for Central and Eastern Europe**

Project No. 180-0029

U.S.A.I.D. Grant No. EUR-0029-G-00-1051-00

from the

**Partners in Economics and Management:**

Hubert H. Humphrey Institute of Public Affairs  
Department of Agricultural and Applied Economics  
Curtis L. Carlson School of Management

of

The University of Minnesota

and

Land O'Lakes, Inc.

Sparks Companies, Inc.

The American Trust for Agriculture in Poland

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**PART ONE**

**UNIVERSITY**

**OF**

**MINNESOTA**

## **UNIVERSITY OF MINNESOTA**

### October

This month witnessed the official opening of the Polish-American Center for Economics and Management at the Warsaw School of Economics<sup>1</sup>. The ceremonies were conducted on October 22, 1992 and were led by Professor Aleksander Mueller, Rector - Warsaw School of Economics and Dr. Zbigniew Bochniarz, project director of the Partners in Economics and Management and senior fellow with the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota. The activities were attended by over 80 representatives from the WSE and universities around Poland whose faculty had participated in past PEM training programs. The event received wide coverage by local Polish media.

The U.S. Ambassador to Poland, Thomas Simon, attend the mid-day reception and his Consulate associates made formal presentations earlier in the day. Presentations were also made by administration representatives from the cooperating departments at the University of Minnesota. Approximately 65 students received certificates acknowledging successful completion of topical courses offered singularly by American professors or jointly with Polish faculty during the 1991-92 academic year. The event concluded with a public lecture on economic transformations delivered by University of Minnesota Regents Professor, Leonid Hurwicz, a Polish emigre.

The University of Minnesota Management Team used the occasion in Warsaw to finalize details regarding the 1992-93 academic training activities proposed by Prof. Grzelonska and Dr. Radomski<sup>2</sup>. These activities included a Winter School of Finance, two summer schools on management and economics, and seven curricula workshops to be

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<sup>1</sup> See UM Attachment 1.

<sup>2</sup> See UM Attachment 2.

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conducted by the training centers in Warsaw and Olsztyn. Some members of the Management Team also had the opportunity to meet with former Finance Minister Balcerowicz and a number of his former deputies to discuss the goals of PEM and solicit their opinions on the future of economic transformations in Poland.

After the opening ceremonies in Warsaw, Professor Jerome Hammond from the Department of Agricultural and Applied Economics travelled to Olsztyn and delivered lectures to faculty and students in agricultural marketing and market information systems at the University of Agriculture and Technology<sup>3</sup>.

November

Professors William Rudelius and Fredrick Beier from the Carlson School of Management travelled to Warsaw November 9-20, 1992 to conduct curriculum development workshops in marketing and logistics and transportation management, develop a series of case studies jointly with WSE faculty, and give a series of lectures to student. Draft examples in English of these case studies which use local Polish companies as the subject are included in this report<sup>4</sup>. Polish versions are being published by their Polish partners at the WSE.

December

Dr. Leslie Koltai travelled to Minnesota to meet December 1st with the PEM consortium to discuss the strengths and weaknesses of the PEM program in Poland and receive his observations about the progress and challenges of the economic and political

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<sup>3</sup> See UM Attachment 3.

<sup>4</sup> See UM Attachment 4.

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transformations occurring throughout the Central and Eastern European region.

Immediately following Dr. Koltai's visit, the University hosted a visit from Poland by Ms. Megan Szybist, coordinator of PEM training activities for the Foundation for the Development of Polish Agriculture. The objective of this visit was for her to meet with faculty from each of the units at the University that participate in PEM and explore ways in which activities can be better coordinated between the academic and applied management training, especially at the University of Agriculture and Technology in Olsztyn.

THE RECTOR MAGNIFICUS  
OF THE WARSAW SCHOOL OF ECONOMICS  
AND THE PRESIDENT OF THE UNIVERSITY  
OF MINNESOTA  
ARE HONORED TO INVITE

.....  
TO THE CEREMONY OF THE OPENING OF  
**The Polish — American  
Center for Management and Economics**

which will be held on ~~sept~~<sup>oct</sup> 22nd, 10.00.a.m.  
at Warsaw School of Economics, Warsaw  
Al. Niepodległości 162

Main Building, Aula B, (2nd floor)

THE AGENDA OF THE CEREMONY

- 10.00.a.m. — 12.50.p.m. — welcome address given by WSE  
Rector,  
— speech, given by US Government  
Representative,  
— speeches, given by The University of  
Minnesota Representatives,  
— speech, given by USAID  
Representative,  
— opening lecture, given by Prof. Leo  
Hurwicz, entitled „The New  
Challenges Toward Economics”,  
— presentation of certificates to the  
students,
- 12.50.p.m. — 2.00.p.m. reception at the Professors's Club  
"JAJKO"



Warsaw School of Economics



University of Minnesota

# CERTIFICATE

This is to certify that

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has attended the following Courses in  
**Economics/Management**  
 organized by  
 The University of Minnesota  
 and The Warsaw School of Economics  
 under the auspices of  
**USAID**  
 and was graded as follows:

NAME OF THE COURSE	GRADE
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	

DEAN

REKTOR

Prof. E. Schuh

Prof. A. Müller

PROJECT DIRECTOR

IN-COUNTRY DIRECTOR

5'

A Proposal for

TRAINING ACTIVITIES IN 1993

(Draft)

POLISH - AMERICAN CENTER  
FOR ECONOMICS AND MANAGEMENT

WARSAW SCHOOL OF ECONOMICS

Prof. Urszula Grzełowska

Dr Bogdan Radomski

Overview:

The program proposal for training activities in 1993 provides that the cooperation between Polish and American academic staff will be organised on the basis of: opening seminars, workshops, summer schools and training visits to University of Minnesota. The proposed options consist of:

- opening seminars - two during the academic year where our academic staff will have a chance to present their own lectures to colleagues from affiliated institutions and to American professors. The presentation of individual programs will allow participants to acknowledge various of lectures and didactic methods as well as the presence of American professors will give to the Polish staff members possibilities to seek the methods and programs of lectures which are applied in University of Minnesota.
- workshops - six during the academic year where academic staff will have an opportunity to discuss between themselves and with American professors specific merits and didactic aspects of taught subjects.
- summer schools - three summer schools where two of them will be devoted to management issues and to economics aspects.

It is expected to have the opening seminars and workshops be organised in the form of two or three days session and to be located outside Warsaw.

Summer schools shall be carried out in a period of ten days session outside Warsaw.

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- training visits to University of Minnesota of our academic staff
- the aim of such visits is to allow Polish academic staff to familiarize them with didactic methods applied in University of Minnesota. On the average the visits will be scheduled for ten days period and will entirely be covered by the Project funds. It is expected to have during this academic year 25 people taking part in such visits.

#### Program Schedule

1. Winter School of Management - February 10-20, Corporate financial management and marketing ; the names of teaching staff to be advised later.
2. Business Administration - March 6-21, prof. Gordon Duke and prof. Andrew Whitman, Risk Insurance and Management
3. Environmental Economics - March 6-21, prof. Sandra Archibald Environment, Science and Technology
4. Application of Mathematics in Economics March 13-27. prof. Jan Werner
5. Economics: Public Sector April 12-23, prof. Bob Kudrle, Public Finance and prof. John Brandl. Public Affairs

6. Human Resource Management - April 17-May 2, prof. John Fossum,  
Human Resource Management
7. Rural Banking - date to be advised, prof. Claudia  
Parliament, seminar in Olsztyn
8. Summer School of Management - location to be advised,  
June 10-20, prof. Avner Ben-Ner,  
Economics of Organization and  
prof. David Kelton, Operations  
Management
9. Summer School of Economics - ' location to be advised,  
June 22-JULY 2, Names of teaching  
staff to be advised later;  
Job market theory, International  
exchange theory and Theory of  
monetary politics.

**Trip Report for Visit to Warsaw and Olsztyn Poland  
USAID Poland Training Project  
October 20-31, 1992**

**Jerome W. Hammond  
Department of Agricultural and Applied Economics  
University of Minnesota  
St. Paul, Minnesota 55108**

**Purpose of Trip:**

To attend inauguration ceremony for the American-Polish Center for Management and Economics Education at the Warsaw School of Economics (WSE), to lead a workshop on curriculum development in agricultural marketing and management at the University of Agriculture and Technology at Olsztyn, Poland, to meet with faculty and administrators of that institution to plan future activities under the PEM project, and to lecture on agricultural price and income policy.

**Activities:**

My visit involved several activities:

- (1) Attending the inauguration ceremony for the Polish-American Center for Business and Economic Education on the Warsaw School of Economics on October 22, 1992: This included a reception and dinner at the WSE. Participants in the ceremony were administrators of the Warsaw School of Economics, students who had participated in the courses offered by the PEM project, USAID officials in Warsaw, faculty members of the University of Minnesota, and representative of Land O'Lakes, Inc. and the Foundation for the Development of Polish Agriculture.
- (2) Meeting in Warsaw with rectors and associate rectors from two of the Agricultural Universities and other faculty members of the College of Agriculture, University of Minnesota to discuss our respective programs in agricultural economics and agricultural business management and agricultural extension: The representative from Lublin exited after 5 or 10 minutes of discussion. The representatives from the University of Agriculture and Technology at Olsztyn reported that they have initiated, fall 1992, a degree program of study in agricultural management and marketing and have established a Center for

Agribusiness for adult and non-degree education. For the degree program they would like to cooperate with us in developing the program of study and to develop the faculty capacity to offer the necessary courses. Under the PEM Project, as well as the Agribusiness Management Project, several inputs by the University of Minnesota are desired: (a) teachers for some of the courses that are included in the degree program, (b) teachers and instructors for offerings by the Center for Agribusiness, (c) U.S. training for younger faculty members, and (d) collaboration between individual faculty members and Olsztyn and the Department of Agricultural and Applied Economics at the University of Minnesota to develop the course materials for the agricultural management and marketing courses at Olsztyn. With regard to U.S. training of Olsztyn faculty members, Vice-Rector Budzynski reported that five young professors in economics and management have good capacity in English.

(3) Attending a meeting in Warsaw of the managers of the PEM project for planning of program activities for the remainder of the project year, June 30, 1992: This involved the project managers at the WSE, Bogdan Radomski, Urszula Grzelonska, and Kryztof Przybylowski and University of Minnesota project managers; Zbigniew Bochniarz, Harald von Witzke, Robert Kudrle, Mahmood Zaidi. Plans were finalized for the courses that will be offered in Poland by U.S. professors of economics and business. The group developed a list of Polish academicians for visits to the University of Minnesota to work with counter-part faculty members and to participate in other workshops and training activities. Harald von Witzke emphasized that expansion of the project training and activities to other Universities in Poland is necessary to demonstrate to USAID that the project is enhancing and strengthening economic and management education throughout Poland. To this end, agribusiness management and economics courses should be offered at Olsztyn.

(4) Leading a in workshop on curriculum development in agricultural marketing and management at the University of Agriculture and Technology in Olsztyn: A workshop on the new agricultural management and marketing curriculum was held that included university administrators and department heads and professors from all three faculties (colleges) that are involved in this specialization. The purpose was to review the proposed curriculum (see attachment) with respect to its major components sequencing of courses, pre-requisites, and capacity of the existing faculty to teach the courses. Detailed outlines of the proposed courses in Polish and English had been prepared prior to the workshop. The leaders for each of the courses elaborated on the course outlines, content, teaching methods, and material and human resource capacity and needs to offer the courses. I, then, reviewed the structure of the program in agribusiness management that we have at the University of Minnesota and provided them with my evaluation of their proposed management and marketing curriculum; organization and sequencing of classes, pre-requisites, voids or missing elements in the program, and suggested

modifications. I provided them with course descriptions and outlines for all courses offered in Agricultural and Applied Economics at the University of Minnesota.

(5) Lecture for faculty and students of the University at Olsztyn on government intervention in agricultural markets and price: Agricultural policy is one of the courses to be included in the business curriculum. In view of my area of expertise, I was asked to lecture on government intervention in markets and prices in the U.S. The audience of 60 to 70 persons included administrators, faculty members from the economics and management areas in the three colleges and students. Stefan Figiel was the translator. I lectured for about 2 hours. The question period lasted about 45 minutes

(6) Meeting with administrators of the University of Agriculture and Technology in Olsztyn to report on my recommendations for curriculum design in agricultural management and marketing and resource needs for the program: Rector Hopfer, associate rectors, and college deans were concerned with the kinds of assistance that will be provided to the University in offering the program. They would like to have American professors teaching the first offering of some of the courses. However, most of the economics and management courses are not scheduled until the second, third, and fourth years of the program, that is, beyond the current planning and budgeted year of either the PEM or Agribusiness projects. I recommended that this year's activities should focus primarily on continued development and elaboration of the curriculum and courses and the training instructors' at Olsztyn, elsewhere in Poland, or in the U.S. Vernon Eidman's visit in November should continue the refinement of curriculum and work with faculty members who will be teaching the economic theory courses and the basic courses in management.

Rector Hopfer asked about the possibility for student exchanges and the establishment of a formal university to university agreement for exchanges and collaboration in the teaching and research. The Department of Agricultural and Applied Economics, the Center for Food and Agricultural Policy currently have such agreements with Nord-Trondelag College in Steinkjer, Norway and the University of Padua in Italy. In this regard Rector Hopfer proposed that a Polish-American Center for Agribusiness be established in the University of Agriculture and Technology at Olsztyn to give visibility to this collaboration and to permit the University at Olsztyn to request funding for the activities.

## **Findings and Recommendations:**

First, I am very impressed by the enthusiasm and willingness of the professors and administrators at the University of Agriculture and Technology at Olsztyn to participate in training sessions and to collaborate with faculty members from the U.S institutions to increase their capacity to develop a solid curriculum in agricultural management and marketing. The initiation of this curriculum and the use by Olsztyn's faculty of the PEM program to enhance skills and train faculty to offer the program reflects a very positive and visible outcome of the PEM project. We need to continue the training and faculty exchange activities to develop a strong management and marketing program activity at this institution. Ideally, it can be a model for developing similar curriculum at other Polish agricultural universities.

Since my visit to the college in July, 1992, the agricultural management and marketing curriculum has been substantially elaborated. A common management and marketing specialization will follow preparatory studies in one of three faculties (colleges) of the University: agronomy, animal science, or food science. The basic studies include basic sciences, mathematics, humanities, agricultural and animal sciences, statistics, introductory economics, and emphasis on one of the applied science areas, agronomy, animal production, or food science and nutrition. Following this preparation, a common core of major course requirements in economics, management and marketing will be completed. The University has proposed and elaborated the following courses for the major area of emphasis:

1. Mathematical statistics
2. Computer science
3. Introductory economics
4. Economics of Food Processing Enterprises
5. Economics of Farm Enterprises
6. Higher Mathematics and Econometrics
7. Agricultural Policy
8. Production Economics
9. Agricultural Institutions (Cooperatives)
10. Food and Agricultural Law
11. Rural Sociology
12. Economics of the Work Process (work planning and evaluation)
13. Agricultural Extension
14. World Agriculture and International Trade
15. Management Principles
16. Accounting and Finance
17. Agricultural and Food Marketing

The courses, numbers of hours, and sequencing and proposed course outlines for the major courses in management and marketing are described in the attached documents. This schedule of courses and hours is for the students who take their pre-management-marketing program in the faculty of agriculture. The pre-management and marketing program would vary in the applied sciences for those students coming from the faculties of animal science and food science. It appears that major course requirements are similar to many of those required in U.S. agribusiness programs. Nevertheless, there are some important differences. Some of the major courses have been previously taught, but several are completely new.

From my workshop with the faculty members on the agricultural management and marketing curriculum design, I am led to several conclusions and recommendations. The curriculum appears to be weak in economic theory, at both the introductory and intermediate levels. There is little opportunity for elective courses. With regard to the non-major course requirements, the lack of specific courses in communications. No specific course in logistics management is available.

It will be impossible to adequately cover all topics indicated in the outlines and comments of the professors for the major courses. First, the class hours allotted for some of the course are too few to give more than cursory treatment to the topics listed. This is especially apparent for the principles of economics course, both macro and micro, which is allotted 45 hours of classroom teaching. Accounting and Finance is a single course with 15 hours of lecture and 45 hours of tutorials (laboratories). Several professors noted that they will need assistance in teaching the course or additional training to adequately deal with all topics.

Differential calculus is not taken till late in the program. Ideally, a course that presents the techniques of finite mathematics and differential calculus should be presented early in the students program. Because many of the modern courses in economics and management utilize these methods, students should develop this competency prior to taking those courses.

Several subject matter areas should be expanded in terms number of courses or hours of teaching and some important subjects are missing. Intermediate economic theory is an essential foundation for a management and marketing major. Courses in intermediate macroeconomics and in intermediate microeconomics should be incorporated into the program. Differential calculus should be a pre-requisite for the courses and it should be used in presentation of the material.

One course accounting and finance with only 15 hours of lecture and 45 hours of laboratory is insufficient for a management major. Accounting principles and their application are absolutely essential to rigorous management skills.

Finance and financial analysis builds on these principles but is sufficiently different to warrant a separate course. In addition to financial analysis, study of credit and financial institutions (especially agricultural), credit instruments, and monetary policy should be incorporated into the course.

One or two additional management courses are needed to present the crucial techniques and methods of strategic and operations management for agribusiness enterprises. The management course that has been proposed should be a prerequisite for the strategic and operations management course(s). Another possibility for adding this subject matter is to modify the courses in the economics of enterprises that are currently being offered by the faculty of agriculture and the faculty of food science.

A course in logistics should be considered for the curriculum. Logistics activities include transportation, warehouse operations, inventory management, production scheduling, materials handling, and plant and warehouse location. In total the activities are a major cost component for most agricultural marketing (both input and output marketing), thus, it warrants special treatment.

Several of the courses are or will utilize microcomputers in the classrooms and laboratories. Currently, only eight, somewhat obsolete computers are available in the computer center. At least twice that number is needed to effectively utilized computers in the classroom for the large number of students expected in this major.

To strengthen the faculty capacity to offer the courses in the management and marketing curriculum, the Department of Agricultural and Applied Economics should arrange short-term consulting and training assignments to Olsztyn in two or three specialty areas. These areas and potential University of Minnesota faculty members for the activities are:

Economic theory (principles and intermediate theory) -

Professor Vernon Eidman

Professor Rob King

Management (principles of management, strategic management, operations management)

Professor Vernon Eidman

Professor Rob King

Accounting

Professor Glenn Pederson

Professor Ward Nefstead

Finance (agricultural)

Professor Glenn Pederson

**Agricultural Policy and Trade****Professor James Houck****Professor Harald von Witzke****Professor Terry Roe****Cooperatives and Business Organizations in Agriculture****Professor Reynold Dahl****Professor Claudia Parliament****Food and Agricultural Marketing and Price Analysis****Professor Ben Senauer****Professor James Houck****Professor Jerome Hammond****Reynold Dahl****Logistics****Professor Jerry Fruin**

One activity has already been scheduled for November 1992, the workshop and training sessions on economics and management by Vernon Eidman. The selection of additional training sessions and workshops will depend on availability of the faculty members in Agricultural and Applied Economics from the University of Minnesota, the preferences and priorities of the faculties and administrators at Olsztyn. Because support for the agribusiness program at Olsztyn is also being provided by the Agribusiness Project, it is probable that a total of 4 or 5 additional consulting-training visits can be provided.

As I noted following my trip to Olsztyn in July, faculty members at Olsztyn should continue to utilize programs of the Warsaw School of Economics. Its faculty is increasing its capacity in the business and economics areas under the USAID Project in Economics and Management Project (PEM). The administration at Olsztyn should encourage and support the use of this resource to provide the skills in economics, management and marketing to its existing faculty, that is, enrollment in regular courses of the Warsaw School of Economics and attendance at the intensive courses offered through the University of Minnesota PEM project.

The PEM project also provides for visits of Polish professors to the University of Minnesota during the remainder of 1992-93 to consult with professors in their respective areas of expertise, to consult on curriculum and course design, to observe classes, and to attend workshops or seminars on management and economics. The Polish participants in these visits from Olsztyn should be quickly identified. Project administrators at Minnesota should plan and develop a structured and substantive program of activities at the University of Minnesota for the agricultural management and marketing visitors. This plan of activities should be transmitted to Polish participants in advance of their departure from Poland.

**The Polish Trading Company (PTC)<sup>1</sup>  
The Warsaw Warehouse**

**Background**

Prior to 1989 the Polish Trading Company was a state owned wholesaling enterprise which provided 85% of the wholesaling needs for packaged food in Poland. It was also the sole distributor of alcoholic beverages within Poland. (MAKE AN ESTIMATE AS TO HOW MANY WAREHOUSES WERE IN THE PHS SYSTEM BOTH THROUGHOUT POLAND AS WELL AS IN THE WARSAW DISTRICT.) Its customers consisted of other wholesaling organizations who had their own retail shops, such as Spotem, and retailers who were served by PTC direct. These retailers were also state owned. The PTC organization supplied approximately 1000 items to retailers. This included all of the different sizes for a particular product.

Following 1989, a number of things happened which changed PTC's status. With more freedom of choice Spotem decided to represent itself with its suppliers and no longer used PTC as a wholesaling source. In addition, after 1989 there was a growing gray market or shadow economy which was at work in Poland. It was estimated by 1992 that a majority of all alcohol distributed in Poland was on the gray market which had been either imported illegally or had

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<sup>1</sup>This case was developed as part of a cooperative program between the Warsaw School of Economics and the Carlson School of Management, University of Minnesota under the sponsorship of USAID. It was written by Professor Krzysztof Rutkowski of the Warsaw School of Economics and Professor Fred Beier of the Carlson School. Cases at the Warsaw School of Economics and the Carlson School of Management are intended to be a basis for classroom discussion and are not examples of either correct or incorrect management. This case was developed during the 1992-1993 academic year.

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been acquired "off-invoice" in order to avoid taxes. PTC had a policy of selling everything with an invoice. The effect of both of these factors was to erode PTC's control of its distribution channels which substantially reduced its sales volume and profitability. In an attempt to counteract these developments a strategic decision was made to try to privatize parts of the organization. Specifically the decision was made to attempt to privatize the different individual warehouses in the PTC system. However, the state planners who made this decision realized that each warehouse had to become more efficient if it was to be attractive for any potential private buyer.

#### **The Warsaw Warehouse**

The annual turnover of the Warsaw Warehouse was approximately 10.5 billion Zloty. By 1992 it employed approximately 50 people which was substantially below the 125 people it had employed in 1989. The warehouse was located in a suburban district of Warsaw and consisted of one building with three levels served by a lift.

(NOTE: APPROXIMATELY HOW MANY SQUARE METERS IS CONTAINED ON EACH LEVEL OF THE WAREHOUSE? ANY REASONABLE ESTIMATE WILL BE SUFFICIENT.)

Each level of the warehouse was used to store one of the three principal product lines carried by the enterprise. For example, one level contained all of the candy and confection products, another level contained the basic food products, and the third level contained alcohol. Each level was operated as a separate part of the warehouse operation and kept locked. The

reason for this product segmentation was to better control the inventory, be able trace the status of orders more easily, and prevent pilferage.

The warehouse had a single loading dock which was used for both sending and receiving shipments by truck. Generally outbound shipments were loaded in the morning and deliveries of inbound merchandise were made throughout the entire day. PTC had no control over when they would receive deliveries from their suppliers, and it was not served by rail. When shipments were received they were separated into the three product lines and distributed to the appropriate level using the lift. When outbound orders had to be assembled the reverse process took place. Individual items were collected at each level and, using the lift, brought to the waiting truck. The Warsaw Warehouse did not own its own trucks but preferred to contract with private truckers. This strategy allowed them to avoid investment and to take advantage of excess capacity in the transport market. The feeling of the managers was that truck for-hire truck transportation was quite cheap at the moment.

### **The Ordering Process**

Orders were collected by merchandisers approximately once a week. The merchandiser was told every two days what inventories were in stock and which were not. Therefore, the Warsaw Warehouse was able to avoid situations where the retailer ordered something which was

not in stock. In actual fact, three separate orders were collected from the retailer by PTC's merchandisers, one for each of the different product lines. These were telephoned into the Warsaw Warehouse by 1430 each day where they were transcribed by a clerk on three standard order forms. The order was then assembled the following morning while the truck was waiting to be loaded. The Warsaw Warehouse told its customers that they would receive their orders within 24 hours and felt they were successful with 95% of the orders. The warehouse processed approximately 400 orders per day.

#### **The Order Assembly Process**

Orders were filled from each level of the warehouse. Workers would use a small cart to assemble the different items required for each order and then bring them to the loading dock for placement in the waiting truck. Between 1-40 individual items were on each order.

All of the available inventory for a particular item was located in only one place in the warehouse. For example, there was no distinction made between inventory that would be in storage for a long time and that inventory which would be demanded immediately. When more inventory was delivered it was simply placed with whatever amount of the same product was already in the warehouse. As new items were placed into inventory existing stock had to be rearranged in order to make space. No item occupied a permanent position on the warehouse floor.

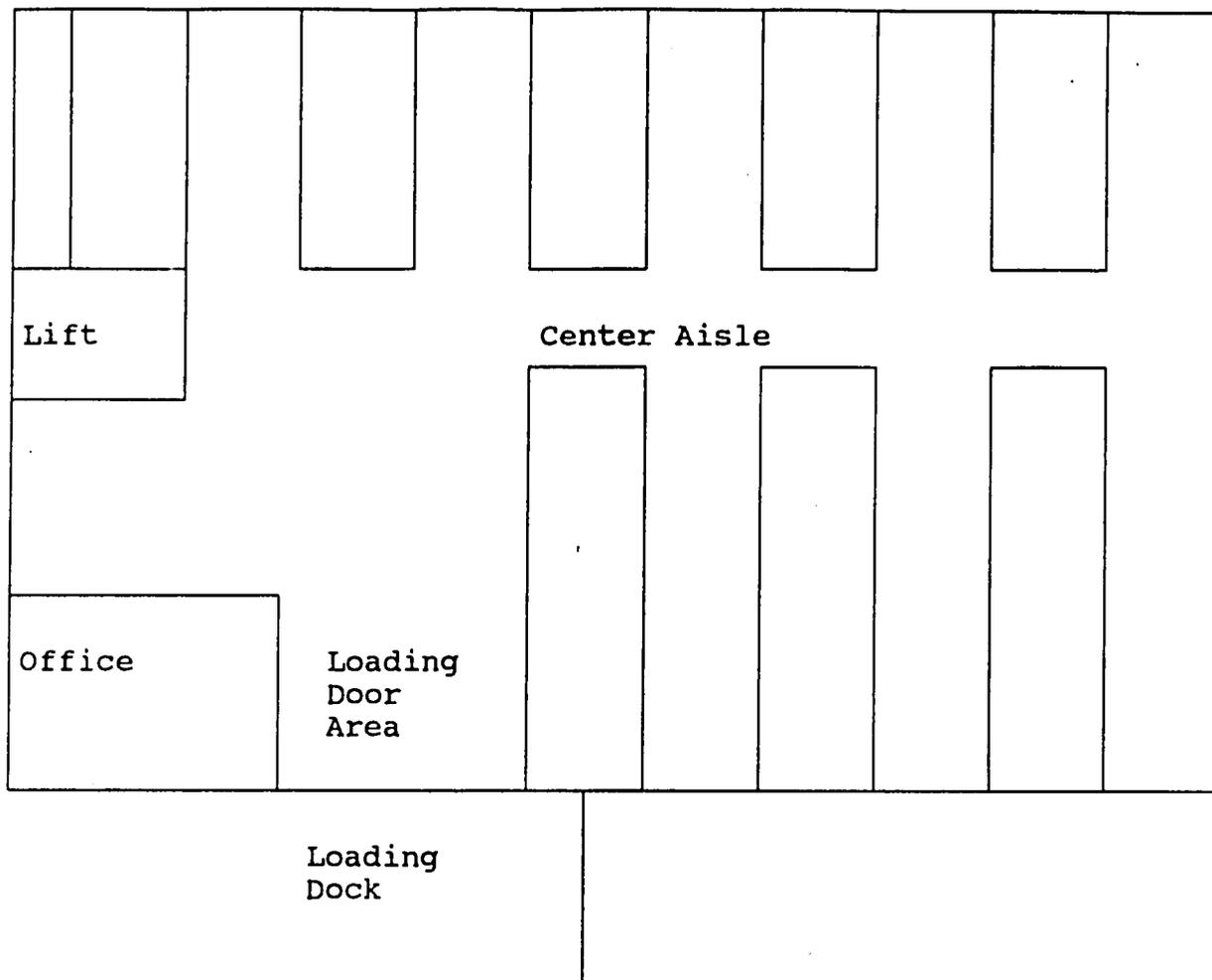
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Each level was organized so that a center aisle divided the available space in half and extended from the left to the opposite wall. The inventory was placed on pallets perpendicular to the center aisle and extended all the way from the center aisle to the opposite wall. Generally workers assembling orders would take the cart with them as they went through all of the aisles perpendicular to the center aisle. Figure 1 is a diagram of the warehouse.

#### QUESTION

1. How would you make the Warsaw Warehouse more efficient?
2. How would you measure any improvements in efficiency which you propose?

Figure 1  
Diagram of Main Level of Warsaw Warehouse



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**The Polish Trading Company  
The Warsaw Warehouse**

**Teaching Note**

**Synopsis**

The Polish Trading Company is a state owned wholesaling enterprise operating throughout Poland. Since the democratization of the country it has experienced a significant decline in volume and profitability. In part this is due to the loss of traditional customers served under the previous central planning system and the development of a gray market for products such as alcohol and high valued food items. The decision has been made to try and privatize the individual warehouses in the PTC system. However, in order to become attractive to a potential buyer the warehouse must first become more efficient.

The purpose of this case is to allow students to diagnose problems which may be occurring in a warehouse operation and estimate the contribution of an efficient warehouse in terms of controlling costs and delivering customer service. A second purpose is to ask students how improvements in efficiency and/or productivity may be measured. Since the case does not contain a great deal of specific information students should also be encouraged to make necessary assumptions in order to conduct an adequate analysis.

**Teaching Suggestions**

This is a brainstorming case where the students are encouraged to identify ideas which may or may not work after they have been discussed. The value of the exercise is to encourage the student to offer ideas regardless of their ultimate worth.

This case is best taught in conjunction with the warehousing element of the course. It could also be used to support lessons that are related to order processing. The case discussion can be divided into a number of segments corresponding to the different problems suggested by the case. For example, discussion can focus on a) the practice of collecting three separate orders from each customer, b) the physical layout of inventory in the warehouse levels, c) the lack of a separate order assembly area and a long term storage area, and d) the lack of control the company has over the scheduling of inbound freight shipments. Discussion can generally be started by asking the students what ideas they have to make the warehouse more efficient in any of these areas and continue the discussion until all of the above important issues have been discussed.

**Questions/Analysis**

1. How would you make the Warsaw Warehouse more efficient?

As noted, there are at least four separate areas of discussion.

A. The practice of collecting three separate orders from each customer is currently justified by the need for the company to control the flow of product and provide security. There are a number of problems that are created by this practice.

1. Order processing effort is tripled for each retail customer. Each merchandiser must fill out three different orders and then transmit them by telephone to the warehouse. In addition to increasing the costs of order processing this practice increases the chance that an error will be made as the orders are transcribed at the warehouse. Even if the company thinks that it can absorb such costs it is important to note that their competitors will have an advantage in this area.

The solution for this is for the company to simplify the ordering process where only one consolidated order and invoice is involved. Students must realize, however, that the ability to consolidate orders is limited by the fact that the warehouse has three separate levels connected with a lift. The lesson here should be to separate the order gathering process from the physical limitations of the warehouse. The longer term problem here is the lack of an adequate control system with which to control orders and inventory. If students have difficulty getting beyond the need to computerize the ordering and information system, they should be asked specifically to conceptualize what they would computerize and how they would organize the necessary information.

2. Three separate orders must be accumulated and coordinated for loading into the truck. Therefore if one of the orders is late from one of the warehouse levels the other two orders must wait before they can be loaded into the trucks. This will cause a loss of efficiency.

To a certain extent this issue is related to the absence of a separate order assembly area.

B. The physical layout of inventory in the warehouse levels is not conducive to efficient order assembly. Students should be reminded that multiple level warehouses are inherently inefficient as opposed to a single level facility where the collection of items is not controlled by a lift. There are a number of warehousing principles that should be emphasized to the student. These are:

1. Material should FLOW through the warehouse as much as possible. This means, for example, that shipments should be made on one side of the facility and receiving should be made on the other. If there is only one door then receiving should be done at one time of the day and shipments made at another time of the day so they do not conflict.

2. In assembling orders, workers should not have to retrace their steps. This is made necessary in the warehouse because of the placement of inventory perpendicular to the walls--as diagramed in Figure 1 of the case. There should be an outlet at the end of each of the side aisles so the worker can go directly into the next aisle without retracing his steps.
  3. Material should be arranged on the warehouse floor so that the most popular items are located closest to the point of demand. In this case the point of demand is the lift or the loading dock on the main floor. The idea here is to allow the worker to collect whole orders while not having to move through the entire maze of the warehouse.
  4. It is important to think of warehouse space in cubic rather than square dimensions. In other words, the most valuable space in the warehouse is the floor area and therefore there is a need to use as much vertical space as possible. Expressed differently, stock should be stored as high as practical in order to conserve floor space. However, it should not be stacked so high that a worker cannot reach the product without some form of special assistance which disrupts the pattern of assembling orders.
- C. The lack of a separate order assembly area and a long term storage area discourages the separation of the process of loading the truck from the process of assembling the order. For example, if orders were assembled in the late afternoon they would be ready for truck loading the following morning and the truck would not have to wait while three separate orders are being assembled. The increased loading efficiency for the truck may be a negotiating point for the warehouse to have the trucking firm lower its rates. In addition, the trucks may be dispatched on their routes sooner and perhaps be able to do more stops during the day.

There is no discussion in the case about the scheduling of outbound orders, i.e., who decides when the truck will arrive for a particular order or series of orders. It may be useful to ask the students how they imagine this process taking place. If one assumes that the warehouse has very little control over this process, for example, trucks come when the independent trucking firms decides, then it is useful to speculate how this can affect the costs of assembling orders and loading trucks. It is also useful to ask how these problems could be solved if there was a rigid schedule and plan associated as to when the trucks will be available.

In this situation, the warehouse may consider consolidating long term storage on the upper and lower levels of the warehouse and devoting the main level to an order assembly



area. Actually the area on the main level could be divided between order assembly and a small area for goods received that day. The assembly area would contain enough daily inventory for each of the items arranged in some systematic way according to popularity of items. It would be resupplied every evening after the trucks had been loaded and left. Longer term storage, or items that are seasonal would be stored on one of the other levels. The small receiving area on the main level would simply hold material received during the day which would be put away at the convenience of the crew of workers.

- D. The lack of control the company has over the scheduling of inbound freight shipments causes disruptions of the "normal" flow of work in a warehouse. For example, attempting to receive material while trying to assemble it causes confusion and will lead to loss and damage--if not pilferage. Thus warehouses are encouraged to specialize their activities during the day and not be interrupted with random arrivals of trucks. Ways in which this can be controlled is to establish a dialogue with suppliers about receiving requirements--which also may have the side benefit of helping to control your inventory better. For example, many firms of this type indicate that they will receive goods only in the afternoon so as not to conflict with the loading of trucks in the morning. Suppliers should be advised that trucks attempting to deliver in the morning will be turned away.

In some cases appointments are made between supplier and client. Suppliers are encouraged to arrive at a particular time when the consignee is best able to accommodate them. Where this is not possible, and there is sufficient space to accommodate multiple docks, one may be set up for receiving and the other for shipping provided the two processes can be kept separate and not interfere with the other.

2. How would you measure any improvements in efficiency which you propose?

Students should be encouraged to think in terms of outputs per unit of inputs. The philosophy of a warehouse in a logistics system is not that it is a storage facility but that it is a place which facilitates the movement of goods. Useful measures of warehouse productivity are:

- \* Deliveries per man-hour
- \* Orders per man-hour
- \* Cubic space devoted to each item divided by the number of times it is ordered.
- \* Weight received versus weight delivered per unit of time.

Additional measures of interest include:

Ratio of orders delivered correctly and on time to total

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number of orders.

Order cycle time which is the difference between when the order is submitted and when it is delivered.

Inventory velocity (Sales {turnover}/average inventory in warehouse).

### Summary

The case will produce the best results when the discussion is conducted in a brainstorming mode. Students are not likely to have much first hand knowledge of how to make warehouses efficient. Therefore they need to be encouraged to simply use their common sense and see where the idea and following discussion takes them. The ultimate lesson in the case is that common sense is all you need but you must be trained to know what to look for.

## PIEROGI SOFTWARE SYSTEMS<sup>1</sup>

With the advent of free markets in Poland in 1989, thousands of entirely new small firms started business for the first time. As these firms searched for both suppliers and customers, they faced the new problems of keeping track of countless details of customer orders, inventories, revenues, and expenses. Whole new channels of distribution emerged, and wholesalers became a critical link between manufacturers and their customers.

### The Idea

Pierogi Software Systems was founded in Warsaw in late 1991. Its mission: to provide computer software and systems for wholesalers in the Warsaw market.

At its founding, Pierogi offers only one software system, a system named "InterHurt". The InterHurt system is targeted at wholesalers which keep many articles in stock. The system is designed to make a wholesaler's business easier to run and to increase its efficiency and profitability. In particular, InterHurt is intended to control a wholesaler's inventory, print its customer's bills, and keep its financial records.

### Unique Benefits of the Product.

Pierogi's marketing strategy involves incorporating several unique benefits or unique "points of

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<sup>1</sup> This case was developed as part of a cooperative program between the Warsaw School of Economics and the Carlson School of Management, University of Minnesota under the sponsorship of USAID. It is based on a marketing plan by Jakub Paciorek written for a course at the Warsaw School of Economics. The case was adopted by Krzysztof Przybylowski of the Warsaw School of Economics and William Rudelius of the Carlson School. Copyright© 1992 by the Warsaw School of Economics and the Carlson School of Management, the case is intended to be a basis for classroom discussion and is not an example of either correct or incorrect management. This case was developed during the 1992-1993 academic year.

difference" that will set it apart from competitive products and help it serve the special needs of customers:

1. Each system can be tailored individually to the unique needs of each customer, but a standard, lower-priced system is also available.
2. Each system is capable of being upgraded to the future needs of the customer.
3. Each system will be installed on the customer's computer, and the customer's staff will receive free training.

These benefits stress the desire of Pierogi to be sensitive to the unique needs of each of its various customers, while also trying to keep a reasonable price in light of the financial needs of its customers.

Product Strategy. As Pierogi starts its operations, its InterHurt system is designed with two main offerings:

1. Standard, basic InterHurt system. This system is targeted at those wholesalers without sophisticated needs that can use the basic design with only minor modifications.
2. Custom-designed InterHurt system. This system, which Pierogi hopes will be the bulk of its business eventually, will be tailored to the special needs of its customers and will require a substantial amount of system development time.

As described below, the two offerings will have different prices to reflect the substantially different development times.

### The Situation

To understand the issues facing Pierogi it is necessary to look at the company itself, its market, and the competition.

### The Company

At startup the company has only part-time employees. Its sophisticated InterHurt system was designed by Pierogi's founder, a computer systems developer with extensive experience. Initially, Pierogi is operating out of the founder's home, so it has no additional cost for rental space. With this low overhead and limited number of employees, the company has kept its costs down and can pass this benefit on to customers in the form of lower prices. Its InterHurt system has been developed, tested, and debugged in actual wholesale firms, so Pierogi is confident of the quality of the system. Pierogi's small size gives it great flexibility, and it takes great pride in responding to special customer needs at any time of the day or night.

### The Market

Many Polish entrepreneurs entering the wholesaling business have extensive experience in state-owned operations. While this experience has given them a broad picture of operations, it has not prepared them adequately for handling the countless details of running a private business. In particular, balancing the needs of carrying a large enough inventory to handle the orders from its customers while not having such a large inventory that it becomes too

obsolete and expensive is always a challenging problem. The InterHurt system is flexible enough to handle the diverse needs of wholesalers in a variety of industries: groceries, drugs, flowers, hardware, etc. Nevertheless, because of the limited experience of many of its wholesale customers in both business and using computers, Pierogi must provide customers with training both on its system and also on how it can be used most effectively for their own industry. Pierogi believes that it may be successful in serving wholesalers in a particular industry and use this experience to reach others in the same industry with similar problems.

### The Competition.

Pierogi and its InterHurt system face a variety of competitors. First, there are a number of Polish firms that sell computers and accompanying software systems to wholesalers that compete with InterHurt--but mainly to increase their computer sales. These systems have the disadvantages of having huge prices and not meeting the unique needs of Warsaw wholesalers. Second, specialized software firms are just emerging in the Polish market today, but they also provide expensive, standard systems that don't really meet the needs of today's Warsaw wholesalers. Finally, most large foreign software firms haven't entered the Polish market with such systems yet, because of the lack of Polish copyright protection.

### The Issues

While Pierogi--like any startup firm--faces a number of pressing challenges, there are two immediate issues it must address: (1) developing a promotion strategy and (2) setting prices for its two product offerings.

### Developing a Promotion Strategy

As a startup firm, Pierogi has only limited funds to promote and sell its InterHurt system. Since its target market is Warsaw wholesalers, Pierogi wants to find an economic means of identifying specific wholesalers that might buy its system. Also, how might it advertise inexpensively to these prospective customers, try to "qualify" the prospects most likely to buy InterHurt, and schedule sales calls that are most effective and conserve its limited resources?

### Setting Prices

Generally, the Pierogi <sup>system</sup> will <sup>use</sup> a below-market pricing strategy. That is because it is just entering <sup>a</sup> market with existing competition, and because it can use the advantage of having low costs. But the price of each system will differ according to the level of its uniqueness. Specifically, Pierogi's prices will be about 50% cheaper than the competition with the prices being:

- Standard System: 5,000,000 PLZ
- Custom-Designed System: 10,000,000 PLZ

Pierogi's overhead costs are very low and because it has no rented or owned facility, it does not have to pay for rent, gas, electricity, etc. If Pierogi seeks to reach 100 wholesalers <sup>a month</sup> with its advertising <sup>a</sup> ~~month~~, its monthly fixed costs will be as follows:

• Car	700,000 PLZ/Month
• Telephone	100,000 PLZ/Month
• Advertising	<u>700,000 PLZ/Month</u>
Total	1,500,000 PLZ/Month

The expected unit variable costs for each standard system are:

● 2 system disks	60,000 PLZ
● User's manual	40,000 PLZ
● Training	600,000 PLZ
● Transportation	200,000 PLZ
● 20% Commission for representative	<u>1,000,000 PLZ</u>
Total	1,900,000 PLZ

In contrast, the expected unit variable costs for each custom-designed system are:

● 2 system disks	60,000 PLZ
● User's manual	40,000 PLZ
● Training	1,000,000 PLZ
● Transportation	600,000 PLZ
● 20% Commission for representative	<u>2,000,000 PLZ</u>
Total	3,700,000 PLZ

Although both the fixed and unit variable costs will undoubtedly change as Pierogi grows, these estimates are satisfactory for planning purposes.

### Questions

1. What should Pierogi's future promotional strategy be? In particular:
  - a. How should Pierogi identify wholesalers that are prospective customers?
  - b. What advertising media should Pierogi use?

- c. What appeals should Pierogi stress in its promotional efforts?
  - d. How should Pierogi schedule its sales calls for greatest effectiveness?
2. For the cost estimates above, what is:
- a. The annual break-even point (in numbers of systems) for the standard systems?
  - b. The annual break-even point (in numbers of systems) for the custom-designed systems?
3. Assume that Pierogi will sell 2 standard systems for every one custom-designed system during its first two years of operation.
- a. What is the break-even quantity for this "average" InterHurt system?
  - b. Suppose the Pierogi founder wants to earn 75,000,000 PLZ from the business.
    - 1) How many "average" systems must it sell?
    - 2) Draw a graph for this situation.
  - c. The Pierogi founder believes that he can sell 20 average systems a year if he is willing to settle for earnings of 50,000,000 PLZ from the business annually. What should his price be for an average system?

TEACHING NOTE  
PIEROGI SOFTWARE SYSTEMS

Synopsis

This case provides students with the picture of a typical startup firm that is founded by an entrepreneur operating out of his own home with a minimum of initial expenses. This situation gives a view of a computer software developer whose two products are targeted at wholesalers and provide them with a better means of keeping track of the wholesaler's inventories, printing bills of its customers, and keeping the financial records.

The purpose of the case is to force students to think about two aspects of Pierogi's marketing activities: (1) developing its promotional strategy (covering both advertising and personal selling and (2) setting prices that involve considerations such as break-even points and target profit.

Teaching Suggestions

The case is most suitable for use later in a marketing principles course, when the instructor has covered both pricing and promotional strategies. It covers the very practical problem of finding promotional and pricing strategies when a firm has limited financial resources.

Questions/Analysis

1. What should Pierogi's future promotional strategy be?

In particular:

- a. How should Pierogi identify wholesalers that are prospective customers?

This is a difficult problem because there is not regular listing of Warsaw wholesalers.

*is this a true statement?*

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But several alternatives do exist:

- Use the Warsaw telephone director<sup>y</sup> to the extent possible  
^
- Check to see if there are trade associations or government agencies that list wholesalers in particular industries such as groceries or drugs.
- Talk to retail outlets in a particular industry (groceries or hardware) and ask them to identify their suppliers -- which are the wholesalers Pierogi wants to target. This involves working back up the channel of distribution used in an industry.

b. What advertising media should Pierogi use?

We can approach this answer by process of elimination -- and common sense.

- Broad-distribution media like TV, radio, magazines and newspapers make little sense because (1) they are too expensive and (2) they have too much "wasted coverage."
- Ads in highly focused trade magazines directed at a particular industry such as groceries or hardware might be possible if they exist and are relatively inexpensive.
- Most practical are sales brochures that can be used either as handouts in personal sales calls or as direct mail pieces.

c. What appeals should Pierogi stress in its promotional efforts?

The key appeals to stress are the unique benefits mentioned in the case:

- ~~Coordinating~~ <sup>Adapting</sup> the InterHurt system to the customer's present needs to the extent wanted.
- Having the flexibility to adapt the system to the customer's future needs.
- Providing free staff training on InterHurt.

d. How should Pierogi schedule its sales calls for greatest effectiveness?

Pierogi should try to schedule sales calls on only those wholesalers that "qualify" themselves as real prospective customers that can benefit significantly from installing its InterHurt system. So they:

- Must have an existing computer capable of having the InterHurt system installed on it.
- Must have a sufficient volume of business to benefit from InterHurt.
- Must, ideally, have taken positive steps to respond to Pierogi's direct-mail advertising -- such as requesting a sales visit or sample computer print-outs -- to demonstrate genuine interest.

2. For the cost estimates above, what is:

- a. The annual break-even point (in numbers of systems) for the standard systems?
- b. The annual break-even point (in numbers of systems) for the custom-designed systems?

This question assumes that Pierogi will sell only one kind of system so that all of the fixed costs will be born by that system.

$$\begin{aligned} \text{Annual fixed costs} &= 12 \text{ months} \times 1,500,000 \text{ PLZ/month} \\ &= 18,000,000 \text{ PLZ} \end{aligned}$$

a. Standard InterHurt system:

$$\begin{aligned} \text{BEP quantity} &= \frac{\text{FC}}{\text{P-UVC}} \\ &= \frac{18,000,000}{5,000,000 - 1,900,000} \\ &= 5.8 \text{ systems/year} \end{aligned}$$

b. Custom-designed InterHurt system:

$$\begin{aligned} \text{BEP quantity} &= \frac{\text{FC}}{\text{P-UVC}} \\ &= \frac{18,000,000}{10,000,000 - 3,700,000} \\ &= 2.8 \text{ systems/year} \end{aligned}$$

3. Assume that Pierogi will sell 2 standard systems for every one custom-designed system during its first two years of operation.

a. What is the break-even quantity for this "average" InterHurt system?

$$\begin{aligned} \text{The price of the "average" system} &= \frac{(2 \times 5,000,000) + (1 \times 10,000,000)}{3} \\ &= 6,666,667 \text{ PLZ} \end{aligned}$$

$$\begin{aligned}
 \text{The UVC of the "average" system} &= \frac{FC}{P-UVC} \\
 &= \frac{18,000,000}{6,666,667 - 2,500,000} \\
 &= 4.3 \text{ systems/year}
 \end{aligned}$$

b. Suppose the Pierogi founder wants to earn 75,000,000 PLZ from the business.

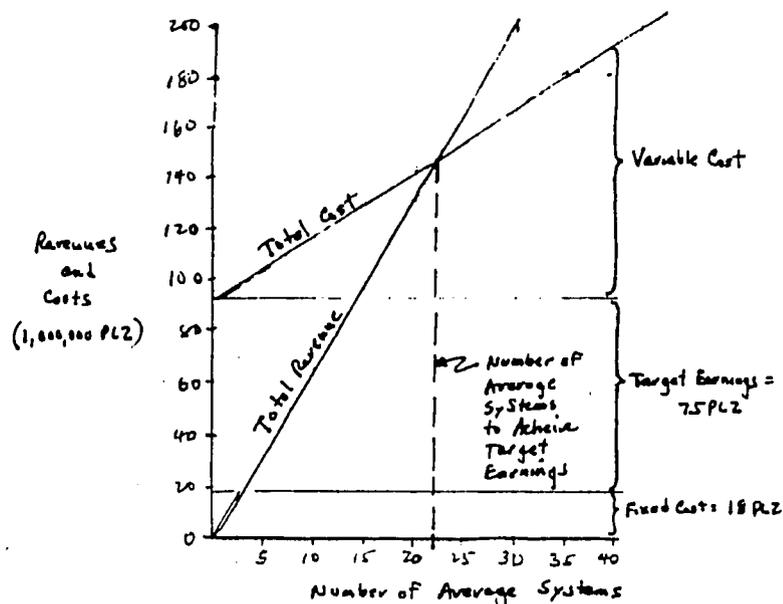
1) How many "average" systems must it sell?

2) Draw a graph for this situation.

- (1) We can treat the 75,000,000 PLZ that the founder wants to earn annually as a fixed cost and then calculate the quantity of "average" systems needed to be sold:

$$\begin{aligned}
 \text{Quantity to achieve target} &= \frac{FC + \text{Earnings}}{P-UVC} \\
 &= \frac{18,000,000 + 75,000,000}{6,666,667 - 2,500,000} \\
 &= 22.3 \text{ systems/year}
 \end{aligned}$$

- (2) A graph for this situation looks as follows :



- c. The Pierogi founder believes that he can sell 20 average systems a year if he is willing to settle for earnings of 50,000,000 PLZ from the business annually. What should his price be for an average system?

$$\begin{aligned}
 \text{Quantity to achieve target} &= \frac{\text{FC} + \text{Earnings}}{\text{P} - \text{UVC}} \\
 &= \frac{18,000,000 + 50,000,000}{\text{P} - 2,500,000} \\
 20\text{P} - 50,000,000 &= 18,000,000 + 50,000,000 \\
 20\text{P} &= 118,000,000 \\
 \text{P} &= 5,900,000 \text{ PLZ}
 \end{aligned}$$

## TERRA TRAVEL AGENCY (B)<sup>1</sup>

As described in the Terra Travel Agency (A) case, competition today in the Warsaw tourist and travel business is increasingly intense. Terra's Director concludes that she must study the wants and needs of Terra's present and prospective customers more carefully because of this competition. As she analyzes the situation, she realizes that it is necessary to look more carefully at the wants and needs of individual customers, groups of these customers with similar needs, and vacation offerings and promotional actions

that might work effectively in the competitive situation <sup>in</sup> on the 1990s.

### The Customers

Terra's present customers include many business travelers working for small and large private businesses, for cooperatives, for medical organizations, and for nonprofit firms. But it is individuals in households on which Terra's Director wants to focus her immediate attention.

Since 1989, travel both inside and outside the country has involved far fewer restrictions for Polish citizens. With its location in downtown Warsaw, Terra's geographic market is the \_\_\_\_\_ households that comprise the city's 1.7 million population. These customers divide into several segments based on the way they travel and vacation:

1. Individuals. These individuals may travel either exclusively for vacation purposes

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<sup>1</sup> This case was developed as part of a cooperative program between the Warsaw School of Economics and the Carlson School of Management, University of Minnesota under the sponsorship of USAID. The case was ~~adapted~~ <sup>written</sup> by Krzysztof Przybyłowski of the Warsaw School of Economics and William Rudelius of the Carlson School. Copyright© 1992 by the Warsaw School of Economics and the Carlson School of Management, the case is intended to be a basis for classroom discussion and is not an example of either correct or incorrect management. This case was developed during the 1992-1993 academic year.

or may wish to co-ordinate a vacation activity with a business trip.

2. Families. The people in a family or household often have completely different destinations and methods of planning their trips and vacations than individuals.
3. Groups. These collections of individuals and groups sometimes make a decision to travel and vacation together but more often they are put together by Terra because the destination and vacation have great interest for individuals in the groups and because the travel and vacation expenses in such "package trips" are substantially less than if booked individually.

Depending on the kind of trip and vacation, the same individual can fall in each of these segments, but the way he or she makes such travel plans are completely different.

### The Purposes and Destinations of Vacations and Travel

There are so many different combinations of travel and vacation plans that they almost defy categorization by the marketing researchers that study them. Nevertheless, Terra's Director can identify several categories of trips and exotic destinations like Hawaii and Thailand. Again, some of these purposes and destinations may represent great marketing opportunities and others very little or none.

### How Travel Agencies Earn Revenues

In general, travel agencies do not earn their revenues by adding an extra fee to the tickets and

reservations they sell their customers. Instead, they earn their fees as a percentage of the price of an airline, rail, or bus ticket or of the hotel or resort reservations that they sell. Typically the price to the travel agency customer is not increased by the fees earned by the travel agency but by the airline or hotel for which the reservation is made.

### The Issues

The Terra Director desires more information about the wants and needs of Terra's present and prospective customers. She decides to start by focusing on individuals and families taking trips and vacations rather than business travelers. With the help of a marketing consultant, she identifies the research objectives of the project and develops the questionnaire shown in Figure

1. She is especially concerned that the questionnaire be useful in developing information that will lead to <sup>specific</sup> ~~useful~~ actions by Terra.

### Questions

1. (a) What are some alternative ways that Terra might use to distribute this questionnaire to get responses from present and prospective customers? (b) What are some advantages and disadvantages to each of the ways you have suggested?

2. What can Terra do to increase the response rate--the chances respondents will complete the questionnaire?

3. What is the purpose of each of the questions in the survey?

4. Looking at the data resulting from the survey, (a) what conclusions do you draw and (b) what marketing actions should Terra take?

4 Compared to other travel agencies you know about, how do you see Terra on each of these factors?

Factor	Comparison to others, Terra is ...			
	Far Better	A Little Better	A Little Worse	Far Worse
a. Travel agency location	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b.				
c.				
d.				
e.				
f.				
g.				

5. We would like to know how you vacationed in 1992 and your plans for 1993. Please tell us about each kind of trip below

Kind of Vacation or Trip Involving overnight stay and purchase of Bus, Train, or Airline Ticket	Did this in 1992		Plan to do it in 1993	
	Yes	No	Yes	No
a. Individual or family trip in Poland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Group trip in Poland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Individual or family trip in W. Europe or U.S.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Group trip in W. Europe or U.S.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. Would you recommend Terra to a friend?  
 Definitely yes  Fairly yes  Probably no  Definitely no

7. Tell us about yourself and family so we understand your needs

- a. Sex: Male  Female
- b. Age: Less than 20  20 to 35  36 to 50  60 & over
- c. Marital Status: Unmarried  Married without children   
 Married with children
- d. Who in household makes travel decisions: Male  Female  Both
- e. Number of times in 1992 your household took trip involving overnight stay and purchase of bus, train, or airline ticket:  
 None  1 Time  2 Times  3 to 5 Times  6 or more Times
- f. What was your 1992 budget for vacations -- which means purchase of bus, train, or airline tickets and hotel rooms?  
 Less than 3,000,000 PLZ  3,000,000-9,000,000 PLZ  over 9,000,000 PLZ

8. What 1 or 2 things could Terra do to serve you better?

.....  
 .....

## TEACHING NOTE

### TERRA TRAVEL AGENCY (B)

#### Synopsis

This case continues the analysis of marketing issues facing Terra that started in Terra Travel Agency (A). It tries to introduce students to the different kinds of travel and vacations that a variety of customers of <sup>Terra</sup> might take. Note that the case focuses on individuals and families, not business travellers. This is done to simplify the case, but in real life Terra will ~~#4~~ undertake research on business travellers also. By identifying the various kinds of customers, travel purposes, and trip destinations, students are introduced to the complexities that are present in designing an action-oriented marketing research survey.

#### Teaching Suggestions

Instructors should try to teach this case as a practical marketing research problem in which the focus is continually narrowed in order to give greater depth on the topics covered. For example, the instructor can ask questions like "What are the implications of omitting business travellers in the study?" Or, "What are the problems of selecting the sample each of the ways that you identify?" It is especially important that instructors in discussing Question #4 force students not only identify the purpose of the question but also the specific marketing actions that might result from the inclusion of each question. Also, students should be helped to understand that marketing research studies can never ask all the questions that might be wanted because respondents will get tired and bored and not complete the survey.

Answers to Questions

1. (a) What are some alternative ways that Terra might use to distribute this questionnaire to get responses from present and prospective customers? (b) What are some advantages and disadvantages to each of the ways you have suggested?

<u>a. Ways to distribute</u>	<u>b. Advantage of Method</u>	<u>c. Disadvantage of Method</u>
(1) Hand to people entering Terra	Simple; fast; inexpensive; probably get good completion rate	Disproportionate share of respondents will be customers so prospective customers will be underrepresented
(2) Mail to sample of past customers	More complicated (need mailing addresses); more expensive; may pick up opinions of disenchanted ex-customers; <u>lower completion rate</u>	Again, customers are overrepresented ; ^
(3) Hand to sample of people in downtown Warsaw near Terra	Simple; fast; inexpensive; <del>probably get a lower response rate;</del> big advantage is obtaining sample of non-customers who live or work near Terra, which may be very useful to Terra	More difficult; probably get a lower response rate

2. What can Terra do to increase the response rate--the chances respondents will complete the questionnaire?

Ways to increase the response rate include the following:

- Put names of respondents in drawing and give coupon for 200,000 PLZ off the price of a ticket purchased from Terra to 3 or 4 respondents.
- Use appeal in introduction to questionnaire that stresses value to respondent (better customer service by Terra) of spending time completing the questionnaire.
- Keep questionnaire short and simple to avoid taking too much time of respondent.
- Keep personal questions to a minimum to avoid antagonizing respondents.

### 3. What is the purpose of each of the questions in the survey?

<u>Question</u>	<u>Purpose</u>	<u>Marketing Action</u>	<u>Special Comment</u>
Introductory comment	To gain respondent cooperation		Make it short, direct
1.	To identify where respondents learned about Terra	To help Terra select advertising media	<i>Focus on media available to Terra</i>
2.	To learn where respondents bought tickets in 1992	To identify competitors in order to see what Terra might do that competitors do better than Terra does now	
3.	To identify relative importance of various factors that people use to select a travel agency	To understand factors people consider important	See discussion at end of table
4.	To determine how well Terra is doing relative to its competitors on the same factors as Question #3	To improve on key factors needing improvement	See discussion at end of table
5.	To determine actual 1992 vacations and trips and those planned for 1993.	To develop programs to market the kinds of activities done and planned	Actual actions (1992) are usually more reliable than future plans (plans for 1993)

- |    |  |  |  |
|----|--|--|--|
| 6. | To measure willingness to "stand behind" Terra's services        | To have a continuing year-to-year overall measure of Terra's performance to act on if it slips |  |
| 7. | To measure demographic characteristics                           | To use in separating markets and targeting offerings to specific customer groups               | Use only those demographics that relate to actions |
| 8. | To provide <sup>final</sup> <del>first</del> chance for comments | To listen to customer and act on things that haven't occurred to researcher                    | Makes customer feel Terra cares                    |

The relative answers of questions #3 and #4 are very important in terms of taking or omitting marketing actions. This is shown below:

Question #4: How Terra is doing on factor relative to competitors	Question #3: Importance of Factor	
	Important	Not Important
Doing Well	<u>Result:</u> Factor is important and Terra is doing well on it  <u>Action:</u> Terra should continue high quality effort	<u>Result:</u> Factor is not important and Terra is doing well on it  <u>Action:</u> Terra should probably reduce effort on this factor
Doing Poorly	<u>Result:</u> Factor is important and Terra is doing poorly on it  <u>Action:</u> Terra should emphasize improving its performance on this factor	<u>Result:</u> Factor is not important and Terra is doing poorly on it  <u>Action:</u> Terra should continue to ignore factor unless its importance changes

## BUBU BLIND AND SHUTTER ENTERPRISE COMPANY LTD.

"I has been a very exciting ten months," reflects Grzegorz Gabryel as he thinks about the time he has been Director of the Bubu Blind and Shutter Company Ltd., an assembly firm located in Pruszkow, a suburb of Warsaw. Trained as a chemist, Gabryel initiated a number of critical changes to make Bubu more competitive in the dynamic Polish markets of the 1990s.

### The Company

The Bubu Blind and Shutter Company has operated for more than a dozen years in Poland. Its plant in Pruszkow assembles the aluminum rods, tracks, and panels to make finished venetian blinds to shade the interior of windows in offices and homes in Warsaw and central Poland. Bubu is supplied with the components of its blinds and shutters by Bautex, a German manufacturer with sales offices throughout Europe and North America. In 1989 Bubu became a limited liability company under Polish law, and three years later it changed its status to a "company of civil law" to enable it to have more flexibility in paying Polish taxes.

When Gabryel joined Bubu, he recognized that the company had to improve its efficiency in handling orders and in its bookkeeping. To both speed up order processing and reduce the number of errors, Gabryel wrote a computer program for the order form used for incoming orders from its distributors. He also computerized the bookkeeping and accounting systems to speed them up and provide information that was more useful in running the business. In the process of computerizing both the ordering and accounting systems, he was able to reduce the clerical staff doing these jobs from six to two, thereby enabling Bubu to reduce its expenses and remain in business.

### Products, Markets, and Competitors

Bubu's main product is vertical blinds that are available in a variety of attractive colors and designs. Some typical products are shown in Bubu's sales brochures shown in Figure 1. The blinds are sold in all countries supplied by Bautex under the trademarked brand name of "Sundrape." This product is recognized internationally as a very high-quality drape, and Bubu and its dealers charge premium prices to reflect this quality.

Bubu assembles no blinds or shades for inventory; all products are made exclusively to the orders sent in by its dealers. This has both advantages and disadvantages. An advantage is that Bubu does not have a large supply of obsolete blinds in its inventory because a particular color or style has suddenly gone out of fashion in Polish tastes. On the other hand there are some disadvantages to taking only custom orders. One is that it is very difficult to plan and schedule production when the plant can only work on custom orders. Another problem that has occasionally arisen is that blinds are returned when the size was wrong because of a bad measurement or the customer returned an order of blinds because it suddenly decided it wanted a different color. While Bubu wants to respond to the desires of its customers and dealers, it has found that it is almost impossible to resell products returned to it because the sizes and colors

do not fit the wants of future customers.

In the early 1980s Bubu was the only assembler in Poland selling Bautex's Sundrape brand of vertical blinds. The ultimate buyers of

Bubu's blinds are organizations such as hotels, banks, office buildings, and some government agencies. There is a mix of sales between those for new buildings and those for redecoration of existing buildings.

To try to increase sales revenues, in the mid-1980s Bubu worked with Bautex and developed an advertising brochure to sell its products in The Soviet Union. Sales were low because of the limited ability of Soviet businesses and consumers to have the available money to purchase these high-quality blinds. Now in early 1993, Bubu is considering selling its blinds in the former East Germany because its cost of assembly in the Pruszkow plant, shipment in Polish trucks, and installation by Polish or East German workers will make the aggregate purchase price of the final product to customers lower than those sold by West German dealers.

Bubu has two kinds of competitors in the Polish market. First, Bautex set up two more Polish assemblers in the early 1990s—one located in Gdansk and the other in Posnan. While both of these assemblers have primary sales in their local geographic regions, each can sell its products where it wants—including in Bubu's main Warsaw market. Similarly, Bubu is free to sell its products throughout Poland, even though it is at a transportation disadvantage to the Gdansk and Posnan assemblers in their local market areas. The second kind of competition is from about 15 other Polish assemblers and manufacturers, many of whom have agreements with manufacturers in Western Europe and North America. Many of their products are of lower quality and have substantially lower prices than Bubu's blinds.

### Issues

As with many private Polish companies in the 1990s, Bubu is considering a number of marketing strategies to increase its sales revenues. Not only is Grzegorz considering expanding Bubu's geographic sales areas—such as Polish regions outside Warsaw, Russia, and the former East Germany—but it is also considering expanding the product line it sells. One line Grzegorz is thinking about is product that is external blinds for windows on buildings and homes.

As shown in Figure 3, The channel of distribution that Bubu uses runs from its dealers to the ultimate buyers—either buildings or homes. At present Bubu has 15 dealers, most of them located in the Warsaw area but a few outside Warsaw. A key to Bubu's future success is developing and maintaining a very strong group of dealers that both sell and install its line of products. Not only is the sale of a Bubu product important—including taking careful measurements of the windows and areas to be covered—but it is critically important that Bubu's dealers do a high-quality job of installing the product. This means that it is important for Grzegorz to visit his dealers and ensure their continuing interest in the Bubu line and concern for high quality and customer service.

With Grzegorz's many responsibilities, he knows he needs help in calling on his present dealers and in developing highly-qualified new ones. He is interested in considering a number of sources of such a new sales employee who would call on Bubu's dealers. One possibility is to interview newly-graduated students from a Polish university. But Grzegorz is uncertain about their interest in this kind of position and about what kind of pay and benefits he must offer them. Also, these new sales representatives require some training to be of greatest benefit to

Bubu. But it would be very costly for Bubu to hire some new sales representatives, train them, and then have them leave very soon. Being a small firm, Bubu has only limited financial resources to hire, pay, and train new salespeople.

### Questions

1. (a) What marketing strategies should Bubu use in searching for new revenue opportunities by considering both new product lines and new geographic markets? (b) What are some advantages and disadvantages of each of these strategies?
2. What strategies should Bubu use to develop and support a stronger distribution system and to recruit and support effective, high-quality dealers?
3. (a) Where might Bubu look for qualified sales representatives that it can use to call on and assist its dealers? (b) What kind of sales compensation, benefits, and training should it offer these sales representatives?

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**PART TWO**

**LAND O'LAKES**

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**MANAGEMENT TRAINING AND ECONOMICS EDUCATION  
FOR CENTRAL AND EASTERN EUROPE  
LAND O'LAKES SUBCONTRACT TO THE HUMPHREY INSTITUTE  
USAID GRANT NO. EUR-0029-G-00-1051-00  
QUARTERLY REPORT  
OCTOBER - DECEMBER 1992**

**I. BACKGROUND**

In the first quarter of fiscal year 1993, Land O'Lakes implemented two of seven five-day courses planned for the second year of a USAID-funded subcontract with the University of Minnesota Hubert H. Humphrey Institute. The Foundation for the Development of Polish Agriculture (FDPA) provided in-country coordination. The courses were conducted at The University of Agriculture and Technology, formerly known as the Agricultural Technical Academy, in Olsztyn, Poland.

The thrust of year two's objectives is to build on the seven courses delivered in year one by offering more advanced-level economics and management training for year-one participants and by strengthening the local resource capacities of cooperating institutions. Emphasis is given in training activities to facilitate the development of marketing strategies. The courses in the second year build on the first year accomplishments and on feedback from course participants and trainers. Land O'Lakes will offer seven five-day seminars between November 1992 and May 1993 in the areas of logistics management, marketing and sales, food merchandising, and video management and promotion.

Land O'Lakes conducted two seminars in the first quarter of fiscal year 1993. Lynne Heuton, Inventory Technical Resource Manager at Land O'Lakes in Arden Hills, conducted the two five-day courses on **Logistics Management** from **November 16-20, 1993**, and **November 23-27, 1993**.

As mentioned in a previous quarterly report, the coordination of the courses at the university has improved with time. The staff has been cooperative and professional. Under the direction of the Rector, Dr. Andrzej Hopfer, the coordination by his colleague, Mrs. Grzanka, and the superb translation of Dr. Szczepan Figiel and members of the English department, the Land O'Lakes trainers received efficient support in carrying out their scope of work. Lynne Heuton mentioned that Dr. Figiel's expertise on business banking and the Polish economy proved invaluable to the teaching of the Logistics Management course.

Classrooms were spacious and well-equipped with audio-visual equipment: overhead projectors and screens, VCR, monitor and chalkboard.

Trainers are housed at the Novotel Hotel, which is rated consistently as adequate. Though not the ideal for

participant/trainer interaction, the participants are not lodged at the Novotel, but at the university dormitory. Due to budgetary constraints and lack of alternate lodging facilities, the university has no other alternative in the immediate surrounding. Both trainers and participants express the desire to be lodged at the same facility so discussions can continue into the evening hours; however, trainers are reluctant to be lodged at the university dormitory due to the lack of private bathroom facilities, heat and hot water.

## II. TRAINERS' EXPERIENCES

The logistics management trainer, Lynne Heuton, implemented several tools to explain the concepts: lecture, handouts, exercises, videos, and field trips. Part of the Logistics Management course involved field trips to facilities in order to show students practical applications of logistics. The first logistics management class visited a small ice cream and frozen food facility and a small dairy that produced butter, cheese and yogurt. The second class toured the pilot plant at the Olsztyn campus and a meat-packing plant. Lynne commented, after returning from Poland: *"Both the students and I found the tours of the facilities to be very valuable. The tours seemed to animate the students and created questions and discussions of logistics issues that we probably would not have encountered by staying in the classroom. This initiated much discussion which allowed one to point out how useful they could be to one another in solving their own problems through comparison and discussion."*

Lynne's overall comment: *"My students were very attentive and had many questions. A few said that they could incorporate much of what they had learned into their companies."*

## III. INDIVIDUAL COURSE REPORT

### A. Trainer

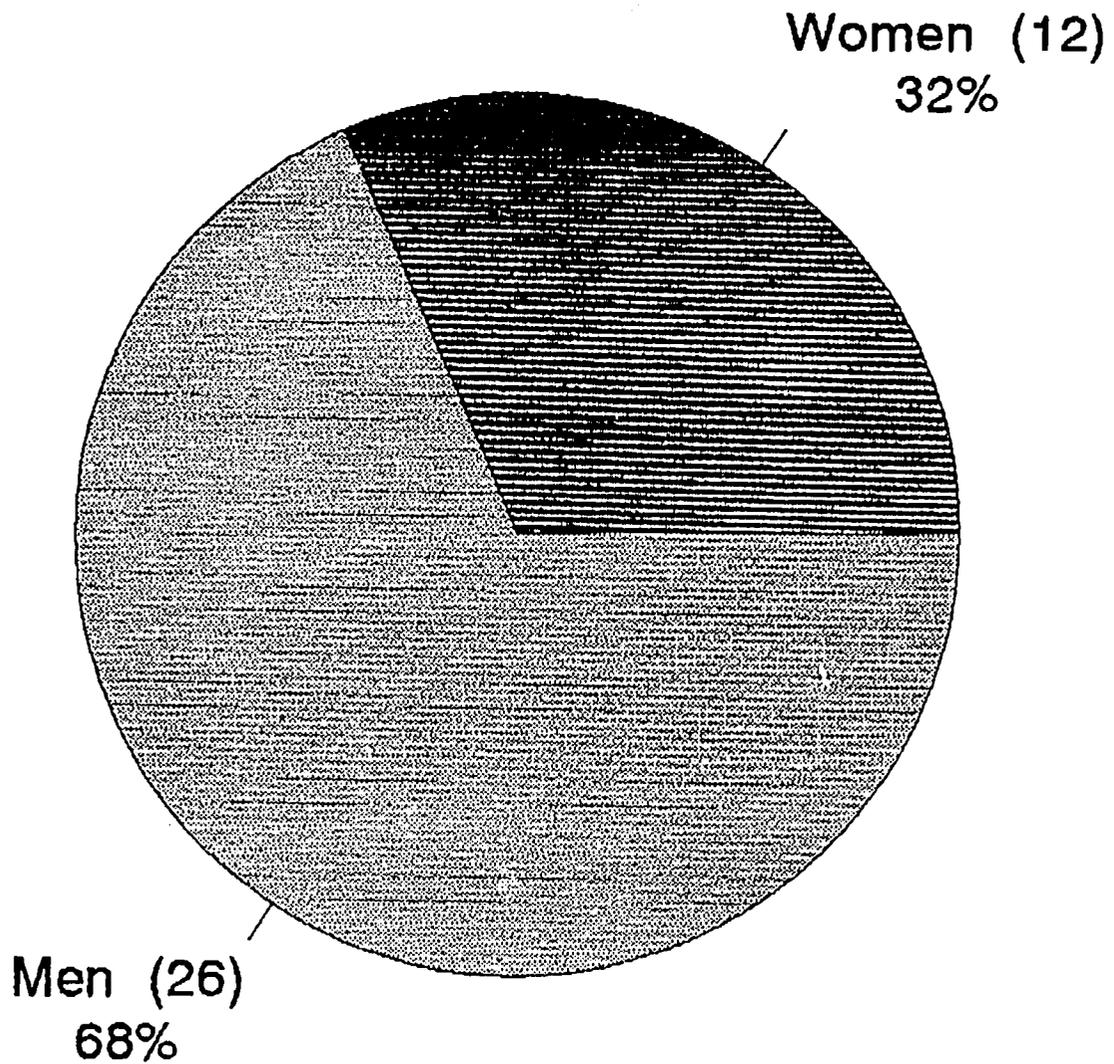
Lynne Heuton, Inventory Technical Resource Manager at Land O'Lakes in Arden Hills, conducted the two five-day courses on **Logistics Management** from **November 16-20, 1993**, and **November 23-27, 1993**.

### B. Participants' Backgrounds

Eighteen (18) participated in the Logistics Management seminars in each week, for a total of 36. Below is a graph depicting the gender breakdown of classes: 35% women, 65% men (Chart 1). The participants in each seminar came from a wide variety of types and sizes of firms. Approximately 87% of the participants were business managers; 8% were workers in private firms; 5% were faculty or trainers. See Chart 2, which follows.

# POLAND

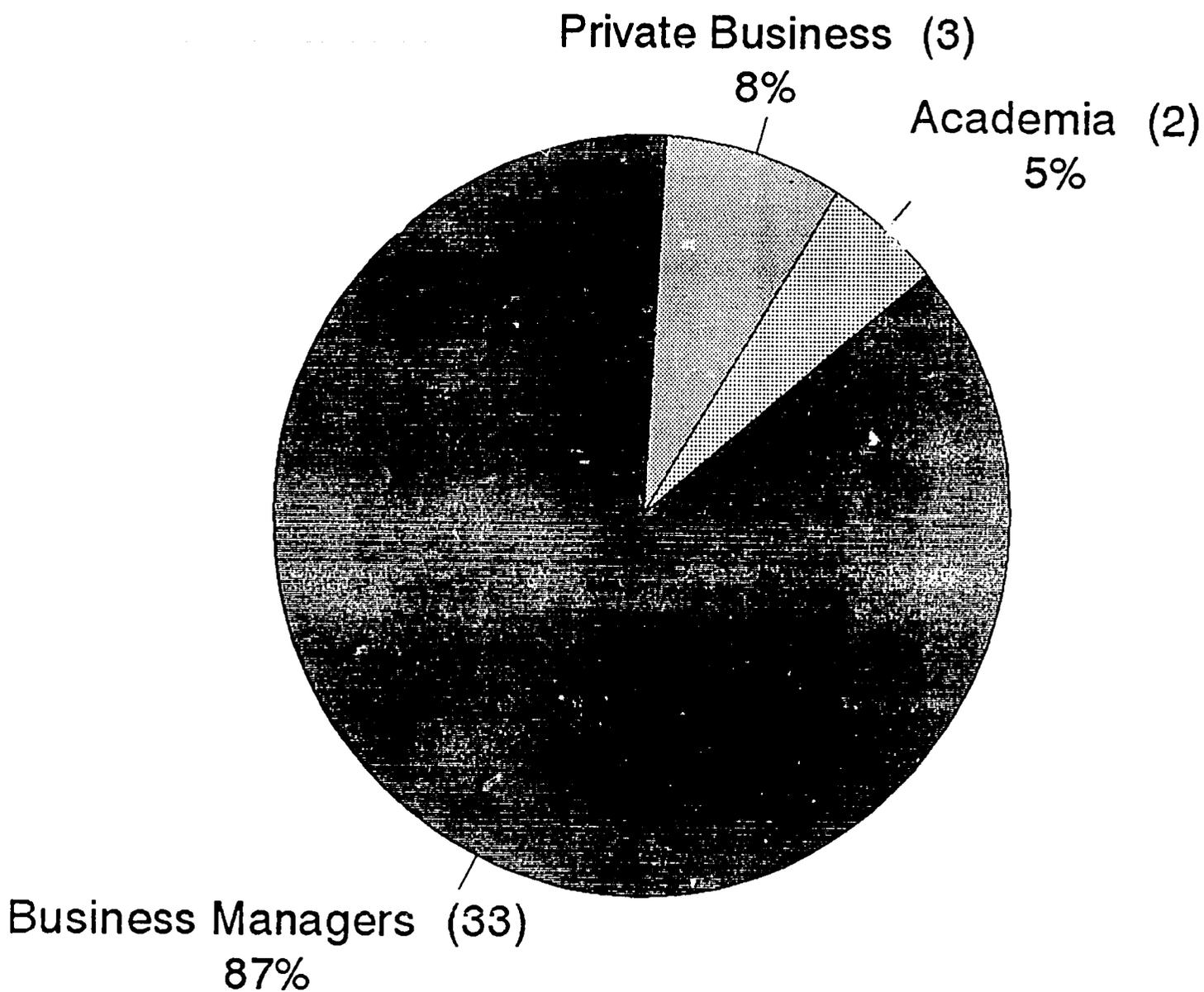
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## Gender Profile

Number of courses = 2

# POLAND



## Professional Affiliation

Number of Courses = 2

The Student Contact Hours report in Attachment 1 provides another summary on the class composition.

The two course rosters are attached (Attachment 2).

C. Seminar Content/Focus

The seminar focused on integrated logistics, that is, the consolidation of distribution, warehousing, transportation, and customer service to move product from production through marketing channels to the customer effectively and efficiently. Integration of these functions provides significant potential for cost savings. The class was designed to supplement and support marketing principles, assuming that logistics is part of the marketing mix. The instructor was careful to differentiate centralized logistics planning from the central planning previously experienced under Soviet rule. A brief description of the topics follows:

Logistics: Overview of the logistics environment, channels of distribution, supply chain management and information systems.

Logistics Activities: Materials management, order processing, inventories, transportation, warehousing, materials handling, and customer service.

Organization and Strategy: quality, organization, strategy and issues in global logistics.

D. Evaluation

The FDPA prepared its own evaluation form for the courses. Summaries of those participant evaluations for each week are attached as Attachment 3. The evaluation forms required by USAID are attached as Attachment 4. Sixteen participants completed them for the first logistics course; 17 for the second logistics course. They have been sent also to Dr. Leslie Koltai. The last 18 questions (the bottom half of the second page in the English version) were disconnected from the first part of the evaluation. The Land O'Lakes project officer plans to correct this in upcoming courses. It appears, however, that the first part of the evaluation is valid on its own and that the second part is not always applicable to the participants.

931STQTR.HHH

**PART THREE**

**SPARKS COMPANIES, INC.**

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# Sparks Companies, Inc.

Memphis, Tennessee

Washington Division  
6708 Whittier Avenue  
McLean, Virginia 22101

(703) 734-8787  
Fax: (703) 893-1065  
Telex: 4993332 SCIDC

## Memorandum

**Date:** January 15, 1993  
**To:** Randy Zimmerman  
**Regarding:** Fourth quarter, 1992 PEM activities  
**From:** William Motes/Tom Scott

SCI's primary activity under this project last quarter was the design and presentation of two agribusiness seminars in Olsztyn, Poland, November 4-7, 1992 and November 9-12.

These seminars differed from our previous presentations in two major ways: First, they were designed somewhat more narrowly than in the past, to deal more directly with concepts and management techniques for particular industry groups (in this case, grain purchasers/handlers) and to be useful to educators responsible for economics curricula for technical high schools). Thus, the seminars have been lengthened this year and their size limited to 20 to 25 participants to permit greater focus. Second, a Polish economist from the Olsztyn Academy, Dr. Szcapan Figiel participated with the presentation team.

In particular, the seminars were strengthened in at least three ways:

- o Business concepts described during the seminars were elaborated using local Polish business conditions as examples;
- o During the portions of the seminar led by Dr. Figiel, translation was not necessary so that the time available for direct discussion was extended; and
- o The increased involvement of personnel from Olsztyn in these seminars has increased the understanding of the Academy of the objectives of the seminar, and strengthened its continuity.

The seminars were oversubscribed with a few more participants than intended. In terms of discussion intensity and participant

response, both the changes in course content and the involvement of Dr. Figiel have significantly improved the seminars' effectiveness.

#### **Grain purchasing/handling seminar**

There were 25 participants in this session, with four from private firms, four from government agencies and the balance from state owned enterprises. Many of the participants had substantial management experience, but relatively little in the field of marketing or merchandising.

The seminar focused on:

- o Basic economics principles;
- o Grain marketing overview;
- o Grain pricing and uncertainty;
- o Marketing information and its importance to successful risk management;
- o Agribusiness management principles, including cost evaluation and project design and management;
- o Government programs and their impacts on grain markets and agribusiness risk management;
- o Basic market development concepts;
- o Project evaluation.

The seminar participants were especially interested in market information sources, and techniques used by western agribusiness firms to develop and use management informations systems. The grain and futures markets also were of great interest to participants, who recognize that their own marketing system is evolving rapidly and in the future will come to resemble markets in the West much more closely than it does today.

#### **Educators**

There were 28 participants in this seminar, with most involved directly in organizing and teaching economics in technical high schools (although several also were headmasters and administrators). Most participants represent schools that prepare students ranging from 15 to 21 years of age for university careers and they are under significant pressure to strengthen their their capacity to teach market economics. They are interested in agriculture and agribusiness, and were very interested in agribusiness management concerns.

The material presented in this seminar was much broader than that covered with the grain handlers, but the discussions were intense and focused on practical examples (often using household level concepts). Many of the participants attended with the objective of developing course materials for their classes, and significant

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parts of these materials likely will be used for future economics classes.

With this expectation, the seminar was designed to emphasize critical frameworks of understanding in each area, and the problems presented were intended to further understanding of such frameworks. An example is the use of Net Present Value analysis for projects or investments as a concept around which numerous applications can be built.

This seminar focused on:

- o Basic economic principles, including pricing, market structures and systems, and firm organization and management;
- o Agricultural markets and market functions;
- o Agribusiness firm theory, including costs, management and risk management;
- o Consumer marketing strategies; and
- o Project design and evaluation concepts.

Evaluations by course participants were very positive, with 100 % "good" or "excellent" ratings and no "acceptable" or "poor" ratings. For seminar content, the ratings were 20% Excellent and 80% Good; for practicality, they were 25% Excellent and 75% Good; for level of materials, they were 50% Excellent and 50% Good; for presentation materials, they were 50% Excellent and 50% Good; and for presentation, they were 60% Excellent and 40% Good.

#### Comment

It is clear that the level of sophistication regarding market concepts has increased substantially in Poland during the last year in which we have been involved in presenting presentations there. However, it is also clear that the modified seminars with their greater concentration on skills and somewhat greater intensity are far more effective tools than were those focused entirely on concepts.

As a result, we intend to focus much more directly on specific groups in the future, and to expand the number of specific examples used for discussion and course problems.

And, we believe that the direct involvement of well selected, highly skilled local economists was very successful in this case and that there is strong potential to expand the use of such personnel in other seminars.

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### Future seminars

SCI is planning six additional seminars in Olsztyn under this program. The dates and topics are indicated on the attached schedule, and include:

- o March 17-20, Agribusiness management for grain merchandising executives;
- o March 22-25, Agricultural marketing and agribusiness management for science teachers;
- o May 12-15, Agribusiness management for fruit and vegetable production and marketing establishments;
- o May 17-20, Agribusiness management for fruit and vegetable production and marketing establishments;
- o June 23-26, Agribusiness management for meat and milk producing establishments;
- o June 23-26, Agribusiness management for meat and milk producing establishments

### Seminar support

Basic support for this seminar series comes from the Foundation for the Development of Polish Agriculture and the University of Agriculture and Technology at Olsztyn. FDPA arranges for facilities and translation of materials and advertises the seminars and arranges for translation, while the University at Olsztyn provides rooms, meals and other logistics and technical support.

As in the past, the arrangements have been fully satisfactory. Course targets have been met and facilities have been fully adequate. In general, this arrangement continues to work extremely smoothly.

## Partners In Economic Management

Jan-July, 1992

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Week (beginning Sunday)

Jan	3		
	10		
	17		
	24		
	31		
Feb	7		
	14		
	21		
	28		
Mar	7		
	14	(PEM II, Olsztyn, March 17-20	[Grain & H.S. teachers]
	21	March 22-25)	[TS, SF]
	28		
April	4		
	11		
	18		
	25		
May	2		
	9		
	16	(PEM II, Olsztyn, May 12-15	[F & V]
	23	May 17-20)	[TS, JC]
	30		
June	6		
	13		
	20	(PEM II, Olsztyn, May 23-26	[agribusiness mgmt)
	27	May 28-July 1)	[JC, SF]
July	4		
	11		
	18		
	25		

## Seminar leaders:

William Motes  
 Tom Scott  
 Szczepan Figiel  
 Jonathan Coleman

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Contact Hours Analysis, PEMII  
 SCI Management Education Series

Seminar	Sem hrs	Parts	Cont hrs	Participant Category					TOTAL
				Train	Govt	Manag	Media	Farm Emp	
				(Persons)					
Dec, 1991:	24	44	1056	8	9	21	0	6	44
Dec, 1991:	24	42	1008	9	6	19	2	6	42
March	24	33	792	7	5	15	1	5	33
March	24	42	1008	8	8	21	0	5	42
May	24	38	912	4	6	23	2	3	38
May	24	32	768	3	5	19	2	3	32
June/Jul	24	35	840	2	6	25	2	0	35
June/Jul	24	32	768	6	5	16	2	3	32
Nov	32	25	800	1	4	15	1	4	25
Nov	32	28	896	24	4	0	0	0	28
<b>TOTAL</b>		<b>351</b>	<b>8848</b>	<b>72</b>	<b>58</b>	<b>174</b>	<b>12</b>	<b>35</b>	<b>351</b>

Contact Hours Analysis  
 SCI Management Education Series

Seminar	Sem hrs	Parts	Cont hrs	Participant Category					TOTAL
				Train	Govt	Manag	Media	Farm Emp	
				Hours					
Dec, 1991:	24	44	1056	192	216	504	0	144	1056
Dec, 1991:	24	42	1008	216	144	456	48	144	1008
March	24	33	792	168	120	360	24	120	792
March	24	42	1008	192	192	504	0	120	1008
May	24	38	912	96	144	552	48	72	912
May	24	32	768	72	120	456	48	72	768
June/Jul	24	35	840	48	144	600	48	0	840
June/Jul	24	32	768	144	120	384	48	72	768
Nov	32	25	800	32	128	480	32	128	800
Nov	32	28	896	768	128	0	0	0	896
<b>TOTAL</b>		<b>351</b>	<b>8848</b>	<b>1928</b>	<b>1456</b>	<b>4296</b>	<b>296</b>	<b>872</b>	<b>8848</b>

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**PART FOUR**

**AMERICAN TRUST FOR  
AGRICULTURE IN POLAND**

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# American Trust for Agriculture in Poland

January 18, 1993

TO: Randy Zimmermann  
SUBJECT: ATAP/FDPA Quarterly PEM Report

Attached is ATAP/FDPA's Quarterly PEM Report. We are sorry that we did not fax this to you Friday.

We are looking forward to seeing you tomorrow here at our offices.



J.B. PENN  
Executive Director

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## PEM Report

The PEM project's second year started off at Olsztyn with Sparks' Agribusiness Management course, co-taught by Tom Scott of Sparks and Dr. Szczepan Figiel, an agricultural economist on the staff of the Olsztyn Agricultural Academy. This year Sparks chose to aim their standard Agribusiness Management course at different key professional groups. The first course, November 4-7 was attended by 23 grain traders. 70% of participants had a university degree. Evaluations were the following:

- Course content: Excellent 23% Good 77%
- Practicality: Excellent 26% Good 74%
- Level of materials: Excellent 47% Good 53%
- Presentation: Excellent 65% Good 35%

The second course, for technical high school economics teachers, was held November 9-12. All 29 participants had university degrees. Evaluations were as follows:

- Course content: Excellent 34% Good 66%
- Practicality: Excellent 31% Good 69%
- Level of materials: Excellent 65% Good 35%
- Presentation: Excellent 65% Good 35%

FDPA's first course, Small Business Management for Women Entrepreneurs, delivered by Company Assistance, Ltd. was held November 17-19 at Olsztyn. 28 women attended, of whom 17% had university degrees. Evaluations were as follows:

- Course content: Excellent 60% Good 33% Fair 7%
- Practicality: Excellent 39% Good 54% Fair 7%
- Level of materials: Excellent 42% Good 58%
- Presentation: Excellent 82% Good 11% Fair 7%

FDPA's second Small Business Management course for Women was held in Krakow at the Polonia Institute. 19 women attended. Evaluations were as follows:

- Course content: Excellent 70% Good 30%
- Practicality: Excellent 65% Good 29% Poor 6%
- Level of materials: Excellent 80% Good 12%
- Presentation: Excellent 100%

Land O'Lakes' seminar on Logistics Management was delivered by Lynne Heuton, a LOL Logistics Resource Manager, at Olsztyn. Sessions were held November 16-20 and 23-27. 18 managers and company owners attended the first session. 78% had a university degree. Evaluations were as follows:

- Course content: Excellent 43% Good 50% Fair 7%
- Practicality: Excellent 31% Good 56% Fair 13%
- Level of materials: Excellent 31% Good 69%
- Presentation: Excellent 56% Good 44%

20 managers and company owners attended the second session. 65% had a university degree. Evaluations were as follows:



**PART FIVE**

**AID STUDENT**

**CONTACT HOURS DATA**

# Worksheet for Quantitative Data - AID Projects: Central and Eastern Europe

Institution: University of Minnesota

Quarter: 10/1 to 12/31/92

Contact Person Regarding this Report Randal J. Zimmermann (612) 626-8176

Project Component Academic Training

TOTAL PROJECTED STUDENT CONTACT HOURS THIS QUARTER:

2580

STUDENT CONTACT HOURS	MANAGEMENT EDUCATION	ECONOMICS EDUCATION	CONSULTATION	OTIIER	EDUCATION VIA MEDIA SOURCES	LOCATION
	Actual	Actual	Actual	Actual	Actual	
Project Sustainability (Training Faculty/Trainers)	1200	180	-			Management @ Warsaw
Students (Traditional)	1000	200				Economics @ Warsaw
Government Officials						
Business Community/ Business Managers						
Journalists - Media						
Other Groups/Individuals						
Other Groups/Individuals						
Other Groups/Individuals						

COMMENTS:

# Worksheet for Quantitative Data - AID Projects: Central and Eastern Europe

11

Institution: University of Minnesota

Quarter: 10/1 to 12/31/92

Contact Person Regarding this Report Randal J. Zimmermann (612) 626-8176

Project Component Applied Management Training

TOTAL PROJECTED STUDENT CONTACT HOURS THIS QUARTER:

2792

STUDENT CONTACT HOURS	MANAGEMENT EDUCATION	ECONOMICS EDUCATION	CONSULTATION	OTHER Applied Mgmt. Training	EDUCATION VIA MEDIA SOURCES	LOCATION
	Actual	Actual	Actual	Actual	Actual	
	Project Sustainability (Training Faculty/Trainers)	<input type="text"/>	<input type="text"/>	<input type="text"/>	882	<input type="text"/>
Students (Traditional)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
Government Officials	<input type="text"/>	<input type="text"/>	<input type="text"/>	256	<input type="text"/>	
Business Community/ Business Managers	<input type="text"/>	<input type="text"/>	<input type="text"/>	1404	<input type="text"/>	
Journalists - Media	<input type="text"/>	<input type="text"/>	<input type="text"/>	32	<input type="text"/>	
Other Groups/Individuals Private Firms	<input type="text"/>	<input type="text"/>	<input type="text"/>	90	<input type="text"/>	
Other Groups/Individuals Farm Empl.	<input type="text"/>	<input type="text"/>	<input type="text"/>	128	<input type="text"/>	
Other Groups/Individuals	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	

**COMMENTS:**  
Data reported only for Land O'Lakes and Sparks Companies, Inc.

**PART SIX**

**AID FINANCIAL DATA**

WORKSHEET FOR QUANTITATIVE DATA - AID Projects: Central & Eastern Europe

University of Minnesota Period: 7/1/92 - 12/31/92

Contact: R.J. Zimmermann  
(612) 626-8176

Management Training & Economics Education in Poland

PROJECT EXPENDITURES	AID FUNDS		COST SHARE		ACCRUED EXPENSES	AID FUNDS REMAINING
	BUDGETED	ACTUAL	BUDGETED	ACTUAL		
Salaries - U.S.						
Instructors	\$311,002	\$146,016	\$41,300	\$67,540	\$55,356	\$109,630
Staff	268,352	179,525	16,176	17,450	0	\$88,827
Fringe Benefits	173,438	76,043	17,243	24,648	41,671	\$55,724
Salaries Local	230,622	60,351	0	0	31,137	\$139,134
Consultants	[n/a]	[n/a]	0	0	0	\$0
Travel - Per Diem	306,905	123,259	0	0	136,349	\$47,297
Nonexpendable Equipment	35,500	30,067	0	0	4,052	\$1,381
Expendable Supplies	50,998	28,429	0	0	16,562	\$6,007
Indirect Costs	390,789	142,026	26,960	0	0	\$248,763
Participant Costs	69,108	50,851	0	0	34,704	(\$16,447)
Workshops, Seminars	[n/a]	[n/a]	0	0	0	\$0
Video/TV Production	[n/a]	[n/a]	0	0	0	\$0
Subcontractor 1:						
Land O'Lakes	532,079	269,022	50,976	35,035	11,855	\$251,202
Subcontractor 2:						
Sparks Companies	350,170	269,899	20,000	0	14,186	\$66,085
Subcontractor 3:						
ATAP/FDPA	402,399	263,047	1,312,746	0	55,836	\$83,516
Translation	27,500	11,805	0	0	120	\$15,575
Scholarships	[n/a]	[n/a]	0	0	0	\$0
Curriculum Development	[n/a]	[n/a]	0	0	0	\$0
Other Direct Costs	[n/a]	[n/a]	0	0	0	\$0
Other _____	[n/a]	[n/a]	0	0	0	\$0
<b>TOTALS =</b>	<b>\$3,148,862</b>	<b>\$1,650,340</b>	<b>\$1,485,401</b>	<b>\$144,673</b>	<b>\$401,828</b>	<b>\$1,096,694</b>