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**FIRST QUARTERLY REPORT**

on

**THE MBA ENTERPRISE CORPS**

**Review of Activities**

**July 1, 1991 - November 30, 1991**

**Prepared for**

**The U.S. Agency for International Development**

by

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## **EXECUTIVE SUMMARY**

### **Review of the MBA Enterprise Corps Program**

The MBA Enterprise Corps was established in 1990 by a consortium of the nation's leading business schools. The program places graduate MBAs from 20 member schools with private and privatizing companies in Central Europe. MBAs are paid a local salary by the company (approximately \$3,600 annually plus housing); all dollar-costs are provided by the program. In-country Co-sponsors identify positions, arrange local orientation, and provide mentoring. Corporate contacts in the United States provide technical advice on request, as do the Schools and the Kenan Institute.

### **Program Finance**

With a projected dollar cost per 18-month assignment of \$33,000 beginning in 1992, the MBA Enterprise Corps is highly cost-effective. A.I.D. support for the Corps in 1991 totals \$634,000, approximately 30% of the program's total cost and 50% of the dollar costs. The remainder is provided by in-kind contributions from the Kenan Fund and member schools, support from U.S. corporations and foundations, salaries paid by the Central European firms, and contributions in-kind by Co-sponsors.

### **1991 Program**

Forty-nine Corps members are currently working in the Czech and Slovak Federal Republic, Hungary and Poland, including eight from the pilot program begun in 1990 and 41 assigned in July 1991. Twenty-six are in the CSFR, including four assigned to small enterprise advisory centers established by the CSFR Co-sponsor; 10 are in Hungary; and 13 are in Poland. Following six weeks of intensive language training and orientation in the U.S. and host-country, the MBAs began their assignments in September,

### **Coordination with Other Programs**

The program collaborates closely with and provides support to several A.I.D.-supported programs, including the IESC, CARESBAC, IPG, and the Enterprise Funds. MBAs provide a unique resource to support a range of private sector programming in Central Europe.

### **Plans for 1992-93 Program**

Demand for MBAs exceeded the supply in 1991 by 150%. As the program has now demonstrated its value, a much greater volume of company requests is anticipated in March for the 1992-93 program. The Consortium Board has approved a level of 100 MBAs based on a budget of \$3.3 million and expanded operations in the three Northern Tier countries plus a pilot program in a fourth country. The availability of funding commitments in hand by February will determine the scale of the 1992 program.

# **THE MBA ENTERPRISE CORPS**

## **INTRODUCTION**

This report is the first quarterly report submitted to the U.S. Agency for International Development regarding the grant issued by A.I.D. for support of the MBA Enterprise Corps. The grant was awarded in September 1991, and retroactive to July 1, 1991. Consequently, this is the first submitted report. It is being prepared prior to the conclusion of the quarter ending December 31, 1991, in order to provide background for a meeting scheduled for Tuesday, December 17, 1991, with Frank Almaguer, director of the Office of Eastern Europe. The status of the program is not expected to change significantly in the three weeks remaining in the second quarter. A separate financial report will be submitted, as specified in the grant.

## **REVIEW OF MBA ENTERPRISE CORPS PROGRAM STATUS**

### **THE CONSORTIUM FOR THE MBA ENTERPRISE CORPS**

The Board is composed of representatives from each member institution, principally Associate Deans or Directors of MBA Programs. The Consortium Board of Trustees held meetings in March and in July to set policies and review the procedures and matching for the year.

At their July 1991 meeting, the Board voted to add Carnegie Mellon, Rochester, Washington University (St. Louis) and Yale. Requests to join have since been received from Harvard, Georgetown and Southern California, and inquiries have been received from the University of Texas (Austin) and MBAs of MIT.

The Consortium for the MBA Enterprise Corps has been incorporated as a 501(C)(3) non-profit entity, and application has been made for tax-free status with the IRS. Approval is expected in early 1992.

### **AREAS OF OPERATION**

The Consortium Board of Trustees decided at its meeting in July 1991 that the Corps assignments should be only in the transforming economies -- those moving from Communism to free-enterprise systems. While this will be a large number of countries

in the near future, the present scope will be restricted to the three major countries of Central Europe -- Poland, the CSFR, and Hungary. Others may be served under pilot programs, but the objective is to establish the Corps solidly and then grow as demanded and funded. Distribution of Corps members may be determined by donor interest and availability of funds.

### **FUNDING AND BUDGET**

Dollar funding of the Corps for 1991-92 has been principally from A.I.D. plus private sources. The demand for and supply of MBAs for this first year of operation was higher than expected -- 175 MBA applicants and 105 host company applicants. Consequently, insufficient funds precluded matching all those seeking to assist and be assisted.

Funding sources were as follows:

A.I.D.	\$634,000
Kenan Institute (overhead, etc.)	174,000
The Pew Charitable Trusts	100,000
Sara Lee Corporation	56,000
Olin Foundation	41,000
GE Foundation	25,000
Hungarian-American Enterprise Fund	100,000
Polish-American Enterprise Fund	<u>48,000</u>
<b>TOTAL</b>	<b>\$1,178,000</b>

The preparation and support of 49 MBAs (eight pilot program placements and 41 inaugural Corps members -- see Exhibit A for names, schools and companies) costs \$1,335,000, giving a per member cost of \$27,250 (including fixed costs and overhead) for the projected average 18-month stay. There is still a \$150,000 short-fall in funding of the 1991-92 budget. We have requests outstanding with the Czech and Slovak-American Enterprise Fund and with the Reynolds and Babcock Foundations in North Carolina to cover this. However, the latter will not be able to decide until March 1992, though the Fund may do so in December.

The grants from the two Enterprise Funds and the request to the Czech and Slovak-American Enterprise Fund were based on the fact that the MBAs are working either directly with the Funds or their client companies, or indirectly for them through

support of creation of business plans or the dissemination of technology and management skills to potential clients.

Expenditures as of December 1, 1991, totaled almost \$400,000.

## **STAFFING**

Staffing for the Corps administration has remained minimal -- a director, executive director, program manager and secretary. If the Corps is expanded to over 100 MBAs in 1992-93, the staff will have to expand with another program manager as well as some part-time assistance during the orientation program. In addition, more trips to Central Europe will be required by the Director and Executive Director. And, if pilot programs are to be established in other countries, the Director will have to undertake this development.

## **CORPS ACTIVITIES IN-COUNTRY**

### **GENERAL CLIMATE**

The privatization process in Hungary, the CSFR, and Poland has proceeded more slowly than each had anticipated, but there are a number of new private enterprises, and a wide variety of companies that have been privatized (including some banks and consulting companies) that are in a position to employ members of the Corps. The large state-owned enterprises (SOEs) are the slowest in becoming private; but as their major divisions are made into stock companies or become joint ventures with foreigners they will become appropriate candidates for the Corps as well. In addition, several of the governmental entities are eager to have Corps members assist in the development of appropriate climates for private-sector development and the attraction of foreign direct investment.

One of the problems facing some Central European companies is bankruptcy, and it is difficult for an MBA to feel "successful" in easing the pain of failure for a company or its workers. Further, the political problems of privatization in Central Europe are such that normal business analysis is not fully applicable, and even if the Corps member could be more helpful in this process, they may not be given the chance in every case.

For example, in some situations of privatization -- depending on the regulations and process -- it is advantageous to management in seeking to buy the company to run its value down for several months prior to purchase; this may mean a rejection of orders and firing of workers to demonstrate "bankruptcy" -- not an appropriate move in the view

of the MBAs. But, the MBAs are gaining an understanding of business in Central Europe that will be extremely useful as their host-companies face competition or seek to expand into Western markets.

## **THE CZECH AND SLOVAK FEDERAL REPUBLIC**

### **Privatization**

The privatization process is proceeding, with over 5,000 enterprises in the "small-scale privatization" having been sold. However, collusion among potential buyers in the Dutch auction process reportedly drove the prices down to between 20 and 50 percent of projected values of the enterprises. The entire privatization process has lent itself to corruption by managers and potential buyers, with government officials being so ill-trained that they are incapable of finding more appropriate valuations or preventing the fraud. The process of training Ministerial officers responsible for evaluating the proposals was too little and too late, with much of the "consultant" money simply being wasted.

Large-scale privatization involves the large SOEs, and the usefulness of Corps members awaits the break-up and sales of these companies.

The CSFR faces a split between the Republics, which will alter the Corps organization, probably eliciting more demand from Slovakia for MBAs. There will be many opportunities there to help turn companies around, particularly heavy industry; unemployment is likely to rise precipitously in the coming year, and much needs to be done to help medium and small enterprises begin and succeed.

### **Co-Sponsor and Host Company Activities**

Our Co-sponsor in Prague, the Center for Democracy and Free Enterprise, is operating well, and several discussions identified the key role of Co-sponsors as coordinators of all private-sector support in the country. We will need to provide more financial support for the Center in order to be able to command its resources to develop the Corps there, including improving the Orientation Program.

The Center was formed by two Americans and a Czech (Dr. Ladislav Venys, who is the Director) originally in concert with the Charles University where Dr. Venys taught; but it has now been moved out administratively while still occupying University offices. It is a not-for-profit subsidiary of the Central Europe Institute in the U.S. It has a staff of six, plus access to part-time personnel. It develops a number of different programs in support of private enterprise and democratic institutions. It did a magnificent job of

identifying Czech companies in a short time in early 1991, with the assistance of a pilot member of the Corps.

Dr. Venys has plans for expanding the Corps activities and has been given responsibility for all of the Czech Lands and for counsel as to how to move into Slovakia. With the potential split in the country, a new Co-sponsor will probably have to be established in Slovakia, where contacts are being developed through the "Entrepreneurship Centers" staffed by two MBAs in Bratislava.

The "Entrepreneurship Centers" are a major innovation for the Corps in the CSFR; they are set up within the Co-sponsor organization and are funded by the Central Europe Institute (N.Y.). These units have two MBAs each (Prague and Bratislava) with local colleagues who team together to create business plans for start-up enterprises; they will also provide clinics for a number of prospective entrepreneurs to encourage them in forming effective business plans. They coordinate with the Czech and Slovak-American Enterprise Fund to provide screening and counseling services. The fund has had over 1,000 "applicants," of which 800 were for "grants" and the remaining 200 had to be screened and assisted in writing appropriate applications. Two MBAs in Bratislava are performing the same service. It is expected that MBAs will also be requested by equity partners of the Fund (though this will not be mandated by the Fund). Assisting in financial analysis of the applicants, two other MBAs are in the offices of the Fund in Prague, ;

### Corps Performance

The impacts of the MBAs are still too early to assess, for they have been on assignment for under three months -- the period required for orientation to the situation in the company and to their counterparts. Only the five from the pilot program in the CSFR have been in positions longer than three months. The majority are going through various stages of adjustment and learning. Some have been immediately put to effective use; others are having to carve out their roles -- which seems to be the predominant situation. However, there are several "success stories" already, particularly in the area of one-on-one transfer of know-how and strategic planning -- implementation will take longer.

Though all Corps members are satisfied with their situation, they are all eager for the "real" work to begin, as they become familiar with the situation and the privatization process puts pressure on their companies.

Among the 24 Corps members in Czech Lands and the two in Slovakia, five have been or are being shifted for various reasons:

George Holmes -- out of Tesla because the company is going bankrupt -- has since been appointed the Director of one of the Czech mutual funds set up under the

privatization statute to manage the stock portfolios resulting from the implementation of the voucher system. This is a major appointment and should provide high visibility for the Corps and its services as well as maximize the opportunity for Corps assistance.

Mark Griesbaum -- because the division of the Skoda company he was assigned to has not proceeded with privatization (see Exhibit B) -- and has not yet relocated. Four others working with Skoda are quite content with the potential for contribution in their positions in other divisions.

David Kratochvil -- because the investment/consulting company he was assigned to did not receive the government contract for a major development he was expected to work on -- is now working with the Czech and Slovak-American Enterprise Fund along with George Phipps.

Jeff Rosen -- assigned to the Prague Energy Works to assist in its privatization, which did not occur; the company decided it wanted the MBA to establish a complete cost-accounting system, when he was originally requested to do cost and financial analysis -- is now working with a trading company.

Zaheer Sitabkhan -- assigned to an office products company whose manager was uncertain as to how to use him -- was put with a group of 12 individuals, none of whom could speak English, so his contributions were minimal. He is now working with BONTON, a recording and movie studio.

### **Profiles of Corps Experiences**

In the first three months, one or more of three situations have existed for the Corps members who have found themselves well utilized: a) they report directly to high level management -- in some cases, the managing director; b) they have an assigned English-speaking counterpart who has a similar responsibility; c) they have done at least one task or made one suggestion that made top management respect them. In time, they have been called on more and more to present strategic and operational plans and to help with the implementation of the recommended actions. Examples of these early success stories appear as profiles within each country description.

#### **Shannon McKeen (The Tuck School, Dartmouth University)**

Company: KOH-I-NOOR, 1300-employee, light manufacturing company which produces such items as metal buttons and buckles, nails, safety pins, and metal fasteners.

Position: Advisor to the Managing Director

Shannon's major role is to assist the company in entering the private sector, specifically with respect to their marketing activities. He has developed, at the request of the director, a planning workshop for senior management, which is now underway under Shannon's leadership. He is supervising market analysis which will lead to a marketing plan Shannon has been asked to write, with specific attention to North America. Whenever the managing director enters in negotiation with external financiers, customers, and consultants, he includes Shannon in the meetings, and seeks his input before, during, and after the meeting.

Doug Johnson (Kenan-Flagler Business School, University of North Carolina)

Company: SKODA Konzern, Plzen. Heavy equipment manufacturer employing over 35,000 people in their many divisions.

Position: Consultant for Corporate Development and Privatization Departments

Doug reports to two executives: the director of the Corporate Development department which is responsible for long-term corporate planning and analysis for manufacturing production, capital investments, and R&D and to the Director of Privatization, responsible for planning and implementation of SKODA's privatization. Because the two departments are interrelated, Doug has been successful in carrying out projects in which both directors have an interest. He has developed a LOTUS-based system to translate CZECH financial statements to Western format, which is being used to analyze all SKODA divisions. He designed and taught workshops to SKODA executives on how to develop and interpret divisional financial statements; and he advised senior manager involved with privatization on issues relating to capital structuring of SKODA.

## HUNGARY

### Political and Economic Climate

Despite inflation, the country is in relatively sound shape. But this "relative" is a comparison among poor alternatives. Government policy is choking the private sector while it also is trying to stimulate private enterprise. (It is also choking the state-owned enterprises (SOEs), so that they can hardly become private successfully.)

There are two causes for this situation: a credit crunch, to try to slow the inflation, and high taxes. The two in combination are accelerating bankruptcies and unemployment. They work together in the following way: taxes are imposed on employment (a holdover from the former regime) at a rate of over 40% of wages;

additional taxes exist on profits; and those on individuals are over 30%; thus, total taxes are about half of revenue; little is left for working capital or expansion. In the absence of working capital (and with interest on loans at 36%), each company delays paying its suppliers. None, therefore, has adequate cash to pay workers. But, there is a five-month salary penalty if a worker is laid off, making it unprofitable in the short term to fire any worker. Nor can SOEs refuse to serve other SOEs who are under government order and protection, despite the lack of payment for goods or services. Bankruptcy is the inevitable result for many; though this has not yet hit hard. When it does, many MBAs will mature quickly by facing the problems of liquidation and job shift. The latter is relatively easy, however, for companies are now alert to the availability of Corps members and are asking for them -- with many Corps members having received other offers already. Cameron Bird, from the pilot program, has already completed his first Corps assignment with SAJO in Miskolc and was recently hired by Tungsram in Budapest -- a joint venture with GE.

Finally, the situation in Hungary is different from that in the other two countries. The host-companies are in general less aware of their need for management assistance, having had some 10 years of "coping" with private enterprise. Further, there appear to be fewer English speakers available -- especially as compared to German -- limiting the number of potential host companies. Although Americans typically are better received than other foreigners, Hungarian companies are reluctant to hire any foreigners. The banks are quite interested, for they know the usefulness of MBAs and need help in operations and credit analysis, but they also report that the need for English will limit the opportunities in Hungary.

#### Co-Sponsor and Host Company Activities

The Hungarian-American Enterprise Fund served as the Co-sponsor in Hungary for the Corps start-up, but the Fund was unable to continue in that role, in view of their own pressing work. We have identified an American now living in Hungary (Charles McFerren) who became eager to set up the appropriate not-for-profit entity to support the Corps. (Unfortunately, we found later that such an entity is not incorporable at present in Hungary, which partly explains why we found no such Hungarian unit that seemed appropriate on our earlier visits -- more of this later in the report.) We are working out the details now, but the new set-up will require funding from the Corps.

Our present Corps members in Hungary have offered to help McFerren identify and interview potential host-companies for 1992. He will also employ part-time a Hungarian, who has wide contacts with business, to assist in this process and with the matching of companies and Corps members.

We interviewed one such prospect -- a Hungarian with an MBA. He has a service for foreign companies which wish to have an office in Budapest (phone number and receptionist) but do not want to pay for a suite and staff. He has numerous contacts and

appears quite capable. But there is another candidate, and the decision will be left to McFerren.

McFerren (MBA '82, Chicago), successful in business in Vienna, moved to Budapest in 1989. He understands management education and the contributions that MBAs can make from his own background in education: Webster College (St. Louis) instructor and assistant director of the MBA program at their Vienna campus; designer of several management programs for banks in Austria and Hungary; and a contributor to business programs at the University of Budapest (formerly Karl Marx University).

A potential problem exists with McFerren having another, for-profit, company; but Corps members and the Director discussed this matter at length with him and are satisfied that he can and will keep them separate in all matters. We will have a "joint venture" with him, as with the Center in Prague and that in Krakow.

We have not firmed up the details, pending assurance of funding for next year. In order for operations to be effective, a funding decision is required by mid-December, in order that space and personnel arrangements can be made. The cost of establishing the Center will run to approximately \$50,000 for space, equipment, and personnel in 1992. (Costs in Hungary are between two and three times those in the other two countries in dollar terms and close to Western standards.)

We had begun programs in the Borsod region of Hungary, centering our attention on Miskolc (its capital) and working with The Technika Haza (TTH), which is a government-sponsored institution for assistance to enterprises. The region is one requiring extensive restructuring from heavy industry to lighter consumer goods and to agribusiness. It has been studied by the University of Pittsburgh under a \$500,000 contract leading to recommendations for restructuring but little has been done, despite the fact that the region is facing significant unemployment.

As a result of management changes, TTH was unable to develop host-company applicants in the region for Corps members. With the establishment of a joint venture with the proposed Center in Budapest, we will terminate our agreement with TTH. The SAJO company in Miskolc had two of the pilot Corps members; their first-year term was up in October. As mentioned before, Cameron Bird has shifted to Tungfram, and Debi Richards has extended for six months.

### Corps Performance

Eight of the 1991 placements are well positioned and are pleased with their location and activities. One of the Corps is working with the Enterprise Fund, assisting in project evaluation.

Only one Corps member has had difficulty -- the one assigned to Kockazat to work with some local MBAs under Charles McFerren, who held a minority equity position in the company. While he knew how to use MBAs, the rest of management did not. The management of the organization progressively excluded McFerren from the company's business decisions, leaving the Corps member outside as well. This Corps member will be assigned to a company now waiting for an MBA.

### Profiles of Corps Experiences

#### Helen MacIssac (New York University)

**Company:** Hungarotex Foreign Trading Company of over 700 employees, dealing in the trade of raw textiles and textile garments. The company has over 16 joint ventures in 12 countries.

**Position:** General Advisor

In the first few weeks on Helen's employment, she was given little to do and while people were friendly enough and a few even tried to integrate her into the daily activities, she got the feeling they did not know what to do with her. She discovered that one of their major investors (and possibly future owner) had recommended they hire her, and they had agreed to take a Corps member because this investor was the source of much-needed capital. As the weeks progressed, the investor himself became involved in assigning Helen tasks to perform, and people began to see that she had much to offer. Her first major assignment was to write the Hungarotex Privatization proposal, which was submitted to the State Property Agency in October, with approval expected by year-end. Helen is now involved in developing a strategic marketing plan for a new product line and evaluating potential markets in Europe and North America. She also contributed to the revision and computerization of a firm-wide budget planning process.

#### Timothy Ewing (University of Michigan)

**Company:** Tokaj Territory Development Company, a start-up venture established September, 1991, which consists of the president, a secretary, and Tim.

**Position:** Consultant to the President

Tim is involved with ALL issues surrounding the company's goals to return the territory and city of Tokaj to its previous fame and stature as a renowned wine region in northern Hungary. Tim discusses and promotes specific plans for revitalization with private and public enterprises in the area, including plans for infrastructure projects in utilities, telecommunications, and transportation, and also including marketing plans for local products. He is also actively involved in planning and preparation for a large exposition to be held in 1993 to commemorate the 1100 years of Hungary's existence.

After only three weeks on the job, Tim met with the state wine company to discuss a possible export to North America and extended an invitation to the North American vendor to visit Tokaj. This meeting resulted in a one-week visit by the U.S. vineyard's president in November. Tim also organized the first meeting for 600 local enterprises interested in joining the Chamber of Commerce, which the Development Company ran and hosted.

## **POLAND**

### **Political and Economic Climate**

The Polish government is following a simplistic concept of a free-market economy, which has led it into both political and economic turbulence -- a situation that was not inevitable in the transformation but was inevitable given the advice that was followed.

The Polish people have never been able to coalesce except against an oppressor -- internal or external. Their leaders were selected so that they could not be internally powerful. Assuming a powerful position which was not fully accepted by the people, General Pulaski became an exception, . The members of Solidarity have since splintered, and the number of political parties multiplied so that it is hardly feasible to obtain a plurality of any significance, much less majority in an election.

Consequently, decision-making in the present governmental situation is at a premium on virtually any issue, much less on important ones. Much is at a standstill.

Although culturally the Polish people splinter easily on any issue, the move to unfettered free markets strengthened this characteristic and has opened the door wide to corruption and control by the mafia -- evidence of which can be seen openly in prices of taxis, prostitutes, "protection" offered to enterprises, and crime. All of this is reminiscent of the U.S. in the '20s and could have been foreseen by anyone knowledgeable about the development of American capitalism and the need for increasing regulation through rules governing the market. Unfortunately, the advisers were not so well informed.

This pervasive license in the economy has bolstered the fractioning in the political arena by giving those elements which want no control by the government an interest in weak parties. Their opportunity for profiteering and extortion can be maintained through such weakness.

In such an economy and polity, "enterprise" moves into fraud and theft (as seen in the actual "taking" of some companies by management) and into "fast-turnover-trading" rather than long-term production. Financial games are being played rather than the building of production bases.

The Corps, in this situation, will learn much of how a free-enterprise (not the same as a "free-market") system should work and the MBAs have much to explain in their several capacities. They will be excellent interfaces between the developments in Poland and the opportunities in the West, though they will meet much frustration. Still, that is why they are needed.

### **Co-Sponsor and Host Company Activities**

The Center for International Private Enterprise serves as Co-Sponsor in Krakow. The Krakow Faculty of Economics was so interested in the Corps concept -- supported also by the City of Krakow -- that they formed this new Center, which is attached to the Faculty and on its campus. It is headed by Dr. Janusz Jaworski, a professor of international reputation, whom we had known earlier. He was selected by the Vice Rector as the promoter/contact for the Corps and later Director of the Center.

Operations of the Corps in Poland are centered mainly around Krakow, with only one member being in Warsaw. This anomaly was the result of eager and effective sponsorship by Dr. Jaworski and the Deputy Mayor of Krakow, who was also active in recruiting companies.

For the future we will need to provide the Center with financial support to help it get set up adequately and to conduct Corps activities appropriately. Dr. Jaworski's attention to the Corps is remarkable. He did such a magnificent job of getting companies and providing an Orientation Program that the MBAs unanimously urged that his Center be tied contractually to the Corps. (It will be done with the Kenan Institute, since that is the administrative arm of the Corps, and other programs of collaboration will be contracted in this way.) The annual cost of support for the Center will be between \$25,000 and \$30,000. We need to be able to assure Dr. Jaworski of this funding by the end of December so he can be certain that his expenses in finding appropriate host companies will be met.

Dr. Jaworski has a staff of two working with him, and he has access to part-time assistance from faculty and graduate students. In addition, the MBAs in Krakow have offered to assist in finding and interviewing prospective companies for next year -- as have the Corps members in each country. He will need professional assistance particularly in preparing materials for language training, as discussed below.

The individuals relied on in Warsaw to co-sponsor were unable to obtain applicants, though not necessarily through any fault of their own. Obtaining contacts by phone is difficult and time-consuming in Warsaw; much uncertainty existed around Warsaw, and no company considered that it could pay the salary and lodging -- the rents are raised for foreigners. (For example, LOT told the Corps Director on a prior trip that they wanted two MBAs, but when asked to provide lodging, they claimed that the combined cost of salary and lodging for one would exceed the income of the Chairman.)

In discussions during the November trip, it is apparent that there are considerable swings in rental costs and that there are times in which apartments can be obtained more cheaply. This remains a serious obstacle around Warsaw.

Consequently, we have decided to concentrate on the southern region of Poland which includes a number of provinces ("voyvodship") and major cities: Kielce, Bielsko, Katowice, and Tarnow. Dr. Behrman, Dr. Jaworski, and a representative of the Consulate (on one occasion the Consulate General herself) visited each of these cities, as well as Krakow companies, to determine their interest in the Corps. It was concluded that at least 50 MBAs could be placed effectively within the region.

Dr. Jaworski had prepared a full and tight schedule of visits to the neighboring cities to develop greater appreciation of the Corps program. His preparations were thorough (as always) and were greatly appreciated by the U.S. Consulate.

At Kielce, we met the President (Mayor) of the City and the Governor of the Province and then 27 representatives of companies and industry associations, chambers of commerce, and the Faculty of Economics. Considerable interest was generated among government officials and companies for having Corps members assigned to that city.

At Bielsko, we met fewer companies and more representatives of associations, plus the city and provincial officials -- with the same warm welcome and opportunities for assignment of MBAs. In Katowice, a much larger city -- 3 million population in the five cities located tightly together -- the reception was formal with no companies in attendance, apparently because the officials had not carefully read the materials provided and were not eager to expose companies to an unknown program.

In each place, significant time was spent in explaining the qualifications of MBAs and their usefulness. There seemed to be little problem in meeting the requirements of English, salary and accommodation.

### **Corps Performance**

Corps assignments in Poland have been successful for the most part, although several reassignments have been necessary. Eight Corps members are well-placed and are making substantive contributions in their companies; five are being reassigned -- three because of one bankruptcy. Candidate companies already existed for them, so they were readily reassigned within Krakow. Some managers have a difficult time defining an appropriate assignment for an MBA, but their understanding of MBA capabilities is increasing. One company, for example, is already so appreciative of what the MBA has done in re-organizing a complex of family-owned small enterprises for bulk-purchasing and common advertizing that they want him to sign on for another year or so, and are eager to have his fiancee (an MBA) join one of the companies as a member of the

second group of the Corps. In another instance, the Chairman has placed a desk in his office for the MBA so that they can work together by the minute. Similar stories are repeated by other companies. Qumax International, whose principle rival (River Co.) has a Corps member, wants one immediately. One of the reassignments will be to this new position.

The particular situations resulting in the need for reassignment were as follows:

Three Corps members were placed in a broad-gauged consulting group (Cracow Business Services) that became over-extended in attempting to undertake large-scale developmental projects for the area -- an industrial park and a sizable housing development. Neither moved quickly enough to provide adequate cash-flow, and the group simply ran out of funding -- despite the cautions raised early by the MBAs assigned there.

A fourth Corps member was assigned to the City of Krakow, which was staffed by several English-speaking officials and the Deputy Mayor who was quite supportive of the Corps; they wanted her to help develop programs for the promotion of private enterprise and FDI inflows. But, within a few weeks, all but the Deputy Mayor were removed, their successors did not speak English and were not interested in carrying out previous programs. Despite her continuing efforts to be useful, it was eventually decided to shift her assignment.

The fifth reassignment candidate is at the huge Nova Huta Sendzimira steel works near Krakow, where four Corps members are assigned. Three have been attached to the research department which includes the marketing function, and they are quite pleased and effectively used -- as much as anyone can be in a company that is only at 30% of capacity in production and never had any problem in "selling" its products. Their primary use is to help the Polish managers understand marketing research and methods; it is one-on-one instructional work, with implementation follow-on (see below).

But the fourth Corps member at Nova Huta has an engineering background which they have tried to utilize; unfortunately, he is so thoroughly results-oriented that he has difficulty adjusting to the situation of an under-utilized 40-year-old plant. He has given presentations on quality control and scheduling, and the chairman is well pleased, but the MBA does not see prompt results. Despite the fact that only three months have passed and much adjustment on both sides is necessary, this Corps member wants to be reassigned. There are other opportunities suitable to his abilities, so the task is relatively easy. Other reassignments will undoubtedly be necessary, particularly in the cases of bankruptcy, which we must be prepared to handle.

## **Profiles of Corps Experiences**

### **Terri Sergesketter (Indiana University)**

**Company:** River Company, a young company with 70 employees and 5 divisions: computer retail and distribution; clothing retail; shoe wholesale; clothing manufacturing; and an imported chemistry equipment business.

**Position:** Management Consultant

Terri's job is to develop the marketing strategy for each of the five divisions. She works with two other people in the marketing department and is responsible for teaching them American marketing strategy and practices. She has designed several Polish ads which appeared in local newspapers.

Early in her assignment Terri met with the chief manager of the computer division who asked her advice on how to rectify the fact that River Company was steadily losing money on its OKI printers. She learned that the River Company's supplier was charging River a higher price than was the supplier to Protech, River's main competitor for printers, and that Protech was able to retail its printers at less than River's purchasing price. She recommended that they change suppliers, which they did, two days later! This same manager then asked Terri's advice on how to price the printers to successfully compete against Protech. Terri suggested matching Protech's price on that particular printer (which lowered the margins) but not to adjust the price downward for the printers which River sells but Protech does not, even though the purchasing price was now lower as a result of the new supplier. Then she produced an advertising campaign which promoted the new prices. Sales rose from an average of 3 to 8 printers per week.

**Tonica Smith & Sheila Baldwin (Darden School, University of Virginia)**  
**Gregory Karachuk (Wharton School, University of Pennsylvania)**

**Company:** Huta Sendzimira, one of the largest steel mills in Central Europe, with over 40,000 employees.

**Positions:** Marketing Consultants

All three are working as a team in the Research Department of HUTA SENDZIMIRA, which is currently operating at 30% of capacity. The Corps members are developing marketing plans for the major product lines of the company, seeking means of penetrating foreign markets and holding on to the markets in the Republics of the Soviet Union in whatever way is feasible.

Their specific tasks are two -- to help develop a marketing strategy and to train their Polish counterparts in market analysis and sales approaches. Their immediate superior and the Managing Director of the company consider that their contribution has been indispensable and will have long-lasting effects through the one-on-one and "group" training that they are providing.

The company faces some excruciating problems of privatization in that it is a "complete community"; the company owns the housing, the recreational facilities, the schools, etc. and, in fact, runs the town. It must now find buyers for each, meaning essentially finding ways to turn community facilities over to the community and to sell housing and retail stores to prospective investors. These also are marketing tasks which the team will face at some juncture.

## **ORIENTATION AND TRAINING PROGRAM**

### **1991-92 PROGRAM**

Training and orientation for the inaugural group of the Corps was 7 weeks long, 3 1/2 weeks in Chapel Hill on the University of North Carolina campus and 3 1/2 weeks in the host country. The program's objective was to provide Corps members with an appreciation of the economic, political, and cultural heritage of their host countries as well as to offer them an intensive introduction to the language. During the first 3 1/2 weeks, Corps members had 10 hours a day of language for 2 1/2 weeks and then 5 days of history, culture, and preparation on how to transfer their business skills in a culturally sensitive manner. In the host country, language training continued for 4 to 5 hours per day, and other activities were planned by the training organizers, such as excursions to local companies and tourist sites, and lectures by local government and business leaders.

### **IN-COUNTRY TRAINING**

Based on feedback from Corps members, the training and orientation programs were differentially successful -- Poland being the best, with Czech following, and then Hungary. The differences were in the quality of language instruction, exposure to government and company officials, and attention given to excursions for the purposes of becoming more culturally attuned.

#### **The Czech and Slovak Federal Republic**

The orientation program conducted in the CSFR was successful in the view of the Corps members, because there were good language teachers, people were invited to

lecture, and a young Czech was assigned to be with them 24 hours a day to look after their needs in adjusting to the new environment.

### **Hungary**

The program in Hungary during August was the most loosely organized of the three, providing the Corps members with a different learning experience from the other two. They arranged for their own speakers and prepared their own excursions, thus putting to immediate use their U.S. training. With a group of only eight members, the logistics were not difficult.

The in-country program was handled by a Hungarian/American woman who had worked with the pilot group of the Corps. Although all the desired parts of the program were spelled out and discussed previously with her, prior to her departure from the U.S., she was not attuned to the needs of the MBAs. The program concentrated on language, with one superior instructor and the other not as effective.

Language materials for "intensive short-courses" related to business Hungarian have not been developed, and this lack posed an additional complication. This will be remedied for the coming year through the development of new materials. We are informed that a group in Britain has developed materials along this line; this will be checked out as well as the capabilities of Berlitz in preparing precisely what is needed. (Suggestions that we follow the Peace Corps procedures on language preparation did not prove to be useful; the objectives and procedures are quite different.)

### **Poland**

The training and orientation program in Poland was the most effectively designed and will become the model for all in-country training for next year. Dr. Jaworski's success was singularly a result of his personal dedication to the Corps (at his own and the Faculty's expense in time and effort). He invited a number of speakers, conducted various excursions, and kept the Corps busy and learning throughout the four weeks. As one MBA commented, they were almost smothered with attention; but they were most appreciative.

### **CHANGES FOR 1992-93**

More precise instructions as to the content of in situ programs will be given, following the Polish model. In all countries, it was proposed to lengthen the time in country and reduce it in the U.S. as far as language preparation was concerned. We have worked out a re-distribution of time and content which will require development of language materials in the host country under contract by the Corps; these will be used in the U.S. portion as well so that teachers in Central Europe will know exactly what has

been covered. The Corps will have to bear the cost of preparation of these materials, but there will be a reduction of the cost of the program somewhat with the shift to 2-1/2 weeks in the U.S. and 5 weeks in Central Europe.

Evaluation of the training program by Co-sponsors, teachers, and the Corps members has led us to the following plan for 1992:

1. Maintain the same objective for the training: to achieve awareness and appreciation for Central European and host-country history, politics, and culture and to acquire a rudimentary knowledge of the host country's language through intense training primarily in speaking and listening.
2. Slightly increase the total training time to 7-1/2 weeks, lengthening the in-country portion to 5 weeks in order to allow more language preparation to take place in the host country where inducements to use the language will be greater. There would still be enough time in the U.S. to build an *esprit de corps*.
3. Begin the program simultaneously with intensive language practice and the policy issues facing Central Europe. An overview of the purposes and operations of the Corps, the integration of political democracy and economic freedom in the U.S., the history and present situation of Eastern Europe and generic cross-cultural awareness, followed by country-specific orientations, would be offered during the 2 1/2 weeks in Chapel Hill. The language training, essentially introductory, to be supplemented by business vocabulary in the host country, would be interspersed with policy lectures, cultural appreciation, and means of transferring business skills in diverse settings.

In addition, in order to prepare the Corps for activities related to free-enterprise, but not generally a part of MBA curricula, the lecture-discussions will concentrate on the nature of American democracy, the values underlying democratic-capitalism, the purposes of the regulatory system, and the processes of enterprise start-up and the development of small-scale enterprise.

4. Use a single 150-hour language package, including workbooks and interactive computer or video techniques. This program would be used throughout the entire 7 1/2 weeks, in order to have continuity. Language program designers will be chosen who have experience in preparing such materials with specialized vocabularies.
5. Select language teachers who have had experience in condensed course preparation and presentation. Use Corps members (brought back from the field) to provide acculturation and assist in last-minute preparations of the Corps. Use professors in policy instruction who have had direct experience in the host countries.

## **COORDINATION WITH OTHER PROGRAMS**

### **The Czech and Slovak Federal Republic**

Coordination of the activities of the Corps with other entities in the CSFR was a primary focus of discussions during a November trip to Central Europe by Corps Director Jack N. Behrman. Meetings were held with executives of the Fund, the IESC, and the International Privatization Group (IPG) of Price Waterhouse (which has a training contract from A.I.D. and which will use the capabilities of the Center for Democracy and Private Enterprise). As a result of those meetings, we drew up a chart of the ways in which the Corps can be integrated into all of A.I.D.'s support for private enterprise in the CSFR (Exhibit C).

It was presented to Lee Roussel, A.I.D. director at the Embassy, and to Shelly Galbraith (Commercial officer); both were pleased to see how coordination should occur. We discussed the same concepts with the Embassies in Hungary and Poland and with the Krakow Consulate, and all wanted the same structure of services available in their country. Implementation is closer to being a reality in the CSFR than in the other two countries.

The chart shows the extent to which Corps members are potentially useful in multiple programs supported by A.I.D. (and other projects directed at private enterprise development). The clients of IESC are served by volunteer retired executives who provide one to three months of consultation on specific problems; these companies are likely candidates for longer-term consultation from Corps members. And an overlap would provide both continuity, more immediate and effective use of the MBA, and a back-up to the MBA of sectoral expertise held by the IESC volunteer.

The clients of the Enterprise Funds clearly need managerial assistance, and they will be referred to the Center to follow up with an offer of services from the Corps. There will be no mandating by the Fund of the use of MBAs by clients, but any refusal would signal the need for closer surveillance. Similarly, there are other financing institutions which will want Corps members in borrowing companies.

Presently, in Prague and Bratislava, the "Entrepreneurship Centers" for start-up enterprises are providing counseling to nascent entrepreneurs through the development of business plans (required for loan applications). It is anticipated that -- with adequate funding of some \$50,000 per location -- some 5 or 6 more such centers should be sited around the country. (Similarly, such centers could be established in both Poland and Hungary.) This project has not been included in the budget requests of the Corps made to date, for the Central Europe Institute has undertaken the responsibility for raising the necessary funds; they would be staffed by MBAs and locals.

The several programs of the Prague Center related to trade and investment promotion, to collaborative research, to training of companies and government agencies, and to assistance in the privatization process -- all are potentially integrated with Corps objectives, if only by opening opportunities for assignment of Corps members. And, the case studies provided at the end of their term by each Corps member will be useful in academic and other educational activities. Corps members can be useful in teaching case studies in night and evening courses, and some have volunteered to do so already.

In addition, the Center for Democracy and Private Enterprise has been contracted by IPG to assist in the training of Ministerial officials dealing with the privatization process. The director of the Center, Ladislav Venys, is also involved directly in the privatization process by being in charge of the selection of foreign advisors. As this training expands, it will need to be given to various professional groups, companies, and banks -- in concentrated doses in order to be immediately useful. These programs need to be highly focused, rather than "open to all comers," so that an entire cadre of managers in an organization can be trained and know that others will "speak the same new language."

The Center's activities need strengthening, with some advanced educational support for several of its staff. A larger package of financial support needs to be worked out; the Director himself is much underpaid and has been offered twice his salary by the U.S. Embassy itself; others have offered more. We are quite fortunate to have him, but he needs some managerial support to permit him to do more program promotion. (The Central Europe Institute is supposed to provide funding, but it has not been wholly successful.) We would expect to fund the Center up to \$30,000 in the coming year, depending on the scale of activity.

### Hungary

The IESC in Budapest is willing to help identify companies that should use MBAs, and the Enterprise Fund will do the same, recommending some of its clients to the Co-sponsor. In addition, the Vice Rector of the University of Budapest, School of Economics (Business), knows McFerren, having used him on his faculty. He recommended McFerren highly to be our Co-sponsor, and he will be glad to use his contacts through the Hungarian Economics Society and elsewhere to help McFerren identify appropriate host companies.

At the International Management School, Dean Rainey is quite interested in the Corps -- wanting some of them to speak to the executives in their courses. She also will help identify prospective host companies.

The Soros Foundation of Hungary will also assist in identifying companies. They asked that Corps members help identify young executives who would be suitable for programs for training in the U.S. through the Soros and Forum Foundations.

## **Poland**

Visits were made in Warsaw to the offices of the IESC, to the Polish-American Enterprise Fund, the U.S. Embassy, and prospective host companies. A few companies showed interest, and the IESC and the Fund will refer prospective companies to the Center in Krakow and to the one Corps member working in Warsaw (currently with Caresbac, which has agreed that he would be available for interviewing companies if needed.)

## **CO-SPONSOR ISSUES**

All Co-sponsors have had problems arising from the practice of charging host-companies a "placement fee," which we established so as to provide them with revenue to meet their costs -- since the Corps did not have funds to do so. This has not been a felicitous solution to their need for funding; it has caused some friction with companies and additional problems when an MBA has to be shifted to another assignment. Consequently, we have decided that it is best that no placement fee be charged and that the Corps should fund the Co-sponsors for its Corps-related activities -- based on the expected level of activity in each country (finding appropriate host companies, conducting the orientation program, and mentoring the Corps). These costs will amount to between \$30,000 and \$50,000 for each Co-sponsor. Corps financing of Co-sponsors would provide the Corps more direct control over activities in host countries, which is seen as desirable by both parties. This sum would be in addition to the direct costs of any specific program, such as Orientation.

In order to formalize the arrangements with each Center, it is proposed to establish a "joint venture" with each so that key responsibilities and funding are specified and the identification of the Corps (and the Kenan Institute) is clear.

The major activities of the Co-sponsors are (a) to find and interview appropriate host-companies or units and to help in the matching of companies with MBAs, (b) to assist in adjustments of MBAs and re-placements of those where the matching was not appropriate or the company has become bankrupt, (c) to conduct the orientation program in their country, and (d) to investigate and interpret laws affecting the Corps members, such as tax and visa requirements.

(a) During the first year (1991), the Co-sponsors did not have the time to conduct an adequate survey of potential host-companies or to interview them sufficiently; inadequate information was obtained, and matching was imperfect, to say the least. With this second group in 1992, there is time to gather potential applicants and to interview them in their offices to determine whether there is an appreciation of the qualifications of MBAs, adequate English among top management, and appropriate task-

definition. This will be done for each applicant, making matching much easier and surer. In addition, the Co-sponsor is to check the lodging for adequacy.

It is important that the Corps develop resources in host countries that provide some flexibility in assignment to companies. The ability to move some Corps members out of less useful positions into more important ones will offer quite useful flexibility, as can be seen from the re-assignments made recently.

Corps members and Co-sponsors agree that the primary criteria for selection of company applicants are:

- \* first and foremost, assignment of a counterpart manager who could speak English but more importantly knew what an MBA is and was eager to work with him/her on specific tasks;
- \* second, a private company in existence for a few years so that its chances for success were visible -- preferably a medium-size company which could and would respond more readily in making changes;
- \* third, a division of a larger company that acted as a medium-size enterprise; avoid mammoth SOEs not yet privatized;
- \* fourth, as to location, a city of at least 100,000; however, those MBAs in small towns and villages far from the capital have been quite pleased with their assignments (no preference will be given in the future to capital cities);
- \* fifth, of course, be willing and able to meet the compensation requirements of an above-average managerial salary plus lodging.

Applications by host-companies are to be submitted to the Corps by March 1st, which means that all funding must be in place prior to that date, so that matching decisions can be made with certainty and MBAs guaranteed that they will have a position in a specific country. It is only exceptional that the Corps will have MBAs available after April 15th, since they will usually have accepted employment in the U.S. by that time.

(b) Co-sponsors in Czech Lands and Poland have already had to assist in shifting a few MBAs, and this has been done successfully so far, as reviewed above. The only problems arose over distribution and repayment of the initial placement fee; as stated above, this has caused us to remove such a fee in favor of direct support by the Corps of Co-sponsor activities. These two Co-sponsors have worked out well and we anticipate that the new one in Hungary will do as well.

However, we have had to terminate two Co-sponsors in outlying cities, for lack of performance.

Our Co-sponsor in Plzen had previously been Human Resources Director for Skoda and was well recommended. He was the new Director of the Dum Techniky (House of Technology) and was eager to serve. But he turned the task of identification of applicants over to a retired Skoda executive (who unfortunately did not know English) and who attempted to inject himself between the MBAs and the company, apparently with the agreement of Skoda executives. He contracted with the first two MBAs himself and then placed them with the company on a consulting basis, charging fees not acceptable under our agreement with the original Co-sponsor. This deal was not repeated with subsequent Corps members, who were employed by the company; and the first two terminated their employment with him and became private consultants to Skoda under an arrangement suitable to both parties.

We have concluded that the best move is simply to let the agreement with the Plzen Co-sponsor lapse, since he has not been active in generating other applicants in West Bohemia. The Center at Prague will take over the area, and the MBAs at Plzen have been instructed to disregard any efforts by either of these individuals to inject themselves into the process in the future. Our former contacts will be told simply that we are establishing a joint venture with the Center in Prague, making no criticism of their activities. (The point is not to raise confrontational issues so that adverse comments can be made about the Corps and its operations -- though this will obviously occur anyway from some quarters.)

We are terminating our agreement with the TTH in Miskolc for non-performance and centering our Co-sponsor in Budapest.

## **FUTURE PLANS**

### **COUNTRY EXPANSION**

The Corps has received requests from Bulgaria, Lithuania, Romania, Russia, and the Ukraine -- plus requests to establish programs in African countries, Southeast Asia, Central America, and the Caribbean. We are at present not staffed for such expansion, though it is certain that the interest of MBAs is enough to extend into these regions. In any event, considerably larger funding than the \$3 million presently sought would be required to establish such programs. Further, as stated earlier, the Consortium Board voted unanimously to restrict activities to countries transforming from socialism to free-enterprise economies.

## **SIZE OF CORPS**

To prepare visits to companies and to report on progress of the Corps, we visited each U.S. Embassy and the Consulate in Krakow; the presence of representatives from the Consulate strengthened our presence and garnered more interest in finding appropriate positions. Embassy personnel were enthusiastic about the Corps and its potential and all requested that it be expanded significantly.

In each country, we visited with potential employers of the Corps -- companies of all types, including banks and development corporations, plus city and provincial governments which are most eager to have MBAs to help in the promotion of private enterprise and an inflow of foreign direct investment. Both of these are needed, and help is required. But the major interest is, of course, among enterprises. The Co-sponsors have concluded that Poland can develop over 50 appropriate host-companies in the southern region alone; Czech and Slovak Federal Republic can produce over 40; and Hungary some 30 -- for a minimum of 125, including a few developmental positions in government units. A pilot program in a fourth country would add 10 more, for a total of 135 Corps members.

Embassy officials were given full accounts of the purposes, development, and operations of the Corps, along with assignments of each member in their country, and expectations for increasing their number. Most had already met with the Corps members and were quite impressed -- and justly so; after meeting with them all in situ, we re-confirmed our judgment that this is one fine group of young people. These officials are urging support for the Corps from both A.I.D. and U.S.I.A. in their reports to Washington.

Embassy officials and all others interviewed indicated a high satisfaction that the program was projected for 10 to 15 years and that it would involve long-term commitments on the part of the Corps members (one to two years). We were also able to report that, even now, a number of Corps members have determined to stay the second year and some have identified business ventures that they wish to enter themselves on completion of their assignment.

## **SCHEDULE FOR 1992-93**

### **January 31**

Applications to Corps are due.

Applications are given to Member Schools' board members.

Applications are screened and interviews held by faculty of Member Schools.

### **February 15**

Nominees are announced by Schools and sent to Corps headquarters (Chapel Hill).

Decisions are made by the Board (based on funding and host country demand) as to how many Candidates to accept into the Corps. This requires Corps directors and Co-sponsors to find appropriate positions for each selected.

March 1

Host-company applications are due to Co-sponsors, who have checked out needs and capabilities of host-company applicants.

March 5

Board's Matching Committee assigns Candidates to positions.

March 15

Letters are sent to Candidates about assignments with two-weeks to accept; others are notified that they are on wait-list in the event that anyone in the first group rejects an assignment.

Each Corps member accepts or rejects the offer; if the latter, membership in the Corps is terminated. Resumes of candidates are sent simultaneously to host-companies; if a candidate is rejected, he/she remains in the Corps until a match can be obtained. Thus, if the MBA rejects an assignment, that is the end; if a host-company does so, the candidate can remain.

March 31

Acceptance of Corps assignments by matched Candidates is due. Letters go out to wait-list Candidates making new assignments to any open position.

June 30

Letter contracts are signed.

July 6-July 23

Training and Orientation takes place at the Kenan Institute, Chapel Hill.

July 24-August 28

Training and Orientation takes place in the host country.

September 1

Corps members report for work at host company

## **FUNDING REQUIREMENTS**

Total costs projected for the second group, which will be incurred from July 1992 through September 1994 (assuming some stay for a two-year assignment), at 100 Corps members, would amount to \$3.3 million. This budget assumes an average assignment of 18 months and includes the support costs for the three Centers in each host country; the per member average cost will be \$33,000, including all administration and overhead. (Budgets are shown in Exhibits D-1 and D-2 for the first and second groups.)

If it is desired that the Corps expand even more and develop additional pilot programs, the same pro rata costs would apply -- thus, 135 members would cost \$4.5 million. But this funding must be guaranteed prior to serious development of demand and acceptance of company or MBA applications.

With the doubling of demand in Central Europe and the increase in the number of Member Institutions, there will be no difficulty in assigning more than 100 MBAs through the Corps. We expect the applications by MBAs to be well over 200 and those from host companies similarly high.

1991-92 CORPS ASSIGNMENTS  
CZECHOSLOVAKIA

Exhibit A

Mitchell Berman - Kellogg  
Eric Best - UNC  
Evan Blum - Columbia  
Vincent Chirico - Fuqua  
Leah Edwards - Stanford  
R. Mark Griesbaum - NYU  
Mick Hawk - UNC  
George Holmes - Dartmouth  
Chris Houle - Chicago  
Doug Johnson - UNC  
James Juracka - NYU  
Scott Kerth - Chicago  
Andreas Kinzmaier - Michigan  
David Kratochvil - Chicago  
Shannon McKeen - Dartmouth  
Margaret Minichini - UNC  
Ann Marie Nemanich - Dartmouth  
David Parker - UC Berkeley  
David Paul - Chicago  
George Phipps - Stanford  
Thomas Rechtein - Michigan  
Don Reckles - Kellogg  
Martha Records - Dartmouth  
Jeffrey Rosen - Columbia  
Jeffrey Silverberg - Kellogg  
Zaheer Sitabkhan - Indiana

Filmov Studio Barrandov  
Center for Democracy; pending  
Zivnostenska banka  
Narodni galerie Praze  
Private Enterprise Clinics  
SKODA Konzern  
Bonton  
TESLA; Mutual Funds  
SKODA Konzern, Plzen  
SKODA Konzern, Plzen  
Ministry of Industry  
ZDU Hradec Kralove  
Private Enterprise Clinics  
Czech & Slovak American Enterprise Fund  
Koh-I-Noor  
Postovni banka, A.S.  
Prazsky Pivovar  
SKODA Konzern, Plzen  
SKODA Konzern, Plzen  
Czech & Slovak American Enterprise Fund  
GMS Geindustria Praha  
CTK-Made In; Studentske Listy  
Private Enterprise Clinics  
Prague Energy Works; Ceska Obchodni  
Private Enterprise Clinics-Bratislava  
Kancelarske stroje; Bonton

HUNGARY

Cameron Bird - UNC  
Walter Beach - Fuqua  
Timothy Ewing - Michigan  
Daniel Lynch - UC Berkeley  
Helen MacIsaac - NYU  
Mary Frances Owens - Columbia  
Debi Richards - UNC  
Scott Rosenzweig - Cornell  
Bart Skrumeda - UC, Berkeley  
Brad Wegner - UNC

SAJO; Tungsram  
Coopholding  
TOKAJ Territory Development Co.  
Innofinance, Ltd.  
Hungarotex  
Kockazat, Inc.  
SAJO  
Agrotek  
SZKI  
Hungarian-American Enterprise Fund

POLAND

Steven Arkfeld - UC Berkeley  
Paul Asel - Stanford  
Sheila Baldwin - Virginia  
Carol DiBenedetto - NYU  
Anne Kalin - Wharton  
Greg Karachuk - Wharton  
Cecilia Lewis - NYU  
John Lynch - Wharton  
Rodger Polivchak - Fuqua  
Terri Sergesketter - Indiana  
Tonica Smith - Virginia  
Herb Tull - UNC  
Rodger Voorhies - Kellogg

Caresbac - Polska  
FIRMA HANDLOWA LODZINSCY  
HUTA Sendzimir  
pending  
Krakow Business Services; bank  
HUTA Sendzimir  
Krakow Municipality  
Krakow Business Services; bank  
AKITA International  
River Co.  
HUTA Sendzimir  
HUTA Sendzimir  
Krakow Business Services; bank

Exhibit B

Dear Jack;

November 22, 1991

Since I last spoke with you in Poland, I have decided to terminate my working relationship with Skoda Ejpvovice.

It would be difficult to elaborate all of the reasons for my decision, but mainly it comes down to the fact that I was not being utilized. Every member of management, with the exception of the Managing Director, are the same "former" communists that ran Ejpvovice prior to the revolution. After three months of trying, I was unable to elicit any type of cooperation from them. Due to this reason, I felt that it was unethical for me to continue to charge Skoda Ejpvovice my salary without contributing anything in return. In addition, I believe that there are company's here that both need and want my help.

I find it very sad to leave Ejpvovice knowing that there are 850 jobs resting on the shoulders of a group of men who are unwilling and unable to guide the plant through the transition to the new economic system. I do, however, have to give credit to the Managing Director, Karel Kleinmond. He has shown great entrepreneurial spirit and successfully began producing electric cars based on the Skoda Favorit model. It appeared that this production had the possibility to absorb some displaced workers from other parts of the plant and attract potential joint venture partners. However, currently this type of production is also threatened.

Karel Kleinmond received word late yesterday that Volkswagen would bar Ejpvovice from producing electric cars. I don't know for sure if Volkswagen is trying to limit competition against their own electric car efforts, but I suspect that this is the case. The decision by Volkswagen will probably cost the jobs of the people working on the electric car project. It will also idle all of the new equipment that was purchased for production, and most certainly, the decision by Volkswagen has cost Ejpvovice its one potential joint venture partner, Solar Fridez. And from my perspective, the joint venture with Solar Fridez was Ejpvovice's best hope to preserve jobs and acquire new technology. Today is a very gloomy day at Ejpvovice. These people have just had a very bitter lesson in capitalism and it shows on their faces.

So maybe now is the time that they need me most and I should stay? I've thought about it. However, I heard today that Main Skoda will not allow any change in the satellite plant's accounting systems until at least April '92, and it appears that the earliest that Ejpvovice would be allowed to become independent would be late next year. Even under those conditions I would be willing to stay and help Ejpvovice posture itself for independence, but the problem of having to work with an uncooperative management team is something I cannot overcome.

I am going to look for other employment opportunities here in Plzen. If I am unable to find anything here, I will look in Praha, Bratislava, or Brno. I would prefer not going through DUM TECHNIKY. I believe that I am leaving with a good relationship between Karel Kleinmond and myself and have offered to consult with him at anytime on issues dealing with Ejpvovice.

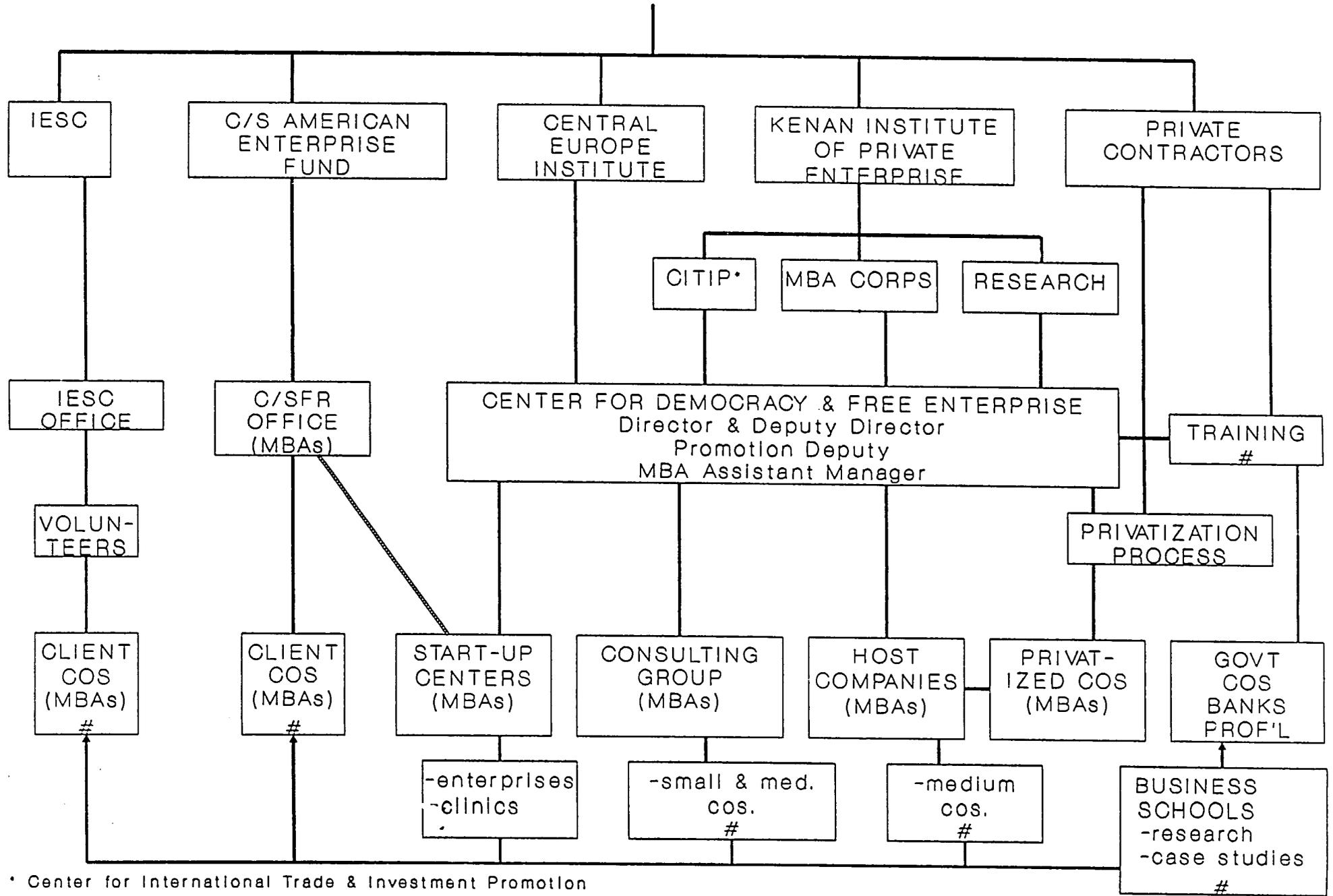
I hope you understand my reasons for leaving. If you have any suggestions on where to look for employment, I would be most grateful.

Sincerely



R. Mark Griesbaum 

# PRIVATE ENTERPRISE IN CSFR



\* Center for International Trade & Investment Promotion  
 # Referrals to Soros Foundation

**MBA ENTERPRISE CORPS  
ESTIMATED COSTS FOR INAUGURAL GROUP  
AND CONTINUATION OF PILOT GROUP**

<u>CORPS MEMBER COSTS</u>	<u>91-92</u>	<u>92-93</u>	<u>Total</u>
<u>Assignment</u>			
round-trip airfare	\$ 1,100	\$ 1,500	
insurance	600	400	
stipend	3,600	5,800	
contingencies/emergencies	<u>200</u>	<u>100</u>	
	\$ 5,500	\$ 7,800	\$13,300
<u>Training/Orientation</u>			
In the United States	\$ 4,400		
In Host Country	<u>1,600</u>		
	\$ 6,000		6,000
Per Corps Member	\$11,500	\$ 7,800	\$19,300
<hr/>			
Total for 41 for 18 months	\$471,500	\$319,800	\$791,300
Total for Pilot Program	50,300	38,500	88,800
<b>TOTAL CORPS MEMBER COSTS</b>	<b>\$521,800</b>	<b>\$358,300</b>	<b>\$880,100</b>
<u>ANNUAL ADMINISTRATIVE COSTS</u>			
Director	\$ 80,000	-	
Executive Director	74,000	-	
Program Manager	24,000	-	
Part-Time Assistance	16,000	-	
Travel (Foreign & Domestic)	40,000	-	
Audit	3,000	-	
Board Meetings	2,000	-	
Printing	15,000	-	
Phone & Fax	10,000	-	
Postage	8,000	-	
Co-sponsor support	5,000	-	
Supplies	2,000	-	
Misc.	2,000	-	
Overhead (15%)	<u>174,000</u>	-	
<b>TOTAL FIXED COSTS</b>			<b><u>\$ 455,000</u></b>
<b>TOTAL ESTIMATED COSTS</b>			<b>\$1,335,100</b>

**MBA ENTERPRISE CORPS  
ESTIMATED COSTS FOR SECOND GROUP**

<u>CORPS MEMBER COSTS</u>	<u>92-93</u>	<u>93-94</u>	<u>Total</u>
<u>Assignment</u>			
round-trip airfare	\$ 1,500	\$ 1,500	
insurance	600	400	
PCs, software, books, etc.	1,800		
stipend	3,600	5,800	
contingencies/emergencies	<u>200</u>	<u>100</u>	
	\$ 7,700	\$ 7,800	\$15,500
<u>Training/Orientation</u>			
In the United States	\$ 5,000		
In Host Country	<u>3,000</u>		
	\$ 8,000		8,000
Per Corps Member	\$15,700	\$ 7,800	\$23,500
<hr/>			
TOTAL CORPS MEMBER COSTS FOR 100 FOR 18 MOS.	\$1,570,000	\$780,000	\$2,350,000
<u>ANNUAL ADMINISTRATIVE COSTS</u>			
Director	\$ 80,000	-	
Executive Director	77,000	-	
Program Manager	33,000	-	
Staff Assistant	25,000	-	
Part-Time Assistance	20,000	-	
Travel (Foreign & Domestic)	40,000	-	
Audit	3,000	-	
Board Meetings	3,000	-	
Printing	24,000	-	
Phone & Fax	20,000	-	
Postage	20,000	-	
Co-sponsor support	150,000	-	
Case Editing and publication	20,000	-	
Overhead (15%)	<u>430,000</u>	-	
TOTAL ADMINISTRATIVE COSTS			<u>\$ 945,000</u>
TOTAL ESTIMATED COSTS			\$3,295,000

1991-92 CORPS ASSIGNMENTS

CZECHOSLOVAKIA

Mitchell Berman - Kellogg  
Eric Best - UNC  
Evan Blum - Columbia  
Vincent Chirico - Fuqua  
Leah Edwards - Stanford  
R. Mark Griesbaum - NYU  
Mick Hawk - UNC  
George Holmes - Dartmouth  
Chris Houle - Chicago  
Doug Johnson - UNC  
James Juracka - NYU  
Scott Kerth - Chicago  
Andreas Kinzmaier - Michigan  
David Kratochvil - Chicago  
Shannon McKeen - Dartmouth  
Margaret Minichini - UNC  
Ann Marie Nemanich - Dartmouth  
David Parker - UC Berkeley  
David Paul - Chicago  
George Phipps - Stanford  
Thomas Rechtein - Michigan  
Don Reckles - Kellogg  
Martha Records - Dartmouth  
Jeffrey Rosen - Columbia  
Jeffrey Silverberg - Kellogg  
Zaheer Sitabkhan - Indiana

Filmov Studio Barrandov  
Center for Democracy; pending  
Zivnostenska banka  
Narodni galerie Praze  
Private Enterprise Clinics  
SKODA Konzern  
Bonton  
TESLA; Mutual Funds  
SKODA Konzern, Plzen  
SKODA Konzern, Plzen  
Ministry of Industry  
ZDU Hradec Kralove  
Private Enterprise Clinics  
Czech & Slovak American Enterprise Fund  
Koh-I-Noor  
Postovni banka, A.S.  
Prazsky Pivovar  
SKODA Konzern, Plzen  
SKODA Konzern, Plzen  
Czech & Slovak American Enterprise Fund  
GMS Geoindustria Praha  
CTK-Made In; Studentske Listy  
Private Enterprise Clinics  
Prague Energy Works; Ceska Obchodni  
Private Enterprise Clinics-Bratislava  
Kancelarske siroje; Bonton

HUNGARY

Cameron Bird - UNC  
Walter Beach - Fuqua  
Timothy Ewing - Michigan  
Daniel Lynch - UC Berkeley  
Helen MacIsaac - NYU  
Mary Frances Owens - Columbia  
Debi Richards - UNC  
Scott Rosenzweig - Cornell  
Bart Skrumeda - UC, Berkeley  
Brad Wegner - UNC

SAJO; Tunsgram  
Coopholding  
TOKAJ Territory Development Co.  
Innofinance, Ltd.  
Hungarotex  
Kockazat, Inc.  
SAJO  
Agrotek  
SZKI  
Hungarian-American Enterprise Fund

POLAND

Steven Arkfeld - UC Berkeley  
Paul Asel - Stanford  
Sheila Baldwin - Virginia  
Carol DiBenedetto - NYU  
Anne Kalin - Wharton  
Greg Karachuk - Wharton  
Cecilia Lewis - NYU  
John Lynch - Wharton  
Rodger Polivchak - Fuqua  
Terri Sergesketter - Indiana  
Tonica Smith - Virginia  
Herb Tull - UNC  
Rodger Voorhies - Kellogg

Caresbac - Polska  
FIRMA HANDLOWA LODZINSCY  
HUTA Sendzimir  
pending  
Krakow Business Services; bank  
HUTA Sendzimir  
Krakow Municipality  
Krakow Business Services; bank  
AKITA International  
River Co.  
HUTA Sendzimir  
HUTA Sendzimir  
Krakow Business Services; bank

Kenan Institute of Private Enterprise  
The Kenan-Flagler Business School  
The University of North Carolina  
Campus Box 3440, The Kenan Center  
Chapel Hill, NC 27599-3440  
919 962 8201  
Fax 919 962 8202

December 10, 1991



Mr. Eric V. Sanson  
Office of Economic Restructuring  
Bureau for Europe  
Room 6923 NS  
Agency for International Development  
Washington, DC 20523

Dear Mr. Sanson:

I submit herewith the first quarterly report of the MBA Enterprise Corps. I believe you will find this to be a thorough review of the Corps activities since July 1, 1991, and a candid discussion of issues.

As with any start-up, there are implementation issues that must be addressed. You will note that we have thoughtfully evaluated the program to date and have proactively dealt with those areas that should be strengthened.

I believe you will find that we are administering a program that is making substantive contributions to the privatization efforts of the Central European economies. In our continued partnership with A.I.D. in the years to come, I further believe that this program will be one of the models for positive support of emerging economies in transition.

I have also taken the liberty of sending this report to Ambassador Berry, John Menzies, Mark Karns and John Ryan.

If you have any questions or require additional information, please let me know.

Sincerely,

John D. Kasarda  
Director

cc: Ambassador Berry, John Menzies, Mark Karns, John Ryan

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