

CEP

Croatian Enterprise Promotion

Croatian Enterprise Promotion Activity

Quarterly Report #10

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Submitted by:
Deloitte Touche Tohmatsu Emerging Markets

Submitted to:
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Progress from January 1 through March 31, 2004



**Deloitte
Touche
Tohmatsu**

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EXECUTIVE SUMMARY

The first quarter of 2004 was devoted primarily to conduct of practicum assignments in the tourism industry, and planning of assignments with wood processing enterprises. CEP also continued its activities in training and certification, and support to the Association of Management Consultants (AMC), our principal partner organization.

With the completion of this quarter, CEP has six months of work left in its period of performance. During this remaining period, CEP is pursuing five major work components:

- 1) Institutional strengthening and support to the AMC, including transfer of training delivery capacity for all CEP workshops, continued development of basic association infrastructure and member councils, finalization and distribution of the professional code of ethics, development of member services, and implementation of marketing programs to position the association and publicize its activities;
- 2) Completion of development of international certification programs for consultants, specifically in quality management topics (ISO and HACCP Food Safety), and provisional certification of a minimum of 60 Croatian consultants in these skill areas;
- 3) Development of industry-specific training curricula, using existing CEP courses as a foundation, for consultants in the food processing, tourism, and wood processing industries;
- 4) Design and implementation of supervised paid practicum assignments for a total of 55 consultants in the war affected areas;
- 5) Provision of a full-time advisor to the new Small Business Promotion and Guarantee Agency (HAMAG) to develop capacity and SME support programs, and assistance to other USAID legacy institutions.

1. REVIEW OF THIS QUARTER'S ACTIVITIES

1.1 Project Background

On September 28, 2001 Deloitte Touche Tohmatsu Emerging Markets, Ltd. (DTTEM) and the United States Agency for International Development (USAID), through its Regional Contracting Office (RCO), signed contract #160-C-00-01-00108-00 ("the Contract") for the implementation of the Croatian Enterprise Promotion Activity ("CEP" or "the Project").

The purpose of CEP is to provide technical assistance to remove constraints and market failures impeding the smooth and affordable provision of expert business consulting services and financial products to Croatia's small and medium enterprises (SMEs).

CEP supports USAID/Croatia's Strategic Objective 1.3 - Growth of a Dynamic and Competitive Private Sector. The intermediate results include:

IR 1.3.2 Strengthened Capacity of SMEs to Operate and Compete

IR 1.3.2.1 Adoption of Improved Technologies

IR 1.3.2.2 Increased Access to Financing

IR 1.3.2.3 Strengthened Business Associations

This report summarizes our activities and overall progress for the 1st quarter, 2004. It is provided in accordance with Section F.4.d, Technical Reports, and Section G.5 Periodic Progress Reports of the Contract.

1.2 Overview

During the reporting quarter, the CEP team achieved the following results:

Consulting Practicum Assignments

- Successfully completed enterprise practicum assignments with four enterprises in the tourism industry in Dalmatia (2nd program);
- Conducted first ten weeks of assignments with nine enterprises (small hotels) in the tourism industry in Dalmatia (3rd program);
- Selected enterprises and consultants for practicum assignments focusing on wood processing enterprises in Slavonia, with consultant training scheduled for April 5, 2004 (4th program). Negotiated and signed agreements with enterprises and consultants. Recruited industry experts to assist consultants;
- Selected consultants and established the operating plan for a practicum to assist the town of Lovinac in design and implementation of a destination marketing strategy.

Croatian Small Business Agency (HAMAG)

SME Promotion Advisor Paul Moran assisted HAMAG in training enterprise promotion staff, establishing a network of SME providers, and staffing and facilitating cooperation between HAMAG and AMC to create a consultant certification program for government-funded assistance to SMEs.

Assistance to the AMC

Assisted AMC with the following activities:

- Delivery of HACCP and ISO Food Safety training
- Continued development of work programs for Councils on Membership & Marketing, and Training and Certification
- Execution of a tactical promotion and publicity plan
- Preparation and distribution of February 2004 issue of AMC newsletter
- Greatly extended paid and unpaid promotion of workshops
- The annual meeting of the Presidency and the membership, in which two new Presidency Council members were elected, bringing the total Council membership to five.

Certification Programs

- Conducted the first of its kind ISO Food Safety Management auditor courses, which were purchased from the Registered Board of Assessors in Ireland

Appended to this report are the following:

- Reports on results of the food, tourism, and small hotels practicum programs;
- A statistical summary of participation in CEP/AMC training seminars since the beginning of the CEP project;
- List of AMC trainers whom CEP trained and recruited as trainers for the AMC.

1.3 Work Completed and Underway

1.3.1 Development and Administration of Enterprise Practicum Assignments in Cooperation with the AMC

CEP and AMC are on schedule with the enterprise practicum programs, in which selected participants receive two weeks of training in various management consulting topics, followed by up to 20 weeks of paid consulting work in team assignments within enterprises.

Tourism Practicum Program in Dalmatia

During March, CEP staff completed implementation work at four tourism enterprises in Dalmatia, including three large hotels and one tourism agency. The assignments included marketing, customer relationship management, HACCP Food Safety, and new product development.

The closing ceremony for the tourism industry program was held in Split on March 17, hosted by the Deputy Governor of Split County. The event was well attended and publicized. Representatives of the three large hotels and one of the two tourism agencies that participated in the program attended the ceremony and gave brief presentations of the results. Several of the enterprise managers noted that their attitudes toward use of business consultants had become much more positive as a result of the experience.

Impressive results were achieved in each of the four locations, including implementation by management of most of the recommendations of the consultants, substantial investments at all enterprises, new hires, continuation of consulting assignments on a commercial basis, cooperation between enterprises, and installation of a “change management” process. In some cases, results exceeded original targets. Most importantly, management is implementing recommendations in all areas, and have made investments in infrastructure, hiring of new personnel (in all enterprises), advertising and promotion, etc. – examples include:

- Purchase of kitchen and sanitary equipment to implement HACCP (Tucepi and Sibenik Riviera);
- Renovation of hotel and restaurant facilities to improve marketability and occupancy, Sibenik Riviera and Helios);
- Introduction of gastronomic events (Sibenik Riviera and Helios);
- Printing of brochures (MAG Tours) and production of multi-media CD’s;
- Attendance at international fairs, purchased web site and in process of procuring an IT system (Helios)
- Establishment of separate business unit for MAG Tours.

In three of the four cases, one or more of the consultants on the team has continued consulting to enterprise management beyond the end of the program.

Project summaries with detailed results are presented in Appendix A.

Small Hotels Practicum Program in Dalmatia

We have completed the first ten weeks of the small hotels practicum assignments in Dalmatia, working with nine hotels in middle Dalmatia, focusing on marketing, customer relationship management, food safety, and cost reduction. Preliminary results are encouraging and include rapid implementation in: training hotel staff in customer service, improving sales literature, expanding promotional vehicles, establishing linkages with agencies, HACCP implementation, cost reduction and investment studies.

We conducted training for the small hotels practicum program during February 9-20 for 14 consultants, who were then assigned to business and tourism hotels in Dalmatia during the period February 23 - July 9. The consultants were divided into three teams, located in Split, the Sibenik area, and Makarska. Each team is assisting three hotels during the 20-week period.

In preparation for this program, we engaged Croatian subcontractors to develop user-friendly implementation products in marketing, customer relationship management (CRM), cost analysis, and finance. The teams are implementing these products selectively at the small hotel sites, depending on the needs identified by enterprise management. The products will be revised and augmented based on our experience during these assignments. The ultimate objective is to have commercially viable products available to tourism consultants that will allow them to conduct assignments for small hotels within affordable budgets. Additional features of the small hotels practicum program include: a) working with tourism boards and local governments to publicize the results of the program and availability of consulting services and products; b) establishing a small hotels consortium for the purpose of direct marketing to foreign tourists; and c) implementing a "quality circle" forum for hotel managers to share best management practices.

A summary of preliminary results of the small hotels program is presented in Appendix B.

Wood Industry Practicum Program in Slavonia

During the first quarter of 2004, CEP organized classroom training for the wood processing practicum program in Slavonia (conducted April 5-16) for 14 consultants. The site work will take place during the period April 19-July 30. In addition to CEP's usual focus on marketing and productivity, this program emphasizes strengthening of existing supply relationships and other cooperative arrangements between Croatian wood processing enterprises, in order to increase the variety and competitiveness of Croatian value added wood products in foreign markets.

We are working at four medium-sized wood processing enterprises in Osijecko and Vukovarsko Counties:

DI Sekulic, Nova Gradiska -

Sekulic is a privately owned, vertically integrated wood products enterprise, from sawmills to final production of furniture. Enterprise has 360 employees. Management has requested consulting assistance in order to define strategic goals, narrow the scope of production and, potentially, find potential foreign strategic partners.

Strizivojna Hrast, Strizivojna –

Strizivojna Hrast is a recently established, fast-growing enterprise producing parquet flooring, primarily for one Western European buyer. Strizivojna Hrast is privately owned. The company has 310 employees and still needs additional personnel. Enterprise has requested assistance in reorganization, cost reduction and financing. Having to invest in a new production line and in infrastructure, obtaining affordable loans/financing is also of interest.

Spacva, Vinkovci –

"Spacva" is a joint stock enterprise in wood processing. The enterprise is a well-known manufacturer of sawn timber, parquet, veneer and glued elements of oak and ash, with three production plants, including a sawmill, final production plant, and veneer factory. These facilities are organized as subsidiaries, with common management, finance and commercial service. Spacva has 720 employees. CEP consulting tasks include assistance in marketing, production organization and product portfolio analysis, and cost reduction measures.

Kupres, Donji Miholjac –

Kupres is a privately-owned producer of oak lamella flooring, located in Donji Miholjac, with current employment of 50 persons. Kupres is a young company that needs to establish efficient control and monitoring systems, especially in production area. The prerequisites exist for the implementation of a simple, yet effective monitoring system, which is now not being performed on regular basis. CEP is assisting in cost control.

Cooperative of wood manufacturers of Eastern Slavonia "Slavonski hrast" (Slavonian Oak), Vinkovci -

The Cooperative Slavonski Hrast was recently formed by 13 enterprise members from different production phases (primary to final elaboration). Eleven members are active, and one is about to start activities. There are 151 employees in total in the 13 member companies, and all members are interested in collaboration in creation of a new final product. Consulting assistance was requested primarily in establishing an organizational structure for the cooperative.

Food Industry Practicum Program in Slavonia

Appendix C presents detailed results of a follow-up survey of the four food industry enterprises in which CEP conducted practicum assignments in 2003. Since completion of the program in December, all four of the enterprises have continued to implement recommendations of the consulting teams. Three of the four have shown improved financial

performance, or are projecting improvement in 2004, as a result of the work conducted.

Notably:

- Snack food producer Kanaan has increased its sales and profitability by more than 50% through expansion of its customer base;
- Osijecko Pivovara (brewery) has restructured its distribution network, introduced new products based on market research, and invested in a major national marketing campaign;
- Lovas has committed to investments in cattle farming, dairy milk production, and apple growing, thus setting the conditions for future growth;
- Lipovac has completed a reorganization of its management structure and is now undergoing financial restructuring.

1.3.2 Assistance to HAMAG

In order to assure an acceptable level of SME development knowledge among all providers working under government funding, HAMAG is developing a certification system for government-funded SME advisors. During the first quarter of 2004, CEP provided short-term technical experts from the U.S. and Croatia to work with the HAMAG Resident Advisor in design and development of the new system. A principal objective of the assistance was to take maximum advantage of AMC's current capacity to train and test SME business advisors. The SME Promotion Advisor also organized a UNDP-funded study tour for HAMAG SME promotion personnel to review the consultant certification program in Ireland, scheduled for mid-April.

1.3.3 Training and Certification Activities

During the first quarter of 2004, AMC conducted the following seminars:

Workshop Course	Date	Location
SME Finance	Feb 17-18, 2004	Zagreb
Marketing	March 9-10, 2004	Opatija
SME Finance	March 13,14, 2004	Opatija
ISO Food Safety Mgt.	March 15-19, 2004	Zagreb
ISO Food Safety Mgt.	March 22-26, 2004	Zagreb
ISO Food Safety Mgt.	March 29- April 2, 2004	Zagreb

Through March 31, 2004, AMC/CEP seminars has conducted a total of 30 training seminars (including 3 two-week practicum training sessions), with a total of 343 participants. A statistical summary of participants in AMC/CEP seminars to date is presented in Appendix D.

Notably:

- Approximately 43 percent of participants to date are consultants, and 37 percent are from industry;

- more than 47 percent of participants to date are female;
- the most popular individual courses have been HACCP Food Safety (6 seminars, 88 participants) SME Finance (4 seminars, 56 participants), and Marketing (4 seminars, 41 participants).

CEP continues to assist AMC in identifying and training instructors for the seminar courses. To date, AMC has signed training contracts with eighteen consultants. A list of AMC trainers contracted under CEP is included in Appendix E.

The following tasks or activities were in progress during the first quarter of 2004:

- New Food Safety Management Course – In March 2004, CEP piloted an internationally registered and certified ISO Food Safety Management course in Zagreb, in three successive one-week seminars, to train and certify AMC tutor-trainers, while establishing the first graduates with FSM auditor provisional certification.
- Training results survey update - In April 2004, CEP updated its periodic telephone survey of consultants who have participated in CEP/AMC training workshops, in order to determine the effectiveness of the courses in building consulting skills, developing industry specialization, and creating opportunities for new assignments. A total of 53 consultants reported having obtained new consulting assignments in which they used CEP tools and methodologies. The median number of new client assignments for this group was 6.
- Completion and distribution of CD-ROMs containing seminar course materials. The following table shows the status of preparation of CD-ROMs for workshop courses.

	Courses	Versions	Status	Provided to AMC
1	HACCP	For participants	Complete	Yes
2	HACCP	For trainers	In process	
3	Consulting excellence *	For participants	Complete	Yes
4	Consulting excellence *	For trainers	In process	
5	Marketing	For participants	Complete	Yes
6	Marketing	For trainers	In process	
7	Cost reduction *	For participants	Complete	Yes
8	Cost reduction *	For trainers	In process	
9	SME finance *	For participants	Complete	Yes
10	SME finance *	For trainers	In process	
11	Human resources	For participants	In process	
12	Human resources	For trainers	In process	
13	Hazard analysis	For participants	Complete	Yes
14	Hazard analysis	For trainers	In process	

15	ISO introduction	For participants	In process	
16	ISO introduction	For trainers	In process	

* Course materials are being re-evaluated - new version will be prepared in near future

1.3.4 Assistance to AMC

All of the training courses either developed or purchased (such as the new FSM course described above) have been arranged on behalf of the AMC. The Food Safety Management course, for instance, is licensed to the AMC for its use. CEP handled the purchase, piloting of the course and assistance in certification of AMC tutor-trainers.

Support to the AMC Councils has involved participating in meetings and assisting with developing a structured approach to conducting AMC activities, including intensive assistance to the Marketing Council to transform the AMC marketing plan into workable actions via a GANNT chart action plan with timeframes and persons responsible. A promotion and publicity program is under way to communicate the AMC mission and specific events to members, potential members and the business community at large. These activities have been greatly expanded from the prior year.

The Code of Ethics (Conduct) has been finalized with the assistance of CEP, and printing has been ordered for distribution to member consultants and at AMC events.

A draft of the guide for distribution to member consultants and their clients, "How to Use Consultants," is now complete and under review.

1.3.5 New Industry-Specific Products

We have developed the following industry-specific consulting products and are implementing them during the course of the practicum programs, with the objective of streamlining each product for implementation within a maximum of four weeks, so that they will be affordable on a commercial basis.

Tourism

Customer relationship Management tools and products:

- Guest questionnaire
- Customer relationship management procedures
- Rulebooks on behavior towards the guest, employee dress code
- Job standardization and job descriptions

Marketing tools and products:

- Brochures
- Direct marketing tools (mailing lists, data bases)
- Marketing plans

Financing and cost reduction tools

- Excel-based yield management
- Supplies and inventory management tool (under development) developed
- Supplier evaluation form
- Cost analysis and benchmarking spreadsheet.

Wood Industry

Financing and cost reduction tools

- Order costing model
- Cost reduction and allocation model.

1.3.6 SME Finance Products

A CEP subcontractor is currently developing the following products:

- An html-based program, for distribution on CD-ROM, that will assist entrepreneurs in quickly identifying the most suitable loan and loan guarantee programs currently available to them in Croatia;
- An excel-based model, also for distribution on CD-ROM, to assist consultants in advising enterprises in obtaining finance and preparing loan applications.

1.4 Progress Against Benchmarks – Intermediate Results

We are making progress against major project benchmarks, as shown below:

Benchmark Per RFP	Progress
1.1 Establish an Advisory Group	Advisory group established –first meeting April 2002
1.2 Support Advisory Group	Three meetings were conducted during first year – members also participated in promotional functions for CEP and AMC
2.1 Provide information on all industry-specific associations in Croatia	Association Inventory Report submitted March 2002
2.2 Determine three to five associations for consulting services market development work	Listed in Association Inventory Report
2.3 Implement tailored program to assist selected associations	HUP being assisted via AMC support work
2.4 Repeat same work for at least additional three industry associations	Working with tourism associations
2.5 Every six months present report on progress of each associations assistance activity	Updated report on cooperation with HUP to be submitted May 2004
3.1 Identify feasible option for establishment of an independent SRO	SRO Feasibility Study completed March 2002
3.2 Help execute incorporation of the SRO	Association of Management Consultants registered August 2002; AMC had 118 members as of December 31, 2004 (79 individuals and 39 firms), plus 8 new applicants who will be reviewed on May 1.

3.3 Help the SRO to produce detailed sets of standards and corresponding requirements for business consultants	Code of professional ethics was adopted by AMC in September, 2004. Finalization, printing and distribution in April-May 2004
3.4 Help SRO to complete the testing methodologies and certification procedures for business consultants in Croatia	Certification programs developed for ISO and HACCP in cooperation with international accrediting bodies; 28 provisional certifications have been awarded to date
4.1 Provide basic information on all providers of business consulting services	Consultant Inventory Report submitted January 2002
4.2 Design and initiate the implementation of market research for the SME sector	Survey of Enterprise Consulting Needs of 200 enterprises conducted April-May 2002; Survey of Training Needs of Tourism Sector conducted April-May 2003
4.3. Deliver relevant reports on the market research work with recommendations	Consulting Needs report submitted July 2002 – includes recommendations for focus of training materials development based on research findings; Tourism Survey report submitted August 2003
4.4 Develop consulting packages, transfer knowledge on the packages to the Croatian business consulting industry and facilitate the commercialization of the consulting techniques and practices	Ten courses developed or acquired; 30 seminars conducted to date with a total of 343 attendees; six seminars currently planned for 2 nd and 3 rd quarters of 2004.
4.5 Train 20 instructors to deliver CEP/AMC workshop courses	18 instructors trained and under contract to AMC
5.1 Determine initial list of special studies including detailed plan for carrying out the first two such studies	Two studies conducted –1) Basic Structure and Services of Small Business Promotion Agency (March 2002); and 2) Strategic Plan for Small Business Promotion Agency (Jan 2003)
5.2 Determine need for feasibility or other studies related to inefficiencies in SME finance markets including detailed plan for carrying out such studies	Mortgage Backed Securities study (June 2002)

1.5 Issues and Constraints

No outstanding issues to date that impede our ability to accomplish the tasks specified in the Contract.

2. WORK PLAN FOR NEXT QUARTER

2.1 *Interim Objectives and Plans for Achieving Them*

During the next quarter, CEP will conduct activities in the five major work components identified in the Executive Summary section above. Major work items include:

2.1.1 *Assistance to AMC*

Stimulation of Demand and Promotion of Consulting Opportunities for Training Course Participants

- Prepare and publicize results and success stories in media, promote through associations
- In cooperation with AMC, organize industry-specific promotional events for consultants
- Cooperate with other donors and donor projects to identify consulting opportunities for AMC members
- Coordinate with government ministries to inform them of capabilities and track record of consultants trained by CEP, and services of AMC.
- Complete and distribute the guide “How to Use Consultants” to member consultants and the business community at large.
- Plan additional food and tourism promotional events in cooperation with tourism enterprises and organizations in Dalmatia.

Assist AMC as needed with training workshop delivery. The current AMC schedule for the 2nd and 3rd quarters of 2004 includes 6 workshops:

Workshop Course	Date	Location
SME Finance	April 13-14	Opatija
Marketing	April 29-30	Split
Consulting Excellence	May 3-4	Zagreb
Cost Reduction	June 1-2	Opatija
Consulting Excellence	June 22-23	Vinkovci
ISO Food Safety Mgt.	Jul 28	Zagreb

Additional workshops will be scheduled and conducted through the end of the third quarter and contract completion.

2.1.2 Certification of Consultants in Quality Management

CEP has committed to achieving provisional certification (passage of examination, with experience requirements yet to be achieved) of a minimum of 60 ISO auditor or HACCP consultant practitioners. This is being accomplished through three AMC course offerings leading to examination and certification, including: ISO Lead Auditor, HACCP, and ISO Food Safety Management Lead Auditor. The table below summarizes how we will achieve the goal of a minimum of 60 certified practitioners.

	Passed examination	Examinations taken and not yet graded	Estimated new participants through September 2004	Estimated total provisionally certified trainees
ISO Lead Auditor	4			4
HACCP	13	31	60 *	55
ISO Food Safety Management Lead Auditor	11		10 **	18
Total	28	31	70	77

* Expect approximately 48 participants during the HACCP for small hotels already organized with the Competitiveness Project

** A Food Safety Management Auditor course has already been organized for the end of June.

2.1.3 Development of Training Curricula

A CEP subcontractor is currently developing a seminar on conducting and preparing investment feasibility studies, to be offered by the AMC.

2.1.4 Practicums

- Continue small hotels program, with completion scheduled for July 9, 2004;
- Continue wood industry program, with completion scheduled for July 30, 2004.

Assistance to the Town of Lovinac

CEP is undertaking a new challenge to train several consultants in the promotion of an entire town, Lovinac, and its nearby tourism assets, located approximately half way between Zagreb and Split. This type of activity, gaining in popularity in tourism circles, is more commonly known as *destination marketing*. We will place a team of three consultants in Lovinac for up to thirteen weeks each, supported by one tourism expert, to provide technical assistance to the town's nascent tourism agency. The focus of the support will be in three areas:

- Sustainable tourism development and destination marketing
- E-marketing and website
- Tourist Guide Techniques.

By the end of the practicum assignment, the Lovinac tourism agency will have clear direction on use and promotion of its resources (hiking and hunting areas, lake, caves, hillsides) for adventure and family tourists.

Assistance to the Vodice Tourism Board

During a meeting in which all members of the Vodice Tourist Board were present, we recently negotiated a practicum assignment and support program to assist the city of Vodice to achieve an increase in overnight stays within their immediate region. This assignment will build on the Lovinac experience and train additional consultants in destination marketing techniques. The assistance will be carried out in two stages. The first stage will involve defining a strategy for the region, with an emphasis on how to differentiate themselves from other similar destinations. The second phase will focus on developing the types of products and programs the Tourist Board must undertake to better assist the local tourism community in a more coordinated fashion.

2.1.5 Assistance to HAMAG and other legacy institutions

Assistance to HAMAG

Assistance to HAMAG planned for 2nd quarter 2004 includes:

- Participation in certification study tour;
- Continued development of certification program;
- Development of provider network.

Assistance to the Small Hotels Association

CEP will assist the Small Hotels Association with their drive to become a national association, by conducting HACCP Food Safety training for hotels and restaurants in four regional locations during the months of May and June, under SHA sponsorship. The agreed seminar schedule is:

Date	Location
May 4-6	Hvar, Arkada Hotel
May 11-13	Stari Grad Paklenica, Hotel Vicko
May 25-27	Pula, Hotel Val Sabbion
June 1-3	Karlovac, Hotel Korana

2.2 Potential Problems and Needs for Assistance

At this stage, we foresee no major or unusual impediments to our ability to achieve the objectives outlined above during the next quarter.

2.3 Expected Staffing Requirements

We will use the following short-term assistance, which is currently planned:

Task	Consultant	Timing
Provide technical assistance to practicum teams working in the wood industry in Slavonia.	Tom Dossenbach - wood industry volunteer expert management – 2 nd visit	June 13-25, 2004
Assist with HACCP plans in ongoing small hotels practicums in Dalmatia	Jim Valentine - food industry volunteer expert	April 26-July 9, 2004
Assist wood enterprises with marketing and product design	Willem Baaij – wood industry expert	April 1 - July 30

We anticipate that additional requirements for short-term consultants and volunteer experts will be identified during the next quarter.

3. BUDGET AND CONTRACT ADMINISTRATION

3.1 Project Expenditures and Remaining Budget

No major outstanding issues. Approximately 68 % of the three-year budget as modified had been expended through March 2004. It is projected that an additional 19% of the budget will be expended during the 2nd quarter, and the remaining 13% during the 3rd quarter.

3.2 Project Staffing this Quarter

In addition to the core full-time CEP team, the following individuals contributed to the project this quarter:

Consultant	Approximate LOE in 1st Quarter 2004
Jeff Baldwin – Assistance to AMC	26 days
Barrie Evans – HACCP and ISO Instruction	17 days
Tom Dossenbach – Wood industry practicum	12 days
Michael Fox – Tourism practicums	24 days

3.3 *Contract Administration*

No administrative issues.

4. CONCLUSION

CEP expects to meet its targets in training, certification, and practicum assignments, as well as in establishing a sustainable, voluntary, self-regulatory association for business consultants in Croatia. In addition, we are taking advantage of the opportunities provided by the enterprise practicum assignments to develop and test commercializable consulting products, and models for industry-level initiatives in competitiveness enhancement.

APPENDIX A

**RESULTS OF
TOURISM PRACTICUM PROGRAM -
PROJECT SUMMARIES**

PROJECT SUMMARY FOR ADRIAGROUP – AGENCY MAG TOURS, Split

MAG Tours is a tourist agency located in Šibenik on the main waterfront area. Its main business is airplane ticket reservations. MAG Tours employs 5 full time staff, including one person who deals exclusively with incoming tours. The Agency operates throughout entire year. The selling trend has been positive, and MAG Tours has been seeking to expand into new incoming tourism market niches, including organization of inland safari trips in Šibensko-kninska County, using Jeeps.

In October 2003, CEP began a practicum assignment for MAG Tours, Split. MAG Tours requested assistance in creating a set of programs – trips – which would help them use already owned equipment, including sailing boats and jeeps. The consultants created a range of trips, including a one-day course to obtain a sailing license, and a variety of jeep tours, with a full set of marketing and promotional materials. In addition, the consultants established a marketing plan and training program for agency personnel in selling the jeep tours, excursions and sailing boat tours.

ABOUT THE COMPANY

Adriagroup d.o.o. – MAG Tours

www.magtours.com

Industry: Tourism industry - travel

Contact Person: Gordan Baraka, Director

Phone no. 098 445 545

GENERAL INFORMATION ON THE ASSIGNMENT

General scope of work: New products development using existing capital equipment and education

Duration of the assignment: 20 weeks

Project consultants:

Mladen Simunac, Team leader

Monika Rezic, consultant

Mario Orsulic, junior consultant

Project supervisor: Darije Josić

FIELDS COVERED – ACTIVITIES

Education – Brainstorming sessions on creating the trips, tools for creation of trips (guidelines)

Product development – Team has, from the start, included the employees from the agency in product creation process. Two main lines of products have been created: trips using sailing boats and jeeps. Additionally, a "Gastronomic" trip was created, with a visit to a traditional ham producer in Sibenik hinterlands.

DELIVERABLES SUBMITTED

- Marketing materials for sailing and jeep tours, including brochures and slide presentations
- Market survey – a survey was conducted to examine the potential demand for new MAG Tours products and to help price the tours
- Marketing plan for tours using various sales channels
- Standard contract for tourism agencies, who will market tours on commission basis.

RESULTS / IMPLEMENTATION

The consulting team assisted management in organizing a presentation to tourism agencies and press agents in which the new products were presented. Management also attended a tourism fair in Zagreb to present the new products. Negotiations are in progress with interested agency partners.

CEP TOOLS USED / CREATED

- Simple trip creation tools are intended for education and describe the process of creating a trip or excursion
- Questionnaires were created in order to assess the potential demand for new products, as well as the customer satisfaction surveys, to obtain feedback from "users" of new products.
- Implementation plan was used to guide the agency through the process from creation to putting trips on the market and selling them.

PROJECT SUMMARY FOR COMPANY Hoteli HELIOS d.d.

Hotel Helios is a tourism complex located on the island of Hvar, in its second largest city, Stari Grad, two hours by ferry from Split. The complex includes three separate hotels, including three tourist apartment buildings totaling 700 rooms (1,400 beds), a tourist camp, five restaurants and a fitness center leased to a private operator. Hotel Helios has a total of approximately 230 employees. The complex is open from May 1 through October 31, and has 85% to 95% occupancy during peak season of June 15 -September 15. The sales trend has been stable, but the average room rental rate remains low, and share of the domestic tourist is small. Hotel infrastructure has deteriorated due to lack of reinvestment capital and high debt levels incurred during the war.

In October 2003, CEP began a practicum assignment in Hoteli Helios, providing assistance in three areas:

- 1) Development and implementation of a marketing and sales plan to sell rooms more profitably.
- 2) Review of organizational structure, including measures to increase staff effectiveness and productivity.
- 3) Development and implementation of a human resources staff training program encompassing customer relationship management for staff and productivity improvement.

ABOUT THE COMPANY

Hoteli Helios d.d, Hvar

www.hoteli-helios.hr

Industry: Tourism industry

Contact person: Bozo Gabricevic, Director



Hotel Arkada, view from the air

ACTIVITIES IN FIELDS COVERED

Marketing – analyses of indicators, benchmarking analysis, marketing department assessment, range of trips created, formed mailing lists of potential partners, assisted in creation of promotional materials and panels.

Organizational Development (OD) – set of 6 training workshops on organizational development, new organizational structure, hotel informational system RFP and implementation plan.

Customer Relationship Management (CRM) – trainings for employees, guest comment cards

RESULTS / IMPLEMENTATION

Marketing: Mailing lists were developed to market new products and tours. A marketing plan has been adopted and recommendations are being implemented. Hotel website with online booking has been put in place, and a new employee hired to manage the system. PC-based sales tracking spreadsheets are now being used.

OD: Job descriptions developed and adopted, one new manager employed, HIS proposal in process of examination.

CRM: Guest comment cards developed and distributed, a local island specialty “Welcome cookie” procured for use.

GENERAL INFORMATION ON THE ASSIGNMENT

General scope of work: Consulting in marketing and CRM

Duration of the assignment: 20 weeks

Project consultants:

Jadranka Matesic, Team leader,
Organization development
Igor Cupahin, senior consultant,
Marketing and sales
Rudolf Stefan, consultant,
Customer relationship management

Project supervisors: Darije Josić

DELIVERABLES SUBMITTED

Marketing

- **Marketing plan** for Helios hotels with an action plan with terms, tasks and responsible persons, Range of tours – additional offer for the hotels

Organization development

- New organizational structure proposal with job descriptions, OD Training workshops' materials, Request for proposals for Hotel Informational System and implementation plan

Customer Relationship Management

- **CRM** Training materials, CRM guidelines

CEP TOOLS USED/CREATED

Marketing: Consultant created a marketing plan with benchmarking, market analysis, destination analysis, SWOT analysis and recommendations.

OD: Consultant has created a set of trainings for management, job descriptions, new organizational structure and Hotel Information System RFP.

CRM: Consultant used employee questionnaires to measure satisfaction, delivered guest comment cards and produced training materials for employees based on existing CEP tools.

PROJECT SUMMARY FOR HOTEL COMPANY RIVIJERA d.d. SIBENIK

Rivijera is a hotel complex located in Sibenik and nearby coastal towns. Rivijera manages Hotel Jadran in Sibenik (primarily a business hotel), plus two tourist hotels - Imperial in Vodice, and Miran in Pirovac. Rivijera employs a total of 160 year-round staff plus approximately 100 peak season workers. The two tourist hotels are open 5 to 7 months per year, while Hotel Jadran operates year-round. Miran was recently leased to a Croatian company for a 10-year period. Riviera is considering converting Hotel Imperial to year-round operation. Rivijera's selling trend is stable, but the company wants to shift towards more profitable customer segments.

In October 2003, USAID CEP began a practicum assignment in Rivijera d.d. providing targeted assistance in three critical areas:

- 1) Development and implementation of a marketing and sales plan in order to increase occupancy of Jadran and extend the season of Imperial
- 2) Introduction of HACCP Food Safety, including preparation of hotel kitchen and training of staff
- 3) Develop and implement a human resources staff training program encompassing customer relationship management for staff, staff motivation and productivity improvement for management.

ABOUT THE COMPANY

Rivijera d.d.Sibenik

www.rivijera.hr

Industry: Tourism industry

Contact person: Ivo Dean, CEO



Hotel Jadran, Sibenik

GENERAL INFORMATION ON THE ASSIGNMENT

FIELDS COVERED – ACTIVITIES

Marketing – A benchmarking analysis was conducted in the region, a marketing plan was created for the next year (planned by months), training of marketing manager was conducted.

HACCP – Several educational presentations and trainings were held, critical control point (CCP) m flow charts created for major food categories, corrective actions defined.

CRM – Employee satisfaction survey results and guest comment cards analyzed, several trainings were held for the management and for the employees, job descriptions were created, evaluation process and motivation system established.

RESULTS / IMPLEMENTATION

Marketing: Management approved and began implementation of first marketing plan for the company together with the monthly financial plan for marketing, started active PR and advertising campaign/ mailing, initiated "Theme" events, re-branding.

HACCP: Individual parts of HACCP plan are approved, preparation for SSOP and FIFO system implementation are in progress.

Organization / CRM: Management has begun implementation of new organizational structure, vacancies announced for three positions, one person employed in sales department.

General scope of work: Consulting in marketing, HACCP Food Safety and CRM

Duration of the assignment: 20 weeks

Project consultants:

Anka Tadic, Team leader,

Marketing

Mario Marusic, industry expert

Marketing

Livia Caric, industry expert

CRM

Ivana Krstulovic, consultant,

HACCP

Petra Starcevic, junior consultant

CRM/HR/organizational structure

Project supervisor: Darije Josić

DELIVERABLES SUBMITTED

Marketing

- **Marketing plan**, with guidelines for the next year actions and improvement of the marketing function, **Hotel Jadran repositioning** – the concept of re-branding and repositioning one of the hotels into "city" hotel

HACCP

- HACCP Food Safety Plan, including CCP diagrams, biological, physical and chemical dangers tables, flow charts for food preparation

CRM

- **Proposal** for efficient Customer Relationship Management, Organizational structure proposal with key job descriptions - guidelines for more efficient organization

CEP TOOLS USED / CREATED

Marketing: Consultant has created marketing plan with benchmarking, market analysis, destination analysis, SWOT analysis and recommendations.

HACCP: Consultant developed seminar materials, created charts and diagrams to be incorporated in HACCP manual.

CRM: Consultant conducted surveys of employees and guests, analyzed guest questionnaires and conducted training seminars and presentations for management and employees. New job descriptions were also written.

PROJECT SUMMARY FOR HOTEL COMPANY HOTELI TUCEPI d.d, TUCEPI

Tucepi is a tourism complex located in the town of Tucepi, within the Makarska Riviera, approximately 60 kilometers south of Split. The complex includes four separate buildings for tourist lodging, including: a large modern hotel, a small historic hotel, an all inclusive hotel and an apartment building, totaling 750 rooms and 1450 beds. Also under Tucepi's ownership are: a 50 berth marina, a restaurant, two cafes and a sports center. There are 160 full time employees supplemented by an additional 160 temporary workers during the tourist season. The hotel is open up to 7 months out of the year, with average occupancy of 140 to 160 days per room. Consideration is being given to extending the operation of the small historic hotel to ten months per year. Tucepi is profitable and the sales trend is steady. Management has invested heavily in upgrading hotel infrastructure operations to improve its position in the market.

In October 2003, USAID CEP began a practicum assignment in Hoteli Tucepi d.d. in three areas requested by management:

- 1) Develop and implement a human resources staff training program encompassing customer relationship management (CRM) for staff, staff motivation and productivity improvement for management.
- 2) Identification and implementation of systematic cost reduction measures.
- 3) Introduction of HACCP Food Safety, including preparation of hotel kitchen and training of staff.

ABOUT THE COMPANY

Hoteli Tučepi d.d, Tučepi

www.hoteli-tucepi.com

Industry: Tourism industry

Contact person: Marin Brbić, **direktor (contact phone, cell...email)**



FIELDS COVERED - ACTIVITIES

CRM – Employee satisfaction survey, employee evaluation sheets, CRM system analysis, extensive trainings of employees and managers.

Cost Reduction (CR) – Benchmarking of Tucepi hotels against competitors, inventory analysis, managerial compensation systems proposal.

HACCP Food Safety– Creation of flow charts, working instructions, critical control points identification, cross-contamination paths identification.

RESULTS / IMPLEMENTATION

CRM: CRM procedures are to be established: guest comment cards, tracking and response to the complaints (the concept is already adopted by the management)

CR: New reward system will be established for the management, compressors will be acquired to ensure energy saving.

HACCP: Kitchen equipment was ordered and installation is to be done, in order to comply with HACCP prerequisites and the employees already comply with HACCP procedures.

GENERAL INFORMATION ON THE ASSIGNMENT

General scope of work: Consulting in CRM, HACCP and cost reduction

Duration of the assignment: 20 weeks

Project consultants:

Dijana Bezjak, Team leader
Customer relationship management
Natasa Dramlic, Consultant
HACCP
Dalibor Suta, Consultant,
Cost reduction

Project supervisors: Darije Josic

DELIVERABLES SUBMITTED

CRM

- Employee satisfaction analysis, CRM training materials, Job descriptions

COST REDUCTION

- Analysis of Tucepi hotels business operations, Proposal for managerial compensation system, Inventory tracking system

HACCP

- Flow charts, critical control points, working instructions (parts of the HACCP plan)

CEP TOOLS USED / CREATED

CRM: Consultant has created employee questionnaires, evaluation sheets, guest comment cards and a set of CRM trainings.

CR: consultant has created benchmarking analysis tool, analysis of financial indicators

HACCP: Consultant has produce a set of flow charts, diagrams, critical control points diagrams and training materials for HACCP

APPENDIX B

Preliminary Results of Small Hotels Practicum Program

April 30, 2004

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About the practicum participants

For the small hotels' practicum program, CEP project has engaged a total of 14 consultants. The consultants' expertise is divided among four major areas: marketing, customer relationship management, finance and cost reduction, and HACCP Food Safety. The consultants mostly possess significant experience from abroad, primarily in USA and UK, which includes best practices in customer relationship management.

Description of the hotels

The small hotels practicum is taking place in three locations in Central Dalmatia: Vodice area (near Sibenik), city of Split and Makarska Riviera. In each location, three hotel clients were chosen, ranging from small (16 rooms) to medium-sized (55 rooms).

Vodice – Murter area

Hotel Borovnik

Hotel Borovnik is situated in the centre of Tisno, on island Murter, which is connected with the mainland by a bridge. The hotel disposes with 69 rooms / 150 beds. Additional offer consists of a restaurant, terrace, outdoor pool, fitness club, massage, and physiotherapy. In peak season, the hotel employs 25 to 35 persons. The plan is to begin with all year round operations, and it is necessary to form a fixed team of 10 people. The hotel requested assistance in cost reduction, marketing, CRM and HACCP.

Hotel Kristina

Hotel Kristina is situated on the coast, on the peninsula in Vodice. It has 20 rooms with a total of 56 beds. Additional offer consists of a restaurant and a cafe bar with a capacity of 400 guests. The hotel employs 17 persons in peak season. Kristina mainly works with a family owned travel agency. In peak season, the hotel usually contracts additional private accommodation in Vodice (70 beds) for overflow bookings, with optional meals in the hotel. The hotel requested assistance in financing/cost reduction, marketing, CRM and HACCP.

Hotel Orion

Hotel Orion is situated on the main road, just on the entrance to Vodice. It has 40 rooms, 4 apartments, plus 12 apartments currently under construction, with a total of 104 beds. Until two years ago, the building was used as a pension. The hotel includes a restaurant, terrace, fitness club and massage facility. There are 10 employees. The hotel requested assistance in marketing and CRM.

Split

Hotel Consul

Hotel Consul is a city hotel, located in proximity of the historical city centre of Split. It has 16 rooms and 4 apartments. The hotel has a restaurant specialized in Dalmatian cuisine, catering

service, presentation facilities and own parking space. The hotel has 13 employees. The assistance is requested in cost reduction, marketing, CRM and HACCP.

Hotel Dujam

Hotel Dujam is a city hotel, located 15 minutes walking distance from the city center. One floor of the building operates as a hotel, another floor operates as a youth hostel, and two floors are business premises. The hotel floor has 33 rooms and 2 apartments, with a total of 70 beds, together with a restaurant, cafe, conference room and a laundry service. The hotel is open all year round, and most clients off-season are business people. There are 20 employed persons directly in the hotel. Assistance was requested in financing/cost reduction, marketing, CRM and HACCP.

Hotel Jadran

Hotel Jadran is located 5 minutes walking distance from the historical center of Split, next to the ACI marina. The hotel has 24 rooms, 2 apartments and 5 sport rooms (four beds). Additionally, the hotel has two conference rooms, restaurant, café bar and a patisserie. Main clients are sports groups, and the hotel is located by the outdoor pool, fitness centre, cosmetics and medical center. The travel agency that operates in the hotel organizes the trips and brings clients to the hotel. The hotel operates year-round and has 22 employees. The hotel requested assistance in marketing and CRM.

Makarska Riviera

Hotel Biokovo

Hotel Biokovo is situated in the centre of Makarska, on the coast. It has 55 rooms, 1 apartment, and a total of 122 beds. Additional offer contains the restaurant, city cafe, saloon, Italian restaurant and pizza hut. The hotel operates year round, and is suitable for business meetings, seminars and conferences. Due to the proximity of a sports centre, it is suitable for sport teams. Among foreign guests, most come from Germany and Great Britain. The hotel's current location and offer would allow repositioning into a city hotel. The hotel has 37 employees. The rooms and the kitchen are recently being refurbished. Assistance was requested in marketing and sales, HACCP and CRM.

Aparthotel Milenij

Aparthotel Milenij is situated on the coast by the beach in Baška Voda. The hotel has 22 apartments, with 80 basic and 40 additional beds. Additional facilities include Internet cafe, billiard room, TV salon, fitness, sauna, outdoor pool, a la carte restaurant, night club, aperitif bar, wine cellar, pastry shop and large underground garage. The hotel works seasonally, from mid march to mid November. More than half of all guests arrive via tour operators. The hotel employs 25 persons in peak season. The hotel requested assistance in marketing, CRM and HACCP.

Hotel Villa Marija

Hotel Villa Marija is situated near the beach. It has a total of 70 beds in 29 rooms. Additional amenities are conference room, restaurant, wine cellar, a tavern and a billiard room. The hotel also has a panoramic elevator and a terrace on the top of the building, together with the indoor pool, sauna and fitness club. The hotel works with a family owned travel agency. In peak season, the hotel employs 12 persons. The assistance requested included marketing, CRM and HACCP.

Description of the assistance

The geographical proximity of the clients made possible a successful time management and efficient assistance of the consulting group. The team members have allocated their time among the hotels in their area. The work organization was designed in order to ensure minimum interference with regular hotel operations, yet it was possible to provide targeted assistance on requested issues. Another critical factor, the timing of the assignment, which partially overlaps with the peak season, demanded that the consultants assist quickly and help out without sacrificing the hotels' critical market momentum.

Team work

The teams were composed regarding the functional areas and the level of expertise. The area in which most assistance is needed is usually covered by the team leader and/or the senior consultant, who also have a significant level of industry expertise. Their functional knowledge can be "duplicated" by a junior consultant or consultant.

Preliminary results – implementation in first 9 weeks

Team Makarska:

1. Hotel Biokovo

CRM:

- A new guest questionnaire has been implemented
- A hotel employee has been appointed to be CRM manager
- Working meetings of the management are scheduled on regular basis
- Room service training, kitchen employees training

Marketing

- Fresh flowers on the tables
- Name tags for the employees
- Direct marketing: spring offer business letter sent to 200 business entities in Croatia and 20 companies in Bosnia, first inquiries arrived
- Brochures distributed for all major tourism events by the main office of the Croatian Tourist board

- New brochure finished
- Business center- internet corner to be installed in week 11 or 12
- Implementation of room service option as additional selling tool
- Do not disturb / Clean the room cards implemented
- Business centre – internet corner to be installed
- Target markets proposals adopted, with focus on Scandinavia, Russia, BIH and Slovenia
- Price increase strategy adopted, contracts to be signed in July
- Working meetings of the management scheduled once a month
- Saturday night events and gastronomic evenings implemented, in the summer every evening will have an event
- PR activities significantly intensified – advertising, flyers, posters, media coverage
- Biokovo has become a member of the Small Hotels Association.

HACCP

- Revision and on-site check of HACCP documentation created so far
- Rulebook for personal hygiene of kitchen employees
- Establishing the linear food preparation flow
- Separation of sink and working space for washing and preparation of various food items from hand washing area
- Separation of working uniforms from personal clothes in wardrobe lockers

2. Hotel Milenij

CRM

- New guest questionnaire has increased the response rate from 8% to 45%
- A hotel employee is appointed to be CRM manager
- Reward system is currently being implemented
- Check in / welcome card implementation planned
- Job standardization approved
- Rule book approved on employee appearance.

Marketing

- Individual prices for the next season increased by 5-10%
- Target market proposals adopted, focus on Russia, smaller agencies as distribution channels and individual guests
- Reservation of 1-2 apartments for the individual guests in peak season
- Development of a new website in progress
- Development of a new selling tool – food delivery into apartments
- Yield management tool implemented
- Animation program development in progress

HACCP

- Revision and on-site check of HACCP documentation created so far
- Separation of raw material in dry storage room
- Established linear food preparation flow

- Separation of sink and working space for washing and preparation of different food items implemented
- Implemented procedure for personal hygiene – hand washing, poster, protective hats (part of SSOP program)
- Rulebook on kitchen employees hygiene created
- Separation of working uniforms from personal clothes in wardrobe lockers implemented
- Defined the cleaned agents and cleaning and disinfection procedures – poster (part of SSOP program)

3. Hotel Villa Marija

CRM

- New guest questionnaire is implemented
- Rule book approved on employee appearance
- Employee code of conduct in review

Marketing

- Website modifications made
- Online booking implemented
- Price increase for the next season adopted
- Target market proposals adopted, focus on Russia, Scandinavia and individual guests
- Yield management tool implemented
- Creation of promotion CD in progress

HACCP

- Revision and on-site check of HACCP documentation created so far
- Rulebook on kitchen employees hygiene
- Separation of working surfaces for preparation of various food items implemented
- Separation of raw material in dry storage room implemented
- Separation of working uniforms from personal clothes in wardrobe lockers implemented
- Education of personnel on potential hazards, personal hygiene procedures and disinfection and cleaning procedures

Team Split:

1. Hotel Consul

CRM

- New guest questionnaire implemented
- New nametags created and implemented
- New organizational structure adopted
- Job systematization adopted by the management

Marketing

- Local and Croatian business entities database created
- Offer letter with restaurant and catering offer sent out to business entities in Split
- Offer letter sent out to Croatian business entities in order to familiarize them with the hotel offer
- Created a new brochure, website and information maps and memorandums (redesign), changes approved by the management
- Implemented direct marketing control tool
- Implemented promotion of the hotel on a CD “Treasury of Croatia”, which is distributed in all Croatian cities

HACCP

- Implemented new storage practices according to the food
- Implemented wearing uniforms by HACCP rules

Finance

- Expected approval of cost reduction measures

2. Hotel Dujam

CRM

- Created and implemented new guest questionnaire

Marketing

- Local and Croatian business entities database created
- Initial presentation letter with restaurant and congress facilities offer sent out to business entities in Split
- Adopted a proposal for the hotel brochure design and content and the informational maps in the rooms
- Adopted proposal for introducing air conditioning in the conference room
- Implemented Excel-base direct marketing control tool
- New hotel memo implemented

HACCP

- Implemented new storage practices according to the food
- Implemented wearing uniforms by HACCP rules

Finance

- Introduced a rule book for norms of raw materials and food costs, implemented new norms as cost reduction measure
- Cost reduction manual finished, testing and implementation progress from 2week 11

3. Hotel Jadran

CRM

- Created and implemented new guest questionnaire

Marketing

- Created a database of major sports clubs and sport associations in Croatia
- Created and sent out an initial presentation letter to all major sports clubs and associations in Croatia
- Implemented uniforms for receptionists
- Created a new design and contents of the information maps in the hotel rooms, approved by the management
- Direct marketing control tool

Team Sibenik:

1. Hotel Borovnik

CRM

- Uniforms and name tags implemented
- Manual on standard job descriptions approved by the management and implemented
- Standard rules and procedures adopted by the management
- Introduced regular staff meetings with the management
- Guest questionnaire adopted by the management

Marketing

- Translated web pages into German and English
- Contacts made with HRS, contract to be signed soon
- Last minute action steps defined
- Marketing plan for conference and incentive tourism created, product defined, prices defined and potential clients identified
- Offer letter sent out to the agencies, first feedback

Cost reduction

- Rules defined for procurement, advertisement for offers made, received offers are to be evaluated
- List of suppliers created
- Newly created Excel-based tools for processing and tracking offers and counter offers are implemented

2. Hotel Kristina

CRM

- Standard job descriptions adopted by the management
- Uniforms implemented, name tags are ordered and delivery expected
- Guest satisfaction survey implemented, analysis procedure defined on the reception

Marketing

- Website based reservation system established
- Web counter implemented, translation of website to German and English in progress
- Mail response set up with all contact information about the hotel
- Proposal for a new offer “Artistic Mosaic-making workshops” is in process of evaluation
- Created and implemented reservation confirmations in Croatian, English and German
- Agreed upon a concept for TV commercial on Slovenian TV

Finance

- Investment study in progress

3. Hotel Orion**CRM**

- Guest satisfaction survey implemented
- Standard job descriptions adopted and in process of implementation

Marketing

- Introduced new email for the hotel
- Created and implemented a new memo with correct contact information
- Defined individual price list
- Created and implemented reservation confirmations in Croatian, English and German
- Created and implemented a template for receiving phone reservations
- Created an offer for busses in transit
- Sent out an initial presentation letter to the agencies

Specific products - recapitulation

Almost all the products that were developed or modified, and, consequently, implemented in the hotels, are hotel-specific and, with the exception of HACCP, directly related to the hotel business operations.

The following products have been implemented:

- CRM tools and products:
 - o Guest questionnaire
 - o Customer relationship management procedures
 - o Rulebooks on behavior towards the guest, employee dress code
 - o Job standardization and job descriptions
- Marketing tools and products:
 - o Brochures
 - o Direct marketing tools (mailing lists, data bases)
 - o Marketing plans
- Financing and cost reduction tools
 - o Excel-based yield management
 - o Supplies and inventory management tool (under development) developed
 - o Supplier evaluation form

Client feedback

Prior to the start of the assignments, the clients were informed about the CEP project in a series of separate meetings with the Project management. CEP management regularly visits the clients in order to obtain direct feedback about the progress of the practicum. During the most recent meetings, several clients have expressed their interest to retain the consultants for an extended period of time on a commercial basis, after the 20 week practicum period has expired.

APPENDIX C

**PERFORMANCE OF FOOD ENTERPRISES IN SLAVONIA POST-
PRACTICUM: RESULTS OF FOLLOW UP SURVEY OF FOUR
PARTICIPATING ENTERPRISES**

April 2004

Overview

All four of the enterprises have implemented all or most of the recommendations of the CEP consulting teams. One of the enterprises, Kanaan, has received an immediate payoff in terms of expanded sales, improved distribution, reduced unit costs, and increased profitability. Two of the enterprises, Lovac and Pivovara, have halted declines in revenues and have made major investments in new products, with expectations of improved results in 2004.

The fourth enterprise, Lipovac, is undergoing financial reorganization resulting from undercapitalization. Improved financial performance will be delayed until new management has been installed.

Kanaan d.o.o.

Since the end of the food industry practicum program, Kanaan has achieved the best business results among the enterprises that participated. In the opinion of the owner/manager and the employees, the situation in the company is very good. Kanaan company has hired two new employees since the end of the program.

Kanaan completed calendar year 2003 with realized net profit of 700,000 kn, with a turnover (total revenues) of 9,600,000 kn. In 2004, management expects approximately 50% increase in turnover, and 60% increase in net profit. Product sales in the first quarter of this year have already increased 56% in comparison to the same period last year.

Management is currently trying to diversify its distribution outlets in order to lessen dependence on its major customer, which has recently slowed down the payment cycle. Kanaan products can now be bought in the local retail chain Pressoflex stores, which together with its strategic partners (Kerum, Brodokomerc) hold approximately 10 % of the retail market.

Investment in Kanaan's new production plant for potato chips is almost complete. Management expects to initiate production in July 2004, and will hire additional production workers at that time.

Kanaan is implementing many of the recommendations of the consulting team. In cooperation with one of the CEP consultants, they are negotiating a new long term loan with a new bank, which should help cope with their expanded need for working capital. Management has opted for a production strategy based on lowest possible costs, without investments in marketing activities and production of private brands. In addition to production for retail traders, they have also decided to produce snack foods for co-marketing through beverage producers, Final negotiations on start of production for the Osijek Brewery are in progress, and these are a direct result of recommendations and contacts established by the CEP consulting team.

Pivovara d.d.

The Chairman of the Board of Pivovara d.d. speaks very positively about the work of consultants in his company. The direction of development of Pivovara d.d. and activities in progress at the moment, clearly show that almost all measures recommended by the consulting team have been adopted. As a result, management expects to halt this year the long-term downward trend in brewery product sales.

Pivovara is currently undergoing the process of reorganization at all levels. Previous to initiation of the CEP assignment, management announced its intention to reduce surplus staff, partly through a social program, and partly through redistribution to other positions. Negotiations between enterprise management and the labor union are still in progress.

In accordance with the established new national strategy, Pivovara initiated a large-scale national marketing campaign (TV, Radio jingle, billboards, newspaper advertisements, press conferences) that will last 45 days and will cost 17,9 million kuna. This marketing campaign is a direct result of activities related to market research conducted in November last year.

With planning and analytical assistance from the CEP team, some unprofitable distribution centers have been closed, with the objective of reducing costs. Under the new distribution structure, Pivovara now has four distribution centers in the largest cities of the Croatian regions (Osijek, Zagreb, Rijeka, Split). Significant savings will be visible in results for 2004. Inventory control policy is now also managed according to recommendations of the consulting team.

There have also been some changes in the company top management as a result of CEP recommendations. Young, highly educated professionals have been hired for top management positions. For example, an employee that started working for the Brewery in October 2003 was appointed as Marketing Manager, and a new Sales Manager has also been hired recently.

Pivovara has invested two million kuna in machines and equipment for preparation and purification of water, so that the Brewery product can be known for constant, recognizable and steady quality. They are currently in the process of purchasing production line equipment for PET packaging, which will be used for bottling beer, and also for production of juices.

Pivovara has placed a new product in the market, Osječko 0,25 Twist off, with a new redesigned label and reduced bitterness (the bitterness was reduced through technological procedures and reduced use of aromatic hops), which is a direct result of market research indicating consumer preference for such a product. In the near future, they are planning to redesign the label and the packaging of Osječko crno (black beer), Osječko 0,5, and Biker beer (beer with taste of lemon).

For the European Football Championship in June 2004, Pivovara is planning a co-marketing campaign with Kanaan, the producer of snacks from Donji Miholjac. This cooperation resulted from recommendation by the CEP consultants.

Agricultural Cooperative Lovas

According to the Agricultural Cooperative Lovas manager the situation in the cooperative has slightly improved. Mr. Rendulić says that consultants have done a great job and says that their expert and consulting services helped him a lot in making some important strategic decisions.

The Cooperative still has its sword of Damocles: a 12 million kuna debt to the State for a loan obtained in 1998 for purchase of basic equipment, but there are some positive signals from the Government of the Republic of Croatia that they could write off debts of legal entities from former war endangered areas.

The process of overall cost reduction on all levels, which is the result of cooperation between Cooperative management and consultants, is in progress. Along with 10% reduction of all employees' salaries (3,16 million kuna in 2002, and 2,82 million kuna in 2003.), they work on attracting new experts with simulating contracts because they are supposed to be the foundation of development of new projects the Cooperative will invest in. The process of search for employees for farm management is also in progress (they are looking for a graduated engineer of cattle breeding and a finance manager – graduated economist), and they have already hired one graduated engineer of agriculture to work as a contract farming manager.

There was a 9% drop in revenues for 2003, which is a direct consequence of drought. Although saving is the general policy on all Cooperative levels, they have recognized education and knowledge as necessary elements of future development, so that employees undergo different computer courses, learn foreign languages, and attend specialized seminars.

The Cooperative has decided on a joint venture with a Dutch partner to invest in a cattle with a capacity of 600 heads, and the value of investment is estimated at 10-12 million kuna. They expect to sign the contract with the Dutch partner in May.

Independently from this investment, and based on the consultants' recommendations they have reconstructed the old dairy farm with capacity of 150 milk cows. The process of building of milking facility is in progress, and 20 cows have already been included in the process of produced, and the funds have been provided for purchase of 50 more heifers.

On the basis of investment studies on fruit production (apples and blackberries), they have decided to enter a project of production of fruit on 100 ha with an Italian partner, once all prerequisites are met. The beginning of the project is not scheduled for this year. The old neglected apple orchard that had negative contribution margins was cleared, and on that surface they plan to plant 10 ha of modern vineyard. As for the growing of crops,

they have only started to perform soil analyses in order to be able to precisely identify which quantity of mineral fertilizers is necessary for individual crops. They expect significant savings in variable costs, that is, the increase of return (revenue) at same cost.

The objective of all business measures and business investments is to increase revenue per employee. The Cooperative wants to solve the detected problem of surplus labor through enlargement of the production volume. They expect more measurable results of work of the consulting team, such as increase of revenue per employee (productivity) in business results for 2004.

Lipovac d.d.

Lipovac's bank account has been blocked by its largest creditor, a bank, which is expected to enter the ownership structure of the company with 60%. The new majority owner will produce funds needed to complete Lipovac's investment program and begin full-scale production..

The new majority owners have assessed as positive the CEP consultants' recommendations related to the organizational chart, job descriptions and work positions. The team leader of the CEP consultants has extended her management contract with Lipovac, so it is expected that implementation will follow.

**APPENDIX D
PARTICIPATION IN CEP/AMC TRAINING SEMINARS**

SUMMARY STATISTICS

March 31, 2004

No.	Workshop Title	Location	Dates	Number of Participants	Participant Background				Participant Gender		Promotional Effectiveness (participants hearing of course from)				
					Consultant	Industry	Government	Education / Other	Male	Female	press paid advertisement	press article or story	mailing	telemkt., web, wom, other	
TOTALS (May 2002 - March 2004)		Percent Number		100,0% 343	42,0% 144	35,9% 123	8,7% 30	2,3% 8	52,4% 176	47,6% 160	14,6% 50	0,0% 0	35,9% 123	38,8% 133	
				2002	84	48,8%	31,0%	15,5%	4,8%	57,1%	42,9%	10,7%	0,0%	40,5%	48,8%
1	HACCP Food Safety (Pilot)	Zagreb, Jurišićeva 19/II	May 20-24, 2002	12	6	2	4		7	5			12		
2	HACCP Food Safety	Zagreb, Amruševa 2	Sept 25-27, 2002	20	10	6	2	2	10	10	9		2	9	
3	SME Finance (Pilot)	Zagreb, Kačićeva 3	October 1-2, 2002	18	9	7	1	1	10	8			8	10	
4	ISO 9000 Basic (Pilot)	Zagreb, Jurišićeva 19/II	October 2-4, 2002	11	6	4	1		8	3			3	8	
5	Marketing (Pilot)	Zagreb, Jurišićeva 19/II	October 16-17, 02	12	5	2	5		8	4			5	7	
6	Cost reduction (Pilot)	Zagreb, Jurišićeva 19/II	November 19-21	11	5	5		1	5	6			4	7	
				2003	184	48,4%	33,7%	8,2%	2,2%	51,6%	48,4%	15,2%	0,0%	27,7%	50,0%
7	Consulting excellence (Pilot)	Zagreb, Jurišićeva 19/II	February 4-5, 2003	9	7	1	1	0	5	4	0	0	0	9	
8	HACCP Food Safety	Zagreb, Hotel Sheraton, Kneza Borne 2	February 10-12, 2003	16	4	4	8	0	8	8	0	0	3	13	
9	ISO Lead Auditor (Pilot)	Zagreb, Jurišićeva 19/II	February 13-21, 2003	5	4	1			3	2	0	0	0	5	
10	SME Finance	Zagreb, Jurišićeva 19/II	February 27-28, 2003	11	7	4	0	0	6	5	0	0	1	10	
11	Marketing	Zagreb, Jurišićeva 19/II	March 4-5, 2003	12	8	3	1	0	5	7	3	0	1	8	
12	Consulting excellence	Zagreb, Jurišićeva 19/II	March 18-19, 2003	11	9	2	0	0	5	6	0	0	5	6	
13	Cost reduction	Zagreb, Jurišićeva 19/II	March 25-27, 2003	9	6	3	0	0	4	5	2	0	1	6	
14	HACCP Food Safety	Split, Hotel President, Starčevićeva 1	April 23-25, 2003	10	4	6	0	0	4	6	0	0	3	7	
15	Human Resources (Pilot)	Zagreb, Jurišićeva 19/II	April 29-30, 2003	7	4	2	1	0	5	2	0	0	0	7	
16	Consulting excellence	Sarajevo	May, 13-14, 2003	13					8	5					
17	Marketing	Osijek, Europske avenije 11	May 20-21, 2003	7	3	3	1	0	5	2	2	0	0	5	
18	ISO Lead Auditor	Zagreb, Jurišićeva 19/II	June 16-21, 2003	6	3	0	1	1	1	5	0	0	0	6	
19	Practicum training - food industry	Osijek, Europske avenije 11	June 16-27, 2003	13	2	11			8	5	11		2		
20	FSM Lead Auditor (Pilot)	Zagreb, Jurišićeva 19/II	June 23-27, 2003	10	5	0	2	3	4	6	0	0	0	10	
21	Practicum training - tourism industry	Split	October 6-17, 2003	15	7	8			7	8	10		5		
22	HACCP Food Safety	Zagreb, HUP office, Pavla Hatza 12	October, 28-29, 2003	16	16				6	10			16		
23	HACCP Food Safety (for ACE Project)	Zagreb, HUP office, Pavla Hatza 13	November, 18-20, 2003	14		14			11	3			14		
				2004	75	32,0%	52,0%	5,3%	1,3%	44,0%	46,7%	22,7%	0,0%	66,7%	1,3%
24	Practicum training - small hotels program	Split	Feb 9-10, 2004	14	5	9			6	8	9		5		
25	SME Finance	Zagreb	Feb 17-18, 2004	16	5	11			8	8			16		
26	Marketing	Opatija	March 9-10, 2004	10	3	7			3	7			10		
27	SME Finance	Opatija	March 13, 14, 2004	11	1	8	2		6	5	4		7		
28	ISO Food Safety Management - auditor	Zagreb	March 15-19, 2004	12	4		1		1	4			5		
29	ISO Food Safety Management - auditor	Zagreb	March 22-26, 2004	5	5				4	1			5		
30	ISO Food Safety Management - auditor	Zagreb	March 29- April 2, 2004	7	1	4	1	1	5	2	4		2	1	

Course	Summary, 2002-2004	Number of Seminars	Number of Participants	Participant Background				Participant Gender		Promotional Effectiveness (participants hearing of course from)			
				Consultant	Industry	Government	Education / Other	Male	Female	press paid advertisement	press article or story	mailing	telemkt., web, wom, other
TOTAL	30	343	154	127	32	9	176	160	54	0	135	134	
HACCP Food Safety	6	88	40	32	14	2	46	42	9	0	50	29	
SME Finance	4	56	22	30	3	1	30	26	4	0	32	20	
Practicum training	3	42	14	28	0	0	21	21	30	0	12	0	
Marketing	4	41	19	15	7	0	21	20	5	0	16	20	
Consulting excellence	3	33	16	3	1	0	18	15	0	0	5	15	
ISO Food Safety Management - auditor	3	24	10	4	2	1	10	7	4	0	12	1	
Cost reduction	2	20	11	8	0	1	9	11	2	0	5	13	
ISO Lead Auditor	2	11	7	1	1	1	4	7	0	0	0	11	
ISO 9000 Basic	1	11	6	4	1	0	8	3	0	0	3	8	
FSM Lead Auditor	1	10	5	0	2	3	4	6	0	0	0	10	
Human Resources	1	7	4	2	1	0	5	2	0	0	0	7	

APPENDIX E - AMC CONTRACTED TRAINERS UNDER CEP

COURSE	NAME	COMPANY
SME Finance	Željko Kovač	OPK d.o.o.
SME Finance	Ivan Pilepić	Privredna banka Zagreb d.d.
SME Finance	Marko Slunjski	freelance
SME Finance	Tino Antonini	Microgrupa d.o.o.
Cost Reduction	Marko Slunjski	freelance
Cost Reduction	Dalibor Šuta	Microgrupa d.o.o.
Cost Reduction	Berislav Bolfek	Management Consulting
Intro to ISO 9000:2000	Vlatka Ščetarić	Qualitas d.o.o.
Intro to ISO 9000:2000	Robert Deriš	Qualitas d.o.o.
Intro to HACCP Food Safety	Nataša Dramlić	Biotechnicon d.o.o.
Intro to HACCP Food Safety	Ivana Krstulović	Biotechnicon d.o.o.
Intro to HACCP Food Safety	Saša Šušnić	Rijeka Institute of Public Health
Applied Marketing and Market Research	Anton Florijan Barišić	Chronos Info d.o.o.
Applied Marketing and Market Research	Zvonimir Čordašić	Business Centar Vinkovci
Applied Marketing and Market Research	Tea Višek	Cos Chem d.o.o.
Applied Marketing and Market Research	Ružica Marušić	Ruža-M d.o.o.
Consulting Skills	Anton Florijan Barišić	Chronos Info d.o.o.
Human Resources Management	Darko Iveković	Iveković Consulting d.o.o.
Human Resources Management	Neda Iveković	Iveković Consulting d.o.o.
Customer Relationship Management	Dijana Bezjak	freelance