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**MANAGEMENT TRAINING AND ECONOMICS EDUCATION PROJECT
(EUR-0029-G-00-1061-00)**

**QUARTERLY REPORT
Period October 18, 1992 - January 17, 1993**

SUMMARY

This report covers the second quarter of the second year of USAID support for a private sector development program in Hungary. The project is managed by the State University of New York's Office of International Programs (SUNY/OIP) in Albany, NY, and based at SUNY's Center for Private Enterprise Development in Budapest, Hungary. During this quarter, the following major activities took place:

- Dr. Arpad Kezdi, formerly the Center's deputy director, succeeded Dr. William Holstein as Center director. This move is indicative of the more active roles being assumed by Hungarians in the country's economic development, as well as the continuing development of the Center. Dr. Holstein has returned to academic life in Albany, although he will be invited back to the Center to teach occasional short courses.
- SUNY Buffalo was invited to participate in a joint conference on total quality management (TQM) with the University of Miskolc on March 3. Miskolc staff are arranging the event and many of its faculty will present papers and lectures, along with their Buffalo counterparts. This too is an example of a Hungarian partner organization contributing to project sustainability.
- The Center is developing a series of programs to show the applicability of the total quality management concept in Hungary. It has also begun new short courses in regional marketing (attracting business and investment to a region) and small business and banking. Participant and instructor responses to these new courses have been enthusiastic.
- As the reputation of the Center has spread in both Hungary and the United States, many businesses in both countries are seeking its assistance in expanding bilateral trade. The Center's new Small Business Development Center (SBDC) adviser is counseling small Hungarian businesses, while the Center and SUNY/OIP are serving as conduits for trade opportunities between Hungarians and Americans.

ORGANIZATION

Dr. Arpad Kezdi, the former deputy director, was named Center director. The former director, Dr. William K. Holstein, served 18 months and has returned to the SUNY Albany School of Business. The American staff of the Center now consists of the Small Business Development Center adviser and an MBA graduate intern, each on a six-month tour of duty.

A second SBDC adviser arrived from the Jamestown, New York, SBDC in late January for a six-month tour at the Center. Her tour overlaps that of the current adviser (see above), who will remain in Budapest until early April.

NEW ACTIVITIES

In November a Center contractor completed a study titled **Assessment of Needs and Recommendations for Formal Business and Export Marketing Training Programs Designed for the Hungarian Folk Art and Handicraft Industry**. This assessment was prepared in conjunction with the Aid To Artisans Export Enhancement Project in Hungary, which is also funded by an AID grant. It found widespread interest among handicraft cooperative and company managers, as well as individual artisan entrepreneurs, in getting business training through the SUNY Center. It recommended that the Center support the formation of a nationwide Artisan Management Development Foundation to work with the Center in arranging course offerings to the handicraft community. Business managers of several major handicraft groups met with Center and SBDC staff in December to discuss the range of Center programs of possible interest to the artisan community. Action has been postponed until early 1993, however, while artisan organizations worked to complete their legal transition into the private sector before the January 1 deadline.

Center director Kezdi met with the boards of two existing management development foundations, in Győr and Gyöngyös, as they assessed their needs and desired directions. The Győr foundation decided to increase its membership and expand its activities from simply providing support for Center initiatives to providing direct local assistance in trade development and business plan writing. The Gyöngyös foundation decided to encourage regional mayors to work with the Center on attracting tourists and foreign investors, and it plans to establish a non-profit subsidiary to seek opportunities for economic cooperation with Buffalo.

At the Gyöngyös meeting the local agricultural college also announced that it would include the Center's basic accounting video training series in its "open university" program. SUNY/OIP Project Director Ronald Oppen attended the Gyöngyös meeting, delivered a brief address, and answered questions from the participants.

PROGRAMS

Among the 330 participants in the courses offered by the Center this quarter:

- 33 percent were academics; 40 percent work in government corporations; 4 percent were small business owners; 17 percent were "other."
- 70 percent were male; 30 percent were female (most of the females attended a single TQM course in Szeged).

Note: Our analysis of the program participation figures and comments indicates several encouraging trends:

(1) Many of the short course participants are in positions important to project sustainability - government officials, economic development personnel, and academics.

(2) The number of repeat students at Center courses doubled from last quarter (to 15%), indicating satisfaction with the original courses, and confirming the efficacy of offering courses through our six major partner organizations.

(3) The TQM courses have attracted more female participants than any other course subject area.

(4) Instructors have identified the need to develop case studies specific to Hungary, and have begun to collaborate with their Hungarian academic colleagues in identifying and developing appropriate case studies for use in future classes.

Short Courses: Five short courses were offered (see Appendix A). Three of these were new courses requested by our partner institutions.

- Regional Marketing, i.e., how a region can market itself to attract outside investment and tourism, was sponsored by our partners in Nyiregyhaza and Gyöngyös. The Gyöngyös foundation had proposed this type course at its board meeting; it was so well received that it will be offered in the next quarter to two other partners, and an advanced course is being designed as a follow-up.
- Small Business & Banking, another new course, was presented in Budapest to 65 participants.
- How to Write a Business Plan was presented to nine participants in Budapest at the request of the SEED Foundation, and Market Analysis & Business Planning was given in Eger. Both are well-established Center courses.

- Finance for Non-Financial Managers, a four-day course, was presented concurrently in November to 18 participants in Gyöngyös and to nine in Pecs. This course is broken into two parts: Accounting for Non-Financial Managers and Finance for Non-Financial Managers.

Total Quality Management: The project began training in total quality management (TQM) this quarter with the following activities:

- An introductory one-day conference was held in Budapest for national quality management officials, researchers, industrialists and academics. Among the presenters were the Lieutenant Governor of New York, economic development officials, and SUNY TQM academics and researchers.
- A 2-day TQM awareness workshop was given in Szeged to a variety of participants. Much insight into the applicability of TQM to the Hungarian situation and further TQM activity direction was gained from this workshop.
- SUNY consultants worked with faculty at Miskolc and Győr to discuss ways that TQM activities could be integrated into the business and engineering curricula, as they are on several SUNY campuses. Related to this, there was discussion of how Miskolc could create a Center for Industrial Effectiveness based on the model currently being used by SUNY Buffalo.

MBA - Participant Training: The Hungarian MBA student, Zsuzsanna Somogyfalvi, augmented her studies at SUNY Binghamton by participating in AID's NCIV mid-winter conference on government's role in small business development. This ties in with her studies at Binghamton and with the Center's role in Hungary.

Video Training Series: The Center-produced 15-segment video course in basic accounting has been converted to PAL, and it has been reproduced for distribution in Hungary. Hungarian-language workbooks have been written and published to accompany the video cassettes, and the Center staff is designing a distribution program for the course.

TRADE DEVELOPMENT/SMALL BUSINESS ASSISTANCE

Small Business Development Center activity: The new small business adviser from the SUNY-administered SBDC in Buffalo set up shop at the Center in October and began meeting Hungarian clients. The SBDC person will focus on three activities:

- Individual one-on-one consultations with clients regarding business plan preparation, market planning, loan

application, and other traditional small business concerns;

- Individualized international trade assistance; and
- Identification of and assistance to Hungarian partner organizations interested in learning how to provide small business development counseling.

To generate interest in one-on-one business counseling, the SBDC adviser sent out mass mailings to two target audiences -- 200 graduates of Center training courses and 334 Hungarian banks that make small business loans. There was little initial response from the course graduates. Several banks, however, asked for more information about the SBDC program, and some have already referred some of their customers to the adviser. He also made presentations to two management development foundations associated with the Center -- Györ and Nyiregyhaza -- about how they can replicate the New York SBDC's small business counseling in their own areas. He also worked with foundation staff in counseling small business owners.

New York State Trade Mission: A large delegation of business leaders and New York State trade officials, led by Lieutenant Governor Stan Lundine, visited Budapest in mid-November. Both SUNY/OIP and the Center were involved in coordinating the mission's activities in Hungary. Mr. Lundine formally opened the Center-sponsored TQM conference (see above), visited the Center, met with its staff, and gave several media interviews.

Trade Opportunities: Building upon personal contacts made during a Center-supported exchange program, an official of a major frozen foods firm in Buffalo visited Budapest and Györ to explore export potential and possible siting of a major distribution facility for central Europe. USAID and Center staff facilitated this visit. The firm's international vice president was accompanied by the president of Buffalo's city enterprise development corporation, who had visited Györ twice under a USIA-funded exchange program administered by SUNY and the Center. The firm has asked the Center to undertake a market survey on its behalf.

Also as a result of Center programs, a Binghamton trading company has asked SUNY/OIP and the Center to identify Hungarian firms interested in producing large quantities of precision-machined auto parts, frozen chickens for export to the Middle East, and fresh-cut flowers for airshipment to the US market.

OTHER CENTER ACTIVITIES

Rectors Training: As noted in the previous quarterly report, USAID Hungary, at the request of the Center, provided

funding for four Hungarian rectors to attend a conference on higher education reforms in Europe and America, held in Innsbruck, Austria, and sponsored in part by the American Association of University Administrators. The rectors had earlier participated in three Center-sponsored workshops on management of higher education, funded by the Mellon Foundation. In November, following the Innsbruck conference, the Center sponsored another workshop for Hungarian rectors to discuss one of the main topics of the conference: planning and managing the changing role of universities in society.

Hungarian Center Fellows: Some 18 Hungarian professionals are being trained in the US to become part-time consultants and instructors at the Center under a grant from The Pew Charitable Trusts. A majority of them are participating in a special program at SUNY Buffalo January 11 - February 20. Eleven Fellows -- including professors, consultants, artisans, and a regional Chamber of Commerce president -- are being trained in TQM and entrepreneurship/small business management and are visiting a wide range of private firms and institutions in the Buffalo area. Others have had individual programs in a variety of specialties under this two-year grant which concludes in April 1993.

Citizens Network Initiatives: This highly successful one-year exchange program, managed by SUNY through the Center and funded by the US Information Agency, concluded September 30. It focused on fostering cooperation between the new private sector and local governments to achieve local economic development in two cities, Györ and Szekszard. The CNI project's final report is attached as Appendix B.

As an example of how the Center integrates its diverse projects, it should be noted that two of the Center Fellows were specifically trained to support this CNI project and to replicate it in the future. They and others from Györ and Szekszard took the regional marketing short course (whose subject is closely linked to the goals of CNI) in Gyöngyös, and they will help present that course in Györ and Szekszard in February. This may eventually reduce the need to fly American professors to Hungary, greatly lowering program costs.

ATTACHMENTS:

Appendix A -

- Summary of Course Offerings
- Course Outlines
- Instructor Evaluation

Appendix B - CNI Final Report

Appendix C - Aid to Artisans Needs Assessment

Appendix D - Rectors Report

Appendix E - List of Hungarian PEW Sponsored Fellows and
their Interests

Appendix F - Second Quarter Financial Summary - OIP/Buffalo

Appendix A

Summary of Course Offerings

Course Outlines

Instructor Evaluations

PROGRAM SUMMARY

Date Printed: February 3, 1993

NR	LECTURER	SEMINAR NAME	PLACE	Begin Date	# PART.
1	Mariani	Regional Marketing	Nyiregyhaza	1992/10/26	13
2	Mariani	Regional Marketing	Gyongyos	1992/10/29	14
3	Pastena	Accting for Non-Financial Mgrs	Pecs	1992/11/09	9
4	Perry	Finance for Non-Financial Mgrs	Gyongyos	1992/11/09	18
5	Holstein	How to Write a Business Plan	Budapest	1992/11/11	9
6	Perry	Finance for Non-Financial Mgrs	Pecs	1992/11/12	9
7	Pastena	Accting for Non-Financial Mgrs	Gyongyos	1992/11/12	18
9	Hunt/Kossy/Lundine*	CTRS-Industrial Effectiveness	Budapest	1992/11/17	105
10	Desfosses	Total Quality Management	Szeged	1992/11/18	24
11	Hunt/Kossy/Zarhorjan	CTRS-Industrial Effectiveness	Miskolc	1992/11/20	15
12	Holstein	Small Business and Banking	Budapest	1992/12/14	65
13	Holstein	Market Analysis/Business Plng	Eger	1992/12/17	31
					Total Number of Participants: 330

* = Lieutenant Governor Lundine Visit

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REGIONAL MARKETING SEMINAR

OUTLINE

- A. What is marketing?
 - What is marketing research?
 - What is public relations and why is it?
 - What us advertising?
- B. How to develop and promote an image?
- C. How to develop and promote an advertising campaign?
- D. How to develop a regional marketing action plan
(group activity)
- E. How to plan and organize regional conferences and
international events
- F. Recommended sources of advertising and conference partners
- G. Examples of successful regional marketing campaigns
- H. Planning
- I. Goal Setting
- J. Action Plans

SMALL BUSINESS AND BANKING

A Two-day Seminar

for

Bankers, Entrepreneurs and Small Business Managers

and others interested in promoting and supporting small business

Presented by

**Dr. William K. Holstein
Former Director
The Center for Private Enterprise Development
Budapest, Hungary**

**Professor, The School of Business
University at Albany
State University of New York
Albany, New York 12222 USA**

**Tel: (518)442-4929 Office
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SMALL BUSINESS AND BANKING
TOPICAL OUTLINE AND SCHEDULE

First Day

10:00am

INTRODUCTION and ORIENTATION

Introduction of seminar faculty and participants
General introduction to the seminar and the teaching approaches/techniques to be used
Summary of topics and issues to be discussed

10:15am

SMALL BUSINESS AND BANKING: A SYMBIOTIC RELATIONSHIP - WHY?

Why Small Business is Important

Growth

Diversity

Innovation and Creativity

Wealth Building

U.S. Approaches to Assisting Small Business

What Small Business Needs

What Banks Need

1:00pm

LUNCH

2:15pm

COMPETITIVE ADVANTAGE: BASIS FOR A SUCCESSFUL RELATIONSHIP

Competitive Advantage Defined

The Business System

Key Success Factors

How To Compete

Creating Competitive Advantage

The Issue of Timing

4:30pm

DISCUSSION AND QUESTIONS

Second Day

9:00am

THE BUSINESS PLAN: KEY TO A SUCCESSFUL RELATIONSHIP

Market Analysis
Competitive Analysis
Financial Analysis
Break Even Analysis
Cash Flow Analysis
Margin

12:00

LUNCH

1:15pm

CASE DISCUSSION - Bills Micro Shop

2:15pm

PARTICIPANT FORUM - Questions and Open Discussion

Hungarian Small Business Problems and Opportunities
Hungarian Banking Problems and Opportunities
Policy Issues and Opportunities
Case Examples and Experiences
Working for Change and Improvement
Sources and Resources

4:00pm

SEMINAR CLOSE

December 18, 1992

The Center for Private Enterprise Development
H-1051 Budapest
Vorosmarty Ter 1
Hungary
Fax: 36-1-118-4251

Dear Krisztina

Thank you for your help with the Raba Company and with my sabbatical itinerary. I am hoping to return by the end of February and will be able to provide you with a firm date as soon as Ray Hunt and John Thomas finish with the TQM schedule. I would like to schedule my work with Raba to begin during the first or second week in March. Could you confirm this arrangement?

The TQM Workshop at Szeged appeared to go well given the initial confusion concerning the level of sophistication of the participants and the large number of different areas of work. Review of questionnaire results indicated some difficulty in implementing the Deming approach given existing conditions. There may be a need for traditional quality control adapted to the Deming approach. What do you think? Another approach might be to spend an initial day visiting and talking to local organizations to determine a starting point. Could such an arrangement be made with local organizations?

One participant stated that not only could it work but that it was working in his company (a Canadian affiliate). In many cases, it has become a condition of acquisition. He felt that the influx of foreign companies would change the quality standards more quickly than anyone yet realizes. One of Deming's principles - lifetime employment - was rejected by most participants as being too reminiscent of Communism. Their reaction is not unusual; many of the managers in the USA have the same reaction. Discussion was excellent and at times enthusiastic. One fact became clear, with one or two exceptions the participant's knowledge of TQM was minimal and future workshops aimed at this level should provide extensive coverage of the basics. The "awareness" focus should be accompanied by some sample systems contrasting traditional and Deming approaches.

The TCIE presentations were well received. I had the opportunity to discuss the matter with Laslo Dinya on the trip to Budapest. His concern and mine is for support for the first consulting interventions by the Szeged Center. Unless faculty have had prior consulting experience, early interventions could be risky. An early failure could destroy the project. If I am in the area when such an intervention takes place, I would be willing to help at no cost to the program. It is a matter of professional courtesy, I mentioned this to Ray Hunt during our last conversation.

Sincerely,

Louis R. Desfosses



WILLIAM J. MARIANI
Executive Dean of Development
and Community Services

MEMORANDUM

MEMO TO: Joan M. Folmsbee, Economic Development Assistant

FROM: William J. Mariani, Executive Dean of Development *WJM*
and Community Services

DATE: January 19, 1993

RE: Seminar "Regional Marketing" Hungary-October

As you know I was selected by SUNY Central's Office of International Programs to provide training seminars in regional marketing to representatives of government, business, and social organizations in the cities of Nyeregyhaza and Gyongyos, Hungary.

The primary focus of my seminar was the following:

1. Components of Marketing
2. Regional Marketing Research
3. Advertising tools to achieve goals and objectives
4. Overview of Planning and Decision making models
5. How to develop a Regional Advertising and Marketing Plan
6. How to develop a regional action plan

The Seminar format was comprised of lecture, questioning of and by participants and a group planning activity.

I found the audience to be very knowledgeable about the theory of marketing. Their practical application of this theory in a business environment though was very weak and rightfully so since their only experience with business came from a Command Market Economy where they were told what to produce, how to produce it, and had no real experience with the functions of planning or management.

Can you imagine an economy that produced a product or service and never was concerned with who their customers were since the Communist government dictated where that product or service went and how, then suddenly it is given the opportunity to operate under a free enterprise system which as we know is driven by profit, supply and demand. Customer needs, who cared!

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We discussed the reason why Hungary was a good investment site for foreign business and that it was not enough for the Hungarians to know this, that the reasons and opportunities had to be packaged and marketed internally as well as externally. We also discussed what would be the best vehicle to assist in this marketing effort by utilizing International Resources and defining potential target market clients.

I found the Hungarian business community to be very aggressive and eager to do business with the Americans but were very disillusioned as to why it wasn't occurring at a more rapid pace. To that end, we spent time discussing the American business structure of decision making and also reviewed the history of foreign investment in Hungary in an effort to develop a plan for the future by reviewing the successes and pitfalls of the past.

Presently many of the participants of these seminars are in Buffalo attending training at the State University at Buffalo and the success of our first session has provided a need for me to return to Hungary again in February to provide similar training to the business and government community of Szekszard and Gyor.

The efforts of Ron Oppen, Don Ellson, Virginia Yonkers, Arpad Kezdi, and Gabor Jobbogy all of SUNY Office of International Programs made my visit and Seminar offering a personal and professional success.

I look forward to assisting the SUNY Office of International Programs and the Hungarian community in achieving their goals.

WJM/jc

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PROGRAM REPORT
ON THE
"SUNY-HUNGARIAN CHAMBER OF COMMERCE DEVELOPMENT PROJECT"
SUBMITTED TO
THE UNITED STATES INFORMATION AGENCY
BY

THE STATE UNIVERSITY OF NEW YORK
OFFICE OF INTERNATIONAL PROGRAMS

This report is required by Grant Agreement IA-PSPS-G1190379 between the Government of the United States and the Research Foundation of the State University of New York. The project was carried out by the Office of International Programs of the State University of New York (SUNY/OIP) and SUNY's Center for Private Enterprise Development in Budapest in accordance with SUNY's proposal of May 14, 1991, and the grant agreement signed by the SUNY Research Foundation on September 13, 1991. The grant took effect September 16, 1991, and its expiration date was September 30, 1992.

Project Objectives:

SUNY/OIP responded to a Request for Proposal by the U.S. Information Agency (USIA) for projects in support of Citizens Network Initiatives (CNI) in Central and Eastern Europe. Its proposal focused on Hungary's business community, largely because SUNY/OIP had gained considerable experience there through its Center for Private Enterprise Development in Budapest. SUNY proposed:

- to foster the development of local organizations to carry out economic and civic activities similar to American chambers of commerce and to encourage formation of related voluntary civic service organizations in Hungary.
- to focus on two typical secondary cities in Hungary -- **Gyor**, an industrial city of 140,000, and **Szekszard**, an agricultural town of 38,000 -- each about 100 miles from Budapest.
- to pair these Hungarian cities with two similar cities in New York -- **Buffalo** and **Binghamton**.

After the grant agreement went into effect, Albany-based project manager Donald Ellson and Center associate director Krisztina Hillier met with the mayors and civic leaders of Gyor and Szekszard to brief them on the purposes of CNI and to refine the local objectives

of the project. In both cities the project would encourage volunteers in the fledgling private sector to organize themselves and work cooperatively with the city government to promote business development, civic improvement, and foreign investment.

It was recognized, however, that a brand new business organization might not be needed, so long as the goal of activating the private sector was achieved. Hungarian Chambers of Commerce and other economic associations already exist, although they have tended to be agents of the central government rather than representatives of the local community. Moreover, Hungary's new Constitution gave local "self-governments" (city parliaments) similar responsibilities. Thus it might be more effective to work with existing organizations and institutions.

The leaders of both cities readily committed themselves to the project. They also looked forward to the growth of trade and investment ties with their paired city.

Similarly, in Buffalo and Binghamton, NY, when the deans of the School of Management at the respective SUNY campuses were asked to recruit and lead teams from their cities to act as emissaries to the Hungarian cities, the response was enthusiastic. In each case they quickly signed up the Chamber of Commerce president, a senior city government official, and a prominent private businessman to join them in the CNI team.

Project Activities:

Gyor-Bufferalo: In February 1992, the four members of the Buffalo CNI Team traveled to Hungary. The team consisted of the following:

- Dr. Howard Foster, Dean of the School of Management, SUNY Buffalo
- Mr. Kevin Keeley, President, Greater Buffalo Chamber of Commerce
- Mr. Charles Rosenow, President, Buffalo Enterprise Development Corporation (city-owned)
- Mr. Herbert Mennen, President, Mennen Medical, Inc.

They were first briefed at SUNY's Center in Budapest on Hungary's economic and political situation. In Gyor, the Mayor welcomed them and accompanied them virtually everywhere. While Mr. Rosenow met primarily with city economic development officials, the others concentrated on the business community. They met with executives of Raba, a huge state-owned truck and heavy equipment manufacturer that is Gyor's largest employer, and toured some of its extensive facilities. They spoke with leaders of the regional Hungarian Chamber of Commerce office, whose membership includes state-owned enterprises and a growing number of private firms. They also visited the workshops of several members of IPOSZ, a national association of small (2-25 employees) manufacturers and subcontractors.

In addition, they met with administrators of the 2,500-bed regional hospital (three times the size of Buffalo's largest) and of the local technical college, a three-year institution with

about 2,000 students and a budding interest in local community involvement. The technical college and the hospital serve as liaison points for SUNY's Center, which offers a variety of short-course business programs taught by SUNY instructors in Gyor and elsewhere in Hungary.

While Buffalo and Gyor had already begun to develop intellectual ties through the SUNY Buffalo instructors who have taught Center programs in Gyor, these CNI meetings gave each side a greater sense of the personalities and the possibilities for cooperation. They kindled a personal enthusiasm and commitment that has become the basis for deeper community involvement.

After returning to Buffalo, the team prepared to host the counterpart team from Gyor in a return visit in April. It invited six community leaders, including the Mayor. The Gyor team consisted of the following:

- Dr. Erno Koloszvary, Mayor of Gyor
- Dr. Laszlo Kiss, Regional President, Hungarian Chamber of Commerce, and General Director, Kisalfold Foodstuff & Chemical Co.
- Mr. Laszlo Garay, Chief Secretary, IPOSZ regional office
- Dr. Istvan Racz, Division Chief, Gyor Regional Hospital
- Dr. Balint Hirko, Head, School of Transport Management, Szechenyi Technical College
- Mr. Csaba Bodrogi, Executive Director, Ferrotrans Trading Co.

In addition, the Mayor's wife, who is a high school science teacher, and a second physician from the regional hospital accompanied the Gyor team at their own expense.

In **April** the Gyor team visited all the hosting institutions -- City Hall and the Buffalo Enterprise Development Corporation (BEDC), the Chamber of Commerce and its International Trade Council, and SUNY's University at Buffalo -- to learn what they do and how they operate. They also visited several Buffalo-based corporations with international connections, some voluntary, non-profit organizations such as United Way, and a variety of innovative business support projects. They saw business incubators for local entrepreneurs and foreign investors, job retraining centers, a free trade complex, and the University's Center for Industrial Effectiveness. In addition, the Mayor (a former physics teacher) and his wife visited local magnet schools and museums and met with members of the School Board. **The two** doctors studied local medical facilities and discussed future exchanges and assistance. **They** all visited a major shopping center, an international supermarket, and of course Niagara Falls.

Near the end of the visit, the Gyor and Buffalo teams met jointly to decide on CNI project activities to be undertaken in Gyor over the coming months. The teams agreed to organize a group of responsible Gyor residents, primarily business leaders, to advise the Mayor and City Hall on local economic development issues. Its membership included business persons,

doctors, educators, state enterprise employees, and even the members of the Buffalo CNI Team. As an initial project, the Mayor's Advisory Board decided to establish a business incubator in Gyor.

In its written report of its visit, the Gyor team also listed other activities it wanted to undertake with Buffalo, including:

- personally funded exchange visits among IPOSZ and Buffalo Chamber members;
- study visits by staff of the Gyor City Enterprise Department to the Buffalo Economic Development Corporation;
- a study visit to Buffalo's United Way office;
- a training program by the Buffalo Chamber's tourism office to help Gyor prepare for an expected expansion of tourism;
- regular exchange of business opportunity information between IPOSZ, the Hungarian Chamber, the Buffalo Chamber, and its International Trade Council; and
- a study visit to look in detail at Buffalo's business incubators.

In **June** the Albany-based project manager and senior Center staff revisited Gyor. The Board had made some progress toward organizing a business incubator. The Raba Works had offered a building that seemed potentially suitable. The Mayor, however, expressed concern about the capital costs of acquiring and converting the building. The City had no funds, he said, and he refused to move further until sources of funds were identified. He hoped Buffalo could help.

In **July** the Mayor's point person for the project came to Buffalo to learn more about incubators from the Buffalo Enterprise Development Corporation and to consult about locating possible funding.

The full Buffalo CNI Team returned to Gyor in **September** for its final look at the project. One change was made in the team's membership: Mr. Richard Gorko, vice president for business development, Greater Buffalo Chamber of Commerce, replaced Chamber president Kevin Keeley, who was moving to a new job in Phoenix. In addition, the president and vice president of a Chicago-based management consultant firm, who had recently organized the construction of a large medical building in Buffalo, accompanied the team at their own expense to explore business opportunities at Gyor's regional hospital.

The hosts **sought** Buffalo support in two areas of special interest. The more important one was a new **scheme** for a business incubator. City Hall, in partnership with a private Austrian partner, had just opened an impressive new industrial park on the outskirts of Gyor. City officials and the Hungarian Chamber president asked the Austrian partner to consider putting a non-profit "incubator house" in the park as a commercial venture, betting that successful alumni would keep their businesses in the park when they graduated from the incubator. During the deliberations, the Buffalo team made it clear that the CNI project could not provide financial support. However, as a gesture of support, Rosenow and Gorko

undertook to market 2,000 sq. ft. to American firms interested in starting businesses in Hungary.

City Hall's second priority task for the Buffalo team was to help revamp the city's image for the 1996 World Exposition in Budapest. Gyor expects increased tourism as motorists go from Vienna to Budapest, and they also hope the Budapest Exposition will highlight the Northwest region. The City Council has appointed a committee to mobilize the city in this effort, and they sought the team's advice and support. The Buffalo Chamber's Gorko described Buffalo's preparations to host the World University Games next year and promised to send sample materials.

The CNI project's exchanges of visits between Buffalo and Gyor have expanded the commitment of Gyor's business community to promote civic improvement and community development through voluntary cooperation between city government and the private sector. Gyor's leaders saw models in Buffalo that they want to replicate in Gyor, and Buffalo is moving to help.

In addition, a number of specific opportunities for trade and professional exchanges have been developed through the project.

- Eight small business managers (IPOSZ members) have been chosen in a well publicized competition to visit Buffalo, at their own expense, as guests of counterpart members of the Buffalo Chamber's Council on Small Business Enterprise.
- Two major frozen foods firms in western New York will send senior executives to Gyor in December to explore locating plants and international distribution facilities there. Gyor is a national center for packaged foods production.
- Publicly citing opportunities it had identified in Gyor, BEDC in October won Board approval to allocate funds to establish a new affiliate, Buffalo Trade Development Corp., to help find and develop trade for Buffalo businesses with Eastern Europe.

Team members and others in both Buffalo and Gyor have expressed strong interest in building upon the close relationship that the CNI project nurtured.

Szekszard-Binghamton: In February 1992, during the same week as the Buffalo team's visit to Gyor, members of the Binghamton CNI team traveled to Hungary to get acquainted with Szekszard. Team members were the following:

Dr. Arie Ullmann, Acting Associate Dean of the School of Management, SUNY Binghamton

Mr. Leonard James, President and CEO, Broome County Chamber of Commerce

Mr. John Celock, City Treasurer, Binghamton

Mr. Charles Brink, retired president, Binghamton Industrial Supply Co.

After briefings at SUNY's Center in Budapest, the team went to Szekszard, where they were welcomed by the Mayor and got to know the city. They also described the Binghamton area and explained their own roles in local civic and economic affairs. While Mr. Celock met with economic development staff at City Hall, the others called at local offices of national business associations and professional organizations, such as the Hungarian Chamber of Commerce. In addition they visited private and state-owned factories and stores -- including a Samsonite Luggage component factory and a new franchise of the U.S.-owned "Slender You" salon chain. They were particularly impressed with an ambitious, entrepreneurial trade fair park called Gemenc Expo, and they arranged to open a Binghamton booth there during a trade fair in August.

A chance encounter was pivotal to the team's experience in Szekszard:

While they waited to meet with the Mayor the first morning, they heard a man in City Hall asking, "Does anyone here speak German?" A team member did, and he learned that the visitor represented a Belgian firm seeking information about possibly building a new underwear factory in Szekszard. He was directed to the Mayor, but the need for a central point to welcome such potential investors became a telling argument in the team's effort to foster cooperation between Szekszard's business community and local government.

Meeting after their return home, the team decided to invite the leaders of Szekszard's most active business and professional associations, along with the Mayor and a promising young entrepreneur, to visit Binghamton for the next phase of the CNI project. The Szekszard team thus included the following:

Mr. Antal Imre Kocsis, Mayor of Szekszard

Mr. Tibor Fodor, president of ISZTV/OKISZ of Tolna County and national vice president (a cooperative of retail products manufacturers)

Mr. Istvan Modos, president of Szekszard IPOSZ (an association of small tradespeople and contractors), a member of Szekszard City Council, and a local Ford dealer

Mr. Kalman Baranyai, general secretary of MTESZ of Tolna County (an association of engineers and technicians)

Dr. Sandor Fischer, president of KISOSZ of Tolna County (an association of retail managers and salespeople)

Mr. Dezso Szeifert, owner of Praktisoft, a computer software and database development and sales firm.

In **March** the Szekszard team visited Binghamton. Its arrival was timed to coincide with a small international trade fair on the campus of SUNY Binghamton. A representative of Gemenc Expo accompanied the team at company expense to manage a Szekszard promotional booth at the fair. The Mayor's wife, a professional photographer, also accompanied the team at personal expense during part of its visit.

The team met with the Mayor and other city officials. They visited the Chamber of Commerce, the SUNY Binghamton campus with its Small Business Development Center, the County's Industrial Development Agency and its business incubator, the United Way, the Children's Discovery Center, and a wide range of economic and cultural programs that illustrated volunteer activism in civic improvement. They also visited supermarkets and shopping malls, attended a minor league hockey game, rode in the St. Patrick's Day parade, and spent their own money to go see Niagara Falls.

They absorbed ideas from all these experiences, but they were most impressed by a county-wide renewal and development program called Partnership 2000. This long-term effort, spearheaded by a volunteer board of civic leaders, has involved a broad base of interested citizens in setting goals and priorities for local government, business, and the community for the 21st Century. By the end of its visit to Binghamton, the Team had decided that Partnership 2000 would be an excellent model for civic development in Szekszard. It decided to call its program Szekszard 2000.

In June the OIP program manager and the Center's associate director visited Szekszard. They found that Szekszard 2000 had been organized and legally registered. Many local firms and prominent individuals had joined and paid dues. They had chosen five interim officers who would serve until October 1992, when a more permanent board would be selected to serve on an annual basis.

However, as often occurs with a new organization, especially in a new political environment, Szekszard 2000 had created some concerns in the wider community. Political factions in the City Council took opposing positions on its desirability; the chairman of the Council's economic committee expressed apprehension that it might usurp his role in local economic development; and the Mayor tried to steer a delicate middle course.

Structurally, one effect was that the CNI Team that had visited Binghamton was not asked to join Szekszard 2000's interim leadership. This issue was quickly resolved during the visit, in a joint meeting of the officers and the CNI Team. Two of the Team members agreed to be interim advisers, and in October they were made full-fledged board members.

In July Professor Ullmann returned to Szekszard as a consultant to work with City Hall and some of the emerging leaders of the Szekszard 2000 movement on compiling a promotional packet of economic data and city information for prospective foreign investors. When completed, Szekszard 2000 will publish it in English and German.

A second consultant traveled with the Binghamton CNI Team when it returned to Szekszard in August-September. At the request of the Szekszard 2000 leadership, Mr. Michael Kost, director of occupational education of the regional BOCES Education Center in Binghamton, advised officials of trade and vocational schools in Szekszard on training for a changing job market. (BOCES = Board of Cooperative Educational Services, a New York state agency.)

With one exception, the Binghamton CNI Team was unchanged from its previous visit in February. Mr. Mark Turner, director of the Broome County Industrial Development Agency, replaced Dr. Ullmann.

Chamber president Leonard James preceded the team by a few days to open a Binghamton/Broome County booth at the Gemenc Expo autumn trade fair. The booth attracted considerable attention and publicity, and the Expo management sponsored a highly successful conference of 40-50 local business executives to discuss trade opportunities with the Binghamton area. The conference and the booth generated several serious inquiries about representing Binghamton manufacturers or producing components locally, which are being followed-up.

During their visit, the team worked closely with Szekszard 2000's interim leaders to explain the concept and goals of the organization to the widest possible audience. The Binghamton team also met with the group's membership to describe Partnership 2000 and what might -- and might not -- apply to Szekszard.

They also spoke with the county government's Council of Mayors and the Szekszard City Council to explain how American citizens groups interact with local government for community improvement and development. Individual team members called on local banks, factories, business organizations, and government agencies to discuss ways the business community could help the community as citizen volunteers. Throughout the visit, the local press and cable TV followed the team's activities and interviewed team members, and Szekszard 2000 officers contributed explanatory articles on the CNI concept.

In a final wrap-up meeting in the Mayor's office, the City Council's economic committee chairman announced that Szekszard 2000 did not necessarily undermine his statutory role and agreed to work with it. The organization's leaders undertook to build a children's "discovery center," based upon a similar institution in Binghamton, as its initial civic project. The Mayor has informed us recently that he expects it to open its doors by the end of 1993. The leaders decided to postpone a campaign to attract outside investment and reduce local unemployment until they were more experienced and better prepared. Binghamton team members offered to support these efforts at their own expense, even after the CNI project expired.

Some Szekszard 2000 leaders have also expressed an interest in starting a Rotary Club in Szekszard **and have** visited nearby clubs to discuss sponsorship and support. This would further **increase** the potential for volunteer civic activity in Szekszard's private sector.

A footnote:

The Mayor told us that the Belgian underwear maker indeed decided to build his factory in Szekszard, and the City has given him a parcel of land. The owner decided to keep it a wholly-owned operation rather than seek a joint-venture partner. In its

first year the factory will hire 150 workers, and within five years it will employ a total of 500.

Also, in July the SUNY Center arranged for a representative of the Southern Tier World Commerce Association -- a Binghamton-based, nine-county group of small and medium-size businesses seeking export opportunities -- to visit Szekszard 2000 to discuss trade possibilities. Each agreed to publicize prospects to its members. The response was so positive that the group is planning a public seminar in Binghamton on U.S.-Hungary business opportunities.

Parallel Support Activities and Prospects:

To assure continued progress after the CNI program, SUNY/OIP and the Center have initiated related activities in two other program areas: its Hungarian Fellows project and its short courses.

Hungarian Fellows: This two-year project, funded by The Pew Charitable Trusts, provides short-term US training and experience for 15 Hungarian professionals in a wide variety of fields. Its purpose is to develop a cadre of Hungarian consultants and instructors to supplement and eventually replace the American consultants and instructors who currently do much of the work of the Center. The Center recruits the candidates, and SUNY/OIP arranges their training.

Two of these Fellows were specifically selected because of their work with the CNI program. Their U.S. training has emphasized the roles and techniques of volunteer business groups in community development. They are expected to share their expanded expertise with volunteer business groups -- particularly the organizations built with CNI support -- in their home cities, and to carry out Center-sponsored activities in this field throughout Hungary.

Dezso Szeifert of Szekszard spent several weeks in Binghamton, mentored by the Chamber of Commerce and SUNY Binghamton's School of Management. He examined the Partnership 2000 organization in detail, as well as a variety of other civic project activities and local programs. He also participated fully in the U.S. Chamber's annual live-in Institute for Chamber Executives, taking short courses in organizational development and volunteer management.

Csaba Bodrogi of Gyor returned to Buffalo for a series of weekly "internships" with SUNY Buffalo's School of Management and its programs of community involvement, the Chamber of Commerce, the Western New York International Trade Council, the city-owned Buffalo Enterprise Development Corporation, the regional Small Business Development Center at SUNY's Buffalo State College, and SUNY's Erie Community College's office of development and community services. Each of these entities exposed him to its own activities and introduced him to business community volunteer leaders it works with.

"Regional Marketing" Course: In view of the widespread interest in community development in Hungary, SUNY introduced a two-day course in "regional marketing" at the Center's suggestion. It was designed to teach Hungarians how to organize community efforts to attract outside business and investment. The course outline stressed cooperative participation of both business and local government. This new course was first presented in late October 1992 through sponsoring organizations in Nyiregyhaza and Gyongyos in northeast Hungary. Participant response was enthusiastic and highly favorable.

Civic leaders from both Gyor and Szekszard, including both of the Center's "CNI Fellows," attended the presentation in Gyongyos with support from the Center. Plans are currently underway to repeat the course in Gyor and Szekszard in early 1993. The presentations will be aimed primarily at the leaders of the CNI-sponsored volunteer organizations in the two cities -- Szekszard 2000 and Gyor's Advisory Board -- to reinforce the lessons and experiences they have already gotten. The two CNI Fellows will assist the instructor in their home cities. The Fellows will ultimately teach similar courses by themselves in other parts of Hungary on behalf of the Center.

An Assessment of Needs and Recommendations for Formal Business and Export Marketing Training Programs Designed for the Hungarian Folkart and Handicraft Industry

I. INTRODUCTION: SUMMARY OF FINDINGS

The findings indicate that there is a need and a desire by managers of the handicraft cooperatives and individual entrepreneur artisans for management and business training. Everyone felt that a basic business management seminar would be the most useful first step. Second, there is a desire for financial management, cost accounting principles and marketing. Strategic planning is considered important by those who had recently received their business diplomas.

All company managers were interested in the concept of Total Quality Management. Quality is an overriding issue for each in their daily operations. The individual entrepreneurs varied with a desire for information on how to start a business to marketing and promotion as an overriding concern. Others are struggling to source raw materials.

There was a general consensus that there is a need for the courses SUNY has to offer, if they can depend upon getting quality instruction and useful information at a reasonable price. They were interested in everything from day-long to semester and year long programs. They also requested on-site training programs for their staff. Everyone is willing to pay for the courses, and the cooperatives would often pay one-half.

Charts in this report summarize the interest expressed on the questionnaire for existing and proposed new SUNY Center courses. Recommended sequencing and priorities are included in the text. Timing of the course offerings could be anytime during the year, with the exception of August, December and January.

It is recommended that these courses be offered through a number of sources: the regional Chambers of Commerce; the professional associations: Association of Folkart and Handicraft Workers (membership includes most cooperatives); Folkart Society (mostly educational). OKISZ and its local chapters KISZOV, are still viable vehicles for information and training of these cooperatives. The Hungarian Cultural Institute is another base to reach individuals through each county's Cultural Center (Muvelesi Haz). (See list in Appendix.) These organizations may be considered as a nucleus for establishing an Artisan Management Development Foundation.

I. INTRODUCTION cont.

Incorporating some of the short courses and the video productions into the new, formal management training program offered by the Industrial Arts College in Budapest is urged to extend the reach of the program to an already interested audience. (See Appendix for Syllabus.

The answers to the questionnaire completed by the managers provides specific information about their interests. These can be taken as recommendations for specific course activities with these cooperatives.

In response to an inquiry, prompted by SBDC's Jan Pisanczyn, about their interest in participating in a mail order catalog publication directed to mail order sales in the U. S., each was strongly in favor of such an endeavor. They are all willing to share financing, allocating between 100,000 to 200,000 HUF each.

Apparently, there are also funds available to them for such promotional and trade efforts through the Ministry of International Trade. It is my recommendation that this be pursued further as soon as possible.

Individuals to participate in the SUNY Fellows program were identified and recommendation for the selected participant is included in the report.

The formation of an Artisan Management Development Foundation is strongly recommended by working with the identified professional associations. This could be undertaken as part of an SBDC project together with the selected Fellow.

It would be beneficial to this industry to be included in the Trade and Investment program with Buffalo and to develop such involvement through the Center's SBDC services to maintain continuity. The nature of such involvement could begin with investigating the possibilities of obtaining funding from the Hungarian American Enterprise Fund for a coalition of companies.

To explore the development of a small loans program and investment sources for these cooperatives is strongly urged. Again it is within the purview of the SBDC services that further action in this area could be envisioned for a successful financing option.

SB

II. RECOMMENDED ARTISAN COOPERATIVES/COMPANIES AND KEY CONTACTS

There are thirty-eight cooperatives in Hungary. Some of these have converted to a company form of corporation, while others are choosing to remain as membership-owned cooperatives. Fourteen are currently working with ATA projects. Managers from ten of these were interviewed for this needs assessment. They were chosen to reflect ATA's project, including the one which is most successful and the one in most difficulty.

It is recommended that these managers be the core group and to follow up with them quickly with some form of a informational meeting. The other managers could then be contacted with their assistance.

(See Appendix for complete list and location on map.)

COOPERATIVES/COMPANIES

Erno Czuczi, President, Bekesszentandras Weaving and Rug

Judith Szabo, President, Debrecen Handicrafts

Vera Bader, President, Heves Folkart and Handicrafts

Bela Gyarmati, President, Hodmezovasarhely Ceramics and
Silicate Industrial Cooperative.

Ference Antal, Chief Engineer

Laszlo Marko, President, Kalocsa Folk Art and Handicrafts

Gyorgy Szabo, President, Kaposvar Ceramics
Halasz Ica, Marketing Manager

Ilona S.Kovacs, President, Karcag Folk and Handicrafts

Joseph Molnar, President, Karcag Ceramics and Handicrafts

Martin Ozwald, President, Turi Ceramics Kft., Mezotur

Katalin Kiraly, President, Turi Rug Weaving Kft., Mezotur

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II. RECOMMENDED CONTACTS cont.

ARTISAN ENTREPRENEURS

(See complete list of artisans from the Folkart Council's files, those whose works have been juried, in the Appendix.)

The three artisan chosen here, reflect three different levels of experience with business and self-employment.

- . The Kovats' have a smoothly running small ceramics business, now in its eight year.
- . The Szucs have worked at home and sold domestically on their own, while retaining their jobs in the Budapest Cooperative.
- . Lydia Papai is a textile artist, not in production, but interested in developing commercially.

Kovats Keramia BT., Budapest, Lajos and Agnes Kovacs,

Imre Szucs and Family, Tiszafured, potters

Lydia Papai, Budapest, tapestry weaver

Fulop Gabor of the Northern Hungarian Chamber of Commerce queried three other artisans who had no involvement with ATA.

Szako Janosne, Heves Megyei Ruha Ipar, Gyongyos

Barna Laszlone, Petila Szovo Huhely, Eger

Verz Anna, Eger

Given their interest, it would possibly be worthwhile to use them as contacts for others not involved in ATA.

III. BUDAPEST CENTER PROGRAM RECOMMENDATIONS

The recommendations for future SUNY programs and services are made with consideration of the resources available through SUNY's Budapest-based Center for Private Enterprise Development.

RECOMMENDATIONS

The recommendations encompass two principal modes of delivery and program management.

A. The first is the incorporation of the artisan industry within SUNY's existing framework of courses and seminars, whether these are existing or new course offerings. This is true for the existing short courses, the new courses and the Total Quality Management programs.

Specifically, it is recommended that SUNY:

- 1) Incorporate the handicraft industry's business needs into the Center's EXISTING SHORT COURSES AND SEMINARS Listed in order of priority.
(See chart on following page)

- .Small business management

- .Marketing for domestic and export markets

- .Financial Management for the Non-Financial Manager

- .How to Start Your Own Business

- .Strategic Planning

- .How to Export

- 2) Develop NEW COURSES, SEMINARS, SERVICES in
(See chart(s) on following page(s))

- .Financial and Investment sources

- .Pricing Strategies

- .How to source raw materials, procurement procedures, getting estimates, forms, determining specifications,

- .Computer uses in small businesses and manufacturing

- .Clothing construction and manufacturing

- .An Introduction to Fashion Design based on folk art motifs, e.g. Ralph Lauren's.

- .New ceramic technology, production techniques, and quality control methods.

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III. PROGRAM RECOMMENDATIONS cont.

A. 2) NEW COURSES cont.

- .How to source new raw materials:procurement procedures, forms, contracts
- .Storage and handling techniques, materials and sources.
- .Information on how to enter the U.S. Market with contacts in relevant professional trade associations;how to get an agent, wholesaler, distributor; trade show and exhibition calendars, a checklist, sample letters etc.
- .Design and production of handloomed tablelinens, bedlinens and other household textile goods as well as other handcrafted household goods and decorative items in a variety of media.

- 3) **USE SUNY'S VAST NETWORK:** The availability of professional expertise, training and information through SUNY's vast network and its specialized programs in the fashion and textile design, handicraft technology and manufacturing management can be well utilized in the development of specialized courses. Among these the most important are the following:
- . The Fashion Institute of Technology's program in all aspects of the textile and fashion industry;
 - . The ceramics program at Alfred University;
 - . The Junior Colleges at Erie and Fulton-Montgomery;
 - . The SUNY Binghamton programs in marketing, trade promotion and quality control; and
 - . The Plattsburgh's Institute for International Business Education, Research and Training programs in international trade, investment and marketing research programs.
 - . The University of Buffalo's programs in Total Quality Management and Trade and Investment Promotion programs
- 4) **Develop TOTAL QUALITY MANAGEMENT SEMINAR** for artisan industry managers and entrepreneurs.

B. The second requires a developmental approach, with the ability to "manage" the development of the project, consult as necessary and work with the diverse elements to effect the established goals. This type of function falls principally within the types of services the SBDC performs and is experienced in. Therefore, it is recommended those programmatic thrusts be undertaken as part of the Center's SBDC function until they are able to become independent.

III. PROGRAM RECOMMENDATIONS cont.

B. 1. USE SMALL BUSINESS DEVELOPMENT CENTER FUNCTION OF BUDAPEST CENTER. Needless to say the SBDC services and programs can make a critical difference. The availability of an experienced SBDC senior advisor in the Budapest office, and a SUNY Fellow to work with him, can be critical in coordinating and developing services for this sector. Assistance can be given in the following areas:

- a) **CREATE AN ARTISAN INDUSTRY DEVELOPMENT FOUNDATION** by working with the Association of Folkart and Handicrafts, the Folkart Society, Hungarian Cultural Institute's Folkart Division, OKISZ, and others as outlined herein. SBDC Manager to work with SUNY Fellow and Center staff.
- b) **Select an individual for the SUNY FELLOWS PROGRAM** from among the candidates proposed to be trained in the U.S. for six weeks as a resource for the Center's services and courses for artisan managers. My recommendations are set forth later in this report.
- c) **Use the new SBDC PROGRAM SERVICES** this coming year to study feasibility and future viability of putting together a **MAIL ORDER CATALOG** business for sales of Hungarian handicrafts to the U.S. Co-sponsored with participating cooperatives, individual entrepreneurs, SUNY, ATA, and with corporate and government financial participation.
- d) **Through the SBDC PROGRAM and the Buffalo TRADE AND INVESTMENT PROGRAM** explore **FINANCING, INVESTMENT** and **SMALL LOAN SOURCES** for this industry.

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CHART A : EXISTING COURSES

		ARTISAN COOPERATIVES/COMPANIES													
RECOMMENDED		Kaposvar Ceramics	Bekesszentandras	Debrecen	Heves	Hodmezovasarhely	Kalocsa	Karcag Folkart	Karcag Ceramics	Turi Ceramics Kft.	Turi Rugs Kft.	Kovats Ceramia Bt.	Szucs Family	Kelimart Kft.	TOTALS
EXISTING SHORT COURSES															
Acctg.			X	X	X			X			X			X	6
Sm. Bus. Mgmt.		X	X		X	X	X	X	X		X	X	X	X	11
How to Plan								X							1
Financial Mgmt.		X	X	X	X	X		X		X	X			X	9
Basic Mktg.			X	X			X	X	X	X	X	X		X	9
Strategic Plng.					X	X	X			X				X	4
Retail Mgmt.				X	X		X								3
How to Start Own Bus.			X	X									X	X	4
Regional Mktg. Sem.			X	X							X	X			4
Write Bus. Plan					X	X					X	X		X	5
How to Exp/Imp.			X	X			X						X	X	5
TQM			X		X	X	X	X		X		X		X	8
SBDC			X		X		X			X	X	X	X	X	8
TRADE PROMO			X	X	X		X	X	X	X	X	X	X	X	12

CHART B : NEW COURSES

	ARTISAN COOPERATIVES/COMPANIES													
	Kaposvar Ceramics	Bekeszentandras	Debrecen	Heves	Hodmezovasarhely	Kalocsa	Karcag Folkart	Karcag Ceramics	Turi Ceramics Kft.	Turi Ruha Kft.	Kovats Ceramia Bt.	Szucs Family	Kelimart Kft.	TOTALS
RECOMMENDED COURSES:														
Quality Control Mgmt.		X		X	X		X			X			X	6
Pricing Strategies		X		X	X	X	X			X			X	7
Computer Uses		X			X	X							X	4
Inventory Systems & Controls					X	X								2
Production Mgmt.		X	X											2
Financing & Investment Sources	X	X	X	X	X	X	X	X	X	X	X	X	X	13
Product Design	X			X		X	X			X			X	6
Procurement Methods		X		X										2
Distribution		X	X	X		X			X	X	X			7
Manufacturing Mgmt.		X		X										2

IV. NEED FOR MANAGEMENT AND BUSINESS INFORMATION AND TRAINING

A. COOPERATIVES AND COMPANIES

The managers of ten cooperatives/companies, when queried about their own or their staff's needs for further business training and services, identified the following as most important:

1. Affordable, quality training courses in business and financial management, marketing principles, strategic planning and quality control management.
2. Sources for obtaining reliable, but inexpensive, business advice and expertise.
3. Information and knowledge about the U. S. market, e.g. consumer taste, buying preferences, pricing strategies, product specifications: sizes, colors, styles, materials etc.). Information about making products that are marketable in the U.S. and how to select from among their current inventory of products for the U.S. market.
- d. Financial support, investment and loan sources.
- e. Trade promotion and new distribution channels.
- f. Reliable procurement methods and sources for quality materials.

Types of courses considered most important and listed in order of priority as stated by:

Cooperative Managers:

- . Small business management
- . Marketing Strategies and Marketing to the U.S. consumer
- . Pricing Strategies for domestic and export markets
- . Planning (including Strategic Planning)
- . Financial Management and Cost Accounting
- . Financial and Investment Sources

All expressed a need and desire for affordable, intensive business English language training for themselves and their staffs, preferably available locally or even on site.

Computerization of their administrative, inventory, and production processes was a need identified by these managers. Only one of these companies uses computers to any extent.

IV. NEEDS cont.

Each of the managers was interviewed in Hungarian personally and responded verbally to the questionnaire developed for this needs assessment. The responses were recorded in writing on the questionnaire in English. (See Appendix for sample questionnaire.)

They expressed a desire and a need for further training in management principles and business practices. They all feel the need to become not only knowledgeable but even comfortable, with "the new management thinking and methodology".

As one of them expressed: "We need to turn our heads completely around so we can think differently enough to function in this new business environment. We have an awful lot to change and we need to know how to, and do it quickly, before we go bankrupt."

Several of the managers have completed a college level business degree programs and received this second or third diploma within the past two/three years.

- . Martin Ozwald from Turi Kft. in Mezotur;
- . Bela Gyarmati and Ference Antal from Hodmezovasarhely Ceramics;
- . Laszlo Marko from Kalocsa Embroidery).

Others are enrolled currently in a business degree programs.

- . Ilona Kovacs from Karcag Embroidery and
- . Katalin Kiraly from Turi Rug Kft. in Mezotur.

All of the others (excepting Gyorgy Szabo, the new President of Kaposvar Ceramics) have at least participated in some kind of a day long seminars. Most often these were updates on the new tax obligations, accounting requirements, coop legislation and regulations.

MAIL ORDER CATALOG

Everyone was interested and willing to commit financially to the publication of a jointly financed, direct mail order catalog targeted at U.S. consumers. This was seen as a collaborative effort between these companies.

Additional funds are available to them for such marketing ventures from the Hungarian Government and private corporate sponsorship.

Individual artisans and entrepreneurs also expressed interest and a willingness to participate financially. The cooperatives were willing to put 100,000 to 200,000 HUF towards such a project and to help obtain funding from the Hungarian government's International Trade Promotion Ministry and private corporations.

IV. NEED FOR MANAGEMENT AND BUSINESS INFORMATION AND TRAINING
B. ARTISAN ENTREPRENEURS

Only a few artisan /entrepreneurs were interviewed as it was felt that by designing courses and services for the cooperatives it would be possible to define more efficiently the spectrum of needs for the industry overall.

The artisans generally have no formal business training but some have sought out information and courses to help them with business matters, often through the local Chamber or trade association. Previously, their business needs were met centrally by the, now defunct, Folkart Council.

There are thousands of trained and self-trained artisans in Hungary. Approximately 300 of them are producing commercially. Of these, about 30 are producing for ATA buyers and exporting to the U.S. as part of ATA's project.

There is an increasing trend for former cooperatives members and independent artisans to make their goods in their own workshops and "small factories". A number of them are undertaking such entrepreneurial ventures with evident success in both the domestic market (with the tourist trade), and have begun to export to Europe, the U. S., Canada, Japan, and Australia.

They are very competitive with the cooperatives, usually able to produce better quality, more quickly, and cheaper.

Most work with independent exporters, finding the large trading companies inadequate to meet their needs or those of their buyers. Some have set up their own shops in especially in tourist areas, but also locally, while others also supply such shops.

The artisan entrepreneurs are most concerned with

- . Marketing, Sales, and Sourcing quality raw materials.

They also want

- . Information about the U.S. market, but would still rather sell their work domestically.

A number have set up retail shops and would welcome help with

- . Retail management.

Artisan Entrepreneurs would be interested these courses:

- . How to Start Your Own Business.
 - . Marketing and Sales
 - . Retail Shop Management
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V. TRADING AND MARKETING

Until 1990, all of the foreign trading and marketing were handled by state owned trading companies. The cooperatives were only responsible for manufacturing their products in amounts specified by the trading companies. Prices were fixed centrally and they had little or no contact with buyers directly, nor any feedback on the reception of their goods by the customer. Those items juried and accepted as "authentic folkart" continued to enjoy special status on the domestic market and were exempt from taxes.

"We are now called upon to compete globally, whereas for all of my professional years, we had only to provide what was requested of us, with little concern for quality or timely delivery," states a coop president, summarizing the dilemma for all.

Individual artisans had begun to produce on their own, mostly for the domestic and the tourist markets, while exporting was rare. A juried "folkartisan" enjoyed special privileges and recognition. Often, they as much work as they could handle or wanted to have, while they also remained within the cooperative framework. They developed a keen understanding of sales and pricing domestically, and are continuing to rapidly adapt to the new market demands.

Both Cooperatives and the Individual Artisans need help in:

- . Marketing Strategies and Procedures
- . Finding trading partners and buyers
- . Obtaining information and knowledge about the U.S. and other foreign markets
- . Export requirements and procedures
- . Successful promotion and advertising
- . Knowledge about issues that need to be addressed when trading with the U. S. e.g. financing, quality of product, production, etc.
- . Trade promotion information and activities.
- . Retail management and design of handcraft shops
- . Distribution Systems

VI. QUALITY CONTROL AND TOTAL QUALITY MANAGEMENT

Each of the cooperative managers recognizes the problems with ensuring the quality of their products to meet the new, more stringent demands of the Western buyers. There is puzzlement and some confusion about what constitutes "quality". This is more likely to be an issue with the cooperatives than with the individual artisans, as many left the coops to work on their own, because of dissatisfaction with the quality of the operations and the products produced.

TOTAL QUALITY MANAGEMENT concepts are familiar to those who have recently completed business programs. They all wish to participate in such seminars when available. Others, less well-informed, broke down into two groups, the majority recognizing a need for dealing with quality issues accross the board, while a few could only think in terms of the manufactured product.

There is a generalized NEED FOR:

EDUCATION ABOUT QUALITY ISSUES. It is an ever-present problem in most aspects of the cooperatives' operations and of course, in the final product.

VII. FINANCE

The folkart and handicraft industry has been mostly isolated until now from a need to consider financial issues. They were entrusted with preserving the much prized folkart traditions of the nation. Many have little or no idea about business finance. Most managers felt that more knowledge about finance and cost accounting was essential.

(See attached charts)

Desired EXISTING COURSES

.Basic Accounting

.Financial Management for Non-Financial Managers

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VIII. FINANCING

The lack of available financing and credit for business operations in Hungary is acknowledged as a serious problem by both the cooperatives' managers and the new entrepreneurs. However, another pressing problem exists, the lack of money for capital improvements.

Foreign buyers are seeking new sources of quality handicraft production from these cooperatives, especially in ceramics and clothing construction. The cooperatives find themselves unable to respond to these market demands. The better production often requires new equipment.

Loans are difficult to obtain and carry very high interest rates. This makes it impossible to make the capital improvements necessary. It creates problems in financing production. The ramifications of this are apparent in all phases of operations.

Foreign investments have been made in only a few cases, as most cooperatives hope to remain membership owned. Turi Ceramics Kft. in Mezotur is one of the few with a foreign investor. In the year of foreign participation, significant management improvements were made, including reorganizing production, downsizing, and beginning the process of computerization.

Even though, converting their electric kilns to higher temperature gas kilns would significantly improve their capabilities with resultant increased orders, the high interest rates make it an unwise management decision in the opinion of its president. Money for capital improvements is just not available.

There is definitely a need for financing production and capital improvements at a rate of interest that can be managed.

NEW COURSES to address these issues:

- .Introductory information about financing and sources
- .How to prepare a financial plan for obtaining a loan
- .Operating and production factors affecting financing
- .Financing exports, letters of credit etc.

**IX. SUNY CENTER'S SBDC FUNCTION AND SERVICES
TO THE ARTISAN AND HANDICRAFT INDUSTRY**

The presence of a senior SBDC advisor at the Budapest Center through June, 1993 is an opportunity to focus some of the effort upon projects requiring a developmental and consultative approach in this industry.

There are three areas that have been identified which would benefit by the types of services the SBDC has experience in offering. These are in the areas of 1) Trade and Investment Promotion; 2) Feasibility and desirability of an Artisan Development Foundation; and the 3) SUNY Fellows Program.

A. TRADE AND INVESTMENT PROMOTION

1. Incorporating the cooperatives into SUNY's Budapest Center's SBDC operations and the existing Trade and Investment Project under John Thomas's leadership in Buffalo is strongly recommended.
2. The artisan companies' participation in Trade Fairs could become an important means for them to distribute their products.
3. Involve individuals within the trading companies in business training programs. This could have beneficial in promoting increased trade of handicraft products.

Recommendation: Establish contact with the following cooperatives and organizations to include them in trade promotion activities and information systems:

Folkart Trading Company - Foreign Trade Division
Aniko Dombradi, Manager Foreign Markets

Kelimart Kft. Teri Akar, Managing Director

Folkart Society, Banszky Pal, President

Association of Folkart and Handicrafts, Janos Toth,
Secretary; Vigh Imre, President;
Vera Bader, former President.

Hungarian Cultural Institute, Folkart Division,
Zagon Bertalan, Director

OKISZ (Magyar Iparsovetseg), Kocsis Toth Gyulane
and KISZOV

Heves Folkart and Handicraft Cooperative

Turi Ceramia Kft.

Northern Hungarian Chamber of Commerce in Eger
and Miskolc

Southern Hungarian Chamber of Commerce in Szeged and
Bekescsaba

IX. SBDC FUNCTION cont.

A. TRADE AND INVESTMENT PROMOTION

4. Continuing to be important, is bringing U. S. buyers to Hungary and linking them up with ATA designers. The ATA designer works with the buyer and the artisan in the redesign of the product to the buyers specifications for the U.S. market. From these buyers, investors could possibly emerge and be encouraged.

5. **Local Regional Chambers of Commerce**
Unexpectedly, a significant number of the respondents to the questionnaire turned to their local Chambers for business information and training courses.

Additionally, the Northern Hungarian Chamber of Commerce in Eger has worked with ATA by providing assistance in locating individual artisans in their area. Three of the cooperatives, and a number of individual artisans who are producing for ATA buyers are members of this Chamber. The Chamber has organized and taken representatives of these handicraft producers to trade shows and exchanges in Austria, Italy and France.

Recommendation: To establish relationship with the Northern Hungarian Regional Chamber in Eger and also with the Southern Hungarian Regional Chamber in Bekescsaba as well as with those that the Chambers the Center is already working courses and services to local artisans with them as partners.

6. **The Hungarian American Enterprise Fund**
In discussions with Charles Hubner, he indicated an interest in the development of a small loan program which would be available to the handicraft industry. He wished for me to see if there were any non-banking agency that would be willing to undertake such a program.

He also stated that he would be interested in considering a proposal from 5 - 6 handicraft companies for \$500,000 to \$1 million investment.

Recommendation: Explore these two options further with Charles Hubner. Have the SBDC advisor work on seeing the possible realization of these opportunities.

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**IX. SUNY CENTER'S SBDC FUNCTION AND SERVICES TO ARTISANS cont.
B. ARTISAN MANAGEMENT DEVELOPMENT FOUNDATION**

1. The assessment is that there is a need for a central organizing entity which will be able to deliver SUNY Center's programs and services to the broadest spectrum of the Hungarian artisan and handicraft industry.
2. The CHOICES are:
 - a) Work within the framework of an existing organization and offer SUNY's programs through their auspices.
 - b) Develop a new organization bringing together a coalition of the existing organizations currently offering programs and services to the folkart and handicraft industry.
 - c) Establish relationships with several associations and offer programs and services through each, depending upon the content and intended audience.
3. Possible STATED PURPOSE
 - a. To serve as the organizational vehicle for SUNY Center's programs and services for the Hungarian folkart and handicraft industry. The programs and services would include short courses, seminars, and consultations.
 - b. To serve as a vehicle for new collaborative action by the artisan/handicraft industry to market their products the U.S.; to seek funds for upgrading equipment and operations from the Hungarian American Enterprise Fund; and as a vehicle for seeking small loans from HAEF. All of these major projects would be undertaken with guidance and direction of the Center's SBDC program and the Buffalo Trade and Investment Program. ATA's Export Enhancement Program would also provide appropriate assistance.
4. BENEFIT would be to the entire industry indirectly, and directly to the artisan and company members of the organizations involved. Most of these are women.
5. SUSTAINABILITY could be likely if a coalition of interested organizations is successful in bringing together the different groups involved in the industry with available funding sources.
6. LEADERSHIP would be provided by the SUNY Fellow and Vera Bader as former president of the National Association of Folkart and handicrafts.
7. TIMING: Jan Pisanczyn to meet with Vera Bader and selected Fellow as soon as possible and help them develop plan of action.

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IX. SBDC cont.

B. ARTISAN MANAGEMENT DEVELOPMENT FOUNDATION cont.

8. RECOMMENDED STEPS AND ACTIONS TO TAKE

a) The Center through its SBDC function work with the:

.National Association of Folkart and Handicrafts,
Former President, Vera Bader. Director, Janos Toth.

Most cooperatives are members of this group, as are individual artisans who are interested in marketing their products. They have a commercial focus, and are concerned with the issues facing the viability of the artisan and handicraft industry as a whole. The Association will be assuming a foundation for its form of organization as of January, 1993.

It would be most expedient to incorporate SUNY's concept of an artisans management foundation into this.

Vera Bader expressed her desire, as former President, to have this foundation to become a joint Hungarian/American association.

b) At the same time, as an SBDC service have the SUNY FELLOW works with Vera Bader as the organizing figure, to bring a group together of representatives of the organizations listed below as a core group:

.Hungarian Cultural Institute (Magyar Muvelodesi Intezet), Zagon Bertalan, Director, Folkart Division

.Folkart Society, Pal Banzsky, President

.OKISZ the Association of Hungarian Industry (Magyar Iparaszovetseg) Kocsis Toth Gyulane

.Northern Hungarian Regional Chambers of Commerce, Eger, Gabor Fulop, Director

.Hungarian Industrial Arts College
of the Management and Continuing Education Institute
Ildiko Berencz Gimes

and invite participation by possible funding sources:

. Office of the Ministry of Culture and Education
Sandor Kovats, Director, Cultural Sector

. Office of the Ministry of International Trade
Division of Marketing and Trade Promotion
Zsuzsa Pasztor Toth

. OMBF, National Board of Technical Development
(Orszagos Muszaki Fehlesztesi Bizotsag)

. A representative from a tourist industry corporation
e.g. IBUSZ, Pegaszus, etc.

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IX. SBDC cont.

C. FELLOWS PROGRAM CANDIDATES

1. CONSIDERATIONS AND REQUIREMENTS

The person chosen for this fellowship would be the Budapest Center's resource and primary contact with the folkart/handicraft industry. He/she would be responsible for providing consulting services when called upon and to organize and/or teach short courses. The individual needs to have the familiarity with the folkart cooperative and individual artisan networks.

Good organizational skills and verbal communication are essential. Working knowledge of English is required as is their availability to stay in the U.S. for six weeks this January/February, 1993.

Selection of potential candidates were based upon the above criteria. Each has been asked to submit a curriculum vita and a brief essay on what they wish to accomplish in the program and how they will use the information to provide the services required to the field. In making the determination to invite candidates to submit an application, I drew upon my knowledge of the individuals in the field with whom ATA has worked.

Additionally, I requested the Zagon Bertalan, Director of the Folkart and Handicraft Division of the Hungarian Cultural Institute to submit names of potential candidates. Those who did not have a working knowledge of English and were not available on such short notice were eliminated.

2. POTENTIAL CANDIDATES

Teri Akar, Managing Director, Kelimart KFT., Budapest

Aniko Dombradi, Manager Foreign Markets, Folkart Trading Company - Folkart Trade Division, Budapest

Fulop Gabor, Head of Representation, Northern Hungarian Chamber of Commerce in Eger

Agnes and Lajos Kovats, Kovacs Keramia BT., Budapest

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IX. SBDC cont.

C. SUNY FELLOW cont.

3. RECOMMENDATION

To award the fellowship to possibly two candidates, if two positions are available. The following are recommended:

a) The Kovats are willing to pay for one to be able to come as a couple, with only one receiving the award. They are highly organized and as former teachers are adapt at presenting information on to others. They would be readily accessible to the Center in Budapest, while available to help regionally. Being potters would bring the technical background useful to the industry.

b) Gabor Fulop as head of a Regional Chamber, already offering services and programs for artisans and having taught short courses and seminars on business topics, would be able to reach other Chamber heads as well as the artisan and handicraft industry through SUNY's Center. Training such an individual, would provide SUNY's Program anothr regional base and continuity would be assured.

METHODOLOGY

New information and data gathered for this report were obtained by verbal responses to a written questionnaire developed specifically for this purpose. (See sample in Appendix) It was administered personally in Hungarian using an interview format. The responses were recorded in English on each form and a summary and analysis is included in this report.

Considerable information had already been obtained by the Aid to Artisans' Export Enhancement Project in Hungary over the past year and a half cooperatives (some now already privatized) and entrepreneurial artisans on design and product development; introducing U. S. buyers to their products; and facilitating direct sales to U. S. importers. Written field reports and ATA's quarterly and annual reports to USAID were reviewed as a part of this study. The findings and recommendations therein are incorporated.

Tangentially, but crucial, have been my own personal experiences with these cooperatives, new companies and emerging artisan entrepreneurs over the course of ATA's project. This has allowed me to obtain valuable insights and knowledge into the problems, needs and issues faced by these handicraft businesses.

My personal observations encompass those gained in multiple roles: as liaison, translator and facilitator for ATA designers and product development people and U. S. buyers and importers; as a member and translator for the ATA self evaluation team; as the in-country liaison representing ATA interests in Hungary with other U.S. agencies and Hungarian organizations; and as an importer/buyer for my own company fulfilling orders for mostly ceramic products exhibited by ATA at the New York International Gift Shows in August and February, 1992.

INTERVIEWS

The interviews were conducted in a period of several weeks in the Fall of 1992 by myself as a representative of ATA's Hungary Project. The interviews with the cooperative and company managers were structured to answer specific questions posed on a questionnaire developed for this purpose.

The aim was to elicit clear responses that would provide an understanding of what the business and management needs are of the managers and of some of their staff.

Personal Interviews:

(and respondents to written questionnaire)

Cooperatives:

Bekesszentandras Rug - Czuczsi Erno, President

Debrecen Textile - Judith Szabo, President

Heves Textile - Vera Bader (Mrs. Miklos Bader), President

Hodmezovasarhely Ceramics, Bela Gyarmati, President
Antal Ference, Chief Engineer

Kalocsa Embroidery - Laszlo Marko, Manager

Kaposvar Ceramics - Gyorgy Szabo, President

Karcag Embroidery - Ilona Kovacs (Mrs. Gyorfi)

Karcag Ceramics - Laszlo Molnar

Former cooperatives (now Kft.)

Turi Ceramia KFT., Mezotur - Marton Ozvald, President

Turi Rugs KFT., Mezotur, Katalin Kiraly, President

Private Family Businesses/Entrepreneurs

Lajos and Agnes Kovacs, Budapest, decorative pottery

Imre Szucs and family, Tiszafured, decorative pottery and dinnerware

Individual artisans

Lydia Papai, tapestry weaving

Export Agents/Companies

Kelimart Kft., Teri Akar

Solihart Trading Company - Aniko Dombradi, Manager Foreign Trade

INTERVIEWS cont.

Potential co-sponsors of artisan industry business programs & services

- .Hungarian Cultural Institute (Magyar Muvelodesi Intezet), Zagon Bertalan, Director, Folkart Division
- .Folkart Society, Pal Banzky, President
- .OKISZ the Association of Hungarian Industry (Magyar Iparaszovetseg) Kocsis Toth Gyulane
- .Northern Hungarian Regional Chambers of Commerce, Eger, Gabor Fulop, Director
- .Hungarian Industrial Arts College of the Management and Continuing Education Institute Tldiko Berencz Gimes
- . National Association of Folkart and Handicrafts, Vera Bader. Director, Janos Toth.

SUNY

Ron Oppen
Virginia Yonkers
Arpad Kezdi
Krisztina Hillier
Bill Holstein
Jan Pisanczyn
Don Ellson
John Thomas

ATA

Clare Brett Smith, President
Christine Costello, ceramic & glass consultant
Docey Lewis, chief design consultant
Carol Karvazy's field notes
Judy Evers, Yale business study team member

Appendix D

Rectors Report



THE CENTER FOR PRIVATE ENTERPRISE DEVELOPMENT
MAGÁNVEZÉRLÉS ÉS FEJLESZTŐ KÖZPONT

H-1051 BUDAPEST, VÖRÖSMARTY TÉR 1. IX. EM. • H-1241 Pf. 32. • TEL.: 36-1-117-5185 • 36-1-117-6222 / 121, 211 • FAX • TEL.: 36-1-118-4251

RECEIVED

DEC 7 1992

Central Office of
International Programs

November 30. 1992., Budapest

Dear Ron,

Please find enclosed the trip report of four University-College managers about the participation at the conference in Innsbruck.

The funds of approx 2.000 USA were made available by USAID Budapest.

Please note that this conference ignited the topic of the Workshop held by Dr. Robbins and Dr. Volkwein, Nov. 23-24.

The Workshop was a success, we learned a lot. /The news article about the Workshop is to follow/

Thank you for the notification back in the summer about the Innsbruck conference, and all your support to arrange the funding for the participants.

Best regards,

Arpád
Arpád

554k

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REPORT

on the AAUA Conference, Innsbruck, 1992

Delegates:

Dr. Imre CZINEGE, Principal Director, Bánki Donát Polytechnic, Budapest
Dr. László DINYA, Director, University of Horticulture and Food Industry, Szeged
Dr. József PÁL, Dean, József Attila University, Szeged
Dr. Lajos POZSGAY, Principal Director, Ybl Miklós Polytechnic, Budapest

The "Conference of Higher Education Reforms in Europe and America" - organized by the University of Innsbruck, by the Conference of the Presidents of the Universities of Austria, by the American Association of University Administrators /USA/ and by the University of New Orleans was held in Innsbruck from 17th to 19th of September in 1992.

After a brief survey of the European university education the conference outlined the Image of European universities in the 21st century. It turned out that it would be impossible to neglect the importance of productivity in university life and that a higher education institution was a place of research and teaching and not that of the development of industrial investments and commercial strategies. In the long run, the interests of mankind contradict a practical, narrow minded exploitation of the intellectual workshops, offering only momentary profit. It is necessary to regain an intellectual autonomy.

The problem of management touches essential changes for it can determine the convertibility of the results of research (for instance: industrial experts in university administration) and can decide the extent of sponsoring.

In connection with these problems, we should like to make two remarks:

In the USA and Western Europe, the technical universities are closer to the basic researches of the universities of arts and sciences than in Hungary for Western universities often belong to the same system of organization. In Hungary, we shall have to start from a farer position as we miss this homogeneous system of organization so our mediatory sphere has functional problems.

In Hungary the researchers and institutions of Hungarian Scientific Academy do not really take part in teaching what makes it difficult, almost impossible even to raise the above discussed problems (in the respect of basic research and application) in our own university system. As a matter of fact, in Hungary the universities have only a small portion of the potential that has been owned for a long time by the foreign universities and whose importance is to be increased now to meet the demands of the 21st century. Until the real coordination of these domains is made, it is impossible to speak about the problems of intensification and the freedom of basic researches in our country.

As in Hungary the disintegration makes it possible that it is not the university that decides about the tendencies of development, it is to be feared that our universities become again defenceless and weaken further instead of strengthening.

In spite of the difference between the American and Hungarian higher educations (scales, sizes, traditions, teaching systems, economical and financial environments) we could see a lot of common problems and similar challenges as follows:

The largest challenge for tomorrow is the university-industry cooperation

"Science alone is not technology and technology alone is not innovation". The tasks should be the followings:

- to develop the human capital factor
- to stimulate new methodology
- to aid technology transfer
- to support the development of generic technologies.

The activity fields are the followings:

- the technology transfer
- the corporate training
- the distance and longlife learning

Intensive development of science and research means an intensive need for new areas of teaching: new courses, new departments, new facilities and increasing number of professors. But as public funds (sources) are limited, the structure and organisation of higher education must be changed. The predictable future changes are the followings:

- the universities (the higher education) will step out from the old traditional frames
- the role of the university in the society will be increased
- new teaching and learning forms are coming (lifelong learning, distance teaching by cable TV or satellite, etc.)
- universities will tend to the outcome-based education (to define their costumers, the costumers' need and to follow them)
- there is a strong tendency to give more autonomy for the institutions of higher education, but it means:
 - * more responsibility in decision-making
 - * higher need for professional managers in decision-making processes
- changing need for style in governance of universities
- need for change in students attitude
- the attitude of professors has to be changed
- countries without borders means education without borders. The important task is to harmonize the different systems (expertisation, credits, degrees) in order to have an academic integration with common degrees.
- an other important tendency is the decentralization of organisations (more autonomy inside the universities).
- besides the globalization there is a strong tendency for localization (taking more responsibility for the local community).

As a summary we can say that the changing world means a big challenge to the higher education also in developed countries. To learn the experiences of these countries is very important for Hungary to make a "shortcut" between our present situation and the possible future.

Appendix E

List of Hungarian PEW Fellows and their Interests

**VISITING HUNGARIAN FELLOWS
JANUARY 10 - FEBRUARY 20, 1993**

****Note:** The fellows will spend the last week of their visit in NY City.

1. **Name:** CSIA, Laszlo
Interest: Small Business, investment, finance, foundation
Position: Economic Advisor, Duna Holding, Gyongyos, Economical Advisory Ltd.
Residence: Gyongyos, Hungary

2. **Name:** DINYA, Laszlo
Interest: TQM, TCIE (Food Industry)
Position: Professor of Economics, University College of Food Industry
Residence: Szeged, Hungary

3. **Name:** FENYOSI, Zoltan
Interest: TQM, Small Business, Marketing
Position: Assistant Professor of Production Management, Industrial Engineering and Marketing, The University of Budapest
Residence: Budapest, Hungary

4. **Name:** GABOR, Fulop *Aid to Artisans*
Interest: TQM, Small Business
Position: Head, North Hungarian Chamber of Commerce in Eger
Residence: Eger, Hungary

5. **Name:** KAPTALAN, Istvan
Interest: TQM, Small Business, Chamber of Commerce
Position: Graduate Student, Technical University of Budapest
Residence: Budapest, Hungary

6. **Name:** KONRAD, Laszlo
Interest: TQM, Small Business
Position: Manager, SIMULTAN, CNC Machine Tool Service, Ltd. (privately owned small business)
Residence: Budapest, Hungary

7. **Name:** KOVACS, Elenora
Interest: Marketing
Position: Lecturer, Univ. of Economical Sciences - Budapest
Residence: Miskolc, Hungary

8. **Name:** KOVATS, Agnes *Aid to Artisans*
Interest: TQM, Small Business, Foundation
Position:
Residence:

- 9. Name: **PALLAGI, Emese**
 Interest: **TQM, TCIE (Food Industry)**
 Position:
 Residence: **Szeged, Hungary**

- 10. Name: **ROKA, Laszlo**
 Interest: **Small Business, Marketing, Foundations, Foreign Trade, Economic Development**
 Position: **Training organizer - Foundation for Enterprise Promotion (PRIMOM)**
 Residence: **Nyiregyhaza**

- 11. Name: **ST. KIRALY, Istvan**
 Interest: **TQM, Small Business**
 Position:
 Residence: **Nyiregyhaza**

Fellows separated by interest:

	TQM	Small Business	Foundations	Food	Finance	Market- ing/Adver tising	TCIE
Csala		XX	XX		XX		
Dinya	XX			XX			XX
Fenyosai	XX	XX					
Gabor	XX	XX					
Kovacs						XX	
Kovats	XX	XX	XX				
Pallagi	XX			XX			XX
Roka		XX	XX			XX	
St. Kiraly	XX	XX					
Kaptalan	XX	XX					
Konrad	XX	XX					

Appendix F
Financial Summary

OIP SECOND QUARTER REPORT

Project Expenditures	AID FUNDS		Cost Actual	Share Proj.	Other Sources Mellon		Other Sources Pew		ACCRUED	AID FUNDS REMAINING	PROJ. PROJ. NEXT QUARTER
	Actual	Proj.			Actual	Proj.	Actual	Proj.			
Instructor - US Salary (Buf. only - 1001-3)	\$7,237.30	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$7,237	\$0	\$0
Staff - US Salary (1001,1003)	\$97,744.01	\$57,221	\$5,825	\$5,825	\$1,854.00	\$0	\$10,010.94	\$8,667	\$411,245	\$165,804	\$57,221
Fringe Benefits (1501,1502)	\$33,304.23	\$22,210	\$1,718	\$1,718	\$0.00	\$0	\$2,953.23	\$2,557	\$119,089	\$54,076	\$22,210
Salaries Local (1001,2001)	\$15,233.26	\$38,163	\$0.00	\$0	\$0.00	\$0	\$5,865.51	\$5,866	\$96,910	\$37,801	\$38,163
Consultants (2001)	\$5,982.00	\$12,000	\$192.00	\$0	\$0.00	\$0	\$2,340.35	\$0	\$122,582	\$116,557	\$12,000
Travel (3501,3502)	\$23,754.36	\$10,000	\$800.00	\$2,400	\$926.42	\$2,178	\$4,841.95	\$19,564	\$173,689	\$51,014	\$10,000
Equipment (2501)	\$0.00	\$0	\$0.00	\$0	\$1,777.00	\$324	\$0.00	\$0	\$88,042	\$6,208	\$0
Supplies (3001,3006)	\$2,658.26	\$500	\$300.00	\$2,500	\$1,095.34	\$1,898	\$0.00	\$0	\$21,444	\$25,531	\$500
Indirect Cost (7501)	\$51,362.49	\$37,594	\$553.76	\$3,235	\$0.00	\$0	\$3,471.85	\$0	\$170,730	\$125,290	\$37,594
Participant Costs (6503,7001,7003)	\$3,364.82	\$3,700	\$5,970.00	\$0	\$0.00	\$3,000	\$48,595.30	\$42,669	\$48,883	\$318	\$3,700
Workshops, Conf. (6510)	(\$2,884.98)	\$500	\$6,009.68	\$200	\$89.63	\$4,363	\$0.00	\$0	\$77,415	\$18,684	\$500
Video/TV Production (6508)	\$0.00	\$0	\$0.00	\$0	\$150.00	\$0	\$0.00	\$0	\$356,650	\$0	\$0
Translation (6506)	\$10,167.00	\$1,000	\$2,500.00	\$0	\$0.00	\$1,740	\$0.00	\$0	\$35,610	(\$17,469)	\$1,000
Scholarships (6501,6502)	\$88.00	\$3,700	\$0.00	\$0	\$0.00	\$0	\$25,506.24	\$38,902	\$11,595	\$4,995	\$3,700
Curriculum Development (2001,1001)	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0	\$0	\$0
Other Direct (6507,6510)	\$31,341.01	\$25,000	\$600.00	\$0	\$2,604.07	\$4,191	\$0.00	\$0	\$137,336	\$109,300	\$25,000
Other (6510)	\$4,000.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$11,726	(\$4,000)	\$0
Totals	\$283,351.76	\$211,588	\$24,568.82	\$15,878	\$8,496.46	\$17,693	\$103,585.36	\$118,224	\$1,890,182	\$694,109	\$211,588

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BUFFALO QUARTERLY REPORT

Project Expenditures	AID FUNDS		Cost Share		Other Sources Mellon		Other Sources Pew		ACCRUED	AID FUNDS REMAINING	PROJ. NEXT QUARTER
	Actual	Proj.	Actual	Proj.	Actual	Proj.	Actual	Proj.			
Instructor - US Salary (Buf. only - 1001-3)	\$10,340.72	\$15,000	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$60,463	\$33,324	\$15,000
Staff - US Salary (1001,1003)	\$0.00	\$5,750	\$4,000	\$2,000	\$0.00	\$0.00	\$0.00	\$0.00	\$12,027	\$18,973	\$5,750
Fringe Benefits (1501,1502)	\$2,911.20	\$6,121	\$1,180	\$590	\$0.00	\$0.00	\$0.00	\$0.00	\$19,190	\$15,566	\$6,121
Salaries Local (1001,2001)	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0
Consultants (2001)	\$0.00	\$4,500	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$28,625	\$9,200	\$4,500
Travel (3501,3502)	\$10,451.83	\$13,541	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$60,032	\$67,185	\$13,541
Equipment (2501)	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0
Supplies (3001,3006)	\$108.77	\$4,000	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$1,060	\$4,510	\$4,000
Indirect Cost (7501)	\$6,548.44	\$12,717	\$1,425	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$45,514	\$29,076	\$12,717
Participant Costs (6503,7001,7003)	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$25,695	\$32,588	\$0
Workshops, Conf. (6510)	\$0.00	\$6,000	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$2,121	\$3,531	\$6,000
Video/TV Production (6508)	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0
Translation (6506)	\$0.00	\$8,000	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$19,153	(\$13,895)	\$8,000
Scholarships (6501,6502)	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$10,255	\$29,300	\$0
Curriculum Development (2001,1001)	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0
Other Direct (6507,6510)	\$1,254.03	\$4,500	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$5,498	\$2,992	\$4,500
Other (6510)	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0
Totals	\$31,614.99	\$80,129.00	\$6,604.50	\$2,590.00	\$0.00	\$0.00	\$0.00	\$0.00	\$289,632	\$232,350	\$80,129