



Institution Development and Capacity Building
for Enterprise Development in Russia



” Morozov ” Project, Samara, Russia

Centre for Socio-Eco-Nomic Development, Geneva

**Institution Development and
Capacity Building for
Enterprise Development in Russia:**

The “Morozov” Project in Samara, Russia



Centre for Socio-Eco-Nomic Development
(CSEND)

Geneva, Switzerland

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I. Introduction

In 1991 the Russian government took the decision to replace its centrally-planned economic system with a free-market economy. One immediate consequence of this momentous reform programme was the disappearance, almost overnight, of the previously captive market for the output of most Russian enterprises. In parallel, the decision was taken to privatise some 15,000 medium- and large-scale companies employing approximately 70% of the industrial workforce. Survival of these large enterprises, which included many military-industrial companies being converted to civilian activities, was now dependent on their ability to compete successfully in the open market rather than, as in the past, to fulfil production quotas. Many Russian workers, accustomed to lifetime employment and extensive fringe benefits, suddenly found themselves un- or under-employed as their companies downsized or entered bankruptcy.

At the same time, legal barriers to the creation of new small and medium-sized enterprises were lifted, thereby creating new opportunities for potential entrepreneurs. These new enterprises were expected to play a crucial role in the restructuring of the Russian economy along free-enterprise lines and in the creation of new jobs to replace those lost in other sectors of the economy.

Both of the above major policy objectives—the restructuring of existing large enterprises and the creation of new small and medium-sized ones—would require both existing managers and budding entrepreneurs to acquire new skills not readily available in the previous, command economy.

II. The Morozov Project

In 1993, the Morozov Project was established to address these needs. Described as “the world’s largest business skills development project”, its primary objective was the establishment of a network of Business and Training Centres

(BTCs) throughout Russia which were to create a “critical mass of entrepreneurs and business leaders who promote democratic change by creating jobs and businesses in a free market”. The project is named for S. Morozov, a turn-of-the-century Russian entrepreneur and free-enterprise advocate.

Established at the initiative of the Russian Academy of Management and the Market, the Morozov Project received financial support from the U.S. Agency for International Development (USAID) and from western European countries via the European Bank for Reconstruction and Development (EBRD). The Centre for Socio-Eco-Nomic Development acted as a consultant to EBRD both in the early defining phases of the Morozov Project, and as partner institution to the Samara BTC, which is the subject of this paper

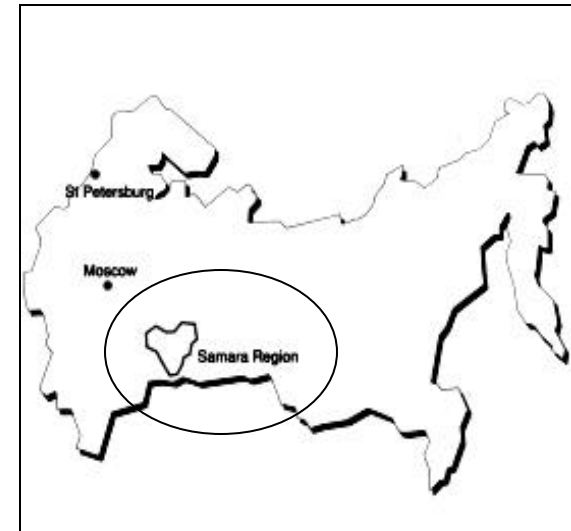
Each BTC operates relatively autonomously, as part of a country-wide network, supported by the Morozov Project office in Moscow, which is responsible for overall project oversight and coordination. In addition, some of the larger, more developed BTCs act as regional support centres for other, smaller BTCs in their geographical region, in particular in the area of Information Technology (IT). The Samara BTC is one such regional support centre. BTCs, which are expected to become financially self-sustaining over time, are generally well integrated into their local economic environment and usually work with a number of institutions, of which the Morozov Project is only one.

III. Samara (Volga Region)

The city of Samara, capital of the Samara *oblast* (region), is located approximately 1,000 km south-east of Moscow, on the river Volga, not far from the border with Kazakhstan (see maps below). An important centre of agriculture, commerce and manufacturing, it has a population of approximately 1.3 million



and was known as Kuibishev during the Soviet era. As a centre of the aerospace industry, it was a “closed city”, off-limits to foreigners, until 1991, when it reverted to its ancient name of Samara. Between 1941 and 1942, Kuibishev/Samara was the temporary seat of the Soviet government and of many foreign embassies. Stalin’s bunker in the city centre, constructed during this time, is now a museum open to the public. Samara oblast has a total population of about 3.0 million; its second major city, Togliatti, is a centre of automobile production.



Located at the junction of traditionally important north-south and east-west trade routes, Samara is also an important cultural centre. Samara has linkages and partnerships with numerous cities (including St. Louis, Missouri in the USA) and, through its international airport, can be reached directly from several European cities as well as Moscow and other cities within the Commonwealth of Independent States (CIS). The “Rossiya” (Russia) chocolate factory, located in Samara and well known throughout Russia, was acquired by Nestlé in 1994.

IV. The Samara BTC

The Samara BTC, one of the largest in the Morozov Project, was established in 1993 in a building belonging to the Samara Technical University. In early 1996, it moved to a new location on the premises of the Samara branch of the Russian Federal Employment Service, with which it is closely linked as a “model training and business centre”.

In early 1995, CSEND was mandated by EBRD to “adopt” the Samara BTC for the one-year institutional development and capacity-building programme described in this report. The project began in July 1995 and was completed in June 1996.

Origins

The Samara BTC was created in April 1993 by the advisory council of the Morozov Project within the Russian Business School in Samara. In September 1994, the Russian Business School and the Samara Oblast Employment Directorate jointly created the Training Centre of the Samara Oblast Employment Directorate, at which time the Samara BTC acquired the status of “Model Training and Business Centre of the Federal

Employment Service”. One of the key tasks of the Centre is the retraining of the unemployed on behalf of the Federal Employment Service, which contributes a significant percentage of the Centre’s revenue at this writing.

Management and Staff

The BTC is run by a management team consisting of a Director and 11 staff who are responsible for curriculum, operations and support. In addition, certain of the staff members also teach one or more courses. Most courses are taught by adjunct faculty from local educational institutions.

Courses and Student Body

Between March 1995 and April 1996, the BTC organised 40 training courses in 7 subject areas for a total of 575 persons, of whom 445 were unemployed.

The BTC’s course offering ranges from secretarial and business skills courses through programmes for entrepreneurs and managers, to the offering of actual consulting services and the training of management consultants. Participants are awarded course-completion

certificates upon successful completion of each course. The BTC is positioned as an adult education and reskilling centre rather than as a degree-granting institution.

V. Project Description

Morozov Project-Adoption of Business and Training Centre in Samara

In May 1995, CSEND was selected by EBRD as institutional development consultant for the Samara BTC, with the goal of assisting the BTC in the fulfilment of its mission of contributing to the economic transformation and development of the Samara region, within the context of the Morozov Project.

Specifically, CSEND was mandated to assist the BTC in strengthening its operational capabilities in providing consulting and advisory services, training and retraining, and in fostering business development in the Samara region. The project, to be completed within a 12- to 24-month timeframe, was to focus on technical support and know-how transfer from CSEND to the BTC which would enable the BTC to sustain its development and viability beyond the project lifetime.

Objectives

As stated in the Terms of Reference, the project goals were:

1. Develop the BTC’s capabilities in managing an advisory and training business
2. Improve the training and consulting skills of the BTC staff, particularly with regard to methodology and approach
3. Assist the BTC in identifying and developing new business opportunities which would help its long-term growth and viability.

Deliverables

The specific project deliverables were:

A. Business Development

1. Assessment of local market needs for the provision of advisory and training services
2. Strategy formulation and implementation for the provision of advisory and training services
3. Development of a marketing plan to support the implementation of the BTC business strategy
4. The holding of a number of practical, action-oriented training courses, relevant to the BTC's target population and complementary to its own curriculum
5. Implementation of a quality control system including standards, measurement and benchmarks.

B. Staff Development

6. Evaluation of skills and capabilities of BTC management and staff in developing and implementing their business plan
7. Action plans, including training and development programmes, for areas needing improvement
8. Improvement of staff marketing skills and support materials for achievement of business plan
9. Development of staff quality awareness, team spirit and linkages with BTC advisory board

C. Information Systems Development

10. Implementation by the BTC of administrative delivery and reporting systems designed by the Morozov Project
11. Implementation and maintenance by the BTC of management information and performance

systems, designed by the Morozov Project, for assisting in future decision-making

12. Creation and ongoing maintenance by the BTC of appropriate databases reflecting local economic and BTC activities.

D. Network Development

13. Plan for the establishment and maintenance of local alumni networks
14. Establishment of linkages and relationships between the BTC and the local community, including commercial banks and other financial intermediaries, business associations and other business support units sponsored by multilateral and bilateral agencies.

E. Small Business Creation

15. Active co-operation between the BTC and EBRD-sponsored activities (e.g. EBRD Regional Venture Funds, Russian Small Business Fund and other loan and investment projects).

VI. Implementation

The project was implemented on the basis of the following main elements:

1. Partnership between CSEND and the BTC on the one hand, and between the BTC and local enterprises and entrepreneurs, on the other
2. "Action Learning" (learning by doing) projects conducted under the supervision of CSEND
3. Establishing linkages between the BTC's own institutional development and the business development process within the BTC's client system.

Throughout the project, a train-the-trainers approach was used involving both training of BTC trainers and staff by CSEND, and joint training activities by CSEND and BTC staff for the BTC's client system.

VII. Programme Description

Implementation was conducted over a one-year period, beginning in July 1995 and ending in June 1996, which comprised 4 CSEND inputs in Samara and a two-week study visit to Switzerland by the Samara BTC management team. Comprehensive documentation and other support materials were given the BTC participants with each input.

Training Methodologies and Adult Learning

This topic was covered in two workshops held in September 1995 (2 days) and in June 1996 (3 days). The workshops were attended by a total of 20 participants, including BTC staff and managers on the staff of the Samara regional office of the Federal Employment Service.

Objectives

The primary learning objectives of the workshops were:

1. Demonstrate a number of commonly-used interactive training methods
2. Provide guidelines for the use of selected interactive training methods
3. Provide information on the use of new technology in the training process
4. Assist the BTC trainers in integrating these methods into their own curriculum.

General Management

This topic was covered in two two-day workshops held in September 1995. The workshops were attended by an average of 13 participants, made up of consultants affiliated with the Samara BTC and trainees attending the BTC's entrepreneurship programmes.

Objectives were:

1. to introduce the "Management by Results" (MBR) performance management approach
2. to differentiate between management and administration
3. to challenge the participants' own preferred approach to management
4. to lay the foundation for subsequent CSEND inputs on management consulting.

Marketing

A 7-day marketing workshop was conducted in January 1996. It was attended by a group of 13 persons, including marketing faculty at local universities, BTC consultants and local enterprises.

Objectives were:

1. to learn practical, state-of-the-art marketing techniques
2. to acquire practical experience in building a marketing plan relevant to the participants' actual needs.

Consulting

This topic was covered in two inputs: a one-week workshop on performance management (February 1996) and a 3-day workshop on consulting acquisition techniques (June 1996). A total of about 20 participants attended both workshops. Participants were from Samara-based consulting organisations, including private practices, universities and the BTC's own consulting department.

Objectives were to provide:

1. In-depth knowledge of consulting techniques used in performance management within organisations
2. Practical techniques for marketing and selling consulting products
3. Guidelines for consulting project acquisition and project management
4. Improvement of participants' consulting skills level and understanding of professional consulting.

Swiss Study Visit

A one-week study visit by 5 members of the BTC management team was conducted in Switzerland in February 1996. The itinerary included visits to various Swiss hosting institutions relevant to the BTC's core business and with potential for future exchanges.

Objectives were:

1. to facilitate staff development of the Samara BTC management team
2. to provide benchmarks for the core activities of the BTC
3. to facilitate contacts between the BTC and relevant Swiss institutions

Networking with Samara-based Banking and Financial Institutions

CSEND established linkages between the BTC and Samara-based representatives of the EBRD Russian Small Business Fund and other financial institutions with potential for funding new enterprises.

Information Technology

CSEND provided consulting to the BTC on adaptation and use of Information Technology tools for creating and maintaining databases, for course delivery and in communicating with the other Morozov Project locations.

VIII. Results

Despite severe budgetary, personnel and time constraints, this project can be considered highly successful in terms of the results achieved, notably it contributed to the:

- Strengthening of the BTC's institutional capabilities as a provider of management training
- Enhancement of the BTC's consulting skills, particularly in the area of small business development
- Enhancement of the BTC's image in the marketplace as a quality training institution
- Establishing of linkages to local and Swiss institutions with potential for long-term co-operation
- Development of working relationships with EBRD and other financial institutions operating in the Samara region.

This project can further be described as unique among others in the Samara region in that it has not only resulted in the transfer of significant know-how in the area of management and consulting, but has also resulted in the application of these skills to actual business practice and business development.

IX. Future Outlook

This project represents a promising start to a long-term programme of co-operation between enterprises in Samara and in Switzerland. It has already led to the following concrete results:

- A formal co-operation agreement between the Samara *oblast* and the Canton of Fribourg

(Switzerland) which will result in the establishment of a representative office of the Fribourg Chamber of Commerce in Samara

- The showcasing of technology from Samara-based research centres and enterprises at the “High Tech from Russia” technology-transfer exhibition organised by OSEC (Swiss Organisation for Trade Development) at the Zurich Technopark (October 1997)
- The inclusion of the Samara BTC in the “Trade Point” programme organised by the United Nations Conference for Trade and Development (UNCTAD).

In summary, this project can be considered a viable and cost-effective model for local economic development in other areas undergoing economic and social restructuring, for the following reasons:

- Pragmatic approach which focuses on achieving tangible results in a short time
- Cost-effectiveness: the approach generates optimum results at modest costs
- Scalability: The approach adopted works well for both large and small development projects
- “Action learning” approach which ensures success through involvement of target population.

Appendix: Project Partners

A. Russian Project Management Staff

Samara BTC:

Vladimir Vasilyevich Morozov, Director General
Iraida Mikhailovna Kharchenko, Deputy Director
Galina Vladimirovna Safronova, Lawyer of BTC
Dmitry Igoryevich Limov, Head of Section BTC

Viktor Aleksandrovich Krasnov, Commercial Director
Dr. Euphym G. Vyshkin, Interpreter

B. Swiss Project Management Staff

CSEND, Geneva:

Dr. Raymond Saner, Director CSEND, Geneva
Dr. Lichia Yiu, President CSEND, Geneva
Mr. Martin Weber, Project Administrator
Dr. Bettina Mindt, Project Administrator
Mrs. Birgit Marxer-Schreier, Interpreter and Study Coordinator

C. Teaching Faculty:

Dr. Raymond Saner:	Business Consulting
Dr. Lichia Yiu:	Training Technologies
Mr. Dennis Thalman:	Marketing
Dr. Robert Jenefsky:	Information Technology
Mr. Stelios Theocharides:	Enterprise Development
Mr. Hans Peter Jenni:	Business Development

D. EBRD Programme Management:

Mr. Kenneth Pasternak: Education and Training
European Bank for
Reconstruction and
Development (EBRD),
London, UK

E. Hosting Organisations during Study Tour in Switzerland:

Société Générale de Surveillance (SGS), Geneva
Office pour la Promotion de l'Industrie (OPI), Geneva
Cours Commerciaux de Genève (CCG), Geneva
Chamber of Commerce and Industry (CCI), Geneva
Nestlé International Training Centre, Vevey
Swiss Office for Trade Promotion (OSEC), Zurich
Zentrum für Unternehmensführung (ZfU), Zurich

Holderbank Management and Consulting Ltd, Holderbank
Swiss Bank Corporation (SBC), Basle

***For more information, please contact CSEND at the
address indicated on the last page.***

The Centre for Socio-Eco-Nomic Development (CSEND) is an independent, project-financed, non-profit foundation, registered with the Geneva (Switzerland) Chamber of Commerce.

Specialising in organisational reform and institutional development worldwide, CSEND works to strengthen public administrations and public-sector enterprises through the use of an interdisciplinary, socio-economic approach.

Mandated primarily by governments and international organisations, CSEND designs and implements comprehensive institutional development and capacity-building projects and programmes leading to the adoption of best managerial practices in the public sector. Starting with a policy decision enacted by the mandating government or organisation, CSEND performs a needs assessment from which it develops and implements a change programme to achieve the desired policy objective. In general, such programmes focus primarily on human resource development and management systems reform in civil service agencies and/or public enterprises.

Recent CSEND projects have been funded by international organisations, such as the United Nations Development Fund (UNDP), the European Bank for Reconstruction and Development (EBRD) and the International Labour Organisation (ILO), as well as by bilateral development co-operation agencies, for example the Swiss Development Cooperation (SDC).

Centre for Socio-Eco-Nomic Development
P.O. Box 1498
1211 Geneva 1
Switzerland

Phone: +41 (0)22 906 17 20
Fax: +41 (0) 22 738 17 37
E-mail: csend@csend.org