



EXECUTIVE SUMMARY

OF THE

PRODUCTIVITY ENHANCEMENT PROGRAM EVALUATION

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by

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THE PROGRAM

[The Productivity Enhancement Program \(PEP\)](#), a complex training program based on the Marshall Plan's "Productivity Tours," was begun in 1996. The Program is funded by the Freedom Support Act and sponsored by the United States Information Agency. Close to 1,000 non-English speaking Russian managers have participated in the program since its inception. The Center for Citizen Initiatives implements all aspects of the program -- from advertising the program in Russian to the US-based business training. Rotary and Kiwanis Clubs host PEP delegations in the U.S.

PEP Program Objectives

- ⇒1. *To jumpstart Russian domestic manufacturing and services from the bottom up;*
- ⇒2. *To provide management and technical training internships for non-English speaking Russian entrepreneurs;*
- ⇒3. *To give Russian regional entrepreneurs access to world standard business practices;*
- ⇒4. *To stimulate decentralized cross currents of business connections, raw materials access and distribution routes between Russian cities rather than through Moscow.*

Russian participants must own or be chief decision-makers in their companies. CCI does advertise the program in the public media, but most participants learn about it either through friends and colleagues or are contacted by CCI directly. Participants train in industry-specific delegations of ten persons for a period of 3 to 4 weeks. They are taught using topic modules in approximately a dozen U.S. firms with production parallel to their Russian companies. PEP groups are comprised of managers from several regions within Russia. The assumption is that Russian entrepreneurs will grasp practical business and technical concepts in the U.S. which will help to develop their Russian companies and local business communities upon returning home. Russian participants each pay from \$1,500 to \$2,000 of their internship costs.

EVALUATION DESIGN AND METHOD

Dr. Susan G. Lehmann, then Assistant Professor of Sociology and the W. Averell Harriman Institute conducted an independent evaluation of the PEP Program. Dr. Lehmann collected the data in collaboration with her colleagues Dr. Sergei Tumanov, Director of the Center for Sociological Study of Moscow University, and Dr. Mikhail Guboglo, Deputy Director of the Institute of Ethnology and Anthropology of the Russian Academy of Sciences. A two-part approach involving in-depth survey interviews collected between June and July 1998 and focus group discussions held between October and November 1998 was used in evaluating the PEP Programs. **The hour-long survey had a 93% response rate and this report reflects the**

opinions of 445 PEP entrepreneurs. Approximately 50 people were re-interviewed in a series of 6 follow-up focus group discussions held in 3 cities: Volgograd, Voronezh, and Ekaterinburg.

FINDINGS

The evaluator and PEP participants strongly support this program. It is clear from the data on production and profit increases, and increases in hours worked per week, that the PEP internship does result in a revitalization of domestic manufacturing. The data on increased attention to customer suggestions and services suggest a dramatic reversal of the Soviet-era marketing strategy.

Data with respect to the second objective are mixed. On the plus side, the trainees expressed overwhelmingly positive responses to the management and technical training modules. More mixed were the data on management styles which indicate an Americanization in the attitudes regarding the willingness to question authority, to take risks, and to consider the opinions of subordinates. There remained, however, still a strong preference for conflict avoidance, using formal channels of communication, and a high regard for company dedication and loyalty.

Focus group data indicate that the third objective of the internship was met. PEP people view themselves as an isolated minority of truly reform businessmen. For that reason, they said that in addition to the business skills and knowledge which they acquired, the program was valuable because they learned that their views on business management, which are so radical in Russia, are considered mainstream among American businessmen. They saw their host businessmen as having ideals more akin to their own than their typical Russian colleagues. They were definitive that they hold little hope for market reform unless more Russian businessmen and politicians came to share their values. They see the PEP program as highly instrumental in fostering a critical mass of reform minded Russian businessmen.

The fourth objective is the hardest to gauge as we only collected data on the formation of business connections, not their content. The data we have do indicate that the PEP program is instrumental in forming multiple and lasting contacts among Russian businessmen. PEP people averaged 3 to 4 contacts with Russian businessmen and reported using the contacts for business reasons upon returning home. No attempt was made to evaluate raw materials access or changes in distribution routes, but the data on contacts and focus group interviews suggest that the PEP program may have enhanced interregional business activity.

Seventy-five percent of Productivity Enhancement Program people report that the U.S. training has lead them to significantly expand products and services – substantially guided by customer input. Technological expertise, including the use of computers, was also greatly increased. As a direct result of their U.S. training, PEP survey respondents report average production increases of 16% for state and municipal firms, 13-14% for privatized and cooperative firms, and 21% for start-up firms. They report post-PEP profit increases of between 4-20%.

Post-exchange, PEP participants report increasing their work week by an average of more than 2 hours. They reported that seminars covering manufacturing, product marketing and customer service were the most useful. **The three most important skills gained were an enhanced ability to: 1) develop new ideas into marketable products, 2) negotiate and conclude**

contracts, and 3) evaluate potential competitors. Least successful were attempts to increase participants' ability to sell products on the world market and address environmental pollution and product safety issues.

Few PEP participants report making lasting business contacts with American businessmen. There are two reasons for this: 1) there is a language barrier in that PEP people generally do not speak English, and 2) PEP people do not spend a long period of time at any one business. PEP people are *much* more likely to maintain contact with host families – two thirds have contacted their host families at least once since returning to Russia. This being the case CCI should continue explicitly matching PEP people to host families in which someone is employed in a similar or allied business field. As noted above, the PEP people were much more likely to have made useful contacts with fellow Russian businessmen during the exchange.

In the absence of a pre-program survey, it is difficult to judge the impact of the internship experience on political and economic values. In order to roughly estimate the impact of the program, PEP participants were compared to a sample of individuals of comparable educational and employment background interviewed in 1996. The 1996 survey was done in the weeks prior to the first round of the Russian presidential election. The survey was of comparable length and complexity.

PEP respondents were two to three times more supportive of *rapid* economic reform. PEP people were extremely supportive of the free purchase and sale of land by Russian entities, though they favored some restrictions on the purchase and sale of land by *foreign* entities. Sixty-one percent of PEP men and forty-three percent of PEP women completely support foreign investments in the Russian economy, making PEP entrepreneurs 2-3 times more likely to support foreign investment in Russia than their 1996 counterparts. The clear majority of PEP and 1996 elites prefer that the export of Russian raw materials be conducted *with limitations*. More than 80 percent of PEP men and 86 percent of PEP women advocate some level of tariff protection to defend domestic industry. In this they are in keeping with the rest of the elite Russian population.

ADMINISTRATIVE FINDINGS

Administratively, the Productivity Enhancement Program is very well managed. Ninety percent of PEP entrepreneurs thought that their internships were well matched to their needs. Site visits proved the most useful to PEP people.

The seminar experience was an intense one. PEP managers are extremely positive about the usefulness of the seminars – 83 percent rated them as “often” or “very often” useful. **Seminar instruction, so easy to pitch at the wrong level, is clearly a strength of this program.**

Most of the internship businessmen strongly support the idea that it is the responsibility of businessmen to donate time or money to improve their local communities. **At least 69 percent of PEP people report volunteering their time at least once during the past year.** Though we have no pre-program data to indicate that the PEP program is responsible for this high level of volunteerism, data from similar elite samples of Russians indicate that the PEP level of volunteerism is higher than typical. Among those currently volunteering, it is most common to

donate time to educational institutions. PEP people are still unlikely to belong to business clubs, although they show strong support for the creation of such organizations.

Again, in summary, this evaluator finds evidence that the Productivity Enhancement Program has had a substantial impact on technical skills and employee management strategies. PEP people return to Russia with an enhanced ability to plot business strategy. The program is well managed by the Center for Citizen Initiatives and USIA. The adjustments recommended in the report are minor. **This evaluator strongly recommends that the program receive continued funding.**

RECOMMENDATIONS¹

PROGRAM MANAGEMENT IN RUSSIA

1. Alumni indicate that the ideal age for participants is between 26 and 46 years old. The age distribution of alumni is generally in line with the ideal age given by participants, but CCI could consider selecting a slightly larger proportion of future PEP people from those at the younger end of the range. The findings suggest that respondents aged 30-49 have both the greatest interest and capacity to found *new* businesses. PEP alumni recommend that participants have *at least* three years of experience in their current businesses. CCI should continue to use PEP alumni, experienced businessmen, or members of a business association, rather than academics, to aid in the selection of future participants.
2. Fourteen percent of alumni reported that they had relinquished their international passports for processing for more than 5 months. It is recommended that the interval between the collection of the passports and travel not exceed three months. Attempts should be made to keep applicants updated more regularly with respect to likely departure dates.
3. Host communities and businesses, via CCI, should strive to provide Russians with a moderate level of information regarding host communities and companies prior to departure from Russia. Forty-three percent of alumni termed their information on the host *businesses* as meager.

PROGRAM MANAGEMENT IN THE UNITED STATES

4. Host organizations should continue the practice of explicitly matching PEP people to host families in which someone is employed in a similar or allied business field. Some PEP alumni thought the language barrier presented a greater problem in the home setting. Host families and businesses could benefit from better guidelines regarding their Russian visitors. PEP participants come from Russia's elite and are accustomed to being recognized as community and business leaders.
5. U.S. hosts need to be sensitive to the fact that their guests are use to being quite independent at home and will find the language limitations frustrating at times. Host organizations should arrange for a van, once or twice a week, to take people on short excursions of their own choosing. This will, in turn, reduce the burden on the individual host families.

¹ These are not listed in order of importance, but in chronological order as they apply to stages of the program.

6. Host organizations should attempt to make internet access available to the participants for a couple of hours a week on a regular basis. This will allow participants to manage their business affairs in Russia during their absence.

7. Since host businesses no doubt differ in their knowledge of Russian business conditions, CCI should develop a standard, brief, packet of information on the topic. Alumni thought that they would have received better advice if Americans had had a more sophisticated knowledge about the Russian business environment. In particular alumni recommend briefing host businesses about the Russian tax system and banking system. Alternatively, the host businesses could be warned that American tax and banking practices are not currently transferable to the Russian context.

8. The advice which PEP people receive should be portable. In some fields it does not pay to tailor the PEP experience to the participant's current job since the likelihood of switching is so high.

9. Since alumni report finding it difficult to implement new practices without changing jobs upon returning to Russia, more attention should be given to strategies for introducing change into existing organizations and for starting new businesses.

10. PEP people were extremely positive about the usefulness of the seminars. Seminar instruction, so easy to pitch at the wrong level, is clearly a strength of this program. CCI should use Table 4.2.1 as a guide to which topics business people found most useful. It appears that some topic modules either need to be revised or omitted entirely as irrelevant to current Russian conditions.

11. It appears from the responses that an adjustment should be made, if possible, to allow more time for individual consultation about business problems. At present, CCI does set aside time on a daily basis, and more intensively on Saturdays, to allow the interns to brainstorm *among themselves* about individual problems. It might, however, be possible to set up an informal evening, toward the end of the program, in which several American businessmen and translators could answer individual questions in small groups.

12. The findings on managerial style (section 2.4) suggest that little attitude shift took place in attitudes concerning how one communicates with superiors and attitudes concerning dedication and conflict. The PEP alumni were much more likely than their American counterparts to desire to avoid conflict within their organizations and to avoid risky business situations. The data are inconclusive as to whether these values are more strongly held than others, or whether less time was devoted to these issues during the exchange.

Independent research on the causes of failure of multi-national business ventures suggests that for joint ventures to be successful, partners must be aware of conflicting values. Successful joint ventures reach an accommodation to different business styles. Unsuccessful business ventures often fail because one partner attempts to impose alien business practices or values on the other partner. CCI may wish to raise these issues with both the host businesses and the participants in future exchanges.

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