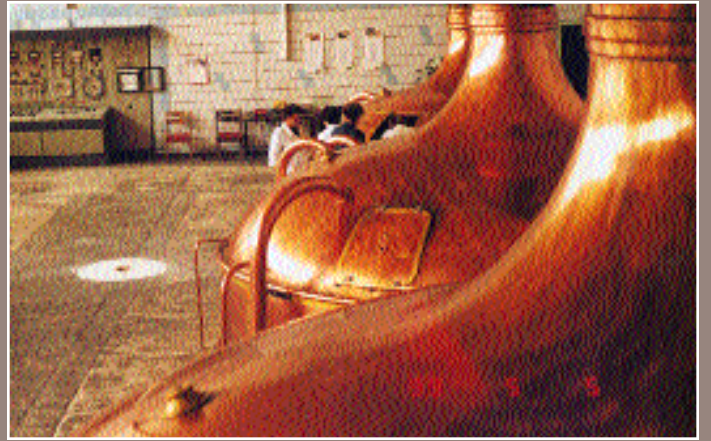


04 TurnAround Management (TAM)

Since 1993, the TAM Programme has used donor funds to hire experts to work with individual enterprises through 774 project assignments in 24 of the EBRD's countries of operations.



Each TAM project lasts about 18 months and has a budget maximum of €60,000 for enterprises in central and eastern European countries, and €85,500 for those in CIS countries. Projects are fully funded by grants from donors.

The TAM Programme was created in the early 1990s by the EBRD, the EU Phare Programme, and the United Nations Development Programme. The TAM Programme is managed on a “not-for-profit” basis and utilises multiple donor funds to provide support for economic transition in central and eastern European countries. Mobilising funds from many donors via a single programme provides “additionality” and optimises the impact of each donor contribution, while reducing donor risk and potential waste.

The TAM Programme works directly with individual enterprises, providing industry-specific advice on developing management skills, business planning, restructuring, improving products, reducing operating costs and developing local and export markets. TAM assists enterprises to meet manufacturing and product standards, improve awareness of environmental impact, optimise energy use, and improve health and safety for employees at work. Since June 1993, grants provided by 27 donors, including the European Commission, the Nordic Council of Ministers, the Russian Privatisation Centre, and countries on a bilateral basis, have enabled the TAM Programme to undertake 774 projects in 24 countries.

The demand for TAM remains large and TAM maintains a project pipeline of more than 100 eligible enterprises. This enables TAM to utilise donor funds immediately they are made available.

Objectives

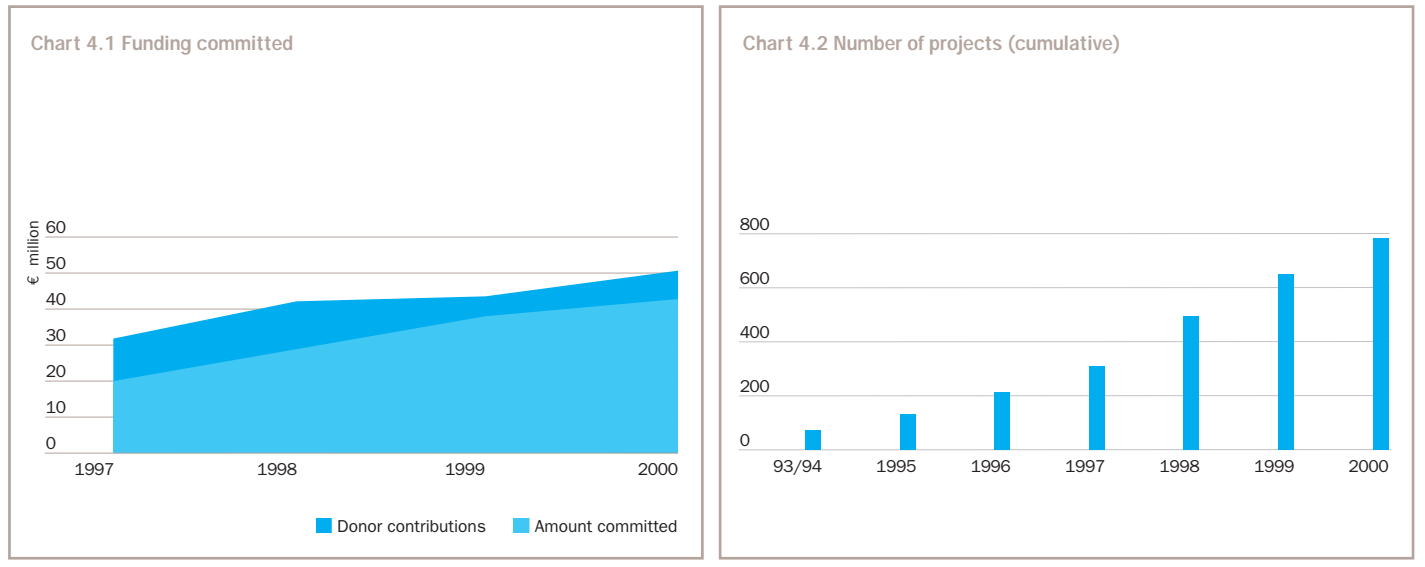
The TAM Programme supports economic reform by transferring management and technical know-how, conveying the principles of responsible corporate governance and sharing commercial experience directly with potentially viable enterprises so that they can compete and grow in a free market economy.

In addition to improving business performance, TAM may assist enterprises to communicate with potential investors, including the EBRD and EBRD-related financial intermediaries.

The TAM Programme is consistent with donor objectives of economic and social transition and contributes to alleviating poverty, improving standards of living and increasing social cohesion in the EU accession and transition countries.

How TAM works

Enterprises may approach TAM directly, or be introduced by other agents such as Chambers of Commerce, the European Commission, or previous TAM enterprises. Applicant enterprises are systematically screened by TAM team coordinators (TTCs) and selected. Suitable enterprises sign an agreement outlining the specific objectives of their TAM project and identifying the funding donor. Team coordinators are responsible for the overall management of around 10-12 projects in a single country.



Using the TAM database, the TTC selects a suitable senior industrial advisor (SIA) for each enterprise, taking into account industry specific needs. In most cases, additional TAM specialists are appointed to cover areas such as financial control, production technology, quality control, design and marketing.

TAM maintains a database of pre-qualified advisors, coming from all the industrialised countries and covering all major industry sectors. TAM currently has more than 2,500 pre-qualified advisors, of whom about 90 per cent are EU nationals. Some 38 per cent of advisors are SIAs who have more than 15 years industrial experience at senior management levels. These SIAs are the key to the success of each project.

Each TAM project lasts about 18 months, with the TAM advisors making several three to five-day visits during this time. This approach enables expertise to be transferred in a sustainable manner, as the advisors are able to assess the absorption and implementation of advice between visits, and adjust their advice and training accordingly. The TAM Team rapidly terminates any projects where the response from the beneficiaries is unsatisfactory, and redirects the funding to other projects.

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In order to maintain and improve the quality of the TAM database, TAM national coordinators (TNCs) have been appointed for most of the EU countries, and for Canada, Taiwan and Japan. The TNC role is to search for, and interview, potential advisors in their countries. TNCs have been very successful in increasing the number of qualified advisors on the TAM database, and the number of advisors has increased for all countries where TNCs have been appointed.

The TAM Programme is managed centrally and reports to the major donors via a Supervisory Board, which convenes half-yearly.

Growth of the TAM Programme

Since its inception in 1993, support for TAM from donors has steadily increased. To date, 27 donors have contributed €50.7 million to the TAM Programme, of which €43.4 million had been committed to enterprise projects by the end of 2000.

The very large number of 195 project start-ups in 1998 was possible because of €10 million funding received from the EU Phare Programme. This provided funding for more than 160 TAM projects. In 2000, 122 projects were started. To date, the TAM Programme has implemented 774 projects across 24 countries. Some 607 of these projects have been completed and 167 projects remain in implementation. The regional distribution of TAM projects reflects the availability of funding for each country, rather than needs or demands of

enterprises. Most funding has been provided for the ten EU accession countries. However, this trend has been changing in recent years, with a gradual increase in projects in the CIS and the intermediate transition countries.

Of the 122 projects started in 2000, 57 per cent were in accession countries, 36 per cent in the CIS and 7 per cent in the intermediate transition countries. On a cumulative basis, since 1993, the respective shares are 68 per cent, 29 per cent and 3 per cent, again reflecting the relative increase in the CIS and intermediate transition country projects during 2000. Following the EBRD recognition of FR Yugoslavia, TAM may provide assistance to potentially viable enterprises in this country in 2001.

TAM works with enterprises in most industry sectors, including food, textiles, electronics, retail, printing and chemicals. About 20 per cent of projects implemented in 2000 were in the food/beverage sector. This sector also represents the highest share of all TAM projects, about 16 per cent in cumulative terms. The second largest sector, textiles, had fewer projects in 2000 compared with the rising number of projects in electro-mechanical, furniture and glass/ceramic industries.

Table 4.1
TAM projects implemented in 2000

Industry	Projects	%
Food, drink	24	19.7
Electro-mechanical	12	9.8
Furniture	11	9.0
Glass/ceramics	7	5.7
Wood products	7	5.7
Construction/materials	7	5.7
Chemicals	6	4.9
Retail	6	4.9
Clothing, footwear	5	4.1
Machine building	5	4.1
Steel/metal	5	4.1
Textiles	4	3.3
Other services	5	4.1
Publishing/printing	4	3.3
Pharmaceuticals	3	2.5
Transport services	3	2.5
Rubber/plastic	2	1.6
Heating systems	2	1.6
Electronics	1	0.8
Communications	1	0.8
Light bulbs	1	0.8
Leather/fur	1	0.8
TOTAL	122	100.0

Success stories – Polish wholesaler

A Polish underwear wholesaler, owned by two families, was experiencing difficulties. The company had no up-to-date organisation chart and managerial responsibilities were not clear or defined. This was a source of frustration among both the family members and the employees. The company had begun to expand into retailing, but the expansion was too rapid and there was little understanding of the differences between wholesaling and retailing. Sales margins were much too low, even with the merchandise coming wholly from domestic producers. The company had no uniform product codes so that it was difficult to obtain consolidated information between branches.

The TAM team reorganised the company and developed job descriptions and clear responsibilities for shop managers. TAM taught employees how to equip and organise the retail stores on a customer-oriented basis, stressing the importance of well-trained and responsible shop managers. This approach led to training sessions and personnel education. Another positive change was the unification of product codes, which allows control of the stock levels and the recording of accurate sales details. Sourcing of products has now been extended throughout the EU countries, and this enables the company to differentiate itself from other wholesalers in Poland. The importance of preparing for EU accession was continually emphasised.

Turnover at the start of the TAM project was about PLZ 21 million (US\$ 6.1 million), which increased to PLZ 28 million (US\$ 6.7 million) by the end of the TAM project. A positive cashflow was generated for the first half of 2000.

TAM transition impact

The objective of the TAM Programme is to assist enterprises to transform themselves so as to survive and compete in market economies. This continues to be met, and the positive impact of TAM on employment and turnover in these enterprises has been substantial.

Aggregate turnover for the 557 TAM enterprises assisted (those where reliable figures are available) amounts to US\$ 13 billion, an average of US\$ 22.5 million per company. The number of employees involved in these enterprises is 576,000, an average of 1,034 employees per company.

Ex-post data are also available for 306 enterprise projects and this shows combined annual sales of US\$ 7 billion, an average improvement of 16 per cent on sales at the start of the TAM assistance for each enterprise. The impact of TAM projects on turnover and on the labour force differs according to the size of the enterprises. Smaller enterprises are more likely to have increased employment by the

end of a project. The impact on enterprises with less than 250 employees is very positive, with turnover increasing by more than 35 per cent, and employment by 16 per cent. However, for enterprises with over 300 employees, labour force restructuring is often necessary in order to be competitive and there is usually a short-term reduction in employees. This enables the enterprises to survive and then to expand and increase employment as profits improve.

Successful enterprises also attract investment and, by the end of 2000 and where reliable information is available, 96 TAM enterprises had attracted US\$ 860 million of external finance, of which US\$ 308 million was from the EBRD and EBRD financial intermediaries. The TAM Programme has been evaluated twice, in 1997 and 2000, on behalf of the European Commission, and by the EBRD Project Evaluation Department (PED Report, dated February 1998). All evaluations concluded that the delivery and impact of the Programme is "highly satisfactory".

TAM also has its own independent internal evaluation system for management control. Each project is rated upon completion. To date, some 411 projects have been rated and more than 80 per cent are rated as "satisfactory" or better. Some 28 projects have been closed early. Most early closures are due to lack of commitment from the management, or to enterprise owners modifying the objectives of the enterprise or refusing to support transition.

The project success rate has remained relatively steady since 1993, even though TAM has now expanded operations to the more economically and commercially challenging low transition countries.

TAM continually updates its database of experts and modifies the approach to enterprises in specific countries or industry sectors, in line with any significant lessons learnt from projects which are rated as less than satisfactory.

Success stories – Light bulbs, Ukraine

A light bulb manufacturer in Ukraine had a severe problem, common to many other TAM projects. Production was about half of the capacity, and energy consumption and other production costs were high compared with production levels. The company had no marketing department and there was a lack of working capital and cashflow due to a high proportion of barter transactions. There was no formal business plan.

TAM recommended that barter trade be terminated, and initially the company suffered a large decrease in sales. However, after the establishment of a marketing department for both domestic and export markets, these losses have been turned to profits. This was achieved by increasing the production volume by 40 per cent and reducing the cost of production by more than 30 per cent. A viable business plan is now in place and cashflow is positive.

The TAM team recommended investment to re-build the manufacturing equipment so as to reduce energy consumption and to improve the quality of the glass bulbs. This investment will take place in 2001, and the management of the company has requested another phase of TAM support to deal with implementing expansion plans and environmental controls.