

SOVIET-AMERICAN JOINT VENTURE
SAMAN

ANNUAL REPORT
on industrial activity
of J.V. SAMAN
1990

Moscow 1991

1. INTRODUCTION.

Soviet-American Joint Venture SAMAN (Soviet and American Managers) was registered by the Finance Ministry of the USSR on January 8 1990 ,on the next day after Christmas according to the Orthodox Calendar. Such a coincidence gives birth to rich associations.

The SAMAN founders are the Moscow Management Institute in the name of Sergo Ordzhonikidze- a leading institute in the USSR in the sphere of managers training, and the W.C.Norris Institute, USA- an independent social organisation which aims to improve educational organisation and computerisation, scientific-technical and social progress development.

The American side provided the Joint Venture with calculating and telecommunicational technique, effective software and instructors; the Soviet side provided the housing, equipment and the enterprise personell.

The activity of the newly created joint venture includes the following points:

- educational , industrial, consulting, informational, organisational.

It is carried out in three main directions:

1. entrepreneurship training in the sphere of industrial innovations and training of informatics connected with the management and training improvement;

2. production and realisation of computer based training courses on management and other spheres;

3. consulting and organisation of enterprises connected with industrial innovations on the territory of the USSR, USA and third-world -countries.

In accordance with these three directions the Soviet-American Joint Venture Saman is rapidly broadening its activity and is interfering into different branches of People's Industry . It allows to work and develop successfully notwithstanding the political and economical non-stability, the perstroika in the Soviet industrial and political structures.

The Soviet-American Joint Venture SAMAN is unique in its way. The aim of its creation and functioning is attraction to the country of newest computer training technologies, innovative managemnt experience , introduction of new scientific-research

progress economical mechanisms and progressive forms of organisation and integration of science, education and industry. Thus the J.V.SAMAN activity is concentrated in the spheres which in all civilised countries are not linked with economical effectiveness (profits) but form a basis of the future social-economic development.

During the whole 1990 J.V.SAMAN worked in conditions of full self-cost and self-financing of its development. So SAMAN may be included into the small number of successfully functioning enterprises which at present time form less than 10% of the total number of all the Joint Ventures having been registered in the USSR.

2. ACTIVITY OF THE J.V.SAMAN IN 1990.

The whole process of the J.V.SAMAN development which has been projected in the technical-economical reasonability (TER) of joint venture setting up may be looked upon as a periodical process. It is represented on FIG.1.

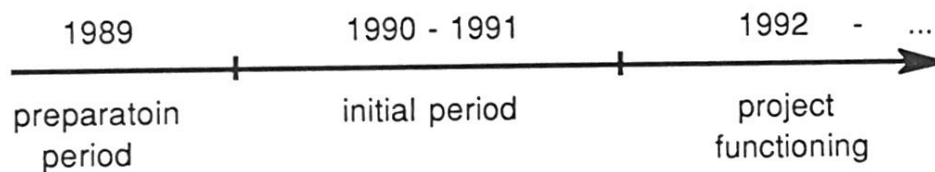


FIG.1. Development of the J.V.SAMAN in process.

In the preperation period in 1989 the basic documents on the J.V. setting up were developed and the J.V. was registered by the Soviet State. Acquaintance of the future J.V. personnel with the innovative technical and programming means for the computer-based training development and the future personnel instructing was also carried out. The housing for the J.V. was provided and repaired. The preparation period had been finished by the beginning of 1990 and it was carried out successfully on the whole. That's why the J.V. began to work immediately after it had been registered by the Finance Ministry of the USSR.

During the initial period of the J.V. functioning which lasts two years according to the TER ,equipment of SAMAN with furniture, organisational techniqe, telephone and telefax communications was carried out. The security of the SAMAN

equipment included setting up of a security sirene, mounting of window -iron grates and iron entrance door. By the end of 1990 the SAMAN equipment was finished on the whole and the J.V. had 10 housings with total square of 185 square metres. The housing structure is represented on TABLE 1.

TABLE 1. J.V.SAMAN housing in 1990.
(Headquarters, Moscow, Ryasansky Prospekt 99,building 3)

N p.	Name of the room	Square in square metres
1	reception hall	35
2	secretariat	14
3	computer class 1	39
4	General Director's room	19,5
5	storage	10
6	telecommunication room	3,0
7	directors' room	19
8	computer class 2	34
9	cloakroom	9
10	toilet room	2,4
	all in all	185

In the beginning of the 1990 Professor Arana Greenberg and Dr. Walkert Baulk (Amsterdam University, USA) visited SAMAN with the aim of further instructing of SAMAN employees on the work with American technique and AUTHORWARE system. At the sme time SAMAN was being equipped with the necessary calculating and communicational technique from the USA. By the end of 1990 SAMAN had the following equipment:

Ten computers of IBM type, including 7 workstations, an extra server for the existing network , made on the IBM computer base, and two autonomic machienes for educational purposes.

Two computers of the Macintosh type (MAC-SE, MAC-2) for the computer-based training courses development.

Five printers, a scanner, five mice, a telefax device, a modem for the Macintosh computer.

One video unit of Japanese production (a TV-set and a video for training purposes).

All the above mentioned technique is in perfect order and is used for 10-12 hours a day.

By the end of 1990 SAMAN had 16 employees, 8 of them being permanent workers, 8 employees working part time. 2 MIM students had training practice at SAMAN.

During 1990 SAMAN held works on 25 agreements and on one hard currency contract. The total amount of works in 1990 counted 282 thousand roubles which was in 5,6 times more than the sum predicted by TER on J.V.setting up (it was predicted to be 48 thousand roubles) . The total amount of work in hard currency was about 46 thousand USA dollars.

The results of SAMAN financial-industrial activity in 1990 are the following:

Profits from production realisation and service	282091 roubles
Profits from service realisation for hard currency	27034 invalute roubles
Stable profits (peni, course difference)	3253 roubles
<hr/>	
Total amount of profits:	312 648 roubles

Expeses on production manufacturing and service :

- wages	281165 roubles
- social insurance	5757 roubles
- housing hire	6000 roubles
- equipment amortisation	3026 roubles
- extra expenses (business trips, expenses on private cars using,etc.)	17735 roubles

Total amount of expenses: 313 683 roubles

The result of annual work- a loss of 1035 roubles.

For entrepreneurship training connected with industrial innovations the American side provided SAMAN with a unique course "Utilisation and Management of Technology" worked out by Dr. Araon Gallman from the Pennsylvania University. The aim of the course is to teach managers and administrators in scientific business sphere how to form and bring into life plans on new production marketing and development on scientific basis. The course is module-structured and consists of 24 modules.

In 1990 the first five modules arrived to SAMAN. However, the difference in ways of thinking and in economical structures between the USA and the USSR did not allow the modules' direct use in training of Soviet specialists. We had to adapt the modules to the USSR reality. The first four modules were reconstructed completely and we prepared a lecturer for giving lectures on them. After the testing period in traditional form the course will be computerised and offered for sale within the USSR.

In 1990 on the qualification improvement courses at SAMAN two groups of Educational Institutes teachers were taught, each group consisting of 5 people. The courses lasted 10 days and covered the sphere of computer-based training courses development, work on a computer of the Macintosh type and work with the AUTHORWARE system.

In 1990, with the aims of better utilisation of SAMAN technique a series of fortnight courses was organised on computer training of Soviet specialists to work in a modern computer network. We trained 3 groups of MIM employees (18 people, for a reduced price), employees of foreign offices in the USSR, employees from the Ministry of Energetics of the USSR. The whole number of people trained at SAMAN on a commercial basis in 1990 counts 49 specialists, and 42 MIM students were trained free of charge.

In 1990 with the help of the technique and the AUTHORWARE programme means delivered to SAMAN by the American side we were developing 8 computer-based training courses, 3 of them having been completed. The completed courses are the following:

"Programme Language Basic";

"Electrical Network Loading Calculation";

"The English Language through Management".

Besides we have made an original programme "Run COA Loader" which allows to use Soviet computers with a small memory

for the courses made on the AUTHORWARE.

The acquaintance of the SAMAN staff with the technique and programme means for the computer-based training courses development began in the summer of 1989 when Arthur Hill, a Professor of the Minnesota University came to Moscow. Owing to his efforts the future SAMAN personnel mastered these means and in 1990 three small computer-based courses were created and a module on a broad course on animal husbandry.

The main form of organisation which SAMAN supports is a minor scientific business, i.e. setting up in the USSR of a great number of minor innovational enterprises (ME), venture firms, auction societies in the future, and societies with a limited responsibility. The SAMAN aim in setting up of ME and other new forms of economical activity organisation is development of main project decisions on scientific business and of mechanisms of privatisation of production means and business in practice.

In 1990 SAMAN founded two minor enterprises and a branch enterprise in Kislovodsk.

The minor enterprise "Precision Measuring Devices" (ME PMD) manufactures and sales a small hardness-measurer with an electronic measuring appendix which allows an effective measure of hardness of atomic power stations constructions, building objects and huge machines directly while their manufacturing. In 1990 three such devices were manufactured, approximate price of each being 25 thousand roubles.

The minor enterprise "SAMTECH" (ME "SAMTECH) in the town of Vladimir is organised with the aim of distributing of the SAMAN Charter activity in the Russian Federation. It was created as a part of The House of Science and Technique and is oriented on activity similar to SAMAN's one in the Vladimir region.

The SAMAN's branch in Kislovodsk is created for management training and consulting of the new economical structures employees in the Northern Caucasus. Besides, the branch enterprise will bring into life SAMAN's programmes on rest and curing organisation.

The main form of integration of science, education and industry which SAMAN supports is setting up of scientific parks and incubators. In 1990 an Intentions Protocol between the W.C.Norris Institute and the State Committee of the USSR on Higher Education

was signed which intends to utilise SAMAN technical and programme means for working out of main project decisions and the richest 25-year-old experience of the American founder in the sphere of organisation of technoparks, technoplices and scientific incubators.

In 1990 SAMAN carried out broad consulting activity which brought near 74% of the total annual profits. In the end of the year the SAMAN consultants formed an independent self-costing branch URIN and broadened their activity to foreign firms. The most large URIN's project was consulting of the organisation of the Soviet-Japanese joint space flight with the TBS firm in the Baikonur cosmodrome and in the Zviodniy Town.

The structure which SAMAN has gained by the end of 1990 is represented on FIG.2.

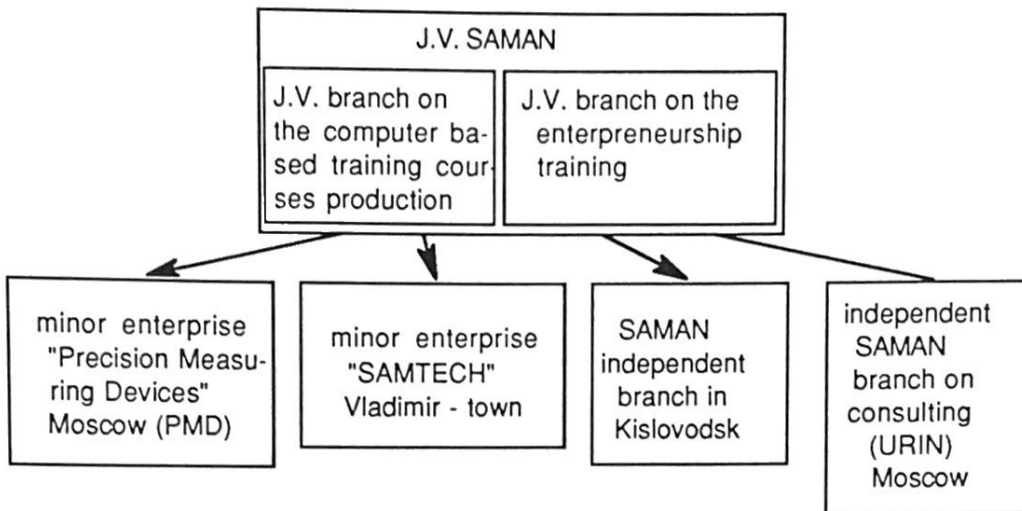


Fig.2. SAMAN structure in 1990.

By the end of 1990 the J.V. management structure has been formed which is represented on fig.3.

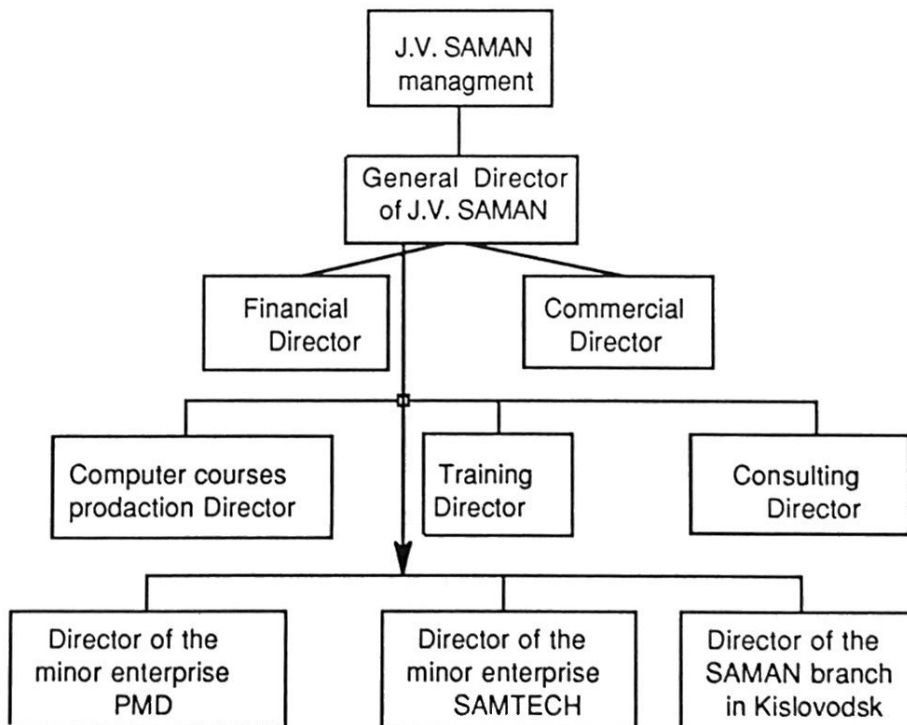


Fig.3. SAMAN management structure in 1990.

3. BUSINESS CONCEPTION IN 1991.

The whole strategy of SAMAN development in 1991 will be defined by the following circumstances:

- a transfer from the monopoly state property on the production means to the business privatisation and its realisation in practice in many different forms;
- a transfer to a market economy;
- enlarging of the openness of the Soviet society;
- foreign investments into the USSR economy and credits;
- constant changes in the Soviet jurisdiction;
- the necessity of solving of the food problem.

The SAMAN business-plan for 1991 is composed on the basis of the following suggestions:

- in 1991 political and economical non-stability will take place in the USSR;
- state property will remain the basic one;
- Union jurisdiction on J.V. will not have considerable changes;
- a home market of computer courses will begin to form;
- in 1991 home convertibility of the Soviet rouble will be introduced;
- foreign trade will be most of all a barter one.

In the above mentioned conditions the demands of our customers in the entrepreneurship training will be oriented on the experience of the foreign economical structure, foreign activity of state enterprises, on the experience of the scientific incubators, technoparks and technopolices organisation and central support.

There will remain a large demand on the informatics training connected with the management organisation, especially on the initial computer training and on the work in personal computers network.

SAMAN doesn't expect any considerable profits from the training activity as the educational sphere is one of the poorest spheres in the USSR. In the best case we may gain self-costing of this direction though even self-costing will demand great efforts as the expensive technical base demands large expenses on the amortisation.

The computer-based courses development in the Russian language will be slowed by the lack of the market of such courses in the USSR. That's why it would be better to develop such courses in accordance with the direct orders from certain customers .

The computer-based courses development in the English language is possible only on the agreement basis or as risky ventures.

SAMAN doesn't expect considerable profits from the computer courses development activity. Small market, large expenses on the advertising and test samples, expensive programme and technical means with quick amortisation make the finances of such J.V. direction unstable.

The consulting and organisational activity in 1991 will be the main source of SAMAN profits in roubles and in hard currency.

The profits gained from this activity will be used to form a reserve fund, to develop the J.V. technical base , and will also be invested into the setting up of the scientific business minor enterprises which will be created by SAMAN in 1991.

The total volume of the J.V.SAMAN services in 1991 in thousands of roubles and \$.

type of service	1990 report	1991					total annual sum
		I	II	III	IV		
r o u b l e s	training	31,5	10	15	15	20	60
	production	30	10	10	15	15	50
	consulting	220	50	55	60	65	230
H C \$	training	-	-	2	5	8	15
	production	20	-	5	10	15	30
	consulting	26	35	40	45	50	170

— 340
215
—
555

Estimating
1.1 million
roubles
revenue

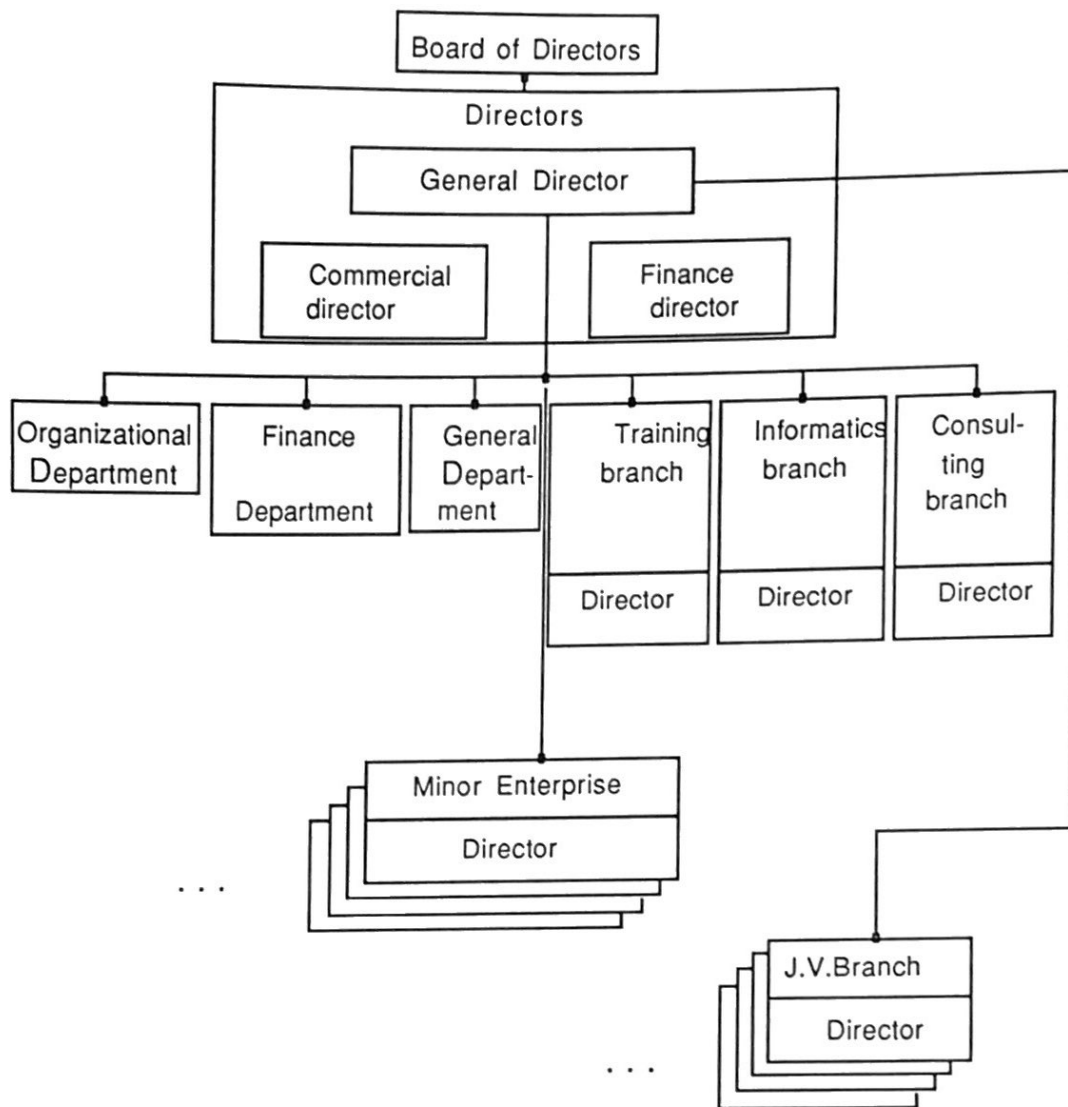
Expenses on the SAMAN activity in 1991 , in thousands of roubles.

Types of expenses	1990 report	1991				total annual sum
		I	II	III	IV	
1. Housing hire all in all	6	4.5	5.5	8.5	9.5	28
- headquarters	5	2.5	2.5	2.5	2.5	10
- auditoriums	1	1	1	2	2	6
- hotels and accommodation	-	1	2	4	5	12
2. Housing repair and equipment	4	2	2	2	2	8
3. Buying of small items for sekretariat	1	1	1	1	2	5
4. Transport expenses	5	3	3	4	5	15
5. Wages	229.5	60	70	80	90	300
6. Representative expenses	6	2	2	3	3	10
7. Buying of equipment	30	30	30	40	50	150
8. Advertising	6	3	3	4	5	15

Profits from SAMAN activity in 1991.

type of service		1990 report	1991				total annual sum
			I	II	III	IV	
r o u b l e s	training	6	2	3	3	4	12
	production	-	3	3	5	5	16
	consulting	-	15	16	17	20	68
H C \$	training	-	-	1	2	4	7
	production	2	-	2	4	9	15
	consulting	6	10	13	13	16	52

Organisational structure of the J.V. SAMAN in 1991.



A shedule of the meetings of SAMAN Board of Directors in 1991.

1. May 5-15 - Minneapolis, USA, the main point - discussing of the SAMAN business-plan for 1991.

2. November, Moscow, USSR
the main point - discussing of the results of SAMAN work during 9 months of 1991.

The extra meetings of the SAMAN Board of Directors may be held in case of emergency.

The meting of SAMAN Board of Directors
(a standard shedule)

1. Confirming of the schedule.
2. Check of the former protocol fulfillment.
3. Directors' Chairman report and Vice Chairman report.
4. A report of the General Director:
 - on the enterprise's structure and connections;
 - on the first direction of activity
 - on the second direction of activity;
 - on the third direction of activity;
 - on the finance affairs of the J.V.;
5. Other information.
6. Suggestions on decision making in the spheres of:
 - strategy;
 - investments;
 - business-plans;
 - new projects.
7. Other points.
8. Confirming of the date of the next meeting (date, month, place).

The standard shedule in each particular case may have additions, may be confirmed and adapted to certain demands.