FOREIGN DIRECT INVESTMENT AS A FACTOR OF CHANGE: THE CASE OF SLOVAKIA

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This paper is a result of the examination of a number of foreign direct investment cases in Slovakia since 1993. The research is based on interviews with expatriate and local enterprise managers, the official statistical data and other government information, and review of information available in international and Slovak economic press. The author gratefully acknowledges the support of the William Davidson Institute and also thanks Dan Danison, Brad Farnsworth, Nandani Lynton, Vlado Pucik and Irina Zinovieva for their valuable comments on an earlier draft.
1. Introduction: FDI as a factor of change

In order for the transitional economies of Central and Eastern Europe (CEE) to be successful, it is essential that large, previously state-owned socialist companies learn to operate under newly-created market conditions. This ability to change depends on various internal and external factors. One key factor is also foreign direct investment in indigenous companies and their gradual transformation through the transfer of capital, technology, and know-how in various areas, as well as from better access to foreign markets. These elements, together with importation of new managerial ideas and practices, are critical to the process of enterprise change and restructuring in transition economies. Local firms have to drive growth and change in these economies, but foreign investment can also make a highly valuable contribution.

Conventional wisdom holds that foreign direct investment (FDI) will be an important force for change, reconstruction, and growth in the exhausted Central and Eastern European economies (UNCTAD, 1995: 104). The authors of the next report also argue that economic growth and FDI inflows are closely related in CEE economies. They argue that their research results show that FDI accelerates economic growth and that economic growth leads to more FDI, in a virtuous circle (UNCTAD, 1996: p. 66 - 67). They point out that the Visegrad or CEFTA (Central European Free Trade Association) group (Poland, Hungary, the Czech Republic, the Slovak Republic, and Slovenia) had the highest growth rates and accounted for over 65% of inflows to the CEE region in 1995.

FDI inflows to CEE have soared to record levels. Having remained stagnant in 1994, FDI inflows to CEE nearly doubled in 1995, when they reached an estimated US$ 12 billion. In 1995, the region of CEE accounted for 5% of world inflows, compared with only 1% in 1991. (The expectation for the year 2000 is 10%). This growth was driven not only by waves of privatization, but also by economic recovery in some countries, especially in CEFTA countries. FDI inflows to the region have grown rapidly: FDI stock reached over US$ 63 billion in the first half of 1997 (Business Central Europe, 1997) compared with US$ 33 billion in 1995. The strongest proponents of the role of FDI in CEE (see Dunning 1993: 20) argue that multinational enterprises supply many of the necessary ingredients for economic growth, the reshaping of attitudes toward work and wealth creation, the redesigning of the business and legal framework, etc. Paliwoda (1997: 27) also underlines that the Central and Eastern European nations are seeking to regenerate their economies quickly, which is a task in which FDI plays a pivotal role.

There are many articles about the role of FDI in transitional economies. While it may be accurate to assert that the highest levels of restructuring are to be found in enterprises with FDI, the precise nature of restructuring and change in these companies at the firm level, as well as their impact on other local companies and their functional environment, has not yet been described and analyzed in a systematic fashion. Case studies of enterprises with FDI are common: these usually describe the changes, conflicts and results after the entry of a foreign investor into the previously state-owned company (see for example Fogel, 1995, Nilsson, 1996).

Some authors point out that foreign investors should be more aware of the unique conditions in CEE, particularly of the obstacles to organizational change, which include such internal factors as unfavorable employee or managerial attitudes and incompetence, and external barriers, such as the legal environment and structures for corporate governance (Petrice, 1995:14). On the other hand, several authors, especially from CEE, have a different perspective: they try to evaluate the positive and negative impacts of FDI on indigenous companies, and they do not pay attention to local obstacles (Balazova, Valent, 1995, Otrata et al., 1996).
While many specialists emphasize the important and dynamic role of FDI in CEE economic transition, several empirical studies point to the fact that the experience of FDI in the relatively short period of transition is still uneven. Some studies focus on the implications of FDI for the former East Germany (for example, see Grabher, 1997), Hungary (see Sadler, Swain, 1994) or Slovakia (see Ferencikova, Smith, 1997). A study of the Vienna-based WIW research institute done by G. Hunya (see Hunya, 1996), shows a dramatic dichotomy between multinationals and local companies in Hungary, which is the biggest recipient of FDI among CEE countries. Hunya concludes that companies with foreign involvement may well be the only dynamic part of the Hungarian economy: they have clear strategies, invest more, restructure more rapidly, and have modern technology, management, and Western market access. The issue is whether these advantages benefit local companies and the Hungarian economy as a whole, as well as the question of how to spread these positive features throughout the whole economy. Many companies with FDI are modern islands of export-oriented processing and assembly, often with high unemployment and abandoned capacities in traditional industries. Hungary's economic growth is slow, with a rising current-account deficit, unemployment, and inflation. Foreign investors also contributed to these problems via large initial lay-offs and a tendency to import more than they export. The question is whether and when the major benefits of rapid restructuring and high investment inflow should come.

2. Situation framework, aim and methodology: FDI in the Slovak manufacturing sector

The aim of this paper is to examine the impact of foreign investors on local companies and their environment through a discussion of company case studies in the Slovak manufacturing sector. The basic questions addressed by this research are as follows: How important is FDI as driver of change in local companies and their environment i.e. how strong is the influence of foreign investors on various areas of activity of these companies and on their operational environment such as the national economy? In which areas is the impact of FDI strongest and where is weaker than expected? The chosen cases were all originally joint ventures, although some of them were subsequently bought out by foreign investors. In my opinion the joint venture form is particularly useful for examining internal change in local companies.

Each case study includes the impact of FDI on:

(1) change in the local company (joint venture): technology transfer, market access, the transfer of management and marketing know-how, implementation of human resource management, changes in the production profile as well as in the volume and quality of production, and changes in overall productivity,
(2) change in the local parent company (impact of foreign investor on local partner): learning process, the increase of cooperation or competition, impact on labor force,
(3) change in the local environment (economy) in which the joint venture operates: impact on employment and labor force, diffusion of managerial ideas, impact on the local suppliers, the increase of competition, marketing issues (better supply and services on the domestic market), and export performance.

Manufacturing has been chosen because most FDI in Slovakia has been located in the manufacturing sector (47.5% of FDI stock in 1996). The possibility of change resulting from FDI is therefore likely to be significant in this sector (at the same time this sector will be the most difficult to change and the most expected to change with regard to restructuring projects of Slovak economy). Finance and insurance have also received a large proportion of FDI (26%). The third significant sector is wholesale and retail (18%). Although Slovakia has much potential for
tourism, hotels and restaurants have attracted only just over 1% of FDI. The share of the other sectors (e.g. transport, construction) is also very low (about 1 - 2%).

The joint venture structure as a form of entry into the Slovak market is the most typical for manufacturing: in 1995 in Slovakia 90% of FDI in manufacturing was placed in joint ventures, with only 10% in wholly-owned subsidiaries. (Ferencikova, 1997a:9). Manufacturing has only a small amount of greenfield investment or investment in wholly-owned companies because foreign companies seek out production facilities with existing equipment, skill levels, market knowledge, etc. At the same time, manufacturing requires a much higher volume of investment than, for example, distribution or tourism and in this sense it is riskier. Therefore foreign companies prefer to share capital costs and entrepreneurial risk in manufacturing by establishing joint ventures and using existing capacities, at least at the first stages of their activity, when they are still testing the environment and market. Many investors saw CEE as a prime site for access to new markets after 1989. Therefore they tried to ensure this access by building upon the local knowledge of existing domestic firms. Furthermore, in many cases, they were required by the host government to enter into joint ventures with state-owned firms.

Recently we have noticed a new trend in investor strategy, especially among large multinationals. This trend we call the incremental take-over of ownership of joint ventures. In several instances in Slovakia during the last two or three years, multinationals have steadily increased their equity share in joint ventures (including the biggest investor in manufacturing, Volkswagen). There are a number of reasons for this: (1) the global strategy of the MNC, (2) conflicts between the Slovak parent and foreign investors over joint venture strategy and over the control of key services such as energy (joint ventures are usually situated in the former plants of Slovak parent companies), (3) the inability or unwillingness of the Slovak parent to match investment funds required to maintain existing shares of ownership, and (4) financial problems in the Slovak parent company requiring the sale of its shares in the joint venture (see Ferencikova, Smith, 1997: 8).

By the middle of 1996, altogether 9,419 entities with foreign involvement had been established in Slovakia -- 3,793 (40%) of them were wholly-owned foreign companies with the volume of FDI of SKK 11,862 mil. (US$ 395 mil.). 5,626 (60%) were joint ventures with the foreign capital totaling SKK 12,343 mil. (US$ 411 mil.) and the domestic capital of SKK 8,803 mil. (US$ 293 mil.). It means the average wholly-owned foreign company was very small -- it placed only US$ 104,000 in its business in Slovakia. The average foreign participation in the joint venture was also low--US$ 73,000. About 80% of all companies with FDI in Slovakia are even smaller; they have fewer than 20 employees (many of them have 1 - 2 employees) and the volume of FDI in such companies is less than US$ 3,000. Typically, they import and sell foreign goods on the Slovak market, and it would unrealistic to expect a big contribution to the change of local companies from companies of this type. On the other hand, there were only 208 companies with more than SKK 10 million FDI (about US$ 330,000) by the end of 1996, but their share of total FDI placed in Slovakia reached 92%. Therefore we expect this group to contribute to changes in local companies and the local economy to a much greater extent than smaller investors and therefore the chosen cases are all bigger investors (over SKK 10 million).1

All selected joint ventures in the sample manufacture sophisticated products belonging to either engineering, electrotechnics, or the light chemical sector. These sectors are considered to be very important for restructuring Slovak industry, in which heavy industries (metallurgy, heavy engineering, chemical raw materials) traditionally play an important role. The choice of joint ventures includes some small- and medium-sized companies as well as the biggest firm in this category. The chosen companies were all originally joint ventures with the majority of parent
companies from developed economies, a half of them were subsequently bought out by the foreign MNC. The sample includes six companies with volume of FDI: one of them is a company with the largest volume of FDI placed in Slovak manufacturing (the category of investor with an investment over SKK 1 billion), four companies attracted FDI ranging from SKK 100 million to SKK 1 billion, and the smallest company belongs to the group between SKK 10 million and SKK 100 million. The group also represents a variety of national sources of FDI (American, Austrian, French, and German capital) and geographic diversity within Slovakia (the Slovak capital, Western, Central and Eastern Slovakia).

As mentioned above, the sample consists of six companies. The first one -- a car producer Volkswagen Bratislava, originally a Slovak-German joint venture - is the biggest foreign investor in the industrial sector in Slovakia. This company is located in the Slovak capital Bratislava. As for the volume of FDI, the next four companies belong to the category with the foreign contribution between SKK 100 million and SKK 1 billion. Whirlpool Poprad, originally a Slovak-American joint venture, produces washing machines in a small East Slovakian town called Poprad. The next company - Alcatel SEL THL - is located in the even smaller town Liptovský Hradok in Central Slovakia. This German-French-Slovak joint venture produces telecommunication systems. Detergents and other chemicals are being manufactured in Henkel, an Austrian company (originally a Slovak-Austrian joint venture) with the plant in West Slovakian town Nove Mesto nad Vahom. Hoechst-Biotika - a Slovak-German joint venture is a pharmaceuticals producer with the headquarters in a Central Slovakian town Martin. BC Torsion - a French-Slovak joint venture - is the smallest examined joint venture established in a very small West Slovakian town Brezova pod Bradliom. Its production program involves various types of fences and wires.

Table 1 Selected economic indicators of examined Slovak joint ventures in 1996

<table>
<thead>
<tr>
<th>Company</th>
<th>Share of investor</th>
<th>Turnover</th>
<th>Profit before tax</th>
<th>Export</th>
<th>Share of export on turnover</th>
<th>Numbers of employees</th>
<th>Turnover per employee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>original (%)</td>
<td>current (%)</td>
<td>(SKK mil)</td>
<td>(SKK mil)</td>
<td>(SKK mil)</td>
<td>(%)</td>
<td>(SKK mil)</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>80</td>
<td>100</td>
<td>18,187</td>
<td>501</td>
<td>17,479</td>
<td>96</td>
<td>1,955</td>
</tr>
<tr>
<td>Whirlpool</td>
<td>44</td>
<td>100</td>
<td>2,684</td>
<td>510</td>
<td>1,517</td>
<td>57</td>
<td>348</td>
</tr>
<tr>
<td>Alcatel SEL THL</td>
<td>60</td>
<td>60</td>
<td>6,331</td>
<td>227</td>
<td>1,261</td>
<td>54</td>
<td>400</td>
</tr>
<tr>
<td>Henkel</td>
<td>51</td>
<td>100</td>
<td>1,480</td>
<td>n</td>
<td>482</td>
<td>33</td>
<td>220</td>
</tr>
<tr>
<td>Hoechst-Biotika</td>
<td>52</td>
<td>52</td>
<td>635</td>
<td>39</td>
<td>311</td>
<td>49</td>
<td>300</td>
</tr>
<tr>
<td>BC Torsion</td>
<td>51</td>
<td>51</td>
<td>140</td>
<td>n</td>
<td>101</td>
<td>72</td>
<td>114</td>
</tr>
</tbody>
</table>

Source: Trend 1997c and internal materials of companies

Our attempt is to create a small, but as far as possible representative sample of manufacturing companies of various sizes, locations, origins and contributions of parent companies in order to determine common FDI-effects on them and their environments. To lesser extent, the choice was also driven by the willingness of managers of these companies to cooperate in this project i.e. the data were mostly collected through interviews with managers and from the internal materials of companies. A lot of useful information was also obtained by monitoring the economic press and the statistical surveys. Each study deals with five key points: (1) short history of the joint venture, (2) internal processes of change and their results (3) management and employees, (4) suppliers and distribution, (5) summary - the major areas of change.
3. Case studies of selected joint ventures in manufacturing sector in Slovakia

a) Volkswagen - BAZ case study

A joint venture as the fulfillment of an old dream to localize automotive production

**History of the company**
Built in 1975, BAZ (Bratislavske automobilove zavody - Bratislava's car factory) had never been fully in use. Therefore, after the so-called velvet revolution in 1990, the government decided to allow the entry of foreign capital into this factory to fulfill its original aim -- car production. After winning a contest with General Motors for an 80% stake in BAZ, the German company started its operations in Bratislava. Volkswagen became the biggest foreign investor in the industrial sector in Slovakia and the second largest investor after the US retailer K-Mart. Volkswagen's motives for entry were: (1) excellent location, with Bratislava situated at the old intersection of trade routes in Europe on the Danube, only a few miles from the Austrian, Hungarian and now Czech markets, and near the capitals of Vienna and Budapest; (2) an existing plant already tooled for car production; (3) a skilled labor force; (4) the chance to open new markets in Central and Eastern Europe; (5) the opportunity to obtain a key position in this area before its main competitors. The Slovak objectives for the joint venture were as follows: (1) to begin car production in the plant, as it was originally intended; (2) transfer of capital and technology; (3) to involve the Slovak parent company in the network of suppliers for the joint venture and the Volkswagen group.

Established initially as the joint venture Volkswagen-BAZ in the 1991, the plant is now owned fully by Volkswagen after a buy-out in 1994 of BAZ's 20% share. As in other cases, the establishment of full foreign ownership occurred after the Slovak parent company welcomed a short term injection of cash to stay afloat in difficult circumstances. Also, as the German parent increased its investment, the Slovak side was not able to follow.

**Internal process of change**
The biggest change in the company was the implementation of a production profile finally aimed at car production. The Volkswagen corporate planners originally envisaged Bratislava solely as a gearbox supplier for plants in Germany. This plan changed for several reasons: the skill level of the workers, domestic market demand, and the need for Volkswagen to reduce the production costs of special editions of the VW Golf (such as all-wheel-drive Golf Syncro), all led to the introduction of final assembly operations in Bratislava in December 1991, starting with the Volkswagen Passat Variant and later the Limousine. It has continued with the models Golf Syncro, Limousine, and the Variant, including the top model Golf VR6 Syncro. The decision to focus VW Bratislava's production on the specific, very labor intensive Syncro was based on the need to reduce the cost of short production run models and to increase price competitiveness on world markets. In May 1997, the assembly of a new model of Volkswagen--the Passat B5--started in Bratislava. Volkswagen Bratislava has also begun gearbox assembly in order to lower the costs of its main German gearbox plant in Kassel. As estimated, for example, costs per gearbox have been cut by up to DM 5, especially as a result of low labor costs. Volkswagen Bratislava also produces components and transmissions for the whole VW group, which are shipped to Germany, Spain, Mexico, South Africa for assembly. The figures shown in table 2 could serve as a proof of a successful internal change.
Table 2 Assembly of cars, assembly and production of gearboxes and components in Volkswagen Bratislava

<table>
<thead>
<tr>
<th>Year</th>
<th>Cars</th>
<th>Gearboxes</th>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>2,230</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>3,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>6,043</td>
<td>44,000</td>
<td>1,767,000</td>
</tr>
<tr>
<td>1995</td>
<td>19,688</td>
<td>186,400</td>
<td>5,770,000</td>
</tr>
<tr>
<td>1996</td>
<td>30,147</td>
<td>259,600</td>
<td>2,612,733</td>
</tr>
<tr>
<td>1997*</td>
<td>16,129</td>
<td>124,006</td>
<td></td>
</tr>
</tbody>
</table>

* January - June 1997

After the successful year of 1996 with the turnover of SKK 18 billion (US$ 600 mil.) and the investment of US$ 33 mil., the management proposed to produce about 29,000 cars, more than 260,000 gearboxes, and 6.8 million components in 1997. The production reached approximately SKK 20 mil. in 1997. The plan for 1997 also was to increase employment by 800 employees. In the year 1997, a further large amount of DM 124 mil. was invested in the Bratislava plant (Trend 1997d). In 1996, Volkswagen was the 7th largest Slovak company in terms of turnover, the 4th largest Slovak exporter, and the 12th most profitable company in Slovakia (Trend 1997c). The expansion of Bratislava's Volkswagen should go on: according to projections the number of cars should reach 70,000 and the number of gearboxes 310,000 in 1998. The increase of employment will be necessary for this increase in production volume: it could reach 3,500 to 3,700 in Bratislava. Together with a daughter company established in Nitra, the number of Volkswagen's employees in Slovakia could reach 5,000 (Praca, 1997).

Volkswagen spent around DM 216 million (about US$144 million) on machines and equipment over the years 1992 - 1996. This has transformed the organization of production, labor relations, management structure, and the forms of network integration, which have shifted to a reliance on external (German) sourced inputs. In Bratislava, flexible production processes are used widely, as the main product—the Golf Syncro—is very sensitive to niche markets. The car assembly plant does not use robots for assembly because the costs of labor are low enough to achieve efficiency. Assembly is highly labor intensive. There is limited use of fixed machinery on the shop floor. To improve productivity, team-working has been implemented. The investment into technology is big, however, in the words of J. Uhrik, the commercial managing director, the investment into training of workers and managers is more important.

**Management and employees**

Employment has increased steadily from 100 in 1991 to 2,000 in 1996. The average worker's wage has also increased from about SKK 5,000 (US$167) to SKK 10,500 (US$ 350) per month, which is about 25% more than the average salary in Slovakia. Volkswagen has invested in the training of the workers, which is reflected in high-quality production. In March 1995, VW Bratislava achieved quality standard ISO 9002 and, in terms of quality, Bratislava's plant belongs to the best twenty plants of the Volkswagen group worldwide. On the other hand, labor turnover is high, partly as a result of labor intensity of production, partly because of the long distance commuting that many workers undertake, and partly because of the location of the plant in Bratislava, which is the region with the lowest unemployment rate, the highest average wage, and therefore the highest possibility of finding a well-paid job at other employers. As a result, an apprenticeship system has
been implemented to train their own workers. The average age for workers is 27, for a manager 37 years. Training has been mostly off-site in Germany. This reduced the need for expatriates in management, who numbered only ten in 1996 (six of the seven top managers are German, and four out of nineteen middle-level-managers). The number of employees in VW has gradually increased: it reached 2,654 in June, 1997, and as mentioned, it is supposed to grow.

**Suppliers and distribution**

The local sub-contracting effects of Volkswagen are limited. Eighty-five percent of components are supplied directly from VW Germany. This supply system involves a daily delivery by a special train. In the first years of the existence of the joint venture, moving components between the plant and five VW sites in northern Germany was difficult. The solution was a daily train link direct to Braunschweig, Germany, introduced in 1995 as a result of border problems and the delay of parts delivery. This 800-km trip via the Czech Republic takes 24 hours and saves DM 4 - 5 million a year. Components are delivered free of import duty as long as the product is exported for sale. (In addition to this concession, the joint venture initially received a two-year tax break.)

In order to decrease production costs Volkswagen has declared its intention of sourcing more components locally. A parity joint venture making electrical systems, in partnership with Siemens (Germany), has been established near Bratislava in Nitra. It should employ 1,200 people and supply parts to VW Bratislava, as well as to other plants in the VW group. VW Bratislava has initiated quality testing in several Slovak companies - 15 of them have met Volkswagen's quality requirements as the first step toward becoming suppliers of VW, but the cooperation goes on slowly. In general, unsophisticated production materials are sourced locally: 80% of them for SK 750 million (US$ 25 million), according to Mr. Uhrík. Some smaller companies employing about 500 people also provide support services for VW Bratislava.

Volkswagen is the leading brand in Slovakia, with a low market share on the local market (8% in the first half of 1997 in comparison to 46% by Skoda-Volkswagen, which is produced in the Czech Republic, and 11% by Daewoo). The main reason is the lower purchasing power of Slovak consumers. It means that most of the production at Volkswagen Bratislava (about 90%) is sold abroad in Germany, Switzerland, Spain, France, Sweden, etc. Volkswagen Bratislava does not market its own products locally, selling to the Slovak market through a distributor.

**Summary - the major areas of change**

Volkswagen Bratislava is a typical example of an export-oriented assembly operations, placed in Slovakia because of an ideal location in the center of Europe and because of low labor costs (the average worker's wage in Bratislava is estimated to be one-tenth of that in Germany). These cost advantages, together with the high-quality labor force and good entrepreneurial conditions, seem to be the prime reasons for Volkswagen's entry into the joint venture and for its success in this region. Volkswagen's plant in Bratislava is an example of successful foreign investment and also proof of important internal changes in a previously inefficient socialist factory. Before the entry of the foreign investor, the parent company, BAZ, was making significant losses every year. Volkswagen succeeded in completely transforming the portion of the parent that became the joint venture. Fixed production program, new technology and new work practices reflecting an increase in labor productivity, advanced management know-how resulting in high-quality products, and their easy distribution on foreign markets through corporate network are features and results of this change.

The impact of this foreign investment on its environment is contradictory, however, because the impact on the Slovak parent company is very limited. The company BAZ never really achieved its
objectives because the partnership with Volkswagen only transformed the portion of the parent's operations that became part of the joint venture. Moreover, the original expectation of the Slovak parent company to become a supplier for the joint venture was never met and it was eventually pushed out of the joint venture completely. On the other hand, the impact of Volkswagen's presence on the local environment in some areas is impressive: the growth of investment, production, exports and employment have all made Volkswagen the biggest and most successful FDI company in Slovakia. At the same time the local sub-contracting effects are still limited and the marketing effect (i.e., better and competitive supply on the domestic market) is low because of low local purchasing power. Local companies as well as local consumers are still not fully able to profit from the activity of this MNC in Slovakia.

b) Whirlpool - Tatramat case study

Joint venture as a way to modernize (and achieve monopoly position)

_history of the company_
The largest direct investor and at the same time the largest American investor in Slovakia used to be K-Mart, a company specializing in retail distribution with an investment of US$ 65 million. In March 1996, the K-Mart Corporation sold its distribution outlets to Tesco, a British company. The largest US investor in Slovakia has become Whirlpool. Its investments reached the sum of SKK 321.6 million (approximately US$ 10.6 million) at that time.

The Whirlpool-Tatramat joint venture was established in a small Slovak town Poprad in May 1992. Tatramat was Czechoslovakia's first producer of home appliances and had a monopoly in certain products (for example, washing machines) in the domestic market at that time. The motives for the creation of this joint venture were as follows: for Tatramat, it was a way of modernizing production and securing additional capital investment. For Whirlpool, the joint venture was a part of a larger strategy to exploit cheap labor and gain market access in Eastern and Central Europe. Whirlpool gained a 43.8% share in the joint venture after a capital transfer of US$ 6 million in 1992. Whirlpool increased its share in the company in 1993 to 49.9% and in 1996 to 72%, totaling a further US$ 5 million in investment capital. At the end of 1996, Whirlpool-Tatramat became a company wholly owned by Whirlpool. This situation arose for two reasons. On one hand, Whirlpool followed a strategy similar to other big investors, gradually increasing its equity share until it took total control of the company. On the other hand, the other parent company needed capital because of falling production and market loss from its existing production of water boilers.

_INTERNAL process of change_
The joint venture and later the wholly-owned company by Whirlpool produces the top loading washing machines and at the same time it sells the whole product line of Whirlpool in Slovakia. The results of the joint stock company, Whirlpool-Tatramat, have been very successful. For example, in the year 1995 the company double its sales, with total turnover greater than SKK 2 billion (approximately US$ 67 million). In the year 1996, turnover reached SKK 2.7 billion (about US$ 90 mil.). In four years, the company became the 37th largest enterprise in Slovakia in terms of turnover, the 23rd most profitable enterprise, and the 25th biggest Slovak exporter. Production has expanded dramatically and in 1995 the company produced more than 217,000 washing machines. In 1996, the company produced 270,000 washing machines. The projection for 1997 was the production of 340,000 and for the year 1998 as many as 500,000 washing machines. By the words of M. Ciran, general director of Whirlpool Slovakia, the total sum of investments reached

In the years 1996-1998 the company has planned investments of nearly US$ 25 million for the new production of the front loading machines (called project Delta). This project will eventually introduce a completely new front-loading machine for the European market, combining washing and drying. To prepare for this product launch, changes must be made to production areas and new technology installed. Until this project, the transfer of technology has been limited. Much of the original tooling has been retained (for example, pressing equipment, cutters) and integrated into the re-worked assembly system. The existing technology was working well and capable of being re-positioned and adapted to the new system. The organization of production has been transformed by the introduction of conveyor assembly, which replaced static production units. Also a new paint unit has been introduced to increase efficiency. Because of low labor costs, full-scale technological modernization was not necessary. On the other hand, further new production lines are being introduced.

Whirlpool-Tatramat is engaged solely in assembly, which means that product development was phased out of the activity of the company. In Slovakia, local Tatramat products have been phased out of production and replaced by Whirlpool products developed and produced in Western Europe and USA. Whirlpool-Tatramat has become the testing place for all Whirlpool's factories producing washing machines in Europe.

Management and employees
Transfer of the Whirlpool company culture, management, and incentive structure has been more problematic than technology transfer. Refusal to agree with Whirlpool management systems, culture and conditions, together with other factors, caused dramatic employment decline. In the year 1992, 750 employees were transferred from the parent company Tatramat to the joint venture, but by late 1996 only 348 remained. Productivity has increased dramatically: from 130 units of output per employee in 1992 to 660 units in 1996. In the year 1992, Tatramat had approximately 2,800 employees. In four years, about 2,200 employees lost their jobs. This problematic situation on the labor market is reflected in the wage levels. They as a whole are not high in comparison to the other joint ventures. Production workers earn approximately the average wage of industrial workers in Slovakia (about SK 8000 or US$ 267 per month). Great emphasis, however, is placed on the system of gainsharing, in which wages depend on company profit and a system of worker recognition based on individual productivity, flexibility etc. One reason for the productivity increase results from just these factors. According to the general director of Whirlpool-Tatramat, (International Business Cooperation 1996b), the enterprise produces more than 250,000 units in a year, but in certain conditions volume can be increased to 750,000 and as much as 1,000,000. Therefore in the future he plans the growth of employment of workers (in 1998 about 100 more people will be employed on production lines), but not the administrative staff.

There are seven top managers in the company, all Slovaks with the exception of the plant director. All other managing positions are also taken by local managers - especially young and flexible. They all work under a new organizational structure introduced after the establishment of the joint venture. Under state ownership, Tatramat, as well as other companies, was essentially run under a strictly top-down management system. Since the joint venture, the company has been reorganized under a simplified matrix structure with four functional operating groups and three support areas (see Whirlpool Tatramat, a.s., 1994).
Suppliers and distribution

According to managers, 9 of 10 top loading washing machines sold on domestic market were produced in Poprad, and 6 of 10 front loading machines were imported from Whirlpool's other plants in Europe. The company also imports other products from Whirlpool's regular product line. It has introduced a new brand, Ignis, destined for the lower income segment. While access to the former Czechoslovak market was a primary motive for Whirlpool's entry into the joint venture, now over 85% of production is exported through corporate distribution network. In the year 1994, the company started to export to other Eastern and Central European countries, as well as Argentina and Western Europe. It is obvious that Whirlpool-Tatramat will play an important role in Western European markets -- the production costs in Slovakia in comparison to the producers in France, Germany and Italy are lower. The local distribution network is created by wholesale and retail companies. The company largely invests in their education in order to improve costumer service.

In order to reduce inventory, storage, transaction and transportation costs, Whirlpool-Tatramat has steadily increased local inputs. While the local share of total inputs was 3% in the first year, it reached almost 40% by the end of 1995 and 60% by the middle of 1997. With the creation of a local supplier network, the company intends to increase production flexibility, reduce costs, and avoid import problems and import duty. Whirlpool-Tatramat has four important suppliers from the former Czechoslovakia: three from Slovakia (Plastika, Nitra; Zavody SNP, Ziar nad Hronom; VSZ, Kosice) and one from the Czech Republic (Plastimat; Liberec). Two new plants established by Czech and Slovak suppliers will be built close to Whirlpool-Tatramat. Consequently, some of the jobs lost during Tatramat restructuring may be replaced by new jobs in these local supply firms. The rate of unemployment is very high in Poprad (nearly 18% in comparison to the average unemployment rate of about 12% in Slovakia).

Summary -- the major areas of change

Access to the former Czechoslovak market and the securing of a strong--even monopoly--market position were primary motives for Whirlpool's entry into the joint venture. Whirlpool has clearly solidified its competitive position in the newly opened markets of Eastern and Central Europe. The use of existing capital equipment, tradition in the production of washing machines, a well-trained labor force, protection of domestic markets secured in the agreement, and low costs are all advantages of its entry.

Similar to the Volkswagen case, the impact of Whirlpool on the part of the Slovak parent, Tatramat, in which it entered, has been significant: Whirlpool brought a new technology, an increase in labor productivity, and management and marketing know-how. These changes might help the part of the Slovak company survive under the new market conditions. The Slovak parent company Tatramat has faced much more serious problems under these conditions, but recently it announced the establishment of a joint venture with an Italian company. This joint venture will produce components for the whole Whirlpool network in Europe. After a rather complicated relationship between Tatramat and Whirlpool, it seems that their relations are now more stable. The Tatramat company is also supposed to supply the newly-launched production of front loading washing machines. This is the main difference in comparison to Volkswagen case, because it seems that Tatramat, after a hard period of struggle for survival, will now be successfully integrated into the Whirlpool supplier network in Europe.

The effect of this company on its environment is significant and contradictory at the same time. Whirlpool is an expanding producer, exporter and employer. The Slovak side may also profit from the multiplicative effect of foreign direct investments (new supply plants). On the other hand,
local production was replaced by imported products and local research and development has been very limited. Whirlpool does not have any direct competitor among Slovak producers, i.e. its investment has strengthened its monopoly position and has not contributed to the growth of competition. Whirlpool Slovakia is a typical export-oriented assembly company. At the same time it imports the whole production line of Whirlpool to the Slovak market. As shown, the question of employment is also interesting: the creation of the joint venture led to both a decline in employment and a rise in productivity.

c) Henkel - Palma case study

A joint venture as a step to better supply the local market

History of the company
The concern Henkel has its headquarters in Dusseldorf, Germany. Its subsidiary Henkel Austria, located in Vienna, has invested largely in the former countries of the Eastern bloc. It established joint ventures in Slovenia, Bulgaria, Croatia, Romania, Poland, and the Czech and Slovak Republics.

The local partner for Henkel in Slovakia has been the Palma company, which produces plant oils, margarines, soaps, and detergents. Palma started cooperation with Henkel Austria in 1989 through the licensing of the detergent Dato, and in 1991 for the other detergent, Persil. After these first steps, the companies decided to move to a closer form of cooperation: in the fall of the year 1991 they established the joint venture Henkel-Palma. The contribution of Palma consisted mostly of machinery and buildings in the Palma plant in Western Slovakia in the town of Nove Mesto nad Vahom (the estimated value of SKK 330 mil.-US$ 11 mil.), while Henkel contributed capital of SKK 350 mil. (US$ 11,6 mil.). In this way, Henkel obtained a majority of 51% in the joint venture, with Palma holding the other 49%. The Slovak parent company Palma-Tumys continues to produce oils and margarines and released the chemical production of detergents to the joint venture.

For Palma, the motives for establishing the joint venture were: (1) access to capital, (2) modern technology and know-how in the production of high-quality detergents, (3) gaining management and marketing expertise, (4) the image of the partner, and (5) an increase in competitiveness. Henkel found in Palma a partner with relatively good and reliable machinery and equipment, a skilled labor force, a monopoly position on the Slovak market (at that time with possible access to the relatively big Czechoslovak market), and well-known local brands.

Internal process of change
The first investment in the joint venture of SKK 200 mil. (about US$ 7 mil.) in 1992 was placed into new filling and packaging lines and into environmental equipment. The production of the joint venture was cut - it stopped producing cleaning products, and it enlarged production of detergents for washing machines. The local research function was abolished: the joint venture has started the production of a typical assortment of Henkel products, together with the production of the best-known local brand. Henkel bought out the Slovak parent after six years; the company has now become the 72nd largest Slovak company by turnover, which reached SKK 1.5 billion (about US$ 50 mil.) in the year 1996. The name of the original joint venture--Henkel-Palma-- was changed to Henkel Slovakia. Its activity includes the import and marketing of Henkel's whole production line, including products made in Austria, Slovenia, Germany, Poland, France, Hungary, Italy, and Denmark (cosmetics, desinfection and cleaning products, glues, etc.).
The original Slovak parent company—Palma-Tumys—was largely unaffected by the selling of its equity share to Henkel: Palma-Tumys is the 32nd largest Slovak company and the 20th most profitable company, now concentrating on the food industry. This situation contrasts with some cases (e.g., Whirlpool-Tatramat or Samsung-Calex), in which the Slovak parent companies faces serious problems, partially as a result of the appropriation of part of the most productive sections of these companies by the joint venture. On the other hand, it is similar to Biotika, who survived its Hoechst-Biotika joint venture to become a relatively successful and profitable Slovak company on its own.

**Management and employees**
The establishment of the joint venture caused the decline of employment of about 10%. Currently, the company has about 213 employees in the producing plant in Nove Mesto, and 40 in the administration and commercial headquarters in Bratislava. The whole company used to be led by two managers - an Austrian and a Slovak. The company had a very simple organizational chart with the production director responsible for the production and technical department, and the commercial director responsible for the sales, marketing and financial department. The sales department consisted of three area managers: one for western, one for middle, and one for eastern Slovakia, who had supervised the activity of commercial agents. The simplicity and effectiveness of the organization were brought to the company by its Austrian partner. Currently, three Austrian managers work in Henkel Slovakia: in the positions of director, financial director, and production director.

**Suppliers and distribution**
In 1996, 67% of the production of the joint venture was exported, mostly to the Czech market, followed by Hungary, Poland, Romania, Slovenia, Croatia, Ukraine, Austria. The other part of the production is sold locally: Henkel's share of the domestic Slovak market is about 50%. The company is supplied mostly through Henkel-Austria, which purchases a large quantity of materials for the whole group, enabling it to achieve volume discounts and partially through the local Slovak companies (chemicals - for example NCHZ Novaky, Duslo Sala, packaging materials - Grafobal Skalica, Papierné Sturovo). The Austrian parent company implemented various types of marketing activities in the joint venture because the company faced increasing competition, mostly from Procter & Gamble, which is based in the Czech Republic. The Slovak parent company did not have any experience in this field. Until 1991, it was not necessary to develop this kind of activity because of the monopoly position of Palma on the Slovak market and its very limited exports. The current distribution network of Henkel in Slovakia is based on commercial agents securing the contacts with private wholesale companies as well as through retailers.

**Summary -- the major areas of change**
Through an early entry, Henkel ensured a monopoly position on the Slovak market. It took advantage of existing equipment, a well-trained and low-cost labor force, and an existing market for the local production as well as for the Henkel's entire product line. The entry of a foreign investor has changed the local company in various ways: it led to technology transfer, increases in productivity, and better and higher quality products.

On the other hand, these changes are mostly limited to a single firm: the company is the only producer of detergents in Slovakia, and the direct link to the previous parent company not longer exists. The changes brought about by the foreign company were therefore mostly realized in the local environment through local suppliers and through employees and managers who took jobs in other firms. Other external impacts include an increase in export performance and an increase in products on the domestic market that meet international environmental standards. Similarly, as in
Whirlpool case, these positive impacts have been followed by the abolishment of local R&D capability and the creation of a monopoly on the local market. A distinction between the two previous cases and Henkel-Palma lies in the transfer of change to the Slovak parent. In comparison to other Slovak parents, Tatramat and BAZ, both struggling for survival, Palma ranks among successful companies. In this case, much change occurred through the indirect linkage with Palma, which learned from the joint venture and the Western partner. For example, this Slovak parent company copied the marketing and management methods of its partner, which has also contributed to its successful results.

d) Alcatel SEL TLH case study

Joint venture in a dying and perspective industry

History of the company
Foreign investment in the former defense sector has been limited in Slovakia. The first significant project has been the French-German investment of DM 12 mil. (US$ 8 mil.) by Alcatel SEL in the telecommunications company of Tesla, Liptovsky Hradok in 1992. The Slovak parent company faced serious problems at the beginning of the 1990's: with the economic crisis and increasing competition from more advanced, technologically dynamic, western telecommunications firms, Tesla experienced a rapid drop in production and employment by one third in 1991 - 1993 to a level of 1,600 workers. xi

The investment of Alcatel SEL is an example of the competitive rush of Western companies for lucrative investment opportunities in telecommunications upgrading in central and eastern Europe. Alcatel understood that for Slovakia, as well as for the other countries of this region, it had become necessary to utilize advanced, western designed and locally produced digital telephone systems to upgrade an obsolete infrastructure. In this way, the joint venture represents a market access strategy in which Alcatel SEL hopes to secure future central and eastern European markets by using its production capacity in Slovakia. Alcatel SEL succeeded in its bid for the majority of the Slovak telecommunications market and for part of the Czech market partially as a result of the establishment of the joint venture with the local partner. In early 1996 the joint venture was awarded a contract of ECU 10.35 mil. financed by EBRD to further upgrade Slovakia's telephone system. In the future, after the saturation of the Slovak and Czech markets and the completion of upgrading contracts by the year 2005, the focus of the joint venture could be shift from production to maintenance and service.

Internal process of change
Alcatel SEL owns 60% of the company, which reflects its leading role in the direction of the joint venture. It used its initial investment to purchase a single factory building from the Slovak parent, which formerly housed the military telecommunications production division. It also purchased new German technology and invested largely in the training of local managers and workers. The establishment of this joint venture has transformed part of Tesla through the introduction of new technology, new production and new work practices. Its results are very successful: in 1996 it became the biggest Slovak company in electrotechnics in terms of turnover (it reached SKK 2.3 billion - about US$ 70 mil.). It ranks as the 43rd biggest Slovak company in all industry sectors by turnover and 21st by profit (SKK 227 mil.--US$ 7 mil.--which increased more than three times in comparison with the year of 1995). It was also the 27th biggest Slovak exporter, with exports totaling SKK 1.3 billion. (US$ 40 mil.). (Trend 1997c). In the meantime, the Slovak parent company Tesla has been facing serious problems in trying to enter the local telecommunications market and has recently entered into a separate joint venture with an Israeli firm in an attempt to
consolidate their market position. The 40% of the joint venture previously owned by Tesla has lately been divided between Tesla (30%) and the Devin bank (10%). The change of the ownership structure in the joint venture as well as in the Slovak parent company together with the changes in management like in the other cases influence the level of cooperation between partners.

Management and employees
At the beginning the joint venture management consisted of three foreign managers and two local managers. In five years the company has been led by two Slovak managers (general director also responsible for commercial operations and technical director) and one German manager in the position of financial director. He is the only expatriate in the whole company.

The initial joint venture agreement envisaged that wage differences between Alcatel SEL THL and Tesla would not be more than 15% in order to ensure that Tesla did not lose the majority of its best workers. In spite of that, wages tend to be much higher than the industrial average, with various quality bonus packages contributing to local wage differentiation. In 1996 the average basic monthly pay for factory workers in Alcatel SEL TLH was SKK 9,590 (US$ 320) and average pay for all employees in the joint venture was SKK 13,739 (US$ 460) - 83% more than the average wages in Tesla (SKK 7,500 per month) and 100% more than the regional wage (SKK 6,853 per month). In addition, the employees of the joint venture receive a bonus of one month's salary as long as company results are good and an additional half-month bonus and performance related pay, which provides up to an additional 40% of basic salary. One half of the employees have graduate degree, mostly from a technical university. There are no trade unions in the company, and due to wage levels, the company has no problems attracting skilled workers. Worker motivation programs have been introduced to increase productivity and to strengthen the high quality of work and career advancement. In order to ensure a skilled labor force, the joint venture initially employed all its production workers from the closed military production division. Currently, 70% of the total 400 employees are former Tesla workers. Interestingly, some of workers who have left the joint venture returned to the Slovak parent company which supports the "spreading" of ideas and attitudes obtained in the joint venture.

Suppliers and distribution
New technology, as well as all inputs and components (with the exception of local energy and labor), have been imported from its existing supplier networks of Alcatel SEL from Germany. Nowadays, the Tesla's share on the inputs of the joint venture is only about 3%. The local production system in Liptovský Hradok is dominated by Tesla and Alcatel SEL TLH, which have only a few subcontracting links between them. There are also three local software companies and two telecommunications companies in the region established by former employees of Tesla, but their level of cooperation with both Tesla and the joint venture is still limited. They provide some services for the joint venture and signed the agreement with it about the future coordination of their activity on the third markets. Currently, the joint venture Alcatel SEL TLH remains an isolated plant surrounded by struggling companies that have been pushed out from the lucrative Slovak market. In 1996, about 54% of the production of the joint venture was exported to the Czech market, the remaining part was placed on the domestic market. The character of the joint venture's products does not ask for a special distribution channels: ALCATEL SEL THL sells its products directly to the Slovak and Czech telecommunication companies. The only difference is that the financial flows by the export to the Czech republic go through the German central which could mean that a part of profit remains in Germany. The company exports not only digital telephone systems and transfer equipment, but also services - it sells connected software on German market.
Summary -- the major areas of change
Alcatel SEL THL is seen as one of the success stories of defense conversion through foreign direct investment. Through its alliance with Tesla, ALCATEL SEL took advantage of a prospective market for telecommunication systems, existing production facilities, and a well-educated, flexible and low-cost labor force. The literal rescuing of a part of a Slovak mother company came about through the introduction of new technology and a new product line, resulting in improved performance, a stronger position on the domestic and foreign market, and a new culture of work. These are the pros of this story and the major areas of change. As proof, the company has recently received the quality certification ISO 9002. The dualistic labor market, "islanding" of the joint venture and marginalization of Slovak companies are more negative features. Although it originally seemed that the Slovak parent company, Tesla, would be almost totally cut off the activity of its joint venture, it has recently become a subcontractor to ALCATEL, the MNC parent. Its contacts with its own joint venture are still limited: to a very small extent it supplies the joint venture and employs its former workers.

Aside from significant changes in the acquired subsidiary, we have noticed some important external effects, including newly-launched high-quality products, profitability, and export and employment growth. The first investment of ALCATEL SEL was followed by the establishment of the software company ALCATEL Slovakia in Bratislava (the company could not be established in Liptovsky Hradok because of the scarcity of the specialists), which employs 90 software engineers and provides services for the local joint venture as well as for export.

e) Hochst-Biotika case study

Joint venture as a way towards world standards

History of the company
Until 1991 Biotika Martin was a small branch of the pharmaceutical firm Biotika Slovenska Lupca producing a series of injections for medical and veterinary use. The headquarters of the company, together with research and development capacities, were located in the main plant in Slovenska Lupca, with another 1,500 employees 100 km away. Biotika Martin, as the name says, was situated in Central Slovakia in the city Martin, known for its large, heavy engineering and armament production. Since 1992, the plant has been transformed by foreign investment from the German pharmaceutical company Hoechst.

The motives for the establishment of the joint venture for the German company were as follows: access to Central and Eastern European markets (production of Hoechst brands which could be marketed using Biotika's local knowledge of the market of the former Czechoslovakia), low cost production (relatively cheap and skilled labor force, including the existence of a medical school for training pharmaceutical engineers and pharmacists in Martin), and the possibility of exporting to other Central and Eastern European countries and Western Europe. The main reason for the decision to establish the joint venture from Biotika's point of view consisted of access to new products and technologies, which meant the possibility of upgrading the quality of products by WHO (World Health Organization) standards as well as the opportunity to compete more effectively on world markets. Part of the reason was also the need to implement new work practices to raise the firm's domestic and international competitiveness.

Internal process of change
An initial investment of DM 11.7 mil. (about US$ 8 mil.) was made in 1992 by Biotika while Hoechst invested DM 10.7 mil. (US$ 7.4 mil.) in new machinery for the production of Biotika's
existing product line of pharmaceuticals, along with a further transfer of DM 2.3 mil. (US$ 1.5 mil.) to Biotika. A further DM 12.5 mil. was invested in 1994. This investment was to a large extent possible as a result of a tax break granted to the plant for its first two years of operation by the Slovak government. The investment guaranteed Hoechst the majority share of 52% in the joint venture. This resulted in the implementation of new management practices, new production lines for Hoechst products in 1994, and the transformation of its human resource and supply systems. Biotika Martin has gone through double change: through market access-led foreign direct investment and through the marginalisation of existing production facilities in the remaining Biotika Martin plant that were not included in the joint venture. After the first years of the existence of the joint venture a further DM 5 mil. was invested in 1996. A part of the 1996 investment was used for the purchase of the new modern filling line, the second of its kind in the Hoechst concern. It is very interesting that Martin plant is ranked as the fourth after a German, an American and a French ones among more than hundred Hoechst's affiliates as for the technology equipment level.

Hoechst-Biotika Martin is considered to be a successful company: technological transformation has changed the output and the efficiency of production. For example, by 1995 Hoechst-Biotika's turnover per employee matched that of Slovakia's largest and most successful pharmaceutical company, Slovakofarma, and profits have increased to SKK 47 mil. in 1995 and SKK 38 mil. in 1996 from the level of SKK 19 mil. in 1992. In spite of the decrease of profit in 1996, Hoechst-Biotika remained the second most profitable Slovak pharmaceutical company, after the market leader and largest company, Slovakofarma, and in front of Biotika Slovenska Lupca and the other joint venture Fermas Slovenska Lupca (Trend 1997c). The current turnover per employee of SKK 2,1 mil. is the highest among Slovak pharmaceuticals companies.

Distribution and suppliers
In the first years of its existence, the joint venture sold all production on the domestic market. More recently, exports have been expanded as the growth of the domestic market has been limited by the slow-down of the restructuring of the Slovak health service. In 1996, approximately 65% of the production was exported, but virtually all of it to the Czech market. The partners of the joint venture on the Slovak and the Czech market are mostly private wholesale companies, and in some rare cases the company sells its products directly to hospitals. In the next two years an expansion to the other Central and Eastern European countries, and possibly Western Europe, is expected. The company also exported its products to Russia (in 1992, 1993), Hungary (1996) and its intention is to enter Romanian, Bulgarian, and again Russian market. However, the limitation of this penetration is the insolvency of the possible partners and consumers. (Trend 1997b). Western market integration should be arranged through Hoechst headquarters in Germany. The use of Hoechst supply chain is also visible: more recently 80% of inputs are imported from Hoechst plants situated elsewhere, primarily in Germany. High quality inputs are purchased abroad, and about 20% of the inputs are supplied from Slovak producers.

In 1996, the joint venture obtained the WHO certificate, what facilitates its entry on Western markets. Since January 1997 Slovakia has also become a member of PIC (Pharmaceutical Inspection Convention) what means that the country is considered as a country with "good manufacturing practice" in pharmaceuticals industry. In this way, the certificates of quality granted by national control institute are internationally recognized and the products of Hoechst-Biotika can be exported to western countries. Hoechst-Biotika is a part of the division Hoechst-Central Europe in Vienna, which includes Austria, Switzerland, Czech and Slovak Republic, Hungary, Slovenia and Croatia. The joint venture is the only production facility of this division, but it also distributes the products of the German parent company Hoechst in Slovakia.
Management and employees
By the establishing of the joint venture, 189 employees were transferred from Biotika out of a total of 250. Employment has expanded by nearly 100 workers to a total of 286. The joint venture has transformed wage levels for employees in the firm. The average monthly wage was SKK 11,000 (about US$370) in 1996 in comparison to SKK 7,154 as the average monthly industrial wage in Martin. That means that the wage of workers in the joint venture was 60% higher then the local average, which is a significant difference. (The average pay was even a little higher and reached SKK 13,400 last year which is almost twice as much as the average wage in the region). The competition for employment is intense: by last estimates there were 5 applicants in the local labor market for each new job created in Hoechst-Biotika, which remains the only significant pharmaceutical employer in the region.

At the beginning of its operation, the top management of the joint venture consisted of three German managers - executive director, production director and financial director. Later the position of financial director has been taken by a Slovak manager, and the German parent company has declared the necessity of a gradual exchange of expatriates for local managers. Currently, the company has four top managers - two of them are Germans, two of them are Slovaks. All middle-level managers are Slovaks.

Summary - the major areas of change
The pharmaceutical sector in Martin has been clearly transformed in the last few years. The establishment of the joint venture using advanced technology has resulted in high profit levels and in the growth of efficiency and product quality. New productive relations have been established and new forms of integration have been developed. The Slovak parent company, because of its minority share and own internal problems, has remained relatively passive in management, preferring instead to take a back seat as long as profits provide high dividends. It is interesting to note that the Slovak parent company and the joint venture signed a "non-competition" agreement over the division of production profile. In this way the joint venture secured a monopoly in the production of medicines in injectable form. Lately, the joint venture also started producing solid medicines (tablets, creams, and unguents). The cooperation between the Slovak parent company and the joint venture was well-developed in the beginning: the Slovak parent company even implemented some elements of the Hoechst-Biotika organizational model in its new organizational structure. Later, with the changes in ownership structure resulting from privatization, the Slovak parent company become more passive. Currently, Hoechst-Biotika is one of the examples of "little islands" in Slovakia because most of the changes resulting from foreign investment are limited to the joint venture. As in many other cases, the establishment of the joint venture has contributed to the creation of a dualistic labor market in which high wages contrast with the growing number of long-term unemployed in the region. On the other hand, its presence in Slovakia and its activity in the Slovak association of pharmaceuticals producers influence other Slovak companies, although it is difficult to measure and evaluate this impact.

f) BC Torsion case study
Joint venture as a contribution to the restructuring of a parent company?

History of the company
BC Torsion was the first Slovak-French manufacturing joint venture, established in 1991 while Czechoslovakia was still a single state. The participants in BC Torsion were the Slovak state-owned company PSB Brezova located in Western Slovakia (the region Senica at that time) and the
French private family company DIRICKX. In 1991, the Slovak parent company was looking for a partner with modern technology, know-how, distribution network, and contacts on Western markets and access to capital resources. It realized that just these assets were needed for survival under market conditions after the decline of domestic industrial production and construction and the collapse of the Soviet market. The French company was looking for a new market, lower costs, an experienced partner with a skilled labor force in a country with a good location for supplying the newly-opened Eastern markets, and to increase its competitiveness by finding new products to complete its product line for the French market. After negotiations, PSB contributed land, buildings and machines for making six-angle-fence wire to the joint venture, and DIRICKX offered plastification production technology, technical assistance necessary for production launching, marketing education and training programs, and other assistance in management decision-making. Their shares in the joint ventures were: DIRICKX - 51%, PSB - 40%, and Slovak Insurance Company - 9% (cash contribution). In 1992 the capital of the joint venture increased by SKK 20 million (US$ 670,000) and the ownership's structure was changed to: DIRICKX -51%, PSB - 28%, Slovak Insurance Company - 21%.

In the meantime, PSB was being divided into independent business units: nowadays PSB with its 50 employees is an administrator and a service provider to six daughter companies located in the space of the former "big" PSB. One of the daughter companies produces fence wire. Although it is a different type from the fence wire produced by BC Torsion, they still compete on domestic market as producers of substitute products. All these changes have led to a passive attitude in the Slovak parent company toward the joint venture. In the past, it even stopped attending meetings of the Board of Directors. Also, the participation of the Slovak Insurance Company was always passive, its investment a kind of portfolio investment. As a result, BC Torsion has changed into a daughter company with strong ties to its French parent company and weak ties to its Slovak one.

**Internal process of change**

For the time being, the joint venture BC Torsion has proved to be a successful one. It is even mentioned as a positive example of foreign investment in Slovakia in the last OECD country report (see OECD, 1996: p. 137). According to this report, 1992 sales reached SKK 93 million (US$ 3 million) and 60% of the output was exported. In 1995, sales reached SKK 124.5 million (about US$ 4 million), out of which 75% was exported to France (14% of the French market) and the Czech Republic. Profit before tax was SKK 7 million (US$ 234,000) in 1995. BC Torsion is expanding its activities by self financing (more than SKK 14 million in 1995) and with a relative small number of employees (100). 1996 sales reached SKK 140 million (about US$4,6 million) and the company continues to expand its activities.

The main changes brought by foreign partner into joint venture have been new work practices, management and marketing know-how and new technology. Leading technology (plastification production technology and technology for welded fence wire) used in the joint venture has been the basis for this company's monopoly in plastificated and welded fence wire on the domestic market. In this way the partnership with a foreign company (and the possibility for obtaining loans from foreign sources under its guarantee) has created competitive advantage on the domestic market. BC Torsion is also the only Slovak producer of six-angle-fence wire. The company has more domestic competitors in the segment of four-angle-fence wire.

**Distribution and suppliers**

The domestic sales of the company were only approximately one fifth of its total sales 1996. The joint venture has gradually strengthened its export orientation. In the first year of its existence, for example, 55% of its production was sold in Slovakia, 45% to France. In 1996 the main export
markets of BC Torsion were France (31% share of total sales) and the Czech republic (23%), followed in smaller extent by the Netherlands, Hungary, Poland, Island, Germany and others (together 25%). These figures are results of the creation of BC Torsion’s own distribution network.

Six years ago, Slovakia had a very simple distribution network for fences, which was created by two big state-owned wholesale companies. After their break-up, BC Torsion faced the task of creating its own distribution network. It started with agreements with distribution agents and selected stores, later switching to distribution through three contract warehouses, based in Western, Central and Eastern Slovakia, which distribute products to retailers and consumers. In addition, consumers could also buy the products directly at BC Torsion. More than three quarters of the company's production is aimed at foreign markets and therefore the creation of distribution networks there has been of great importance. BC Torsion takes advantage of the distribution network of its French parent company DIRICKX by selling its products in France. It also uses other DIRICKX subsidiaries based in Poland and Slovenia. BC Torsion has established its first subsidiary for marketing its products in the Czech Republic. In other markets, BC Torsion sells its goods to local trade companies.

BC Torsion also benefits from DIRICKX’s supplier network. It needs two basic materials for its products: wire and PVC. It buys 50% of its wire from local domestic producers and 50% from DIRICKX Trading, which buys wire in Ukraine for all companies of the DIRICKX group. The second material is bought from Italy in coordination with the French parent company, which results in a more favorable price. Therefore, in both supplier and distribution networks, cooperation with the French parent company is of big significance for the joint venture.

**Management and employees**

At the beginning of the existence of the joint venture, the French parent company organized and covered the costs of training programs for Slovak managers (especially in management, marketing, accounting, statistics, and finance) and workers in France. Now the know-how transfer is finished. The company is run by Slovak management and only new employees take part in training in DIRICKX for a short period. When problems arise, French managers come for short periods - usually one week - to participate in solving them. The transfer of know-how was the most important in the following areas: accounting and finance systems (the French parent company insisted on compatibility with its own system, because the usual Slovak system was completely different) and the creation of an effective organizational structure.

The joint venture is a medium-sized company. Employment has only increased from 81 employees in 1991 to 101 in 1996. The joint venture is situated in a location with a high unemployment rate where the main employer, PSB, had decreased the number of employees radically. The average wage in BC Torsion is higher than the national and the local average. The wages in BC Torsion doubled in five years and reached SKK 10,650 (US$ 355) monthly in 1996. It was about SKK 3000 (US$ 100) higher than the local average and than the wage of workers in the other daughter companies of PSB in the same positions. In comparison to the system before the establishment of the joint venture, the workers are paid an hourly wage instead of the piece rate. The lowest hourly wage in the company is SKK 27 (less than US$ 1), which can be increased by 50%, depending on the quality of work. In addition, BC Torsion increases annually the wages according to the inflation rate. There is no trade union in the company, but BC Torsion has no trouble hiring workers, partially because of wages, partially because of a well-developed social policy following the French model of “family” company. BC Torsion is also located by the small town of Brezova pod Bradlom, which does not offer many job opportunities, and there are trained workers there who used to work for the Slovak parent company. xv
Summary -- the major areas of change

The joint venture has achieved very good results in both domestic and foreign markets. Significant changes in the acquired subsidiary are the result of technology transfer and the transfer of know-how. It is reflected in the creation of jobs and a higher-quality labor force; the Slovak managers and workers had no problems meeting the expectations of a market economy, and in a relatively short time they reached the quality level typical in developed economies, including France. The marketing effect, consisting of bringing new products into Slovakia, is also significant.

BC Torsion is considered a positive example of French-Slovak business. Its activity is important for the Slovak side, although more from the macroeconomic point of view than from the point of view of the Slovak parent company, for the reasons mentioned above, and also for the French parent company. The Slovak parent company has gone through a difficult process of privatization and transition resulting in a "breaking" with the original ideas and projects with which it had entered the joint venture. It has participated in the establishment of the first truly market-oriented company within its own plant. Although in some respects this is a textbook model, the joint venture also took away skilled labor from the parent and did not fulfill its expectations for profitability (profits are mostly reinvested). On the other hand, it has shown how to operate in new market conditions: interestingly, BC Torsion has become a competitor to one of the daughter companies of PSB. In this way, this investment makes a contribution to the increase of competition, but in an unusual way. Similarly, some managers left the joint venture and established a business in the same field, thus a relatively small investment in comparison to the others in the pool has also had a certain impact on its environment. It is quantitatively not so large (e.g. employment, export), but it has a qualitative dimension.

4. Foreign investors as agents of change: paradoxes and perspectives

The companies studied range from the largest of its type -- Volkswagen -- to small and medium-sized firms (see table1). They also vary according to production programs, national origin and contributions of investors, investor strategies, etc. Nevertheless, some indicators of change are consistently present -- or absent -- in all these companies. As suggested in the introduction to this paper, these indicators can be followed in the internal as well as in the external environment of these companies.

(1) Change in acquired subsidiaries

As seen from their financial results, all the companies studied are successful. Some foreign investments transformed and saved parts of domestic, Slovak companies from future bankruptcy (Volkswagen-BAZ, ALCATEL SEL-Tesla, partially DIRICKX-PSB). Some foreign companies invested in local monopoly producers (Whirlpool-Tatramat, Henkel-Palma, Hoechst-Biotika), modernized them, and secured an excellent position on the domestic market. The cases of companies we studied show that FDI has a significant change on the host companies.

Generally, the FDI impact is concentrated in following areas:

* Change in product line towards high-quality products. Foreign investors launch new products, either totally (in the case of cars at Volkswagen and new telecommunication systems at ALCATEL SEL), or partially (at Whirlpool, Henkel, Hoechst, and Dirickx, beginning with modifications to local products and later introducing new products and models). All of the above companies now produce high-quality products, most of them with international quality certificates.
* Technology improvement. In every case study, the foreign joint venture partner either transferred technology or provided another means for acquiring technology. The technology in two cases is the most advanced in its field. In the cases we studied, no foreign investor contributed obsolete technology, which is often predicted when firms from advanced economies invest in transitional economies.

* Higher quality of labor force. Although there was already a skilled labor force in every domestic company before the joint venture was created, all foreign investors invested in additional training on work practices, foreign language, or new technology. Local workers mastered new working processes rapidly and well. The contribution of foreign investors to the increase in the quality of local management is also considerable: the need of expatriates is extremely low (ranging from zero to three) in all the companies studied, with the exception of Volkswagen. There are ten German managers working in Volkswagen Bratislava, a company with more then 2,600 employees.

* Implementation of management know-how (e.g., new accounting and finance system, simplified and more effective organizational structure). Every foreign investor brought changes to the organizational structures, which were previously designed for the needs of a command economy. Implementation of modern human resource management (new forms of evaluation, motivation and practices) is also typical for all these companies.

* Implementation of modern marketing practices. The transfer of marketing know-how has led to an increase of competitiveness for companies with FDI. The application of market research, and advanced methods in marketing high-quality products resulted in improved customer satisfaction. FDI improved the market position of the firms domestically and internationalized their value chain through two means: they bought supplies under better conditions by joining the foreign investor supply network, and they were able to increase their exports.

* Foreign market know-how. Although some international transactions were arranged by the foreign partner, most joint ventures learned how to operate in foreign markets and successfully sell their goods abroad (all studied companies are export-oriented).

* Increase of productivity. Productivity is the most comprehensive indicator of change in every FDI-invested company in Slovakia. It reflects a better organization of labor and management, a higher-quality of labor force, its motivation, new technology, but also a more intensive production.

(2) Change in the local parent company

All of the domestic parent companies in the sample were state-owned at the time of the establishment of the joint venture. Managers in the domestic parent expected the above-mentioned positive effects to spread eventually from the joint venture to the parent, but these expectation were rarely met.

All the joint ventures in the sample were established at the beginning of the 1990's. Since that time, all the parent companies have gone through privatization. Currently, some face serious financial problems (Tatramat, BAZ, Tesla) and even bankruptcy (PSB). On the other hand, the Slovak parent companies Palma-Tumys and Biotika have gone successfully through the process of transformation and restructuring. These two companies are mostly oriented towards the domestic market, are in businesses with steady demand (food products, medicines) and are consumer products companies. As a result of their domestic orientation, they did not need to look for new markets after the collapse of COMECON, and their strong consumer orientation allowed them to avoid the ill effects of relying on a collapsing industrial sector. Part of their success is also the result of investment placed before 1989: under the socialist-planned system, while some companies were under-invested, others obtained a huge portion of investment if their production program corresponded to "socialist development programs". These firms also enjoyed natural low costs protection against
foreign competition, good management and intelligent restructuring, and also higher impact of foreign investor in their joint venture.

Generally, the cases of companies we studied show that FDI has only a limited impact on the local parent companies. The extent of the change in the Slovak parent can be the result of several factors:

* "Unintentional learning" -- spreading of managerial attitudes, ethics, new corporate cultures, and work practices. This effect is undeniable, but indirect and hard to measure. Three companies in the sample are located on the same site as their Slovak parent companies (for example, the Slovak parent might contribute buildings from the former large production facility to the joint venture) which should theoretically make this kind of change very easy. This type of transfer is facilitated by labor force movements. Because of the higher or high salaries and wages in the FDI-invested companies, however, the movement of labor force from the joint venture to the original parent company is low. Moreover, some of the practices in the joint venture are simply not applicable to other local companies (e.g., KAIZEN system at Volkswagen).

* Intentional learning from the activity of its own joint venture. Palma-Tumys literally copied the marketing methods of Henkel-Palma, which helped it to keep its share of the domestic market under the increasing pressure of foreign competitors. The influence of the foreign partner in this company is visible also in other areas, including decision making process, investment policy, human resource management. Biotika is another example of learning, but this impact is not seen in the other four Slovak parent companies.

* Becoming supplier of its own joint venture. When the parent company becomes a supplier to its joint venture, their linkage is direct, through the quality requirements of the joint venture, but also indirect, through adapting to the "modus vivendi" of the FDI company (e.g., timing of supplies, entrepreneurial ethics, correct attitude towards business relations). We have noticed two such cases in the pool: the first one is TESLA, which is not significant with regard to the volume of supplies. The other case is PSB, which manufactured a technology equipment for BC Torsion and provided some subcontractor operation for it.

* Becoming supplier of the corporate network of foreign parent company. Again, we have noticed two such cases: the first one is TESLA, which is subcontractor to the German concern Alcatel, the other case is Tatramat - the parent company of the previous Whirlpool-Tatramat joint venture. It has established a joint venture with an Italian company to supply Whirlpool-Europe network with components.

* Becoming direct competitor of its own joint venture. No company enters any joint venture with this immediate target, but we found such an example in the pool (BC Torsion). Although competitive pressure can lead to dynamic efficiency gains in the future, currently it damages any cooperation between companies involved.

* Receiving dividends or cash for shares after the buy-out by foreign partner. It may help in solving immediate problems in cash-starved Slovak companies, but there is no evidence to show that it can cause significant long-term change.

None of these impacts is common among all the companies in the sample, with the exception of "unintentional learning". The impact of FDI on the local parent company is different in each case. However, this study still suggest certain conclusions. The cases of companies we studied show that FDI has, paradoxically, a limited impact on the local parent, even though all of them entered joint ventures with the explicit intention of improving the performance of the parent firm. In my opinion, there are three main reasons for this. The first one is objective and lies mostly in an inheritance from the previous system: most factories have obsolete technologies and limited means for their renewal, i.e. they are not able to cooperate and keep pace with foreign companies,
especially with the MNC (e.g., to enter their supplier networks with quality products or simply to learn from them). The next two are: (1) a very complicated process of privatization and transformation of local companies resulting in changes in ownership structures and management, and (2) high and unfulfilled expectations from the partnership and the ensuing jealousy and rivalry of local managers. If the combination of all these factors is present in the Slovak parent company, the FDI has no impact on it. If at least one is missing, the change is possible. Paradoxically, we find that the potential for change in the local parent depends to a much greater extent more on the attitudes of its management than on the presence of foreign partner.

Nevertheless, with the end of a privatization process and clearer ownership structures, we expect a more rational approach among local managers towards the creation of strategic alliances with foreign investors. Their decision will not depend on state bureaucracy and approvals as in the studied cases. We suppose that they will create resource- and learning-oriented alliances, and that they will prefer to cooperate with more comparable, medium-sized companies. In such cases, from the point of view of Slovak companies, the danger of take-over is not as high as with a large MNC, and at the same time, the chances that the foreign partnership will result in changes in the parent are much higher.

(3) Change in the local environment and economy

In comparison to the transfer of change to the parent companies, the transfer of change into local environment is more significant. Some indicators of change are not measurable, but some critical ones are: for example, companies with FDI exported in 39% of the national total in 1996. The changes brought by FDI in the Slovak economy are as follows:

* Influence on local suppliers (model of behavior). In some cases the companies with FDI are mainly supplied from the global network of their foreign parent companies (Volkswagen, Alcatel SEL THL). In other cases (Whirlpool, Henkel) the volume of local suppliers has grown, meaning that local companies have successfully adapted to the quality requirements and entrepreneurial and cooperative principles of their partners. This learning process is significant, but it is limited by the number of companies involved in the suppliers network.
* Influence on labor force and employment. In spite of the decline in employment in some joint ventures at the beginning of their operations, the companies with FDI are important employers (Volkswagen after six years, ranks among the biggest Slovak employers) who make significant investments in human capital. In all the companies we studied, the wages are higher (sometimes as much as two times) than the local or national average, which has created a dual labor market. Skill and knowledge transfer is low because of the slow movement of managers and workers from companies with FDI. The highest labor turnover is reported in Volkswagen, but only in the workers category.
* Increase of competition. This change is limited because the socialist idea of the division of production was based on monopolies: each factory had a different production program. This system remains intact in many ways: foreign investors often enter monopoly productions (Henkel, Whirlpool, Biotika) and have not directly increased domestic competition. However, since these companies import the goods from their global supplier network (e.g., Henkels cosmetics and various chemicals, Whirlpool with home appliances), there is increased competition for their domestic suppliers. The only company having a positive influence on competition is BC Torsion - and they compete with the joint venture's Slovak parent.
* Development of entrepreneurial sector. This effect is only possible if the local managers employed in FDI companies create their own companies on the basis of their experience. Only one
such case was reported in the companies in the pool -- some managers left BC Torsion and established their own company that import (but does not produce) the same products.

* Influence on the domestic market. All the companies with FDI in the sample manufacture and place high-quality products on the Slovak market.

* Export growth. The quality of products, together with the use of distribution networks of foreign parent companies, has also led to higher exports on foreign markets. Export growth is often considered to be the proof of increased competitiveness and successful transition to market-oriented companies.

As seen from the ranking of the biggest Slovak companies, FDI-invested companies play relatively important role in Slovakia (see Trend 1997c) in quantitative terms. In contradiction to the situation in developed countries, most of them, including the companies in our pool, do not contribute to the development of the entrepreneurial sector and to the growth of competition in Slovakia. The reason of this paradox can be found in the former monopolistic and artificially created industry structure and the ensuing high capital barriers to entry. The next paradox is the big influence of foreign investors on the quality of the labor force and its limited movement from FDI-invested companies to the domestic sector. The reason could be found in the existence of a dual labor market (high salaries in FDI-invested companies) and the limited possibility for relocating (shortage of flats, slow development of home mortgages). The influence on local suppliers is also still limited, mostly because of the fact that the local companies are not yet able to meet quality and quantity requirements among large MNCs. In order to adjust (and sometimes to survive), local companies will be pressed to cooperate with foreign partners in the future to a larger extent (such as Tatramat with an Italian company, or Tesla with an Israeli company). This fact, together with the general necessity to seek resources, means and tools of transformation, will lead to the increase of FDI inflow to Slovakia.

(4) Future research

This pilot study should be followed by an examination of a larger sample of joint ventures in Slovakia. According to current Slovak statistics, the contribution of more than SKK 10 mil. (US$ 300,000) is found in 90 joint ventures and 118 companies wholly owned by foreign investor. We suggest that the future research could be based on questionnaires. The questions should focus on the specification of internal and external changes following the structure used for this study. Special stress should be laid upon companies with FDI established by Slovak private and foreign firms, since all the cases we examined were established by Slovak state-owned companies at the time when the process of the privatization had only began. We believe that the type of the ownership will have an important role in determining the rate of change in Slovak parent companies.

Future research could also involve the examination of change in companies with FDI among several of the more developed transitional countries of Central and Eastern Europe (Hungary, Poland, Czech and Slovak Republic, Slovenia) and compare their experience with the less developed transitional countries of the former Soviet Union and Asia.

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1 According to the Slovak statistics methodology there are six types of FDI-invested companies: with FDI over SKK 1 billion, with FDI between SKK 100 million and SKK 1 billion, with FDI between SKK 10 million and SKK 100 million, with FDI between SKK 1 million and SKK 10 million, with FDI between SKK 100,000 and SKK 1 million and with FDI under SKK 100,000. The volume of FDI in individual companies is not published officially.

11 The original capital and ownership structure of the joint venture in 1991 was as follows: Volkswagen - 80% - DM 48 million (about US$ 32 million), BAZ 20% - DM 12 million (about US$ 8 million). The new structure in 1994 was: Volkswagen - 100% - DM 108.2 million (about US$ 72 million).
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The wisdom of this decision was reflected in the market: in the words of J. Uhrik, the commercial managing director, the number of cars sold daily in this category (formerly 20-25) has jumped to 100 cars (International Business Cooperation, 1996a).

Slovak companies want to become suppliers not only to the Bratislava plant, but also to the whole Volkswagen group (for example, aluminum producer ZSNP Ziar, bearing producer ZVL K.N. Mesto, die company Metal Martin, tire producer Matador, producer of rubber parts Vegum Vestenice etc.).

In order to improve its current account, the Slovak government introduced an import surcharge of 7% on all imports into Slovakia, including the import of components, as of spring 1997, but the first exception from this obligation was granted by the Ministry of Finances to Volkswagen Bratislava (Trend, 1997e: 1A).

Whirlpool-Tatramat is of course only one of several Whirlpool factories in Europe. Whirlpool’s European expansion started in 1986 with the acquisition of three European producers. Today, Whirlpool’s products are produced in Italy, Germany, France, Sweden, and Slovakia. In Whirlpool there is centralized management for product development, purchasing, and marketing. Corporate strategy is developed from Whirlpool Europe headquarters in Italy.

Refusal to sign-up to Whirlpool management systems and conditions (e.g. flexibility) was used as a way of leveraging out non-compliant workers. Flexible work conditions have meant that just under one-third of employees are on short-term (3 months) contracts, dependent upon orders. These workers are paid a wage that is 20% lower than employees on more secure contracts. Yet, wage levels as a whole are not high in the joint venture.

The Czech company Plastimat is relocating part of its production to a site adjacent to the joint venture. The Slovak company Plastika Nitra has started to build a new production plant for package material in Poprad. The plant should supply not only Whirlpool-Tatramat, but also the other Whirlpool plants in Europe. Plastika has been investing SK 60 million, plus a SK 40 million loan (together US$ 3.3 million) in this project (Trend, 1996a).

As a part of the joint venture agreement, Whirlpool secured a guarantee from the former federal government that it would have a complete monopoly on the import of domestic appliances into the Czech and Slovak Republics for two years and that no tax would be charged on sales of these products over the same period. As a result Whirlpool has a market share about 90% in some products in Slovakia.

During the 1980's Tesla employed about 2,400 workers with military production accounting for more than half of its total production. Generally, the beginning of transformation and the collapse of previously stable markets hit the Slovak defense sector most seriously, followed by the Slovak electronics sector (Smith, 1994). Tesla's production was concentrated just in these two areas.

The future role of the joint venture depends largely on the strategy of the German HQ, which has included the reduction of Hoechst production plants in Western Europe and corporate restructuring after its 1995 take-over of American pharmaceuticals company Marion Merrell Dow and the purchase of the majority in the firm Roussel.

At that time, PSB Brezova mostly produced fence wire and springs. Its sales reached SKK 450 million (US$ 15 million), annual investments SKK 30 million (US$ 1 million) and it employed 1,650 workers. It exported 20% of its production to almost all European markets (especially to Germany, France, the Netherlands) and to Asia. Its partner, the French-based company DIRICKX produced fence wire and shingles. It reached sales of US$ 35 million with 250 employees, and its annual investments were US$ 5 million. Ninety-five percent of its production was sold on the domestic French market.

To some extent, the change in the ownership structure was caused by fundamental changes in the Slovak parent company PSB. The description of these changes can illustrate some of the problems of privatization, restructuring and, more generally, transition from a centrally-planned to a market economy. In 1992, PSB was transformed into a joint stock company with 100% state participation. In this form PSB went into voucher privatization. The management of PSB obtained 40% of PSB through GB Trading, a company with the participation by British Metalforce, which marketed PSB's products on foreign markets. GB Trading used funds borrowed from the Slovak Insurance Company,
but it was not able to repay it. In this way Slovak Insurance Company received this share of 40% in 1995 and nowadays it has a 49%-share in PSB, the Slovak parent company of BC Torsion.

The situation at BC Torsion contrasts, for example, with the situation in Volkswagen, which has problems hiring and keeping workers, even though their wages are as high as in BC Torsion. One reason is the location of Volkswagen in the capital, Bratislava, which has a heavy concentration of industries and the lowest unemployment rate in Slovakia. Two other possible reasons could be the attitude of managers in BC Torsion, who are all domestic and therefore culturally closer to their employees, and the size of Volkswagen, which is 20 times bigger in the number of employees than BC Torsion. Managers of BC Torsion benefit by operating in a small city -- they hire workers known for the quality of their work, and even when looking for new ones, they prefer the members of families of their current workers. The situation for hiring managers is worse-- it is very hard to find good French speaking managers near the location of BC Torsion (even the managing director lives in Bratislava). This problem is connected with the shortage of apartments and non-developed financial support (home mortgages) for relocating within Slovakia.

DIRICKX has obtained new and cheaper products to improve its position on the French market and on the basis of Slovak experience (BC Torsion was its first presence abroad) it has expanded also into Polish and Slovenia's markets, where it has founded commercial joint ventures. It is preparing entry into the Hungarian market, and the Czech market has been entered by a daughter company of BC Torsion. Its strategic aim by establishing BC Torsion was to become number one in the production of fence wire in Central and Eastern Europe, and it seems to be moving attaining its goal.
Cizí firmy budou žádat jiný zákon o loterích

Poslanci mohou očekávat tvrdý tlak z Bruselu i USA

P r a h a (taj) - Zabavné firmu, jinis poslanci mimo týden sehnali právě z Bruselu i USA, k zákazům pomocí reklamních sestav u smlouvi, objednali své rozhovory s evropskými komisáry. Novému případu síce firmy o další svěři, za jejichž slýní se ovšem již brzy třeba bojovat na diplomatické politice.


Když skutečně sezdíme s novým zákazem, bude něco nového.

S tím, že zákorníci cizích firm přiměli uzavřít v brněnské záloze smlouvy, uznala, že více cizích firm v Brně se svěří na diplomacičně politice.

"Je to ještě diskriminační, ale musíme si připomínat, že za účelem prodat své smlouvy slavnostní stavebně.

Summit Clinton - Tiang zásadní spory nevyřeší

Pe king (vibra, Reuters, ČTK) - i když Cina a Spojené státy přesně na soběstechu po sobě horní stranu přesně, ovlivní společný závěr v APEC, mimo jiné rozhodování, ovlivní společný závěr v APEC.

"Obě strany jsou parníkami, kteří jsou pěkně vědění, že svého nejlepšího času, kdy se obě strany rozhodují, ovlivní společný závěr v APEC.

Summit Clinton - Tiang zásadní spory nevyřeší

O posledním rozhodnutí o pohybovému závěru odbíjají soudy soudce v Číně a Spojeném státu.

"Měli bychom si podstatně takové věci na základě politického růstu.

Ručně od této skupiny se znovu doporučují o důležitých otázkách.

Turečtí záchranáři hledají ty, co přežili zemětřesení

A d a n a (CTK) - Zemětřesení střední třetiny USA, které se posouvalo západně severně od Tamerlane, následovalo závěry o tom, že město v protektorátu je v srovnání s ostatními zemětřeseními.

"Je těšité, že je tady všechno.

Summit Clinton - Tiang zásadní spory nevyřeší

O posledním rozhodnutí o pohybovému závěru odbíjají soudy soudce v Číně a Spojeném státu.

D N E S

Pověstné změněná

Mylil se tam, kde žádala, že brzy po vydání skóre, pokud je rozhodující.

Příběh sportu

Praha: Závěrečný člen skupiny smlouvy o znovuzavedení sportu

Muzikálový Ježíš se rozložil s humorom

P r a h a (taj) - Sodombytý člen skupin se již omlažoval s podstcím nebo cedulí. Je jeho vynikající "Ježíšův" kvalitě, když se vyniká jeho vynikající kvalitě.

Muzikálový Ježíš se rozložil s humorom

Summit Clinton - Tiang zásadní spory nevyřeší

Turečtí záchranáři hledají ty, co přežili zemětřesení

P o l o m o c P o i n t Florida (AP, NBC), které důvěry do světla, představili důležitou roli počátečních po soběsvětu domova na Floridě.

"Je to všechno.

Na spálení svého domova pohřbily i děti svou bolest

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"Je to všechno.

Na spálení svého domova pohřbily i děti svou bolest
US vznakuje: Chcete-li pravopisovou koalicí, přístupe na naše podmínky

Volební komo potvrdila shodné výsledky stran

Pokud při sestavování vlády se zČSSD, pověřím asi Klausům, oznámil prezident Zemana

Zeman při sestavování vlády vyhýbá. A má co na té?

V roce 1996 bylo už týden po volbách jasný, jaká bude vláda

Podmínky Unie svobodk pro zahájení jednání o vytvoření středopražské koalice

Gross drží Zemana

Havel nevolál budoucí kontakty s KSCM

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Gross drží Zemana

Havel nevolál budoucí kontakty s KSCM
První zlatý gól zachránil Francii

Francie - Paraguay 1:0 po prodloužení

L e s (sp) - Zdůvodnil hranici a zato největšího zranění kapitána poškozoval dobrovolně Lazzaro. Francii je laureát Blanc, který ve 112. minuci prodloužení zkolaudoval gól podél rozhodčího, dle třetího místo prvých Francouzů na sítě Paraguay.


Tohoto gól nebylo možné přesvědčit, co výhru. Hlavní důležitost posílal posádku, aby se vysvědčil i její vřeže. Tam stálo na hned nějaké místo. Největší obrana Parisy oblepila se svět záchranný se vzal tak, jako byl právě cestou hřiště. "Vítám, že na pater

Zda Paraguay vydrží náprázdný

P r a b a (sp) - Po sto devadesátinách minut, kdy bylo ve mlhě dvě zápasy, povstala ne- pokoju popolou prvního děje se skupinou k Chilcienem. Poprvé na snímku je Francie, která se bude muset bavit, neboť něco, co je ve třetí minuci, zatím není seznamováno. Něco se děje také těžkým pře- pohádý od polovice. V první fázi utkání se potkává, aby se nedošlo k zrobotu. Přestože paraguayské obrany je opravdu výkonná. Všechni boccel jsou skvělými sestaviteli, ale z neznámého důvodu se něco citlivého. V prvních dvou minutách začal Francouzský obrana být poměrně otevřená.

Ze sebevednější obrany Jihoamerikánského kontinentu je francouzská. V první fázi se popolou opakují některé z dat, která tohoto utkání čelí. Francouzský obrana je skvělá, ale otevřená.

Radek Drulák, reprezentant


Senzace: s Brazilek si utkávají Dánské

Dánské - Nigérií

S t Dešis (sp) - Na co očekávali v boji s Itálií, s Portugalským však měla dvě hodinu, kdy bylo na gól, stało se větší vždy už za tři minuty. Neděli jí jak hned podle vstupu Nigérie, ale Dánské. Zdobyli zelené "spítí chybí fázi za polovinu" rezau- lovali dobře v dárkovém dělu Peter Møller, zvítězil na účastí pohledu Michaela Laudrupa, a hormonální kyslík zahájil skok. Nebylo užívat. Do 12. minu- ti byl ve světě divoký, přestože mělo kopu, brankář Resi ne- sladko a Brian Laudrup zvítel na 2.0.

A pokud sechává i na první převahu vzniklo ve skvělé hřišti, je na světě. Bylo je výstoubové, ale nechalo se. Je to dobře. Pokud se opět veškeré úspory na těchto fázi a nastouovení se až do právě- vydavat před dvěma Dasni- tce s menším, velej jim komu- ří Otokar, nezkoušel hlavu kapse mezi vše. To je bez nedorozumění, ale to bude bít ve- sny.

Čeští goli různími pro- vodníky si nevyskytali. Alespoň se dočkali, že je budou. Tímto některým, jaké si zde vykonáva, začal Fernando. Zde se jeho tělo a hlava, která se nezabila, ale zavolává, že to je toho.

Briinn Landrup, vždy poslech dánského týmu, padal přes Bahamovou suk. Zásadu Nigérie nevále- l, proto se jeho společník opět, a na Overbylind v Brazílii nekontrolovaně.

Brian Laudrup, vždy poslech dánského týmu, padal přes Bahamovou suk. Zásadu Nigérie neválel, proto se jeho společník opět, a na Overbylind v Brazílii nekontrolovaně.


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