

# Expert finds Western methods don't work in

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What's making matters worse are the schisms between republics. Mr. Pozhalov's plant obtains printed circuit board assemblies from Moldavia and transformers from Lithuania, two republics facing Moscow's wrath for their separatist sentiments. Strife in Armenia closed a factory that supplied condensers. A fire shut down production at another plant, leaving Mr. Pozhalov short of cases.

The plight of the Kozitski plant exposes the Achilles heel of the Soviet economy: pervasive monopolies. Too often, one source supplies the entire country. If a problem develops, an enterprise has nowhere else to turn within the Soviet Union. Shortages snowball through the economy. A bottleneck at one factory makes it harder for its customers to supply to the next stage.

Mr. Pozhalov can buy at least a few components from more reliable overseas sources, now that enterprises are free to deal with foreign companies. He quickly runs up against a constraint, though. "No one in the West sells their components for rubles," he said. "The problem is to get hard currency."

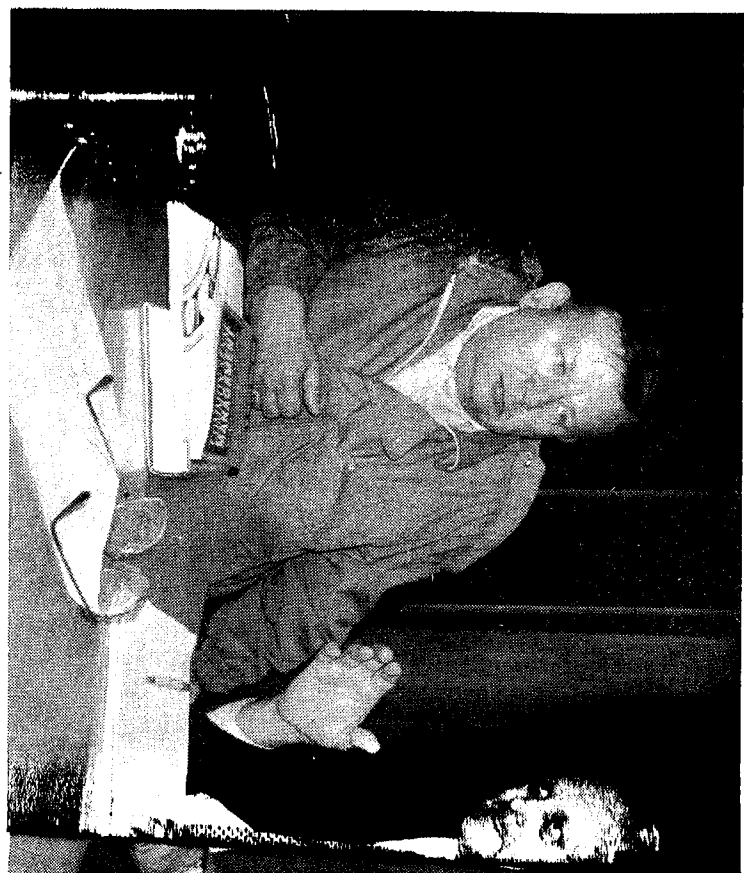
Henry Migliore takes all this in while spending an afternoon at Mr. Pozhalov's factory. A professor at Northeastern State University in Tulsa, Okla., Mr. Migliore is an author of management manuals, a consultant to dozens of U.S. companies and an expert in manufacturing techniques.

He wasn't impressed with his first glimpse of Soviet industry.

"I've never seen such a lackadaisical factory," Mr. Migliore said after a tour of the Kozitski operation left him feeling he'd stepped back into the 1950s. "In the best U.S. factories, there's an intensity. There's a hum. You can feel the energy."

Mr. Migliore said Mr. Pozhalov faced a problem quite different from what most American managers usually came up against. The U.S. manager concentrates on productivity, or turning out the most output at the least cost. The Soviet manager has to spend the biggest part of his time worrying about supply — all else taking a back seat.

"Productivity means nothing if you don't have the resources and if you don't have an incentive for you don't have an incentive for



Evgeniy Pozhalov, left, and American consultant Henry Migliore between the American and Soviet workplaces in Leningrad.

the system, not the people."

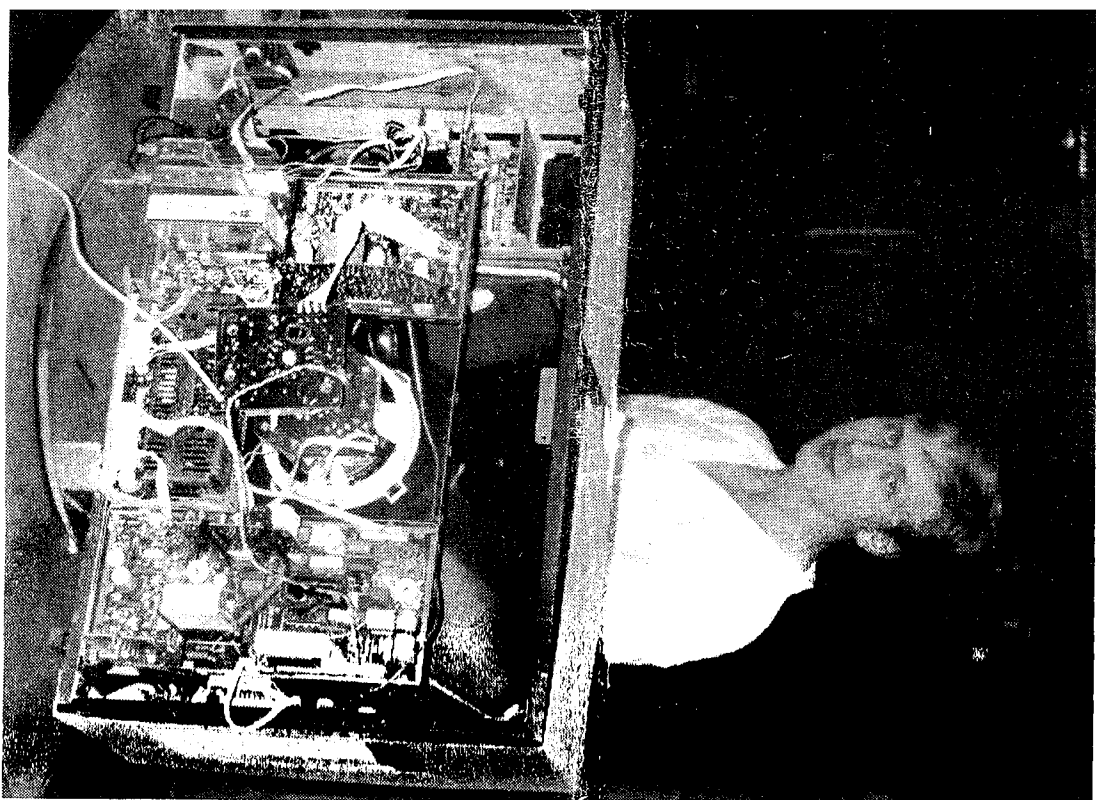
Another point where Mr. Migliore met with resistance was quality control, a bugaboo for the Soviet system. In working with U.S. companies, the professor stresses how getting assembly-line workers involved can create solid gains in quality, with quality getting built into the production process.

Mr. Pozhalov doesn't believe his workers give a hoot about anything more than their paychecks. "In the Soviet Union, the worker does not think that he is part of the enterprise," he said. "It is owned by the state, and he is just employed here."

Mr. Pozhalov says he works hard for higher quality. In his

nents helped reduce faults from Mr. one in 2,000 units five years ago to one in 10,000 today. The energy-intensive consumption has been cut by more than 80 percent.

These quality improvement men don't come easily. Suppliers are periodically invited to the plant to mark discussions with specialists and find engineers, who try to iron out Soviet problems. Workers are kept out, and the Soviet televisions are large and boxy models, not up to the standards of the best the Japanese Koreans make. Mr. Pozhalov believes he could export to some secondary markets, such as Bulgaria, Jordan, Morocco or on land. What trips him up — again — is getting components. "In order to expand production and sell of Amer



The Dallas Morning News. Richard Alm

he Kozitski Leningrad Industrial Amalgamation makes quality of Japanese or

# Soviet entrepreneurs lead way to market economy

Continued from Page 1H.

ians describe the future in pink owers," Mr. Remmel said. "I ink we will have in the near future very hard days."

How quickly capitalism takes ot in Estonia may well depend on ls, Niinas, Mr. Porfirjev, Mr. Linnu-old, Mr. Masso and others like em. They are the kind of people a rivate economy can't do without. American terms, they are entrepreneurs, risk-takers who create ew businesses, new products, new ists.

The more of them Estonia has, le better.

From the start of the Soviet *restroika*, Estonia has been on the refront of efforts to create a new onomy. It was the first with foreign joint ventures, the first with on-state banks, the first to return riculture to the family farm. Today, 10 percent of the Soviet Union's int ventures are in Estonia, with ss than 0.5 percent of the couny's population.

"A lot of new companies are est- blished nearly every day," said als Kirikal, deputy director gen- al of the Estonian State Depart- ent for Foreign Economic Rela- ons. "There are many different rms. According to our laws, all rms of enterprise have equal ghts."



The Dallas Morning News: Richard Alm

## Karin Niinas left a government job to form Emor Ltd., a company that conducts polls in Estonia.

Mr. Kirikal doesn't deny the process of creating private enterprises has obstacles to overcome. Not all the necessary laws are in place. Privatization of the state sector has a

government.

And the discredited system left an unfortunate behavioral legacy. "There are not many people left who remember how to act in a market economy," Mr. Kirikal said. "This socialist system spoiled our people. They have no initiative. They only act when they have a command."

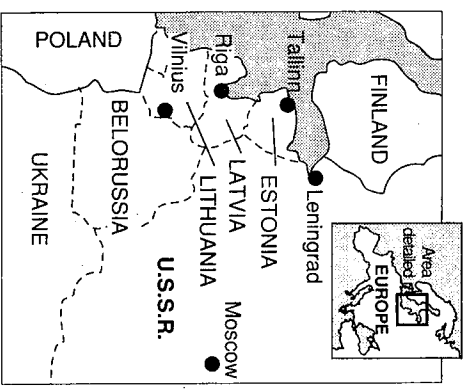
That's not to say there aren't Estonians with initiative.

## A private company

Karin Niinas knows what it's like to work in the state sector. She and a handful of fellow employees left a government firm to form Emor Ltd., a company that conducts polls in Estonia.

"As soon as we could break away as a private firm, we did," said Ms. Niinas, the company's director. "In the state sector, our hands were tied. Western companies wouldn't accept or trust a state-controlled opinion-research firm. We wanted to be free. We wanted to establish the pride of ownership."

Emor, started last October, employs 35 full-time and 10 part-time workers who conduct interviews and interpret public-opinion data. Ms. Niinas insists that the company use the same sampling techniques as the Gallup or Roper polls, so the company develops a reputation for being quick and accurate.



The Dallas Morning News

"I see the firm is operating much in line with the way Western companies operate," Ms. Niinas said.

Emor provides a relatively new service in Estonia. Paying for public opinion made little sense until the republic embarked on political and economic pluralism. Customers include the government, political parties, Western news organizations and companies seeking marketing insights.

Nothing in Ms. Niinas prepared her to be the boss of an enterprise that has to survive on its own. She's had to learn on the job. It's difficult to find savvy advice about marketing, personnel or strategic planning in a tiny country that's just

average weekly hours	41.0	41.0	42.0
late	May	April	Last May
average weekly earnings	\$10.85	\$10.82	\$10.38
average weekly hours	41.8	41.7	41.7

	Jan.-May 1991	Jan.-May 1990	% change
Sales	May 176 Jan.-May 853	April 180 Jan.-May 830	Last May 183 % change 3%
Retail occupancy rate	Spring 1991 76%	Yr.-end 1990 76%	Mid-yr. 1990 76%
Office	Spring 1991	Yr.-end 1990	Fall 1990

Monthly electric consumption in thousands of kilowatt-hours	May 1,212,236	May 1,0
DALLAS TELEPHONES	May 1,543,869	1,5
Lines in service	May 1,543,869	1,5

SOURCE: The Texas Economic Indicators are compiled from the following sources: American Automobile Association of Dallas, Freeman Auto Report, Greater Dallas, west, M/PF Research Inc., Oil and Gas Journal, Pan

# Business

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hen the answer came back from Wash-  
 on: Nothing could be done. Since they  
 ed the condo, it could not be refi-  
 ced.

All we wanted was for them to work  
 us. If we could lower the payments,  
 could keep the condo. But they were  
 ly inflexible. No one even had the  
 e answer. We didn't want to give it up.  
 didn't want a foreclosure. We wanted  
 e responsible. But they wouldn't work  
 us at all."

That bothers her most is that few peo-  
 have gone the lengths she and her hus-  
 did to work out an acceptable answer  
 major problem.  
 'We have seen a neighbor across the  
 et walk off and leave his keys in the  
 use see MR. on Page 7H.

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## Clearing a path to a brave new world Soviet risk-takers struggle toward market economy

By Richard Alm  
 Staff Writer of The Dallas Morning News

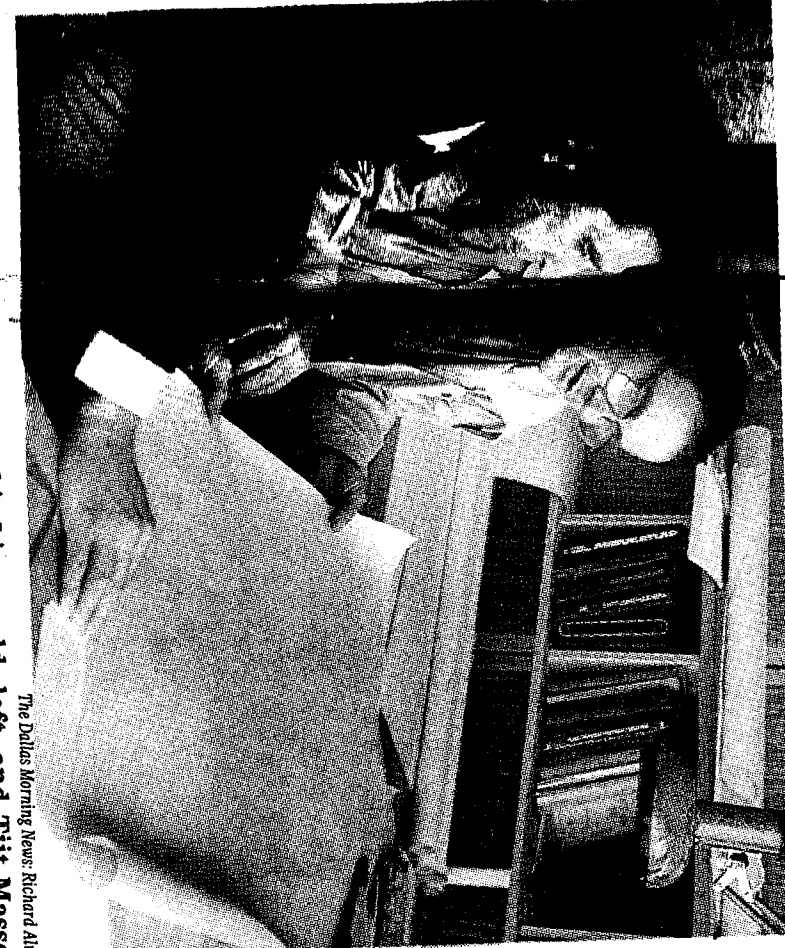
TALLINN, Estonia — Katrin Vinas runs a private company taking the pulse of public opinion in Estonia. Valentin Porfirjev is chairman of a commercial bank. Lembit Linnupold and Titt Masso are op-



**COLLAPSE OF AN EMPIRE**  
 Upheaval in the USSR

erating a joint venture that sketches structural designs for architects.

These are the stories of forging a new economy in Estonia, one of the Baltic republics trying to break free of the Soviet Union. Although the drive for political independence often takes priority, the tiny republic aims to leap from socialism to capitalism, and that requires new forms of enterprise to replace state ownership.



The Dallas Morning News: Richard Alm

Estkonsult venture partners Lembit Linnupold, left, and Titt Masso are, for the most part, on their own. Foreign partners provide capital and equipment, but the Estonians are responsible for finding customers, hiring workers, producing the product and handling the finances.

Among the republic's 1.6 million people, the trouble comes in transition: It's not

## U.S. ex-Westerners don't ask

By Richard Alm  
 Staff Writer of The Dallas Morning News

LENINGRAD  
 zhalov become  
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 Mr. Pozhalo  
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 "We've be  
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 back to his se

Under the economic reform, the republic is now low to the ground. A customer in Leningrad is not responsible for finding customers, hiring workers, producing the product and handling the finances.

"What I am something that Pozhalov said if I were in

