Remarks by PDHR Donald Hays At the Signing of an MoU between the Universities of Delaware and Sarajevo and USAID To Offer an MBA in Sarajevo

MBA Will Bring Better Business to BiH

Ladies and Gentlemen,

For some time now many of us in the International Community have been working on the framework of the economy in order to support BiH in its transition process. One of the clear requirements missing in BiH has been a modern Management Training program. There are many talented young entrepreneurs with a thirst for knowledge and up until now they had nowhere to go but to leave BiH. Therefore, for this reason alone, I am particularly pleased to be here this morning, because with the signature of this Memorandum of Understanding between the two universities and USAID there will be an infusion of professional knowledge and expertise.

For years the focus of international efforts in BiH has been on transferring financial and material resources. However, as the country's market transition gathers pace, the transfer of intellectual and experiential *expertise* has become, and rightly so, a priority.

I believe it is important to emphasize that such a knowledge transfer is not – and can never be – one way. Expertise is not a finite, quantifiable product. It is not something that the

University of Delaware has exclusive right to but rather something that it can share and will be enriched by the exchange with the students and faculty of the University of Sarajevo. The nature of expertise is constantly changing – just as the nature of the global market is constantly changing. There is expertise here in Southeast Europe that can be applied well beyond the region, just as there is expertise in North America that can be applied elsewhere in the world.

The MBA to be offered by the Sarajevo Graduate School of Business will provide a theoretical underpinning for the kind of business models that are already beginning to take shape in Bosnia and Herzegovina. The importance of this cannot be overestimated. We sometimes speak of transition as though it were a straightforward process that countries can undertake and complete in a convenient five-year spell of intensive and coherent reform. It is, of course, much more complex and specific to each country going through this very untidy process. Transition is a monumental undertaking which countries starting in circumstances more promising than those of Bosnia and Herzegovina have found extremely demanding and unpopular to carry out. And in the end it is not a matter of the laws that are placed on the statute books – rather, successful transition can be judged in terms of the volume and quality of services offered to citizens, and the competitiveness and robustness of companies that sustain the economy. The MBA offered by the Sarajevo Graduate School of Business will bring this into sharp focus and hopefully lay the foundation for successful models to be developed here. It will make sense of the real business world by setting it against the illuminating prism of theory.

This is a crucial task. It stands at the heart of the kind of economic transformation that BIH has embarked on and one in which BiH must find its own path to success.

Most of us can not produce positive results in practice if we don’t have the benefit of a firm grounding in practical

theoretical concepts.

As most of you may know, I have been engaged over the last two years in an effort with many others in the international and local communities in the campaign to bring about a fundamental change in the corporate governance of BiH's public sector. In the course of 2003 the Special Auditor, appointed by the High Representative, uncovered not too surprisingly, serious and systemic malpractice in many of these companies. Indeed, a culture of mismanagement, insider dealing and ethical laxity that has existed for far too long throughout the public sector in this country, particularly at the most senior levels. The impact of this on the BiH economy is enormous and very damaging – so much so that it has slowed down foreign direct investment, undermined the corporate wellbeing of these companies and damaged the image of the country as a whole.

A major aspect of the problem, we discovered, was the corporate culture. Managers have operated on the basis that if they took care of their own, their political allies, their friends and themselves that this was totally appropriate – the idea that a manager would be concerned about the owners, the shareholders, the clients was totally alien. There was no code of ethics other than pure self-interest.

Just as damaging has been the notion of using today's revenue to promote that self interest at the cost of the wellbeing of the company and its employees. There was little if any thought of investing in the future profitability and competitiveness of the company. When the first steps in accountability were initiated the management resorted immediately to covering up and undermining internal controls. It is clear they can't compete with this approach nor can they maintain their share of the dwindling market they have now.

And there has been the debilitating (and ultimately self-defeating) belief that as long as you are appearing to make a profit or taking care of your friends that it will be alright,

they will bail you out. Unfortunately for them, as civil society develops here, the ability of their cronies to bail them out is diminishing. You can't have a profitable and healthy company if you have cooked the books and undermined all your own management procedures. There is a real difference between a company that appears to be profitable and is in fact a shell and one that invests in its own and its workers' future and maintains a positive business space in which it can grow competitively and in which it can stimulate growth among the companies with which it does business.

Making these distinctions clear is one of the uses of the MBA program that will now be available to the future managers of this country.

Part of the problem has been that the business culture in BiH has not yet caught up with the culture of transition. This is not true across the board, of course. I have had the privilege to visit many companies right across the country – especially small and medium-sized enterprises–where managers (especially, but not exclusively, *young* managers) would give the best that the world has to offer a run for their money when it comes to innovation, efficiency and the highest ethical standards. But these managers are not yet the norm. The MBA offered by the Sarajevo Graduate School of Business will be a valuable tool with which to mould progressive young executives who are conversant with the challenges and expectations of the global market. It will be a valuable tool in orchestrating a fundamental change in the BiH business culture.

I want to stress that this is not a matter of making BIH companies like companies elsewhere in Europe or the US – for those companies have exhibited their own problems with efficiency and ethics. It's about equipping managers in BiH companies to compete in the global market, a market that does not forgive inefficiency and that richly rewards competitiveness, a market that over the long run rewards honesty and good corporate citizenship rather than corruption

and moral expedience – a market in which BiH wants and needs to compete. This MBA course will help make that competition possible.

One last word, yesterday I was asked by a journalist how I viewed BiH's economic prospects. I must say it isn't a simple question to answer. There are so many factors that play into this evaluation. However, with the proper tools and the right economic structure in place, I am absolutely confident that the entrepreneurs of this country can compete with anyone in the marketplace. This is one of the tools they need for that success to be realized.

Thank you