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Lessons Learned

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Reflections on my trip to Eastern Europe and Russia, May 1993

Re: Lessons Learned

1. The giving of the West is spoiling opportunities for self-sustaining work in the East.
(Example: giving Bibles and Christian literature from the West spoils the initiative of Eastern European entrepreneurs starting their own Christian publishing business.)
2. The students in my seminar had a profit focus but not an understanding of ownership, capital, or return on capital. All of their businesses were started with "gift" contributions from the West.
3. None of them seemed to understand the principle of accountability to owners.
4. In our business in Prague, Czech Republic, here were some of the comments made by the leaders.
 - a. They didn't think it was possible to motivate people except by compensation.
Through ServiceMaster they have learned how to motivate the whole person.
 - b. In one of the hospitals we serve, when I asked the question of administration "what was the difference with ServiceMaster?" they did not limit their comments to clean floors but identified the most significant difference being the relationships between the service workers and the professional clinicians including doctors and nurses. These relationships had much improved since ServiceMaster arrived, and the service workers began to feel dignity and worth in what they were doing, and the professionals began to understand the importance of their work.
 - c. In response to a question from Jan regarding changes since the revolution, his conclusion was the biggest change in Prague is that people were now kind to each other. We saw smiles in Prague but not in Bratislava and not in Moscow or St. Petersburg.

It is important that we learn how to laugh at the world around us.

5.I made several commitments for funding when I was in Eastern Europe and Russia including:

- a.\$25,000 commitment for capital for Christian publishers in Eastern Europe.
- b.\$10,000 commitment for Bible school in Slovakia (provided Dolobar makes the request).
- c.\$10,000 for Schloss Mittersill ministry in Austria. (I expect to receive a proposal from Carl on this soon.)

6.Conclusions on conference regarding health care in Germany:

a.3,000 hospitals. Approximately one-half are public and one-half not-for-profit, church related. 80-90% of hospitals already use outside contractors for certain functions like housekeeping, laundry, transport, dishwashing, and temporary services. All workers subject to union work rules. All outside contractors employ the people doing the service. Benefits to the hospital seem to be more productivity with outside contractors and lower cost, i.e., wages and benefits. 75% of the hospitals would be accustomed to using the tendering process to buy services.

b.The identified problem in the support services area included:

1.Management and coordination of service workers with nursing and patient care.

2.Current restrictions on hospital expenditures with a cap so that overall budget cannot increase faster than inflation, but outside contractors have union pressures to increase wages greater than inflation. They are not technically subject to the cap.

c.A 400 bed hospital has about a 60 million deutschmark budget with "cleaning" being less than 1% (.7%) This means that cleaning must consist of major public corridors and not include some of the cleaning in patient rooms. It would be interesting to test a hospital on a survey process with out standards. Laundry .8%; transportation .4%; dishwashing .7%; for a total of 4.2% (notice catering was not included in the mix). There is something in all of this that indicates to me opportunity. Clinical workers, i.e., nurses

and nurses aides may be doing too much of the "service" work. This may be a real value to our system and should be part of our selling effort.

d. General impression that an American system does not go well with the German mind-set. They have a strong feeling about their own level of competency. Also are very detail oriented in the way they look at issues. Specifications on tenders would probably be a big deal for the Germans.

Summary:

1. No big opportunity for us to go direct. In fact, if that is the right conclusion, we should not be direct in the U.K. and some action step here is needed.
2. There are so many competitors that there should be a focus on smaller high quality regional firms for prospective license, or we should have a good business person who wants to get into the health care business as a prospective licensee.
3. Where do the Hinkle product "service systems" fit? I do not know, except all administrators were familiar with Hinkle. They have a much bigger in-road in the cleaning process, not just the products. I think we have an opportunity to reconfigure service delivery, but this is only a hunch. We need to do a couple of surveys as part of understanding what we are selling.
4. We need to keep CE as a separate direct business. We will know more as Peter comes over this summer and understands the CAFM business.
5. We need to take the success of Italy, U.K. and sell hard at Germany, France, Holland, Belgium, Spain, and Scandinavia. On a combined basis these countries should provide \$5 million plus in initial fees. We need a focus and emphasis on this selling effort.
6. We should review the structure of our contracts for initial fees and make sure we understand the basis for computing the initial fee, the basis for the royalty. The agreement should include some option for us to buy an equity interest and the formula for us to buy the equity interest and the agreement should also include a requirement for training.

7. My rationale for not going direct:

- a. Low profit margin.
- b. No opportunity for dominance.
- c. Union strength.
- d. Local culture and custom.

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6/15/93