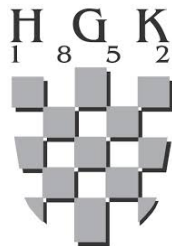


HGK 2014-18: Fortune Follows the Bold



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Pursuant to the call for applications for the position of president of the Croatian Chamber of Commerce ("HGK") published on February 6, 2014 Indium proposes that its CEO, Milan Račić, serve as president of HGK. In furtherance of that application, Indium hereby presents its Plan for HGK's operations from 2014 to 2018 ("Plan"), using the following assumptions and limitations:

- All information regarding HGK's operations, challenges, aspirations and goals used herein is gleaned from public sources.
- No meetings with HGK staff, management or ministry staff took place.
- The Plan was drafted within the 8 day period allowed for applications so reflects a very quick analysis.
- The following documents were reviewed in preparing this Plan:
 - Republic of Croatia Industrial Strategy 2014.-2020. - Draft
 - HGK website
 - HGK Financial Plan for 2014
 - HGK Plan of Work for 2014 – County Chambers
 - HGK Plan of Work for 2014 – Sectors/Centres/Courts

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A. The Bed that We Made

HGK has been experiencing difficult times in the past few months. In many ways, HGK's difficulties mirror the general difficulties experienced by Croatia over the past 20 years:

- Questionable management practices
- Poor leadership
- Lack of clearly defined strategies
- Ad-hoc tactical changes
- Lack of tangible results, and
- A general unwillingness to face up to these problems and make fundamental changes

These are not political observations, or my own personal biases, but a true reflection of how the world sees our efforts to manage ourselves out of this crisis, and deep down we know that they are right. Our latest economic statistics reflect our general economic malaise:

- Our credit rating has been in a freefall for several years now and shows no signs of improving
- Our economic statistics continue to be disheartening:
 - Unemployment numbers hovering around 380,000
 - GDP growth projections for 2014 around 0%
 - Comparatively speaking, some of the lowest growth projections in the EU
 - Exports falling consistently – drop of 8% for the first 11 months of 2013

As difficult as recent events have been for both HGK and Croatia, they can and should be used for cathartic effect - for strengthening both the HGK and the Croatian economy.

B. Croatia in a Perfect World – Choices, Selection and Odds

Croatia is at war – it just doesn't know it (but it sees a constant flow of casualties). Most future international conflicts will be economic rather than military. Europeans often cast aspersions on the average American as being "not too bright" which isn't true, but let us concede that this statement is correct. Even if this were true, America's top 1% of the population is the most filtered and trained group of leaders you will find. Even if the whole nation were made up of fools, that 1% of the population amounts to 3,200,000 hardened economic competitors who run American economic policy. Even if Croatians were twice as smart as Americans – and we are not, no matter what we believe – that would mean that in a perfect world their army of 3.2 million would compete against our army of 86,000. These aren't very good odds for Croatia in a best possible world, but we make them even worse by **not** selecting and promoting objectively the best people, putting politics ahead of competency, and constantly recycling unsuccessful leaders of dubious qualities. Our negative selection makes very difficult odds into almost impossible odds. That is a choice a society makes, which has devastating consequences. But, we can also choose to change.

C. Talking Reform

We Croatians are an interesting group of people. We all seem to have an opinion on every topic and love to debate them endlessly. Yet we run from real changes like the plague. I used to attribute this and many other of our other national foibles (like our general disinterest in strategy) to our “psychology of a subjugated nation”, but after 20 years of consistently mismanaging ourselves, we honestly have to ask - “who is stopping us from doing better?”

We have talked about reform and restructuring for the better part of the past 20 years and indeed may be some of the world’s greatest talkers of reform, but nobody really believes us anymore – least of all ourselves.

We seem to be tied up in knots of fear and confusion – as if the problems are too daunting and we don’t know where to start. And we’re right, the problems are daunting but they are manageable – all it takes is vision, boldness and leadership, but it all starts with HONESTY.

We have to start somewhere and I propose that HGK serve as the model restructuring project in our country. In effect, it would be a case study in honest, bold, decisive and transformative leadership.

What do we have to lose? We have tried declaratory restructuring – where we leave almost everything the same, but declare a successful restructuring – and it has been an abysmal failure.

We need a fundamental change in our approach to economic management and that transformation should start with the restructuring of HGK.

D. Competing Effectively as a Small Nation – Punching above One’s Weight

Small economies, like small companies, have an uphill battle from the start. They do not have the inherent economies of scale and scope to compete effectively against larger competitors. However, some small countries have an economic impact disproportionate to their size – they punch above their weight. Some examples of countries like this and sectors where they compete and win are:

- Singapore – air transport, electronics, services (in particular wealth management), shipping
- Denmark - +50% of world market in hearing aids, top end stereo components, precision instruments
- Netherlands – air transport, food processing, electrical manufacturing
- Austria – banking, tourism, specialized mechanical manufacturing

The key element to winning as a small nation or a small company is to be faster, smarter and more creative than the larger competition. In effect, the best small countries know their larger customer countries better than they know themselves, and that is how they manage to penetrate their markets. In addition, given their limited resources, they don’t have the luxury to be wasteful with resources, be they natural or human – so every attempt is made to optimize resource utilization. In practical terms this means that they strive for efficiency and meritocracy – every employee is a critical employee, there are no redundancies, and excellence is expected but also rewarded.

How does Croatia stack up in these criteria? I think if we were honest we would have to admit that we punch below our weight economically just as we punch above our weight in sports. We are slower than even the largest competitors, we tend to cobble together strategy or systems in an ad hoc manner, we like to make quick copies of foreign goods or services which often suffer from both a lack of creativity and quality, and we don't adjust well to changes in the marketplace – and it's usually someone else's fault, and the government has to fix it.

I can already hear the refrains - "can't you just be more positive"? No, there is no positive spin to a decades-long losing strategy (look at our economic trends – the numbers, not the sentiments). The point isn't to pick on Croatia but to find **a way to make it be the winner it could and should be.**

Of course Croatia is capable of becoming a competitive exporter, but we just can't do it how we have been doing it for decades. The show has gotten old, no one is watching and most importantly – no one is buying.

E. Preach the gospel, and if necessary, use words (St. Francis of Assisi)

What does preaching have to do with exporting or running a competitive economy? You'd be surprised. What is HGK's or any national chamber of commerce's role?

- Represent the interests of its members before government bodies – lobbying
- Help co-ordinate the activities of its members to enhance their competitiveness (clusters, etc.) – which is really a kind of sectoral lobbying
- Educate and disseminate information of value to its members
- Market analysis and strategy preparation for market penetration
- New market penetration – export lobbying

If we look at it closely, HGK's main role is to communicate, to lobby, in effect sell products to buyers or positions to the political establishment making up the rules of commerce.

And what is our greatest communication tool – what we do and how we do it – not what we say. A perfect example of this dichotomy between what we declare and what we do can be found in this quote:

"Success which is a result of all our efforts must be founded on Croatia as a nation of ethics and aesthetics"

It is hard to disagree with this lovely exhortation which caught my eye on the HGK website – in the section on the Code of Ethics of Doing Business with the HGK. It is part of a declaration titled "Declaration about Croatian society and national wellbeing" signed by the former president of HGK (Deklaracija o hrvatskom društvu i državi blagostanja).

Preach the gospel of ethics, efficiency, creativity and excellence in Croatian industry, and if necessary, use words!

F. What does HGK communicate today?

1. Not Exactly a Lean Startup

I don't know how many of you are familiar with Eric Ries and his "Lean Startup" movement. It is all the rage in technology startups for good reason. Driven by a history of limited funding, technology startups are encouraged to focus their time and resources on building products iteratively to meet the needs and feedback of early adopters, thus minimizing initial funding requirements and expensive product launches, and failures.

In its essence, the approach relies on a feedback loop called build, measure, learn. It's all about not wasting time, not wasting product, not wasting feedback and not wasting people – if the product doesn't fit the market, change it, if your people don't fit the challenges, change them. Instead of building perfection and releasing it, adherents are testing and changing to customer-defined perfection.

Well, HGK wouldn't exactly qualify as a lean startup? It has approximately 600 employees and a budget of 177 million Kuna or \$31.55 million. By way of comparison, the US Chamber of Commerce has a budget of \$200 million. So, HGK's budget is 16% of the US Chamber's budget. This would be super if Croatia's economy was 16% of the US economy, or \$2,744 billion per annum. However, our GDP is only \$56.44 billion, so 3.59% of the US GDP. To put it another way, Croatia's GDP would have to be 4,861% higher for it to be proportional to how much we spend on our chamber. Or for one final perspective, we spend \$1 on HGK for each \$1,789 of GDP, while the silly Americans spend \$1 for every \$13,720 of GDP they generate.

A proportional HGK budget for our economy would be \$7.18 million or 40 million Kunas. I am not arguing that HGK's budget needs to be cut by 77% to make it proportional to US chamber spending, but I am pointing out that our spending on the HGK is hugely disproportional to our economic bang. A society has a right to choose to allocate its money as it sees fit, but we have to be honest with ourselves about how much things really cost at home and out there in the marketplace - particularly when that money comes from the taxpayers.

An argument can be made that a smaller country, particularly one in economic trouble, needs to spend disproportionately to promote its trade, and there is some logic to that – if your chamber is performing at an optimal level (and we will come to that soon). However, to put it in perspective again – how long do you think BMW would stay in business if it paid 7.67 kunas for advertising for every 1.00 kuna Audi paid to sell an equivalent margin car? Not long I suspect, but that is what we are doing. Yet we are surprised that our products are not competitive.

2. Needs more Focus

Visually HGK's website presents well – it's a good design, relatively clean, fairly elegant, and generally pleasing to the eye. However, when one starts delving deeper into the substance of the materials presented certain issues arise which detract from HGK's core mandate:

- **Too much dispersion** – a great deal of effort has been made to pack as much information as possible into the website – hundreds of links, badges, announcements and the like – as if the

appearance of busyness implies substance. To put it another way, there is too much superficial information, which is often repetitive – so it looks like you are looking at information about 20 sectors, but in reality it's the same basic information just repeated over and over again under different rubrics. It looks like a lot of good work is going on but in reality it's just eye candy, and doesn't really contribute much. This trait can often be found in the work of non-profit organizations and is usually a reflection of a certain leadership style which emphasizes form over substance.

I will outline a recent specific example I looked at - "The lessening of sanctions towards Iran" dated February 4, 2014. It is commendable that the HGK relays the information of the lessening of the sanctions from the Ministry of Foreign Affairs and relevant EU institutions. This is a great start, and it is still early, but this information in its current state is irrelevant to most of HGK's members. The guy who owns the company in Čakovec making stove pipes doesn't really care about EU directives. He wants to know what our strategy on penetrating the Iranian market is, when do we get started, and who does he contact to get involved. I think this is the approach that needs to be strengthened – to always think about what the dues-paying member needs and wants from any information or action on HGK's part.

- **Duplication** – In reviewing the information available to members I had the impression that much of the information/analysis was a duplicate of that available from the National Association of Employers (HUP), the State Statistical Office (DZS) and even the Central Bank (HNB). Again, sometimes it makes sense to put everything in one place, but I wonder how much of this duplication is make-work activity and how much of it is genuinely required.

3. Self-Laudatory

In reviewing the materials I had the impression that more emphasis was being placed on HGK's own self-declared excellence and standing among other such chambers than on what should be its core mission – selling Croatian business internally and externally. An example of this was an announcement stating that HGK has links to I believe 166 other chambers of commerce around the world. On the face of it this looks impressive, but on second thought – who really cares. What impact does that have on that Čakovec stove pipe manufacturer, the organic lamb farmer in Korenica, or the IT startup in Rijeka? I would argue none.

To be fair to the staff, we suffer from this trait as a nation. "We are the best in the world" - is one of our favourite exhortations and again I think the former leadership style had much to do with setting this tone. However, it is like declaring yourself a "visionary" - it only counts if someone else says it, not you or your mother. In this case I would like to hear the accolades coming from HGK's members who pay the bills, but most of all – I would like to see it in our export numbers.

4. Misunderstanding of Modern International Trade

In Croatia we still believe that international deals are done in two manners, and both are wrong.

- **It Ain't Like in the Movies** - In one, your leader makes a deal with my leader, like Tito did with Saddam Hussein, Muammar Qaddafi, Nehru and countless others. We put together an entourage of political power hitters, including the first lady, who are then hosted at sumptuous dinners, where they watch much fine folk dancing. Near the end of the visit the two great leaders retire for a drink of cognac and maybe a cigar and hash out the details of the business deal which will have "historic significance" on the relations and economies of both countries. In this setting, HGK plays a prominent role in coordinating the trip as a helper to the Ministry of Foreign Affairs. Unfortunately, this scenario is more common in movies than in real life international trade. Very few real international transactions are consummated in this way today, although there may be signing ceremonies after the real deal is done.

- **The Trade Fair Shuffle** - The second way of doing international deals involves publishing catalogues and exhibiting at as many trade fairs as possible. As the Zagreb Velesajam can attest – this is an anachronistic way of doing business. Modern international trade promotion has been democratized:
 - You don't need to bring your "great leader", as we are doing deals not politics
 - You don't need to publish catalogues, as I can see what you are offering on the internet
 - You don't need to go to so many grand fairs to see what is out there on the marketplace, as the marketplace is at your fingertips
 - You don't need middlemen with "aces up their sleeves" who can introduce you to the right sellers or buyers, as most sellers and buyers now want the best deal and want to be found
 - You don't need agents/middlemen in other countries to keep tabs on things for you, as you can be there in a few hours

This democratization of international trade has driven down costs and expanded markets. Yes, there are still markets that do business the "good old fashioned way", but their numbers are dwindling, and like with many things, this is a spectrum. However, HGK seems to really place an inordinate emphasis on trade fairs, and I think it does so for the following reasons:

- That's how we've always promoted trade
- It's fun – you get to travel, meet new people, and it is not too hard to do
- It looks like you are generating a lot of trade activity
- Best of all you get "daily allowances"

So, it's a win-win proposition for all concerned – right? I would argue that attending massive numbers of trade fairs, particularly large fairs, is a waste of money, people and time. It's fun and it looks good, but very few sales happen this way. The new economy is about focus, niches and iterating to customer-defined perfection (remember the Lean Startup). It is not about publishing catalogues, sitting at booths and giving out pens.

There are better ways of doing this.

5. Subjugated Excellence

I look at many of our institutions and I am dismayed by the abhorrent lack of professionalism, thoroughness, and excellence. I didn't have that impression from looking at HGK and its work. I have outlined some of the problems which quickly came to light but I had an enduring sense that there were some excellent minds and talents working there. I also had the sense that they were a little bit cloistered, or restricted, for lack of a better term, so that their talents couldn't be fully realized or displayed. I think that this is also a reflection of the previous management style where the unspoken focus was on supporting a quasi cult of personality. This is not healthy and it is a waste of precious human resources.

G. Question Everything

1. Where do we start?

If we were doing a really thorough analysis of HGK, its functioning and role in Croatia's economy we would have to ask the following question: *What would happen to the Croatian economy if we shut HGK down today? What would happen tomorrow, in a month, in six months, in a year, in 5 years?*

I asked this question of several prominent businesspeople here and the consensus was that the impact on the GDP would be surprisingly minimal, and I agree. Given that we have spent approximately 2 to 4 billion Kunas on HGK in the past 20 years, and will probably spend at least another 1 billion Kunas in the next 10 years, this is a shocking conclusion. However, I think that it is correct for the following reasons:

- HGK does not allocate its resources efficiently - remember the trade fairs, the staffing levels, the inappropriate talent usage – for all of these reasons HGK punches below its weight of 177 million Kunas.
- Companies that generate the bulk of our export sales do not need HGK and do not use its services to any great extent, as they are more sophisticated, have more internal resources, are more agile and more proactive.

I can already hear the chorus - "this man is awful, he hates the HGK and its poor workers". Such knee-jerk accusations couldn't be further from the truth. I have nothing against the HGK and its workers. I think that it does some things well but could and must do them much better. I also think that it has some talented employees who have not been given the opportunity to let their talents develop to their utmost potential.

By way of anecdote, I was a panelist at an investment conference for Croatia held at Georgetown University in Washington DC. Mr. Vidosević couldn't make it so he sent one of his senior deputies – a well spoken and elegant lady whom you probably know (who is no longer with HGK). She did an innocuous presentation and ended it with - "you should move your headquarters to Zagreb because it's a nice city". Most people clapped politely, but the panelist seated next to me who was one of the senior executives at one of North America's biggest banks said - "What childish rubbish. I'm not going to spend \$25 million to move my headquarters to a city just because it's nice."

That gentleman was right – it is silly to expect serious corporations to move their headquarters without rational economic reasons to do so. By the same token, it is silly to expect a country to keep funding institutions because they have always funded them – no matter how nice they and their employees may be.

2. Do we terminate the HGK?

Chambers of commerce throughout the world are having a harder time justifying their existence for the following reasons:

- The democratization of trade that we discussed earlier
- The rise of social networks with special interest subgroups
- Increasing pressure on profit margins necessitating leaner operations
- The faster pace of business and life which minimizes opportunities for mixed business/social gatherings

In jurisdictions where membership is voluntary, this struggle is reflected in lower membership numbers. In jurisdictions where membership is mandatory, this struggle is reflected in rising sentiment against what is perceived as just another form of indirect taxation.

However, **I would not terminate the HGK - but would transform it so it looks, acts and costs differently.**

H. What kind of HGK makes sense for Croatia?

1. A HGK Recommitted to its Members

HGK needs to renew its commitment to its members. It's common for older organization to lose focus after some time and turn inward, but it's not healthy. HGK is not there for HGK, its employees, its president, the government or anyone else other than its members. This is easier said than done, however these are the steps that are necessary to make the HGK relevant:

- Get the staff out of the headquarters. Have them visit the regional HGK offices, but more importantly, have them visit the members' businesses as frequently as possible.
- Refocus the staff to always think **customer first**, and ask:
 - How does this new development impact our members (for example, the Iran agreement)?
 - What do we need to do to help the members take best advantage of this new opportunity?
 - How do we best summarize this legislative change so that our members understand it?
 - How do we communicate to our members without lecturing?
- Encourage exchanges of staff between HGK and members' businesses to facilitate understanding between the two groups and provide fresh perspectives to both.

- Encourage staff to think and act proactively – preempt problems, see and communicate solutions as they are formulated.
- Reward staff who provide exemplary service to members.

If you ask the members, a HGK with 300 employees but the right attitude and customer focus is preferable to a HGK with 1,200 employees but the wrong attitude and focus. Obviously, these are arbitrary numbers for the purposes of this discussion.

2. A HGK Focused on Exports

(a) Croatia: Always Selling Exports to Ourselves

Croatia desperately needs to build its export markets – it’s a question of national economic survival. We are playing the export game all wrong and the numbers prove it. I already summarized how both HGK and Croatia fail to grasp that international trade is no longer a great leader song and dance or a caravan of trade shows. We play the game as if we were competing in the 1950s. To make matters worse we fail to grasp that exports are about sales, and sales are about compelling communication, and compelling communication is about explaining things in the buyer’s perspective. Everything is about sales – love, faith, politics and business. But we do it wrongly – and why, because we explain things from our perspective – we are selling to ourselves, our mothers and our political party.

I will give you a recent example from our history. We won the military War of Independence, but lost the media war until General Gotovina’s acquittal. We lost the media war for many reasons but chiefly because we were too preoccupied doing other things back home, but also because we were just not very successful in communicating our positions in a compelling way. Foreigners would ask why we did the Oluja Offensive, and we would start talking about Cyrillic/Latin script, Catholic/Orthodox differences, the line at Karlobag and the Croatian Spring. Well, that American or Brit had probably never heard of Cyrillic, was most likely secular, Anglican or Baptist, confused Karlobag with Carlsberg and thought Croatian Spring was like Irish Spring deodorant. I exaggerate, but you see how we explained everything from our perspective, and thought we did a good job – but failed miserably.

Let’s say the gentleman asking the question was from San Antonio, Texas. Well, put it in his perspective. What would you have done Mr. Texan if the United States was one third occupied in a triangle from San Antonio to Miami to New York, and this went on for three years, and the world kept telling you that you couldn’t take back your land? I have used this response many times (just changed the geographical coordinates to include the home city of the person asking the question) and the response was almost always - “Oh my God, I had no idea it was that bad. We would have gone after them right away and not many would be left standing. Good for you.”

I will give you another example of this “us perspective” because I think that it is vital that we change it. A new ambassador from a fairly powerful country was posted to Croatia. It so happened that we had some mutual friends so we decided to have lunch. This engaging gentleman told me of his first few weeks here and his general impressions. He liked our country but was confused by what to say

when we show him our “investment opportunities”. He would be pitched a textile mill in terrible shape, or a shipyard which should have been restructured 20 years ago, and would be asked if he thought he could bring in investors. He had a really tough time giving an appropriate response as 1) such industries had died and been replaced in his country several decades ago, and 2) his job wasn't to promote investments in Croatia but to promote his country's products and industry. The government officials who had his ear for this period of time could have made much better use of this opportunity if they had thought about things from his perspective and pitched him appropriately. Even if they couldn't find a common investment interest, he would have thought them more competent, which is important – as he reports back home to both his government and industry.

(b) Croatia: Great talk of international trade

International trade is incredibly important to Croatia, so we talk about it, and talk about it, but keep doing everything the way we always have. I could never figure out why we needed 4+ ministries to deal with business – finance, regional development, economy and entrepreneurship, plus transport and infrastructure, which is a de facto business ministry. We have lots of business ministries, but little business, and even less international business.

Ever wonder why we have 4+ ministries for internal business and no ministry of international trade. Did you know that Canada has a ministry of international trade? As a kid we learned why Canada has a ministry of international trade – we are a small country (35 million people!!!), therefore must focus on exports to have a good standard of living.

Preach the gospel of exports, and if necessary, use words. Why are we inwardly focused when it comes to the governance of business?

- That is the way we have always done it, so why change a winning strategy
- It is comfortable, so why take a risk
- It is lucrative politically, meaning that I can pack the ministry offices spread throughout the country with my party faithful. I can always manage to sneak a local incompetent party hack into some county ministry seat – no one will notice. However, they would notice if I put a Ministry of International Trade office in Andraševac and staffed it with a high school dropout (Andraševac is a lovely village - I live there).

Just so that we are clear here, this is not a dig at the current government. They have inherited a business governance structure which has faltered for the better part of 20 years. But they also have the mandate to change things and make them better – Fortune Follows the Bold.

(c) Croatia: Small country for a great number of government ministries

I can hear the coalition parties celebrating – he is advising us to add another ministry, great. You know what that means - another minister, more cars, more offices, more drivers, more secretaries, at least another 500 staff members and some super daily allowances on those long international trips.

So, should we add a new ministry of foreign trade? Not if I were running the government. One possible way to address this gap is to restructure the cabinet so that the 5 existing business ministries (4+) be rolled into 3 ministries – Finance, Industry and Infrastructure, and International Trade. There would be no additional staffing and requisites; in fact there would be room for sizable cuts in both staff and perks.

(d) HGK: Croatia’s international sales force?

The other possible way to approach this gap in international trade focus is to let HGK develop into a de facto ministry of international trade. I am not talking about giving it the power to bind the government and other such governmental powers, but about the mandate to be Croatia’s international sales voice.

I. HGK: Fortune Follows the Bold

I am proposing a bold restructuring of HGK, its functions, and its style. This is by no means an exhaustive set of possible changes (keep in mind that I had 8 days for this report), but I think that it provides a good general framework for leading HGK forward.

1. The Elephant in the Room

We need to deal with the elephant in the room when it comes to business advocacy in Croatia – the Association of Croatian Employers (HUP). I don’t think that HUP is the enemy of HGK, in fact I think they are complementary. It was a little silly to argue against the founding of HUP - “No, you can’t start and finance an organization to represent your business interests before the government. Your interests must be represented by the official business advocacy group, funded by mandatory fees, whose leadership is de facto appointed by the government. No one knows what is better for you than the party, sorry I meant the official advocacy group”. I think that when we put it in black and white, the argument against HUP seems better suited to North Korea than to a modern democracy espousing a free market economy.

HUP is here to stay and I think that is healthy. Who better to represent the interests of large Croatian companies than the companies themselves? They know what their issues are, how they want to approach them, and they can certainly afford to pay for such advocacy. I would also argue that there is a convergence of interests between large and small private sector companies on at least 75% of issues, so such advocacy is not necessarily against the interests of smaller companies.

I think the business of government advocacy and lobbying for bigger business should be left to HUP, and HGK should refocus its efforts and resources on other sectors where it is better suited, and we should avoid duplication wherever possible.

2. HGK: More than a party planner

I was told by a prominent businessman here that foreign embassies love HGK. Whenever they have a presentation or a high end function they call on HGK to put it together because they have the

logistics – people, premises and funds. This sounds pretty good until you think about it – yes the foreigners love this, but HGK ends up being a de facto high end party planner. We should ask ourselves: *Does any real business come out of this party planning? Is this the best use of our talented and educated staff? Is this the best bang for our 177 million Kunas?* Event planning is not negative in itself; it just can't be the core of trade promotion activities.

(a) Export Strategy

Lifting Croatia's exports is a tall order and the HGK can't do it single-handedly – it doesn't produce the products, it doesn't control the quality, it doesn't set pricing policies and it doesn't set tax policies. However, the HGK can lead the effort by drafting a realistic Export Promotion Strategy ("Export Strategy") in conjunction with its members, HUP, the Ministry Of Industry and the Ministry of Foreign Affairs. Remember what I said about Croatia being at war, just not knowing about it – we need to keep that in mind in drafting the Export Strategy. We like things long, slow and complicated. Our plans usually become so cumbersome and inclusive of everything that they become impossible to execute. Our Export Strategy needs to be:

- Concise - genius lies in simplicity
- Focused - on markets Croatia can penetrate quickly
- Unsentimental - focused on winners
- Clearly and simply written - understandable and adoptable broadly
- Realistic
- Practical to execute
- Completed in 3 months

(b) Targeted Promotion Activities

Croatia doesn't have the resources to be everything to everyone. We need to focus HGK on the battles we can win in the near term, which means that we need to review all of our trade promotion activities. We won't stop doing trade fairs or conferences, but we will be more selective about those that we attend and plan. We need to ask ourselves the following questions in reviewing every promotion activity:

- Who will be attending - thousands of members of the general public or actual buyers?
- If it's a buyer event - how many potential buyers will be there, how many were there last year?
- How long is our sales cycle?
- How much will this cost?
- Is there a better way to win this market?
- Who is in charge of this market internally at HGK?
- What follow up steps are required to win this market and who will take them?
- What do our members think about this activity?
- How much of the costs are the members willing to cover (litmus test of seriousness)?

(c) Small Chamber, Big Bang – Best Practices

HGK can't be the biggest chamber of commerce out there, but it can be the best. We need to aspire to having others praise the HGK for its work not because we put on great shows for them but because we win business, we hustle, we innovate, and we beat the big guys at their own game. That can only happen if we are constantly on the lookout for best practices in export development, and if we are bold enough to change to win (remember Lean Startups and iterating to perfection).

3. The Staff to Make it Happen

HGK needs to bristle with energy and enthusiasm. It has talented people who need to be let out of their gilded cage. These are the kind of people who will transform HGK:

- Service oriented
- Highly motivated
- Passionate
- Creative
- Curious about the world
- Winners
- Risk takers
- Responsible
- Hard workers

I once told my staff that a good test of their performance in negotiations was whether the other side offered them a job after the deal was done (not before, as that's bribery). A rough rule of thumb that I used was that your opponent should offer you a job about every third negotiation, and it happened. People didn't leave, but they were flattered, as they received objective verification of their excellence. That should be happening at HGK – the Austrians, the Germans, the Americans and others should eventually try to recruit our best people away. That day will come - we will then know that we are doing a good job, but I think they will stay.

4. It Starts with the Right Leadership

Everything starts and ends with leadership – the bad, the good and the ugly. The HGK is in the state it is in because of leadership issues. The interim leadership under Mrs. Škrtić has done an excellent job of stabilizing a very difficult situation. It is now time to build a new, better and more effective HGK. These are the leadership characteristics which will make that transformation possible:

- Great energy and enthusiasm
- Proven creativity
- Boldness
- Honesty
- Fortitude to make hard decisions
- Proven leadership skills

- Excellent communication skills in English and Croatian
- Multidisciplinary background
- Proven international experience
- High achiever in various cultures and corporate environments
- Extensive private sector experience

HGK will never achieve the level of transformation, energy and drive which Croatia's economy desperately needs without an energetic, committed and driven leader. Transforming the HGK is not a part-time, volunteer or retirement kind of project, but a mission. In life you generally get what you pay for, and the HGK and the Croatian economy deserve full energy, full creativity, full honesty and full boldness at the helm of this important institution, and that has a market cost which is not zero.

One of our more common sayings loosely translates to - "praise the sea, but stick to the coast" and it applies to our choice of leaders. We recycle our leaders more than we recycle bottles and I am afraid that we will be tempted to do so again with HGK. Given the problems with the previous leadership it is understandable that the greatest temptation is to fall back on someone we have known a long time, whose style we have grown accustomed to, and whose work we know well. That is a safe and rational choice, but the former president also met all those requirements.

The **HGK deserves new fresh leadership**. If we want the HGK to be the flag-bearer for a transformed, confident, creative, honest and export-driven Croatian economy, then we can't hand over its reins to the same management which has dominated our economy over the past 20 years. **It is really fairly simple, if we want changes then we make real changes, if we don't - then let's just be honest about it.**

Preach the gospel, and if necessary, use words.

5. Involve the Public in the Decision-making

Many excellent candidates will apply for the position of president of HGK. It would do the organization, its membership and the general public good to hear and see these candidates debate their visions of the HGK in public, maybe even on television. A public debate of maybe the top 5 candidates would have several benefits. The public would see that the government is serious about finding objectively the best candidate. The membership would get to know the candidates and their positions, which would engender more commitment towards the HGK. The debate would let the public see that things are changing for the better - **new leadership, new energy and new hope.**