



## MONTAGE CASE STUDY

 ÜLYSSES

DIGITAL STUDENT COMPETITION ON FAMILY BUSINESS



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### SLOGAN/TAKE AWAY MESSAGE:

There may come a time in a company's life when external circumstances change to a point where the company's managers consider moving the headquarters to another country. This decision is never easy, but in case of a family business it can be quite dramatic, as not only the company but the whole – or at least part of the – family has to move, too. The owners of Montage Education find themselves in the following situation: they either remain in the country where it has become impossible to sell their products for legal reasons, or the younger generation in the family business chooses a new country to continue operating.

### KEYWORDS:

succession, legal environment, education system, changing country



## ABSTRACT:

Montage Education was founded in 1990 in Hungary. Initially they were engaged in textbook publishing and distribution. Later they bought their own printing house (2001), after which they handled the complete logistics from book design, publishing, to printing themselves. They were so successful that they became the largest textbook publisher in the country (2010). Their books and then their very own digital learning materials and software have been highly appreciated by teachers and students alike, and they have been awarded several prizes by the European Textbook Publishers Association. In 2013, the Hungarian Government changed the legal environment, which resulted in the nationalization of first the distribution of textbooks and then the publishing of textbooks. These tasks were taken away from the highly regulated, but at least market-based, enterprises and placed under the exclusive responsibility of the state. (Within the EU, only in Hungary has the state exclusive rights to publish textbooks.) Montage Education responded by developing its already strong digital materials. However, their digital tools could not be implemented in Hungarian schools either.

The owners of Montage Education faced the following dilemma: while there is a strong sales potential for their products internationally, due to the prohibitive legal domestic environment and the complete disappearance of the market, there is none. This may justify a move to another country. The founding parents do not want to move abroad, so it is up to their children – who speak excellent English, have studied abroad, and built up a foreign trade foothold for the publisher – to do so. There is only one important dilemma. They are not sure they want to leave their home country.

## INTRODUCTION TO SITUATION (STORYTELLING)



Yldy sipped her flat white while looking at students running past the terrace of the café, she was sitting in. “How free they are...” – she thought. It was the first day of the summer holidays when the students received their school reports and ran around the city in their celebratory dresses, all half-joyed. A few years ago, for Yldy, this day meant something else: the joy of a job well done. As a member of the team at the Hungary’s largest textbook publisher, she could see her own success in the students' happiness at the end of a successful schoolyear. In 2014, the state textbook publisher took the market over from players in Hungary, so domestic sales opportunities for Montage Education almost disappeared. The Hungarian market was reduced to a handful of private schools and a few enthusiastic, persistent, and courageous teachers and parents who bought Montage Education books on their own instead of free state textbooks.

"When one door closes, another one opens." – as Samuel, Yldy's father, used to say. Samuel has been building Montage Education since 1990. He also reacted proactively to the dramatic changes in the Hungarian print textbook market. The company started to focus all its efforts on strengthening and internationalizing its digital curriculum development and started to move towards foreign markets. The second child, Peter – who, like his parents has a degree in IT – had to take on more of the family's work, while international business development presented Yldy with new challenges.

Both Yldy and Peter had to adapt quickly to their new roles. Samuel gave his children a strong sense of autonomy and empowerment in this situation – stronger together, Yldy and Peter were able to put together the new foreign trade team. The aim was to create a dynamic, young team - i.e., not to transform the previous, older team into a foreign market entry team. For Yldy, life was blooming: interviewing colleagues, going to exhibitions abroad, negotiating, and doing business worldwide from America to Saudi Arabia. She soon found that the world was almost more like home to her than her home





country, Hungary. "Is this normal? To build an internationally successful business in a country where it is legally impossible to do so domestically? Is it time to move? Or is it too big of a change? How responsible decision would this be? Would it be a selfish decision? ..." – Yldy wondered. Finally, although she is sitting alone, she is saying this out loud: "How wonderful it would be to run, to live, to think, to decide as freely as these students here at the beginning of their holiday..."

## DESCRIPTION OF CHARACTERS AND FAMILY BACKGROUND

### The founder, the father, Samuel:

The founder who set up Montage Publishing together with his first wife. Currently he is the 100% owner of the company. He worked as a mathematician programmer before founding Montage Publishing with his first wife. He is liberalminded, and he has always made it a priority for his children to acquire their own knowledge and experience. He didn't force them to work in the family business, he simply gave them the opportunity to gain experience within the company while they were younger. As a result, both Yldy and Peter became committed to the company. As a leader, he is an egalitarian, as he puts it, "*There is no task that is off limits to a leader*".

### The eldest child, Yldy:

She is responsible for international market access. She speaks English perfectly and is an excellent networker. After graduating from university, she was invited to Budapest by a multinational company, but after discussions with Samuel, she had anticipated to develop more at Montage.

### The second child, Peter:

He is a computer programmer. He has learnt programming as a child from his father, so



he had a clear path of entering this career and using his knowledge in the company after graduation. He is the link between digital product development and sales. He understands the language of programmers, but he also has an excellent grasp of the business side.

**The third child, Ben:**

He graduated as a mathematician at the University of Cambridge. He is currently a PhD student in machine learning and leads the research and development of artificial intelligence at Montage

## INFORMATION ABOUT FAMILY BUSINESS

Montage was originally a textbook publisher, but its founders were mathematicians and programmers themselves, so the company has been IT-oriented since the 1990s. A company employing over 200 people today, most of the employees are IT specialists. Conscious organisation and system building have always been of great importance in the company. The whole organisation was designed like any other professional programme development company today: they have made a good 'programme' (print and online textbooks) and delivered it to consumers through serious training. Training meant that a team of 25 people went to schools and prepared teachers to use the books and related online materials. They also invested continuously in teacher training - a unique way of achieving consumer orientation in the textbook market and utilising co-creation (i.e., developing the product with users) at a time when the term was still unknown. How did the online system merge or cross path with offline textbook publishing? Montage simply took advantage of the organisation's capabilities (the majority of colleagues were IT specialists) and recognised the opportunity of the moment: schools had interactive whiteboards by the 2000s, but educators didn't know how to use them - they simply opened PPTs on them, which could have been done



even with a simple projector. Samuel's idea was to create a software specifically for these interactive whiteboards. But not just a regular software – because teachers won't learn how to use that – but a software that is essentially the textbook in a digital version: with digital videos, 3D visualisations, etc. Teachers already know the textbook, so they don't need to learn anything new, they just open the relevant chapter of the book on the interactive whiteboard and several new functions are revealed to them, which they can immediately apply in their teaching. Then, of course, for the more dedicated teachers, numerous additional features were developed that allowed them to produce their own content (tests, etc.). Eventually, what emerged was a digital content that a teacher who is not at all IT-savvy can use. An IT expert teacher can, however, even create their own specialized content in the system. The system was very successful in Hungary: at the time, 4.4 million Montage textbooks were sold annually in Hungary. Just to note, there were 1 million students (in the target group) in Hungary at that time. In other words, on average, each student had 4.4 Montage textbooks. For every class that ordered a print textbook, Montage provided the digital content free of charge. Then, overnight, the textbook market was nationalised. So primary and secondary schools got the free state textbooks and no longer had the option to buy Montage's textbooks and digital services. Montage fought many legal battles, mostly successfully, but could not change the state nature of the Hungarian textbook market. Eventually, the company has technically been forced out of its own country's market - except for private schools, which are very few in numbers in Hungary. This is when the idea of foreign expansion – a significant extension of the foreign market entry that had begun earlier – arose. In effect, the previous B2C (directly to teachers) focus became a B2B focus (targeting foreign textbook publishers, education ministries, digital tool manufacturers, etc.). Yldy and Peter were put in charge of this task. They have visited international fairs, consulted with education decision makers in different countries, and in the process won several



international awards for the quality of their products. The difference between international and domestic conditions makes one wonder whether it is still worthwhile for the company to stay in Hungary. Of course, the decision-makers must also consider that it is not just about the family, but also about dozens of colleagues, most of whom are Hungarians living in Hungary. A change of country would presumably affect their lives as well. Country change is especially difficult in a company like Montage, where the organisation structure is very flat, with managers being almost on the same level as colleagues – no executive chairs, no executive phones, no executive allotments. Everyone is part of a dedicated team. And you just can't move a whole company to another country. Or can you? Or can you move just a specific branch of it abroad?

## PROBLEM TO SOLVE

For the owners of Montage Education, it would presumably be an economically rational decision to leave a country where the legal environment does not allow the sale of their educational materials within public education, their specific target market. However, as a family business, moving would also mean a generational and a family division (as the founding parents would stay, the children would move). Adding to the dilemma, the children are not entirely sure they want to leave their country for good - after all, their company was founded with the aim of raising Hungarian education to a higher level.

## QUESTIONS

1. Shall Montage move to another country - and if so, where, and how?
2. What are the arguments for and against Montage Education moving to another country?
3. Would you recommend Montage Education to move to another country?



4. If Montage Education were to move to another country, what would be the best destination country(ies) and why?
5. If you decide to move, how would you restructure the organisation's operations and decision-making to ensure that the founder in Hungary and the management abroad can work together effectively?
6. Should such a decision be taken on purely economic grounds?
7. Should such a decision be taken on purely economic grounds?
8. Since today only Montage Publishers owns a complete range of alternative textbooks for public education in Hungary, apart from the state textbooks, should this position be abandoned?

## INSTRUCTIONS FOR STUDENTS

The student must identify him/herself with being the decision maker of Montage Education and they should try to suggest solutions for the problems highlighted. Assessment is based on the ability to understand the challenge that Montage Education faces and provide a well-reasoned solutions how the company can stay or move.

- Students should answer the questions posed above
- Handing in: Written solution (5-6 pages)
- Video presentation -> can be video of team, animation etc. pitch 3 min

## EVALUATION

- Aims and Process: the team was able to identify the problem/crisis/issue, defines clear and comprehensible aims on how to solve it and describes its approach and the reasoning behind it.



- Structure & Form: the form and structure of the final output and its presentation is creative (editing, tools used, design, attractiveness), comprehensible (red line), follows academic standards (citations), and uses adequate language.
- Research (literature and theory): the approach and processes to solve the problem are based on relevant literature and theory.
- Content / Solution / Outcome: the team's solution provides an added value for the family business and its members. Relevant criteria:
  - Level of Creativity
  - Level of Innovativeness
- Level of Feasibility / Possibility of implementation





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Ulysses Contest – Digital Student Competition on Family Business

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