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**New Global  
Performance  
Challenges  
and Implications  
for Management  
Development**

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# New Global Performance Challenges and Implications for Management Development



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# Proceedings of the CEEMAN Deans and Directors Meeting



**New Performance  
Challenges for  
Management  
Development Institutions**

# Welcome address



**Danica Purg, CEEMAN President,  
Slovenia**

It is my pleasure to wish you welcome to the Deans and Directors Meeting, which is going to be followed by the Annual CEEMAN Conference. As you know, this event is sponsored by Coca-Cola HBC Italia, a corporate member of CEEMAN. The compa-

ny's General Manager, Ulrik Nehammer, suggested that we hold our conference in Caserta, near Naples, rather than in another Italian city and we agree that this was an excellent suggestion. I am sure we are all going to enjoy the lovely atmosphere and the nice weather of this place.

We have here 150 participants from 35 countries. This is a record because we usually have representatives of about 30 countries. I am glad to tell you that for the first time in CEEMAN's history we have the Association of African Business Schools (AABS) present. I am very impressed by what is going on in business education in Africa, especially in South Africa. AABS is doing a lot to enhance the performance of business schools and respond to the challenges of the continent, not only in the domain of management education but in general. It is playing a role similar to that of CEEMAN: we greatly contributed to the economic reform of Central and Eastern Europe. We are thinking of ways to share this precious knowledge with associations in other parts of the world, such as Africa and Latin America. Those regions are going through the same process of change as we experienced in Central and Eastern Europe.

Although CEEMAN was originally conceived as a regional organization, more than a third of its members hail from other regions of the globe. Nevertheless, we kept the original name out of modesty rather than call ourselves a global organization. Still, I think that what we have been doing, and the lessons that we have learned during our 18-year long existence, have significant relevance for the whole world. Therefore, we are working on enlarging our association with members from emerging economies from all continents.

At our annual event, we always start with a Deans Meeting during which we discuss academic affairs. The focus, of course, is on how to improve management education as well as on the implications of the current situation in the world on management development. Then, we report our findings at the conference, which is attended also by business people, and have broader discussions of these important issues.



In addition to that, we always try to learn something about our host country. This time it is the *Mezzogiorno* of Italy, a less developed part of the country. For that reason, we invited a famous Italian economist who is going to talk about her country tonight.

Those of you who are coming for the first time to our events will see that CEEMAN conferences are not just about learning. It is also about connecting people and creating friendships and partnerships. Another wonderful feature of our association is the fact that so many of the business school deans and directors are women. I think that we are well known for that.

Now I would like to open this Deans and Directors Meeting by introducing Irina Sennikova who is going to lead the discussions this morning. Irina is the Rector of the Riga International School of Economics and Business Administration as well as chair of the EQUAL Board, member of the CEEMAN Board and of the CEEMAN Accreditation Committee.

# Chairperson's introduction



**Irina Sennikova, Rector of RISEBA – Riga International School of Economics and Business Administration, CEEMAN Board Member, Latvia**

The tradition of CEEMAN Deans and Directors Meetings is such that in order to ensure stimulating discussions and interchange of ideas we do not have many formal presentations. Therefore, the format of the meeting is going to

be such that during each session we will have several brief presentations followed by questions and answers, as well as a discussion session.

Last year, at the CEEMAN Annual Conference and Deans and Directors Meeting in Riga, we talked about the global economic crisis and business schools response to it. What has changed since then? Today we are talking about new performance challenges, but what are we faced with?

With the academic year 2010/2011 we enter the second decade of the 21st century. Can you imagine that? Regardless of tremendous technological progress and globalized world we are currently living in there are new challenges facing all of us – economic and financial instability, environmental challenges, deficiency of energy resources, demographic situation. Despite the signs of economic recovery, we are not fully convinced that the crisis is over. There are experts who believe that we are heading towards the second wave of the crisis which will be more severe than the first one. Many Central and Eastern European countries are dealing with serious demographic problems. The population is aging and the number of people who can go to higher education is falling. Moreover, young people in many of our countries in search for better economic opportunities are leaving for the West and choose to get their degrees there. This means that when considering the competition we need to be fully aware that we need to compete not only in our national or regional markets, but rather globally.

Looking at the Vesuvius outside the window, I remember the eruption of the Icelandic volcano this spring which changed our perception of the world. It demonstrated vulnerability of the world and interconnectivity between nature and economic system. "Business as usual" is not working any longer - new challenges require new approaches and make people search for new business paradigms and new business philosophies. They also make business schools reconsider their role in society and think how to make sure that their graduates are able to cope with the new challenges. These are the range of issues we are going to discuss during this meeting and tomorrow's conference and I wish that after these two days many of the challenges facing us will get the form of the solutions.

# New customer demands: undergraduate degree programs

**Rafal Towalski, Deputy Dean of Undergraduate Studies, Warsaw School of Economics, Poland**



Thinking about the topic of this meeting, I thought we should define our customers. One definition that I would propose is that customers are recipients or beneficiaries of work efforts or purchasers of products and services. They can be a person, an organizational unit or an entire organization. The most important thing to be aware of is the voice of the customer as represented in their expectations, preferences, and requirements.

Then, I tried to produce a map that shows who our customers are. I identified three categories. I labeled the first one "external direct". These are future employers, other colleges or universities, and suppliers. The second category consists of internal customers: students, faculties, and administrative staff who do not teach. I called the third category "external indirect": the government, various communities, and donors.

What are the demands of all those customers? They are extremely varied and impossible to cover in a short presentation. I will focus on just some of them.

There are various sources of demands. Some stem from changes in the economy. Others are imposed by higher education reforms initiated by the government. A third source is the ongoing internationalization and globalization of business education, as well as its standardization. For instance, we have to conform to European Union rules and regulations, the Bologna convention and the Lisbon strategy.

Students expect to acquire state-of-the-art knowledge, solid working skills, and a sense of responsibility to society. According to a recent study in Poland, 84% of our students state that it is worthwhile attending lectures. Sixty one percent expect an education model based on freedom and independence. Seventy-six percent believe that approachability and how lectures are conducted are more important than the lecturer's knowledge. Eighty-one percent appreciate open discussions during the lectures.

There are also many reports on what employers expect from business education. These usually mentioned foreign language skills, a more practical education, and a focus on teamwork, especially in a multicultural environment. They expect more consultations on business education programs and a focus on values such as responsibility, knowledge sharing, and loyalty. Since I have close connections with business companies in Poland, I can tell you that they feel excluded from the process of designing business education programs. They complain that their voices are not heard either by the government or by business schools.

How do universities respond to students' demands? There are three types of responses. First, the Warsaw School of Economics has produced guidelines for

an education system reform from 2008 to 2012. The focus of it will be the education of specialists who are making a significant contribution to economic, social, and political life in Poland and abroad.

Because of the ongoing changes in the economy, every year we modify our educational offer, especially in the part that concerns elective subjects. The educational offer is updated with respect to the changing needs of the economy. Because of the deepening globalization process, we are promoting English-language Bachelor's programs and we have a growing number of foreign lectures.

As a response to the demands of the students' future employers, we have a corporate partners club, students' scientific communities, associations and organizations. Many of these are sponsored by companies. Also, every year we conduct an internal accreditation of newly modified lecture materials. They have to be in line with the strategy of our university.

In conclusion, it is very important for us to be attentive to the needs of our customers and respond appropriately to their demands.

# New customer demands: postgraduate degree programs, including MBA

**Sergey Myasoedov, Rector/Dean of the Institute of Business Studies (IBS-Moscow), Russia**

My school is a collegiate business school that belongs to a famous Russian university. Until yesterday it was called Academy of National Economy of the Government of the Russian Federation. Last night I got a phone call from my colleagues who told me that the President had signed a decree by virtue of which we acquired two of the biggest Russian universities. Now we are an Academy of National Economy and Civil Service of the President of the Russian Federation. At this point I cannot evaluate the consequences for my business school but I think that there are going to be huge changes.

How can we meet the new challenges ahead of us? Our great writer Lev Tolstoy used to repeat that we should not try to change the world. Instead, we should try to change ourselves. Therefore, I often tell my colleagues that we have to look in the mirror and change ourselves.

What are the new trends in the economic environment? Russia enjoyed strong economic growth a couple of years ago. Business education was booming: IBS-Moscow and some other leading schools had waiting lists for post-graduate programs. We could choose our customers and monitor their quality. That was a great boost to our development. Then, the country was hard-hit by the global financial crisis. However, the vast majority of the leading business schools in Russia did not feel its impact immediately. We are in the business of long-term post-graduate programs, such as different types of MBA that last for two years. When the crisis struck, our classrooms were full. Yet, each next recruitment campaign was more difficult than the previous.

We are in a period of economic stagnation. According to the government, we are going to have some growth soon. I have heard the same about the Western economies. But the fact is that the market is stagnating and so is demand for our programs.

What has happened to our clients? We have the results of a survey in Russia which shows that our middle class layers have all moved one level down. Based on their purchasing capacity, the former upper middle class is now middle middle class and the middle middle class is now lower middle class. The lower classes do not create a demand for expensive graduate business education. According to some estimates, the demand for MBA programs has fallen between 15 and 30 percent, depending on the market niche. All companies have cut their budgets. As a result, the percentage of our customers who are paying for their own education is increasing. This trend is not tremendously strong but it is there and we have observed it for a year or so.



Another negative trend is that MBA programs are losing the respect and trust that they use to command. And once people lose their trust in you, it is very difficult to restore it. Journalists ask us tough questions, such as "How come 50% of MBA graduates feel that what they learned has not improved their career prospects right after their graduation?"

The traditional belief in the force of tacit knowledge needs to be proved. You have probably heard of the attempt to recreate a Stradivarius violin by means of a scientific analysis. Those who were involved in it had faith in science. The wood, the glue, the proportions and the way that the violin was assembled were selected scientifically and were absolutely identical to those of the real violin. The only difference was that the sound was not the same at all. Likewise, our customers used to have faith in us. Now they ask challenging questions and want proof that what we teach them will actually work.

Formerly, we could use the media to attract attention to our products. Now we have the feeling that we are pouring water down the drain. There is no response at all. Recently, the graduate degree market was attacked by master of art and retraining programs. A lot of people today think that instead of taking a traditional MBA program, they should probably do a Master of Art in Management or a Master of Science in Management. In most cases, these programs are cheaper. As a result, we are faced with a redistribution of market share and segments. Strong business schools are doing well. They are stealing market share from the competition.

What can we do to address these issues?

First of all, we think that we should stop just selling our programs. We need to concentrate on trust-building. Many of my colleagues say that brands still work, therefore we should produce strong brands. Before the crisis, 65 to 60 percent of our recruits came to us because they had been referred to us by friends who had graduated from our school. Today, this percentage has reached almost 90. This means that the brand works and the loyalty of our previous customers helps.

We have introduced a Lego approach: offering pieces or modules of graduate programs. Our experience shows that customers who come for just one module, usually buy other modules as well. But they often cannot afford to buy whole programs at once.

A year ago we had a presentation by Ichak Adizes, a well-known business guru, for our clients. We offered it free of charge and collected 900 people in the auditorium. We repeated this with other gurus and found that the approach works well. It makes people feel that they are insiders and they even start bringing their friends.

We have also found that we should cater to the low-end and high-end markets because the middle is not sustainable, at least in our country. In the middle of the crisis, we offered some discounts, but we also raised the price of our leading MBA program by 55%. At present, our price is about USD 40,000 versus just below USD 30,000 before the crisis. Paradoxically, the demand did not fall. It may even have gone up. This is what makes us believe that we should not stay in the middle of the market because that middle is in the middle of nowhere.

Another piece of advice that I have is: look for sponsors, including the state. Corporate clients can also be an important source of revenues. Study the new customer expectations, such as specializations and a focus on specific industries. We are sometimes asked to create a special program for producers of machine tools. We used to answer that we could not cater to such special demands because we offered general programs. But now we listen to such demands.

We also need to diversify. There is more than the MBA program; some colleagues are into MPA, MA and all sorts of other graduate programs. The market is forcing us to look for innovations. We have to keep moving forward.

# New customer demands: executive education, including in-company programs

**Richard Lamming, Dean, University of Exeter Business School, UK**

The executive education part of a business school's portfolio is traditionally its unregulated business. Therefore, we can expect all sorts of crazy ideas in that part of the portfolio. As we are emerging from the biggest recession in 50 years, we should look for innovation much more than we usually do. We are operating in a new business landscape. Companies are cutting budgets and reducing or deferring costs. However, there is also a qualitative change in what companies want.

According to the *Financial Times*, there was a 17% fall in the number of participants in open programs in 2009 as compared to 2008. Enrollment numbers were down also in 2010 but there are now signs of an upward trend.

Customized programs show similar trends. There has been a 12% fall in commissioned programs and a 22% decrease in the number of programs for new clients. It is a pretty grim picture. On the bright side, among the business school clients surveyed by the *Financial Times*, more than 42% expected an increase in spending on executive education over the next three years. At the same time, a need for disruptive innovation was identified. Also, because of the tightening of belts, business schools will need to do more for less money and with fewer resources. They will have to reach more people in the same expenditure.

There is an expectation that in the longer term business schools will have to move away from open programs. Increasingly, individuals seek a program that offers a recognized qualification, such as an MBA or EMBA or a Master's degree, while business clients prefer a more customized option for their delegates.

This is going to be a major change because open programs are major cash generator. Once they are set up, you just run them. Customized programs require more creativity. On the other hand, they enable a more global approach because they are not targeted at local audiences.

Inevitably, there is going to be pressure on time. There has always been such pressure but it is going to become even stronger. There is an interest in short courses. Employees cannot be sent away for long periods. Locally run programs will be preferred in order to reduce travel. We cannot send 50 people to a lovely location for a couple of days. You may have noticed the preponderance of BlackBerries and laptops in the classroom. Those executives are in two minds. If you want them to be in one mind, you have to offer them a short course.

There is also a need for meaningful directed studies that can deliver the learning benefits. Supportive e-learning is often preferred. And we have noticed a resurgence of active learning. Personally, I am very pleased with this development because I am a big fan of action learning.





As always, small and medium-sized enterprises are a special case. They need management development but costs are a problem. They want bite-sized small interjections and flexible training, such as learning sets and coaching. There is a high demand for training of employees in small businesses, yet they cannot afford the normal options.

According to the *Economist's* Intelligence Unit, the top ten skills that we have to provide are execution, adaptability, risk management and mitigation, communication, planning, organizational skills, motivational skills, team-building, interpersonal skills, and analytical skills.

According to Ashridge Business School, "transfer of learning is key". Post-program follow-up is becoming increasingly important. A program may last a couple of days but the follow-up may continue for a year. Blended learning should reinforce learning back at work. There is a trend toward ongoing support in the workplace as well as a shift away from return on investment as a measure of effectiveness and a greater emphasis on qualitative change, such as an ability to lead.

Coaching is becoming increasingly popular. It is a threat to the strategy of business schools though, because executives prefer that kind of training to sitting in a classroom, away from their offices.

On the developmental side for individuals, companies still need to change and ensure they have the right leaders to take them forward. We see an increased interest in our leadership program at Exeter. For example, engineers and scientists may need to develop leadership skills so as to be able to lead change, innovation and entrepreneurship.

Personal and institutional agendas remain contradictory. As far as the personal developments are concerned, executives are becoming more mobile, moving between jobs. They are interested in executive education that is not associated with their companies. Managers often have an eye on other job opportunities after their course, even if they are company-funded. They want pleasure, prestige and promotion.

The organizational needs are different, perhaps even the reverse of individual needs. Organizations want programs that are tailored for their particular market, sector and context. We have to be careful not to sell something that is too standard. International perspectives are important, especially when moving toward more global teams. Companies are aware of the fact that there is no published evidence linking management education to organizational performance.

Leadership developers are urged to attend to both human capital, that is individuals, and social capital: interpersonal networks. For individuals this means developing a wide range of skills: intrapersonal, such as self-awareness, interpersonal, cognitive, task-specific, and communication skills. As Warren Bennis put it in 1999, there is no difference between becoming an effective leader and becoming a fully integrated human being.

Sustainability issues are becoming embedded in business school curricula. They are adopting emerging standards such as PRME. The triple bottom line – People, Profit, Planet – is coming of age. However, executive education and executive MBA programs still do not fully address the sustainability issue. This needs to change. I am very proud to say that Exeter's new MBA has adopted the One Planet concept launched by the WWF and that we are in a partnership with that organization. This has to do with the fact that the human species is currently demanding 150% of the Earth's resources.

On the international field, there is a move from West to East, which is good news for CEEMAN. Western perspectives are waning and the BRIC cultures are coming to the fore. Eastern holistic thinking is becoming prominent. It combines the practical and the intuitive and is characterized by pattern recognition, pragmatic action, razor-sharp focus, emphasis on relationships and community, deep connections and regular reflection.

Bilingual programs are becoming increasingly important. This is a major threat to British schools whose faculty are monolingual.

Another trend is the blurring of the boundaries between executive MBA programs and the classic MBA. One-to-one coaching is growing on executive



programs, which is a challenge for faculties as it increases costs and requires more time. But coaching is encroaching on traditional executive education because it can be customized for individuals. The demand for coaching has spanned a massive industry of independent coaching consultants trading on focused expertise.

Finally, let me mention some of the risks for business schools. First of all, some media launched the idea that the schools are perhaps partly to blame for the financial crisis. People believe that our MBA programs contributed to the meltdown, just as they were responsible for the Enron scam. Second, are business schools sufficiently knowledgeable to train leaders in the newly emerging job roles and organizational structures? Third, businesses want top quality academics who combine theoretical knowledge with practical insight - gurus who can help solve problems, not regular academics. They may not be the best, but that is what companies want to hear. It is hard for business schools to get this expertise together. Finally, executive education providers outside research-led environments have very different business models and more resources available to serve corporate needs. Education is becoming more virtual and more high-tech. We have to understand how to make the best use of video technology rather than fly people around the world all the time.

In summary, there are some macro issues in the market. I think we are seeing a change in the cycle and should expect to see a lot of really exciting innovation.

# How are CEE management development institutions measuring up? On teaching, program design and teaching materials



**Derek Abell, Professor Emeritus, ESMT - European School of Management and Technology, CEEMAN Board Member and Accreditation Committee President, Germany**

Before talking about measuring up, I would like to say a few things about the challenges.

Customers might think that they know what they want but they might not know what they need. I think that we have to look through what the customers are telling us and make some conclusions that are in our interest and in their interest. I think there is something like a tsunami coming up but the customers - be they students or companies - do not always realize this. Let me share a couple of things that I think are happening to our clients.

First of all, there is a tremendously heightened competitiveness around the world. The idea of a post-crisis situation is misleading. We are in a constant crisis and the situation is going to repeat itself. What we saw was just the first announcement of something different happening in the world. Being innovative has never been more important than today. Business schools have to deal with that.

I also see an increasing sense of dilemma for people running companies. There is a dilemma between the long and short term. There is also a dilemma between risk and return. We all perform high up on the risk curve because there is a tremendous pressure for performance. The incentives are pushing us to take more risk. Another dilemma is between social performance and business performance. I have read this material about doing well by doing good but this works only in some cases. In other cases you cannot do well by doing good. You are faced with difficult tradeoffs. One such tradeoff is between personal satisfaction and business satisfaction. Sometimes the jockey rides the horse till the horse dies. These are executives who take advantage of the situation and kill their companies. But there are others who are doing the opposite: riding the horse till the jockey dies. So, there is a lot of personal reckoning to be made there. There is also a tradeoff between ethical corner-cutting and getting results.

We have to help executives work through these dilemmas.

I think that there are large differences in the emerging markets; therefore there is no one answer to the question of challenges. China is not India and India is not Russia. Bulgaria and Romania are different from one another. If you are talking about new challenges, you have to define the situation more clearly from the perspective of a particular place.

Nevertheless, one common challenge that business schools are facing is to redefine their role in a bigger market. We have moved into the same territory as the consulting companies. They are also doing that and we can expect more competition. To be honest with you, executives are more likely to read

*McKinsey Quarterly* than A-class journals. The consulting companies have an enormous spread of data because they do a new project every day. We ought to be careful about that.

The previous speakers mentioned coaching. Ninety percent of coaching is about the human side of leadership, not about the content. We have an advantage in that we can offer coaching that is about the “how” and the “what”. It is not only about the human side; leadership profiles and skills but about how leaders resolve problems. In that field, we are much better than they are because the coaches are psychologists and psychiatrists, not business people.

I also think that the price-cost question is a real story. We can expect a downward trend in prices because we are going to have the same competition in business education from the Eastern side of the world as we have in almost every other product and service. They will do it cheaper and they will do it quite effectively. One of the lessons for companies is that they cannot sit up with a very high value proposition and a very high price. We have to be careful not to be outflanked by people who can do the same thing at a lower price. This is what I think that the world looks like. The challenges are not those that many companies and students are looking at.

How do we measure up? This is a bit of a trap for a speaker because if I say “well” or “not very well”, many will shake their heads. Instead, I will try to give you some of the criteria that I would look at. Then, you can make your own judgments.

If I asked myself how an institution measures up, I would look at six criteria.

First I would look at how they are doing in terms of local relevance. We are talking about teaching materials and program design. Local relevance is important because your local environment is where most of your students will come from. We are talking about Central and Eastern Europe. Ours are not major global schools. The students come from around the corner. So, the number one question is how we are dealing with local requirements.

The next criterion has to do with how well we understand global changes. It is important to have this dual perspective. You have to be locally relevant, yet there are emerging global standards and you must keep abreast of them. Keep your eyes on what your customers want but look also high up at the horizon.

I think that there is a spread of education that is about learning the basic craft. This is fine because our students need that. At the other end, they have to understand the latest challenges. Are we doing a good job in helping people get the essentials? Are we also teaching them how to be on the leading edge?

Number four is about the process of education, not its content. Are we using methods that are helping people to learn rather than teaching them something? We have to think a lot about learning and how people learn and acquire knowledge. I think that this is another measure of measuring up.

Then, I would ask about the underpinnings of education. What is the research and the case writing like? What is behind what we do? One of my concerns is that we do not have enough underpinnings in Central and Eastern Europe. People ask, “Why don’t you do something for healthcare providers?” or “Why don’t you work with sportsmen?” My answer is that to understand their needs, I have to write many cases. We have not done that yet.

The final question is whether we have the right alignment of incentives for our faculty.

What worries me most of all is that I do not think most of the schools in Central and Eastern Europe are locally relevant enough. We teach global issues but we do not know enough about the problems right around the corner. I can think of no better way to deal with this issue than writing lots of cases. We have to do some deep clinical research in order to understand our customers. In that field, we are not as strong as we could be. We are reaching for the global story but we do not get the local situation right.

As I said, I do not think that we are doing a particularly good job on the underpinnings. We have to do far more in order to get into the problems of the enterprises in Central and Eastern Europe.

I think that we speak with a forked tongue. We realize that we need to understand practice but we reward our faculty for publications in A-class journals. In all fairness, those journals are not what executives are interested in. They cannot even read them. We do those publications for our own benefit. It is academics talking to academics. The leading journals tend to be compartmentalized. They emphasize depth rather than breadth. But executives need exactly the opposite. They need holistic thinking. Leading is about an ability to assemble something out of a body of diverse knowledge, not about compartmentalizing knowledge.

These are some of the things that we need to think about. The good news is that we have a great opportunity because the rest of the world is not much better off. Many of the US business schools are off the rails, playing the wrong game. Some of them will get back on the rails but we have a great opportunity in the meantime. Being relatively short of funds is a plus, not a minus. This makes you keep your nose close to the market. The US schools are suffering tremendously from having too vast resources. As a result, they are often spending their money unwisely.

I see all these things as a chance for us to jump in and do something exceptional for this part of the world.



**Virginijus Kundrotas, President of BMDA  
– Baltic Management Development  
Association, Lithuania, CEEMAN Vice  
President**

Thinking of how to approach the topic of my presentation, I decided to use the methodology of Dr Ichak Adizes, an internationally known management guru, whom Sergey Myasoedov mentioned already. The methodology of Dr

Adizes is based on the functional approach to management. Following that approach, any well-managed organization or program should perform four basic roles.

First, it should be functional, meaning that it should provide what the client needs. In this case, the program will be effective in the short run.

Second, it needs to be systematic, which requires the skill to administrate, systematize, and execute tasks in systemic way. I have noticed that in CEE we often lack a systemic approach towards the issues that we deal with and that makes us “reinvent the wheel” every time, wasting time and energy. If we perform this role, it will provide efficiency in the short run.

Then, the organization must be proactive, adapting to the new trends and grabbing the available opportunities in the market. This gives it an opportunity to be effective in a long-term perspective.

And finally, it needs to be organic, integrating and creating a climate of cooperation. You need to ensure that all parts of your organization fit together and are interchangeable, which calls for long-term efficiency.

Let’s look how these four aspects of successful organizations apply to program design, teaching and teaching materials preparation.

I have noticed that there are various traditions in Central and Eastern Europe when it comes to program design. Some of the programs are created based on heritage. This is especially true of large and bureaucratic institutions. They design their programs on the basis of what they have, not on the basis of what the clients need. Their goal is to satisfy the professors, who work at their institu-

tions by letting them teach their courses without considering whether those courses are needed on the program. Fortunately, institutions of this kind are becoming increasingly rare.

Another trend that I have noticed is for some of our institutions simply to copy programs from Western partners. There is nothing wrong with learning from more experienced colleagues or those who have achieved something already, but a copy-and-paste approach is never appropriate, especially if there is no deep understanding of the imported program. As in the previous example, there are less and less such institutions.

If you want to find out whether a school is well positioned to respond to customer needs, find out if it has executive development programs. Those programs create a good opportunity to be close to the customers and study their needs.

One more suggestion is to look at the governance structure of the school. Do they have boards and external members on those boards, creating closer connection with the business community? Do they have an advisory board from the business community? This helps enormously in the design of relevant programs.

It is also a good indicator if faculty members participate in consulting activities because that work gives them an opportunity to understand real business issues and find out what corporate clients need.

Speaking about teaching, I see a contrast between traditional teaching and interactive teaching. In Central and Eastern Europe, we still have a lot of cases when traditional teaching methods are used. There is nothing wrong with that, especially if the professor is good and manages to approach the audience in three different ways of information perception, relying on visual, audio and imaginative stimuli. However, this type of teaching is not enough. Students should be involved in group-work and different types of interaction because that makes for much more efficient learning. The professor should not just preach but give the students an opportunity for discussion and participation in the learning process.

As for the teaching material, it should support the learning process. Participating in various accreditation site visits, I have seen a lot of examples when students are overloaded with teaching materials. Huge reading lists are drawn up but in reality the students do not read all that material at all. It is better to focus on a few good textbooks and give the students a real opportunity to read them and learn something from them.

Those remarks addressed the need to be functional. Now let us look at the need to be systematic. Concerning program design, I have seen many ad hoc programs at various institutions in Central and Eastern Europe. This means that those schools do not develop their programs on the basis of their strategic strengths. Every school has some strengths and weaknesses as well as its own unique strategic development strategy. But instead of setting up programs that reflect their strengths, they often use an ad hoc approach. Of course, that does not work well.

With respect to teaching, I would say that you have to be sustainable in your approach, rather than fall prey to some temporary fashion. Use new methods but do not overuse them. One of the examples could be given in respect to using too many slides. I have heard of a professor who used 200 slides in a one-hour presentation. The participants could not follow the speech and thoughts of that professor.

Concerning teaching materials, the important issue is to provide those materials in time and when they are needed by the students. In our part of the world, resources can be a big challenge. I am talking about books and the Internet. Price is still an issue. However, I think that if you know what you need, there is always a possibility to obtain it. And we have perfect examples from CEE business schools of how to prepare and present those materials extremely efficiently.

How could creativeness and innovation be applied to program design, teaching and materials preparation? Being proactive involves an ability to adapt to shifting trends and opportunities. It is not enough to discover what the client needs today. We should be able to predict what the client will need tomorrow.

The financial crisis demonstrated this in a very vivid way. Enrolment numbers have fallen at many institutions. Part of the problem is that companies have cut their learning budgets. However, there is another reason: most schools were unable to adapt to the rapidly changing situation. They were not fast enough. They did not manage to offer a portfolio for the particular moment. Yet, after the initial shock, many schools started getting out of their stupor and came up with innovative programs. It is possible to do that if you are proactive.

Talking about teaching, I have also noticed another shortcoming of business education in Central and Eastern Europe: a lack of a high number of good professors. The same people teach on undergraduate, graduate and executive programs. They use the same methods across the board. That does not work. When you have experienced executives, you can immediately start a discussion. But when your audience consists of undergrads, you need to provide a stronger foundation.

Concerning the teaching materials, it is not a good strategy to develop some excellent stuff and use it forever. You need to be constantly involved in case writing and development of new material. Proactiveness means adapting to new trends and opportunities and being permanently curious instead of finally satisfied.

Finally, in order to be organic, you need to use a team approach instead of a single-innovator approach. What I mean by that is that even if you have a fantastic professor who is very innovative and capable of developing a good program single-handedly, it is preferable to involve others in that process in order to achieve sustainability and interchangeability. Also, it is great to use prominent scholars but you should also involve other faculty and guest speakers on the same program. That will give everybody an opportunity to understand what is going on and create a good team spirit.

The same can be said of creating teaching materials together, thus enabling the creation of a culture of mutual trust and respect within organizations.

I believe that a school that approaches its business from the four perspectives that I mentioned will be successful in designing the appropriate programs, will teach them properly and will be able to create great and useful teaching materials. Results of CEEMAN/PRME Survey on Poverty as a Challenge to Management Education



### **Results of CEEMAN/PRME Survey on Poverty as a Challenge to Management Education**

**Al Rosenbloom, Associate Professor, Dominican University, US**

I would like to thank Danica Purg, Milenko Gudić, and Manuel Escudero for their leadership in what I am going to present. Two years ago at the CEEMAN

Conference in Tirana, Albania, Danica made a very passionate plea to all of us to participate in this research. Milenko has been my colleague and co-designer on every step of this research. Additionally, Manuel decided to make this an important topic under PRME (Principles for Responsible Management Education) initiative. Here is just a brief overview of what we did and found.

Two years ago, CEEMAN launched a survey to explore the views of faculty members and administrators on whether poverty was a relevant topic in management education. We had 154 respondents from 33 countries for that survey. The results were clear. People said "yes," that global poverty was per-



ceived as a serious human issue, that it was viewed as a legitimate management education topic, and that it was best discussed within business ethics or corporate social responsibility courses. Milenko and I presented the findings at the CEEMAN Annual Conference in Riga last year and we posted an online summary of what we found on the CEEMAN website. This generated a lot of interest across the world and led to PRME setting up a group that began to work on poverty as a challenge to management education.

The current survey tried to capture faculty member innovation on this topic. What is happening on the ground in individual business courses all around the world that illustrates innovation and creativity in terms of teaching about poverty and the responsibilities of leadership in management education? We wanted to use this survey as an opportunity to invite discussion, cooperation and continuing innovation.

Here is what the respondents in the current survey looked like. We had 377 respondents, from all levels of management education: 139 in MBA programs, 60 in EMBA, and 36 in PhD programs. The faculty/administration split was 80% to 20%. The top five disciplines in which faculty members taught were management, marketing, finance, economics, and ethics. However, we also had individuals who taught operations, management information systems, statistics and other subjects.

The school profile was 60% private versus 40% public. Most of the students were local. Only 6% of the schools were completely international, whereas 12% were mainly international with some local student body. We had a broad range of school sizes.

What were our main findings? Some were not surprising. Overall, we found that global poverty was perceived as a major issue. Also we found that poverty was considered a legitimate topic that needed to be built-in and included in the broad range of things that faculty members are talking about in the classroom.

But how did respondents see poverty in terms of their local situation? There were a wide variety of views here. Many respondents felt that poverty may not be an immediate issue but that it was an important management issue nevertheless.

Of course, we have to ask ourselves whether the people who answered the survey thought that their colleagues held similar views on the topic of poverty as they did. Therefore, we asked whether the respondents felt that there was agreement among their colleagues that poverty was an important topic. The answer was negative. Respondents said there was a wide range of opinion about the relevance of poverty in management education within their own faculty.

So, where do we stand? Do we teach about poverty? Some of us say we do. Others answer that we do not.

Of real interest is the issue of where we are now and where we want to go for integrating poverty discussion into business courses. Respondents stated that poverty should be integrated into all foundation management courses. Corporate social responsibility and business ethics are, of course, important but we also need to integrate poverty into the foundation and core courses of the curriculum.

We also asked how faculty members teach about poverty. The respondents said that they wanted action learning rather than theory. They wanted consulting projects and study trips because they felt that these types of activities would really engage students with the topic.

So, where is the innovation occurring? We had hundreds of open-ended responses. We were told that entrepreneurship courses teach how poverty can catalyze entrepreneurship. Some of the other interesting answers were:

- “Questions of the capitalist structure of life are central in all my teaching. Poverty is therefore a necessary (but not exclusive) focus and issue” (Management course).
- “In Sports Sociology and Ethics, I teach about the possibilities sport offers to fight poverty or help poor kids and families” (Sports and Ethics course).
- “I am offering an elective on globalization to the year 2050 which will include topics related to poverty in the future”.

We were also told that some of the courses involved the topic of micro-lending in finance, visits to slums in India on an international business course, and dealing within the context of absent systems on law courses. A strategic management course covered poverty under the sustainability theme as well as “serving the poor” as a strategic choice.

Other examples of innovation in teaching about poverty included: video cases and implications for managers, case studies on corporate social responsibility and poverty, judicial activism in the area of poor people rights to become part of the mainstream, topics such as how to help poor communities at the bottom of the socioeconomic pyramid to set up their own businesses and interact with developed world businesses, and social statistics for managers that are helpful in solving issues of meaning and value.

Finally, we invite you to join us on the PRME Working Group on Poverty as a Challenge to Management Education that is working on the issue of poverty. We are eager to involve all volunteers who will help refine our vision statement, add ideas for roundtable discussions, seminars and research partnerships, help with a database of teaching materials on poverty and with white paper reports, as well as support this work with other innovations. Thank you very much.

*The final report of the Survey is available at [www.ceeman.org](http://www.ceeman.org) (Publications section).*



# How are CEE management development institutions measuring up? On research

**Krzysztof Oblój, Director of International Postgraduate Center, Faculty of Management, University of Warsaw, and Kozminski University, Poland**

Although I am not a poet, I would like to start with a poem by Robert Frost:

*The road diverged in a yellow wood,  
And sorry I could not travel both  
And be one traveler, long I stood  
And looked down one as far as I could  
To where it bent in the undergrowth;  
Then took the other, as just as fair  
And having perhaps the better claim  
Because it was grassy and wanted wear...*

Frost beautifully describes the dilemma that researchers from Central and Eastern Europe and also other emerging economies face in terms of ways to develop good research. Shall we focus on the development of our own theories and set up our own journals and conferences or try to compete with established Western institutional frameworks and test mostly existing theories? I want to stress that it is not only our problem – I talked a lot about it with my Chinese or Indian colleagues and they have the same problem.

These are two different roads. The first can be called a Central and Eastern Europe theory of management. If we took that road, that would mean an emphasis on the unique history, culture and contingencies of the Central and Eastern Europe countries. Our findings would be generalizable only in our context. They would be published mostly in our languages. In a sense, they would be interesting mostly to us and world scholars focusing on the problems and developments of our region.

The second road can be named a theory of Central and Eastern Europe management. That would mean applying Western theories, testing and revising them in our context. That would also involve a need to publish in established journals and follow established Western conventions.

The US took the first road a long time ago. Therefore, most modern management theories are based on the American context. We also traveled some way down this road during the past years and have several important achievements. New journals were created in Central and Eastern Europe (the *Baltic Journal of Management*, *International Journal of Emerging Markets*, etc). Some of these new journals are in local languages, whereas others are in English. Research projects were launched in our countries and published locally. They focused on topics such as transformation, entrepreneurship, and so forth. Also, local and regional management development associations emerged and organized annual conferences. CEEMAN is a good example but there are various national associations across Central and Eastern Europe. Workshops devoted to emerging economies became the norm at international conferences, such as those of EIBA, SMS and EURAM.



I think that we score quite well in terms of these indicators. We have built a good institutional environment for further research within the region. Yet, there are some problems associated with this road. Our associations are not part of larger networks. We are not chapters but stand-alone associations. We are also off the mainstream of global research. This means a limited interest of Western scholars in our research unless we do something very innovative. And we are not represented in the global share of published science articles and citations.

The second road is more difficult and challenging because it means systematically submitting papers and panel proposals to the most important annual conferences – both in general management and in particular disciplines. It also means publishing in top English-language journals (*AMJ, American, ASQ, JIBS, MUST, OS, SMJ, ETP*) and in class B journals. This requires adherence to the conventions of current scientific practice. Researchers who go this way must produce mostly deductive quantitative papers based on existing theories (for example RBV in strategy, institutional theory, TCE, OLI and LLL in IB). They need to use large databases and sophisticated statistics or develop very tight qualitative studies. They have to participate in international training programs and collaborate with senior scholars from Western schools.

We do not score well on achievements on the second road. Scholars from Central and Eastern Europe do not participate often enough in well-established conferences, such as those of the EIBA, AIB, EURAM, or SMS. We do not publish enough articles in leading journals. By my count, there are only a handful of publications by Central and Eastern Europeans in A-class management journals. We do mostly qualitative research that is difficult to publish in top journals. When we do collaborate with leading Western institutions, that collaboration focuses on teaching, not research. Many young scholars who obtain a PhD from leading Western institutions prefer to stay in the West and publish there.

In the Shanghai Jiao Tong University ranking of research institutions, none of the top 100 in economics or management are Central and Eastern European. Among the top 500, we have only five universities: two from Russia, two from Poland, and one from Slovenia. In the Thompson Reuters National Science Indicators (Web of Knowledge), which tracks articles published in 12,000 internationally recognized journals in terms of number of papers, total citations and citations per paper, only Russia is in the top 20 countries thanks to hard science research.

Which road should we take in the future?

Things are as they are. I do not think we have much choice. We should try to follow both roads simultaneously and achieve two objectives. First, we need to develop a more integrated approach to the particularities and contingencies of the Central and Eastern European economies and management. We also need to become part of the international research community, just like China. First they focused on output and accounted for 20% of the world's research production today. Now they are emphasizing impact and influence.

What can we do to improve research given the financial limitations that we have? CEEMAN can play a very important role but only if there is concerted effort by leading members. We should focus our efforts on developing country-based qualitative and quantitative databases in areas that are hot topics in modern management research. These include entrepreneurship, development of new MNCs, Internet-based strategies, etc. An example can be the panel databases of listed companies. These databases could become a resource for cooperation between young and older scholars from Central and Eastern Europe and publishable research that can focus on a Central and Eastern European theory of management.

In order to develop the theory of Central and Eastern European management, we should establish institutions. We need a CEMAN-led research project funded by the EC in cooperation with some leading West European institutions, a permanent panel of respected Western scholars of Central and Eastern European origin that would cooperate on research based on our databases, and panels and PhD tutorials for scholars from Central and Eastern Europe at leading conferences. We should participate in leading journals and propose special issues in them in cooperation with Western scholars.

As a final thought, I would say that research has become mostly team-based and requires an international effort. We are well positioned to participate but we should have valuable resources to offer. As research has become expensive, it is very difficult to conduct it if it is not generously funded as in China. Because we are not well-funded in Central and Eastern Europe, we must seek funding from the European Union for larger research projects that will involve several CEE countries simultaneously and Western partners. In short – we must learn to cooperate better.

**Morten Huse, EURAM President,  
Professor at BI Norwegian School of  
Management, Norway**

Thinking of the papers that were presented at business conferences in Central and Eastern Europe 20 years ago, I remember a very different world. Your region has come a very long way in the meantime. I do not see a real difference anymore and cannot tell if the paper is coming from Central and Eastern Europe or the West.



As the President of EURAM (European Academy of Management), I would like to share some thoughts about how we see management research in Europe. I think that this research is currently at a crossroads. We have learned a lot in the 20 years of our existence. We have learned about the global academic standards. A month ago, I was at the US Academy of Management Meeting. It was attended by 10,000 management professors. Almost half of them came from outside the US. Compare this to the meeting in Atlanta in 1993 which was attended by 3,000 people, of whom only 5% were not Americans. This means that we are becoming global in many ways. We are learning from the US but we are also learning from each other.

In the US, management education is a huge market, whereas in countries like Norway or Estonia it is very small and we speak very different languages. It is therefore hard to find ways to measure up. How do we know that a piece of research is good? We are learning. For example, we know that the journals where the best research is published are those with the highest number of citations. We also know that our institutions are rated, among other things, on the basis of our publications and the quality of the journals in which they have appeared, as well as the number of their citations. As a result, faculty members are sometimes worried that their universities force them to publish in top-ranking journals, most of which are American. Unfortunately, the American reviewers may tell you that they are not at all interested in your research. This happens to researchers from Italy, the Netherlands or Scandinavia. Everything revolves around what the reviewers and the journal readers find interesting.

Also, I have heard young researchers say that their professors told them to make references only to leading and established journals, not new ones.

I like the American Academy of Management very much. It teaches us academic rigor. We learn how to publish. And we learn about professional styles and ethics. However, what we find at that academy is mostly knowledge about the US: its tradition and history. They have this tradition of trying to get their graduates to land jobs at other institutions because their professors are rated on this indicator. For that reason, they teach their students how to publish a lot in the best journals and how to do it fast. That means that they have to learn how to use the available databases. They have to use econometrics like a handicraft. That can help you get published because econometrics gives you some predictability.

I would like to share with you some of the thoughts that come up at the Euro-

pean Academy of Management. The first meeting was in Barcelona in 2001. In many ways it was supposed to be a European alternative to the American Academy of Management. I became its president this year. In the spring, we discussed the organization's mission and we decided that we need to develop a European-based community of engaged management scholars. By "engaged" we mean two things. First, we should believe in what we are doing. We should try to do research not only to have something to publish but also to create and accumulate knowledge. Second, scholarship should have relevance for practice.

A few years ago, the American Academy of Management started setting up subsidiaries around the world. They wanted to set up a European Academy of Management that would be a subsidiary of the American one. Fortunately, the president of the Academy decided not to go global. Instead, he believed that a relationship should be established with other existing academies. It was then decided that it would be used as a meeting place, where people from all over the world could come together and exchange ideas.

In Europe, we need not simply imitate the American Academy of Management. We have to think what is important to us. We have to avoid committing the same mistake as them. I can tell you that many of the papers that were rejected by EURAM were accepted by the American Academy. We have a double-blind review process, using 1,500 reviewers. We are going to use this procedure for our upcoming conference in Tallinn in 2011. Our community is not just a conference, though. We are organized in special interest groups, such as corporate social responsibility, corporate governance, gender and diversity, innovation, international management, knowledge management, project management, public management, sports management, strategic management, and research methods.

I said already that we force our faculty to publish in American journals. The stronger the pressure for that, the more difficult it will be to develop something good in Europe.

# How are CEE management development institutions measuring up? On institutional management and particularly marketing, PR and communications

**Katrin Muff, Dean of Business School Lausanne, Switzerland**

My presentation is based on what has been going on at Business School Lausanne. We have gone through significant change but I am not going to bore you with that because it has all been described in a recent case series by Babson and was taught at the IMTA 2010 for CEEMAN.

In terms of marketing and public relations, I am not familiar with the situation in Central and Eastern Europe but I can give you a Western perspective. From that perspective, marketing should be an integral part of an institution's values and culture. Too often I observe that marketing is an individual or separate function that is not integrated with the actual programs. That is a major mistake. Marketing an educational service is not the same as marketing other products and services. It implies a high degree of coherence between what the school is about and how it communicates with the outside.

There are a number of questions associated with a business school's marketing strategy. Does it reflect the current economic and social developments? Does the school have up-to-date tools and technologies?

At the Business School Lausanne, the word of mouth is critically important as we are a boutique institution. Walking the talk is a daily requirement for the entire staff and faculty as that makes a big difference. I often go to MBA classes and share the mistakes that I think I have made. Making mistakes is a critical element of learning. Particularly at the MBA level, we think that this is the biggest challenge our students have. Another thing we do is to have the faculty and students sit together and commit to personal learning objectives. I have found that this is a powerful way to create a positive dynamic for the whole MBA class. Last year, my personal objective was not to take things personally. This year I asked my associate dean to choose my learning objectives for this year. The chosen objective was that I should not take things personally. Apparently, I haven't learned much yet.

We are in the middle of the development of our logo. We have some focus groups, involving our students. One of the suggested variants reflects the school as a "final statement", the other implies a "school in process". The students' task is to help us decide whether we want to position ourselves as a final product or something that is still in constant development. If the second is closer to the truth, we should position ourselves as a school in progress rather than choosing a perfectly harmonious logo.

How can a business school differentiate itself in its teaching approach? At our school, we focus on the creation of a powerful and safe learning environment. We recruit our faculty for their ability to generate just that. We work with coaches to ensure that those who do not satisfy this requirement get there. Our classes are small, therefore we can focus on experiential learning.



Another question is how a business school can differentiate itself in terms of programs. Although we are small, we have country quotas, which makes us international. Another strength that we have is our applied focus. We are probably stronger on relevance than on rigor. That is one of the choices that we have made, although yours may be different. We think it is very important to market yourself through what you do rather than have marketing as a separate activity.

Research is also an important marketing issue. We are not very strong in research but we are building our competence as we speak. We want to contribute to resolving key issues in business and management in the 21st century. That is quite broad but again it differentiates us in terms of relevance rather than rigor. We became a founding member of the World Business School Council of Sustainable Business. Our strategy is get involved in these activities and let them speak for us rather than us engaging in separate marketing campaigns. We are a small school and do not have enough funds to do much in marketing anyway.

Are we up-to-date with respect to modern technology? This is important because we need to stay in touch with our students through the various modern tools in the Internet. We have to engage in a dialogue with our past, current and future students. It is one thing to communicate something to them but it is entirely different to see how they react. If you engage in a dialogue with them, that becomes very exciting. This takes time, courage and candor. We have to admit that we do not have the perfect answer but we are evolving and developing answers, possibly together with the people who are asking the questions. We must also accept the fact that our students and alumni will communicate with future students and we have no control of how that communication will turn out. What we can do is to be true to our values and walk the talk. These student interactions are a good way for us to see how we are evaluated in a very frank way.

We all see that the world is running faster and we are doing more things in less time. My feeling is that if we are to live our values, we should slow down. We need to do less and be more real. If you cannot keep up the pace, you lose the dialogue with people who are trying to talk to you. They can tell immediately if you are real or just using marketing tricks. I would encourage you to slow down, engage in dialogues and see what happens. You may walk out of them enriched with new ideas. A lot of that has to do with daring to expose yourself.

I would also advise you to be careful about the classical marketing approaches in the different world regions. Traditionally, we have learned that we have to communicate differently to them. However, we can no longer send one message to North America and another one to the rest of the world. The dialogue has become global and you should make sure you are consistent and coherent in your message across all regions. Even if you have to make local adaptations, you have to be careful about that, remember, your students don't confine themselves to regional definitions anymore – their dialogues are across the globe.



**Bohdan Budzan, Professor of Business Administration at International Institute of Business, Founder/President of Management Consulting Center, Ukraine**



Ukrainian business is characterized by dramatic changes that never stop. Dynamic internal and external social, political and economic conditions, as well as globalization, require serious transformations in managerial practices. Ukrainian companies face a dilemma: it is impossible to manage in the old manner but it is also nearly impossible to do that in the new way because new managerial tools are not widely available. Learning is the best tool and practice and only one potential answer to the challenge.

Talking about the business environment in Ukraine, I can say that there are no widespread systems of education and managerial development. Business people often learn from their mistakes but that leads to great financial losses. Thus, it is clear that Ukrainian business is in bad need of professional management that can secure effective operations under the new conditions. And that calls for innovations that will bridge the gap.

Many top managers have not adopted any new tools. "Good old" greed and a short-term perspective prevent the pursuit of long-term business goals and investment in the development of people. That puts our business schools in a position where they must increase their influence on the transformation of the executives' mindsets and their skills. We are at the early stage of solving this complex problem. There are quite a few issues that need to be addressed but the following are of primary importance.

Firstly, businesses need managers able to work under fast changing conditions, adequately reacting to crisis situations that are an integral part of the management process.

Secondly, it is necessary to take into account the economic and legal environment. It is shaped by negative governmental interferences associated with corruption and, in some cases, the criminalization of some businesses.

Thirdly, the educational activities should have a special focus on the collective actions of business people, academicians, educators and legislators, aimed at improving the legislation and the practices rather than finding ways, sometimes illegal, around the bad environment.

Fourthly, education, research and consulting activities should contribute to the understanding and adoption of corporate social responsibility.

Fifthly, business ethics should be incorporated into the curriculum as the synthesizing component that allows for the personal adoption of high ethical standards and their further incorporation into corporate cultures. This should also involve creation of conditions for fair competition.

Last but not the least is the internationalization of business education. This will enable managers to adopt a global mindset and compete in the global market place.

All those issues are closely interrelated. Solving those problems will allow Ukrainian managers to adequately face their challenges. Business schools should understand that they have the mission of shaping the new generation of managers that can crucially improve the national business environment and economy. I would like to share my vision of what business schools should do to address the above-mentioned issues.

- Upgrade the existing curricula to answer business and societal needs in order to increase the effectiveness of education and create a better understanding of corporate social responsibility.
- Introduce state-of-the-art educational methods and techniques, particularly real business projects. These should be aggressively interactive and involve the knowledge consumer.
- Do as you preach. Business schools should be great examples of what they teach to their students.
- Create accreditation and rating standards and practices that ensure integrity.
- Influence students' attitudes as stakeholders who are interested in making business schools drivers of business and societal changes.
- Research and publications should reflect current practices and lead to the creation of the new knowledge and its implementation into curricula.

All those issues require complex actions on the part of the business schools of Ukraine and probably those of other countries. These should be associated with the management of business education institutions, implementation of information technologies, international cooperation, sharing experiences with businesses and close collaboration with them.

Regardless of the fact that business education in Ukraine is not the most dynamic business, the lack of schools that can respond to the existing and future challenges is worrying. Only business schools can change the situation for the better. But there are few schools that are beginning to adopt new approaches. MIIM-Kyiv and Kyiv Mohyla Business School were the first institutions that were awarded CEEMAN IQA accreditation. And the International Institute of Business is the only one awarded AMBA accreditation. Still, some 30 new business schools and management faculties have been set up at Ukrainian universities. It is a good sign of improvement.

Media people, politicians and economists have introduced the term "turbulent times", meaning dramatic and unpredictable fast changes. For Ukraine's business and business education those changes means the following:

- New opportunities appear in the markets, niches and countries that were not available earlier, especially in BRIC and post-Soviet countries.
- Commercial and not-for-profit organizations are no longer crucially different in the ways they operate. There is a need for flexibility and quick reaction to external changes and conflicts with traditional organizational structures.
- Businesses and business schools are enhancing their specialization.
- The nature of competition is changing. The competitors' behavior is becoming much more diverse and aggressive.
- Business alliances are becoming long-lasting ventures.
- Corporate and global social responsibility is being adopted.
- Classical MBA programs are becoming less relevant. The so-called executive MBA and shorter-term part-time management development programs are in greater demand.

In order to stay in business, business schools should:

- Know and understand all the stakeholders, including their current and future students and their expectations. They should make their value propositions public.
- Follow the changes in the external environment and its "temperature". Use the latest information technologies, monitor information sources and grab new ideas to implement them.
- Set and strictly follow strategic objectives and have a clear vision of the direction in which they are moving.
- Constantly monitor progress in order to clearly understand how change is being implemented.
- Implement a decision-making system that allows business school executives to base their decisions on hard facts and maintain on-going partnerships with businesses.



- Motivate faculty to teach their courses taking into account business realities and needs. Faculty development and bringing in new faculty should be one of the key priorities in business school management.
- Be wise enough to understand when it is time to be a pioneer and when it is time to be a follower who adopts best business school experiences.
- Implement innovation and be reasonable about it. Stimulate learning product champions and idea leaders.
- Keep a balance between small and big changes.

Based on my personal experience I should mention that if a school is surviving merely on the basis of former achievements, that survival will be short-lived. Thoroughly elaborated changes, innovative approaches and understanding of customer needs should become part of day-to-day operations. Meeting the demands of the market ensures a reputation, a strong financial position and growth opportunities. We all know that business education is a business.

I have shared with you my ideas for a Ukrainian business education road map. I hope that it may be of use to the other post-Soviet countries as well.

# How well are accreditations reflecting the new challenges – particularly in CEE



**Dorota Dobija, Vice Rector for Research and International Development, Kozminski University, Poland**

Kozminski University is going through a continuous accreditation process. We have some kind of accreditation every year, sometimes twice in a year. Last year, we had a confirmation of our EQUIS accreditation and an accreditation

by the Polish state agency. We are also accredited by CEEMAN, whereas our MBA program has AMBA accreditation. We are still working on AACSB accreditation, preparing our self-assessment report.

The accreditation process always starts with an examination of your mission and vision. Different accrediting bodies use different methods, yet they all ask you who you are and how you see yourself in the future. Then, they examine your strategy and school activities. They may not ask you about your current strategy but about your strategy processes. The idea is that you should ensure stability and development in the future. As we are a private institution operating in Central and Eastern Europe, we have always had to struggle with the question of how to ensure that we will be around in 20 years.

I was very pleased to see that the first panel of this meeting was related to customer demands. It is important to have different stakeholders involved in the decision-making process. This should include the top-level of the organization. In our case, we have an advisory board consisting of leading managers who come twice a year and advise us on current issues. Then, we follow up on their recommendations and they later check what we have done. This is a learning process on both sides.

We have different committees for the different programs, and different stakeholders participate in them. They inform us on the market demands and the problems from the students' perspectives. Our Academic Senate consists of professors, school administrators, students and company employees. In this way, we hear different voices who tell us what to do.

Five years ago, EQUIS would simply ask us if we had an alumni association and our answer would be "yes". This year, they asked to see our database. They wanted to know how many alumni we had and what activities they were involved in. They wanted proof that our report was real.

My personal opinion is that teaching, program design, and teaching material design represent a great challenge. They require a change in mental attitudes as well as a cultural adjustment. The change must involve a shift from teaching to learning. AACSB is very much process-oriented which means that they are learning-oriented. EQUIS is also becoming more process-oriented. They have standards that are going in the same direction. The buzzword is insurance of learning and closing the loop: find out what you need to do so that the students learn what they need to learn. Another buzzword is the

alignment of learning outcomes and assessments. The transition from teaching to learning is necessary so that we can compete with schools from other countries.

Accreditation is a good vehicle of change. It can be blamed for curbing academic freedom but its outcomes are really appreciated by stakeholders, especially students.

Research is a great challenge. A research strategy is one of the first things in the accreditation guidelines. This creates a conflict between a research strategy and academic freedom. As a vice-rector for research, I cannot go to a professor and tell him what to do research on. It would not work. We have to allow academic freedom.

AACSB is not very research-oriented. We have to demonstrate that we have qualified faculty in accordance with our own criteria. However they, as well as EQUIS, insist on international peer-reviewed journals. This creates a dilemma. Do we push our professors to publish in international journals or do we focus on local issues that can be published only locally or regionally? This suggests that we need to strengthen our local journals, or set up new ones, and make them more international.

In terms of resources, the accreditation bodies look for stability. We have to show if our budget supports our goals.

Finally, there is the issue of internationalization. As far as EQUIS is concerned, we have to prove that we are really international. That is very difficult for a school in Poland, a country where the native language is Polish. How do you attract international students to Poland when people in some countries believe that we have polar bears in the streets of Warsaw? Some foreigners perceive many difficulties associated with life in Poland. We are not on an equal footing with the UK schools in that respect. However, I must say that getting EQUIS accreditation can facilitate your internationalization. It is a label that promises quality. I have also found out that accreditation opens doors to our graduates abroad. They may not know Kozminski University but when they hear about our international accreditations, they start talking a different language.

**Randy Kudar, CEEMAN IQA Director,  
Professor Emeritus, Queens School of  
Business, Canada**

IQA (International Quality Accreditation), the CEEMAN accreditation, is not trying to substitute or replace AMBA, AACSB or EQUIS. That is not our intent. The design and intent of CEEMAN accreditation is to help the schools in Central and Eastern Europe do the things that they have to do in order to improve business education in this part of the world.

We changed some of the words that we use to describe our approach. One of the words that we dropped is "internationalization". We thought that in this part of the world it is more important to be diverse than to think about being international. What we look at is whether you draw your faculty from more than one source, such as different universities in your country. Are you getting some of your diversification in that way? What do you do about the students? Are you taking in students from different backgrounds? That might be difficult in the Bachelor's programs but are you pulling in engineers, poets and history majors for your Master's programs? They can present a different perspective on things. That is what is important to us.



Another word that we are using is “focus”. Unless you have a lot more money than I think you have, most of you cannot afford to be a full-service bank. You cannot provide everything to everybody. There are probably some things that you can do extremely well on your own. There are also things that you can share with others and do in a joint fashion. That is also wonderful. But there are also things that are better left undone or left to somebody else to do.

One of the things that we wish to help with is for the schools to get a focus on what they want to do and can do. We ask them if they have the resources to achieve that focus. We do not dictate what that focus should be.

We also try to expand the intellectual capital that is generated at the institutions. We want to take it beyond classic teaching and research. I have several things on my list: development of simulations, games, cases, new teaching materials, consulting. Another one is being seen as a reference by the local media. Do you show up on local TV stations? Are you quoted in the newspapers? Do you interact with the local business community? Do you deal with their issues? Do you bring them in as speakers so that they get an idea of who you are and what you are capable of doing?

We would also look at your linkages with your alumni. We are very much interested in life-long learning. Once the alumni have graduated, we want them to come back. We cannot teach them everything in one big portion; our knowledge is constantly expanding.

We are also interested in a very holistic perspective. We want you to talk to the administration in your organization, your customers, your students, and your faculty. We are very keen on faculty development. Are you developing your people? Some of them have a terminal degree but that does not mean that they have stopped learning or that there are no things for them to learn. Whether it is research skills, teaching skills, administrative skills or consulting skills, there is a lot of room for development. Are you helping these people grow? As they grow and develop, your institution grows and develops, too.

The biggest challenge that I noticed in this one year and a half that I have worked in IQA is trying to convince the applying schools that we are interested in a very honest assessment of the current reality of their institutions. People send me the best public relations documents that they can produce. They do not have problems, they do not have shortcomings, they do not have issues. Everything is absolutely perfect. If it is that good, why are you wasting time on accreditation? Keep practicing.

We want the school to take a realistic assessment and look at the current reality. Like everybody else, we start from the vision and mission. We are looking for that dynamic tension between the vision and the current reality. But if you do not know what the current reality is, you have no idea if there is any tension at all. During the accreditation process, we look at your original statement and ask you what you said you were doing and what you intend to do. Here we are now, some time later. What have you accomplished of what you have promised? If you have accomplished everything, that is wonderful. But given the reality of the world, that probably has not happened. Perhaps, you have had to pursue other priorities. We understand that. We want to know where you are planning on going now. Do you have the resources? Do you still have a focus on your goal?

I think IQA is trying very hard to position itself to look at your school in your environment in a very holistic manner. We do not have absolute standards. We do not say that the most important output is articles in peer-reviewed journals. If you are recognized in your community as an expert on something, that is important. That is very important because you are making a contribution. That is what it is all about.

# How well are rankings reflecting the new challenges – particularly in CEE

**Della Bradshaw, Business Education Editor, *Financial Times*, UK**

For the benefit of those who are not well familiar with the *Financial Times* business school rankings, let me give you a bit of history and explain what we do. Then, I would like to look at some of the data that we have and how our rankings have been influential at the market.

We began doing rankings 12 years ago. We started out with an MBA ranking and an executive education ranking. Two years later, we added an EMBA ranking. Our Master in Management ranking has been going on for six years. In total, we have done more than 40 rankings of business schools and in particular of business school programs. We make this distinction, although many other rankings do not. We rank programs, not schools.

There are different markets for MBA programs. For example, the full-time MBA market is primarily in the US, whereas Asia is the prime market for Executive MBA programs. As for Europe, it has many MSc programs.

In addition to our MBA rankings, we also rank law degrees and Master in Finance programs. As some of you have noticed, our ranking has gone into a magazine format, which is quite convenient.

Our MSc ranking covers five schools from Central and Eastern Europe: the Kozminski University, Warsaw School of Economics, the University of Economics in Prague, Corvinus University of Budapest, and the WU (Vienna University of Economics and Business). These schools are not in the MBA ranking because they do not have enough students in those programs, not because they are not good enough.

We think that this ranking is very important. We came in at the time when the Bologna agreement was signed. It helped a lot of business schools look at what they did and gave a lot of pride to quite a few European business schools that had not been in global rankings before. We also have an Indian school in the ranking since they decided that their Master's program is a Master in Management, not an MBA, as it is a pre-experience program. Because it is an influential school in India, it is likely to define the Indian market. That is interesting because India is a market that everybody is looking at.

Our MBA ranking is based on three pillars: research capacity, globalization and the career progress of the alumni. People who have taken these programs tell us that they did that in order to get better jobs. Schools often say that their students are there in order to learn. They are not. They are there to take better jobs. That is what they want.

When we do our rankings, we survey alumni who graduated from programs three years earlier. Thus, our 2010 ranking will be based on alumni who graduated in 2007. We survey between 20,000 and 25,000 people every year for our MBA rankings and we get an average response rate of 30%. By now we



have a databank of more than 100,000 alumni from MBA programs around the world. That is a powerful source of information that can be used to draw important conclusions.

When we started our rankings in 1999, 20 of the top schools were American and five were European. This year 11 are American, 11 are European, and four are Asian. Naturally, this begs the question of why American schools have lost their hegemony. One possible answer is that the European schools have developed extremely well. But if we look at the data, we will notice something else, too. The salary premium that an American MBA used to give people is simply not there anymore. Besides, US MBA programs have increased their fees by 4-5% since we began our rankings. As a result, the return on investment is much lower. If you look at the average debt that an MBA graduate is saddled with by the time of the graduation, MIT comes out on top with USD 80,000 per person. Although Harvard has one of the best scholarship schemes in the world, its graduates also get heavily indebted. This is one of the major challenges that US business schools are facing at the moment.

As I said, we also look at research. The only school outside the US that used to compete on research was London Business School. This year three of the top schools in our research ranking are from outside the US. I think that this is a very significant development. INSEAD for example set up a research-funding scheme that helped them boost their research and be competitive with respect to the American schools.

If you ask the American schools what is their biggest issue, they will tell you that it is globalization - they do not know how to handle it. To measure internationalization, we look at the student body, faculty, and mobility. We look at international experience: while you are on the program, what do you do overseas? Do you have any internship programs? American schools are not there yet. They do not understand that. When you point it out to them, they tell you that it is easy to be international in Europe, because you travel a few hundred kilometers and you are in another country. I tell them that they have a different problem. Most business schools in Europe have gone through a significant transformation over the past 10 years. They have learned how to teach in a foreign language. Imagine being taught in Spanish at a US business school 10 years from now. There is an incredible movement in Europe that we have not seen in the US. That shows well in our rankings.

An interesting development is that the average salary reported by MBA graduates of American schools has fallen from about USD 180,000 to about USD 145,000. On the other hand, the average reported salary of MBA graduates from London Business School has risen. As for other schools, MBA salaries are pretty static.



**Madis Habakuk, President and Chancellor of Estonian Business School, CEEMAN Board Member, Estonia**

I have been thinking about the ultimate target of business schools. Why do they exist? The answer is that the business world needs them. And the business world speaks the language of money.

My first comment is on school brands. There are schools that are better than school brands and some that are worse than brands. The value of country brands correlates highly with the value of the brands of its schools. How a school will be perceived depends a lot on how its country of origin is perceived.



The Estonian Business School has been in China for 10 years now. We did a study of Chinese business school preferences. They tell us that they prefer Australian business schools. When we ask them why, they tell us that Australian schools are simply good. But what about the bad ones? No, they say, all Australian schools are good. It is the same in the UK and the US. They know mostly these three countries.

My second comment is on who wants to be ranked and who does not. The supporters of this method are the highly ranked business schools. There are also some schools that aspire to join the rankings. The remaining schools reject the rankings.

Central and Eastern European countries would have to deal with major challenges if they were ranked. The country brands are not good. It is unrealistic to compete on some of the criteria, such as the salaries of the graduates or research. And rankings can create a potential for conflict. Only the highest-ranking schools are happy, whereas the other ones are not.

I think that we need to keep the country brand and the school brand separate. How can we compare Estonia to Norway? The salaries of Norwegian graduates are twice as high as those of Estonians. I believe that the average income of the MBA graduates should be divided by the GDP per person of the country where they work. If you do that, you will get a much better picture of the school. Otherwise, the country brand will conceal the real picture.

Business school rankings can create opportunities. They provide benchmarking and hence faster development. Accreditation is not suitable for that purpose. If you are ranked on some criteria, that can be a useful benchmarking tool.

Finally, if you are ranked, you join a list of leading business schools, which is good for your marketing. As far as our school is concerned, we would be much more successful in countries like China.

### **Peeter Kross, Rector of Estonian Business School**

The best-known business school rankings in Estonia are those of *Business Week* and the *Financial Times*. When young people have to choose a school for an MBA program, they sometimes go by these rankings.

On the other hand, these rankings are also criticized in Estonia. One of the criticisms is that they do not recognize Central and Eastern European business schools at all. Also, they do not give due regard to cultural and linguistic diversity. As a result, the managers of our business schools do not take these rankings very seriously. This is a common reaction across Central and Eastern Europe. They say that business school rankings are largely irrelevant for our region. They are mainly used by successful Western business schools as marketing tools or for benchmarking within a limited club. Another remark is that students are not much aware of these rankings. Central and Eastern European schools find other marketing techniques. As an example, we can mention national and international accreditation, as provided by national bodies or CEEMAN and EFMD. Another tool is the Eduniversal Deans Survey, which is not a ranking but a collection of deans' personal opinions.

These tools are important in our region. Many of our applicants ask if we are accredited by the EFMD or other international bodies. That is the current situation and it is different from that in the West.







**Jim Ellert, Professor Emeritus and Former Dean of Faculty, IMD, CEEMAN Board Member and IMTA Academic Director, Switzerland**

I will focus on what we have learned from global and regional rankings of business schools and whether rankings will be helpful to us in Central and Eastern Europe. Are we ready for this type of development?

There is a wide variety of methodologies used to rank business schools. Some rankings are based mostly on objective outcomes. The *Financial Times* uses 20 objective indicators, the highest weight being on MBA salary data before and after graduation (40% weight), and business school research output (10%). *Forbes* uses a single indicator: return on investment for participants as a consequence of their MBA experience.

*The Economist* combines mainly objective data provided from business schools (80%) and more subjective data from student and alumni quality surveys (20%).

We also have rankings that are based largely on subjective indicators. *Business Week* relies on subjective surveys of MBA graduates (45%), surveys of MBA recruiters (45%), and intellectual capital ratings (10%). The *US News and World Report* ranking is based on qualitative rankings by business schools deans and directors (25%) and recruiters (15%), MBA placement success (35%), and student selectivity (25%). Finally, *Poets and Quants* does a subjective ranking (average) of the other five major ranking outcomes.

The different methodologies can produce very different rankings. In 2009 Berkeley was number 1 in *The Economist* but number 10 in *Business Week*, whereas Dartmouth was number 2 in *Forbes* but number 12 in *Business Week*. There are also schools like Harvard that come out equally strong across all ranking systems.

Rankings of European schools show similar divergence. ESADE was number four in *Business Week* but number 13 in *The Economist*. Again, one institution - London Business School - was consistently ranked among the top three in all rankings.

Every current business school ranking system has its share of critics. Some of the issues are:

- Do subjective ranking surveys of deans and recruiters measure reputation or actual program quality? (*US News and World Report*)
- There are many well-known biases associated with MBA participant and graduate surveys. (*Business Week* and *The Economist*)
- Should MBA salary data not also be adjusted for country/region differences in addition to industry adjustment. (*Financial Times*, *The Economist*, and *US News and World Report*)
- Is there a direct relationship between PhD program success and academic research outputs as drivers of the quality MBA program delivery? (*Financial Times*)
- Does origination of academic intellectual capital have a direct bearing on MBA program delivery quality? (*Financial Times* and *Business Week*)
- Can MBA program quality adequately be reflected in a single measure?
- Is successful innovation in program design adequately recognized and rewarded?
- Is there adequate validation of the "objective" data provided by individual business schools?

An important question for us is whether business school ranking methodologies are aligned with Central and Eastern European challenges. The answer is that probably they are not if we see challenges such as developing innovative program designs, increasing the stock of relevant teaching materials that are region-specific, and enhancing opportunities for Western accreditation.

Is Central and Eastern Europe ready for a regional business school ranking system? My answer is no. It would be difficult to agree on common and objective ranking criteria and their relative importance. There are large variations across countries, salary levels and salary adjustment norms. Rankings based on reputation could discourage innovation and fail to give sufficient recognition to high-quality emerging schools and programs. Finally, it is not clear whether deans and directors of our business schools want to devote scarce energy to managing stakeholder expectations regarding rankings.

As an alternative, we may be better advised to seek other ways to recognize excellence in the region. One recent initiative is the CEEMAN Champions Awards that are given to individuals or institutions that are demonstrating exceptional achievement in program design, innovation, teaching, and institution leadership.

# Looking ahead



**Danica Purg, CEEMAN President,  
Slovenia**

I agree with the view that being different is the most important asset of a business school. My talk is titled "Looking Ahead". It is something that I have been doing all my life and I think you have been doing the same. We all need to do that because we have to be interested in the future because we

are going to spend the rest of our lives in it.

Somebody asked what happens to MBA graduates after they get their degree. Before the crisis, nearly half of them took jobs at financial institutions, whereas some 15% found employment as consultants. But now many jobs in the financial market have disappeared. MBAs are being replaced by people who do not hold an MBA degree. Employees are getting promoted without such qualification. Even banks are hiring architects and other experts with innovative ideas. They want people who can do something different.

The same is true of consultancy firms. They are hiring more people with a technical background, such as graduates of medical schools, law schools, and PhD holders in economics, mathematics, physics, natural sciences, etc. I think that this development will continue in the future. Businesses will continue to hire people with diverse backgrounds.

Business schools are at a crossroads. They are shifting from a reliance on analytical models and statistics to developing leadership skills of self-awareness and self-reflection. They are teaching a global mindset and an understanding of the roles and responsibilities of business as well as the limitations of existing business models and markets.

Nigel Andrews and Laura D'Andrea Tyson did a research project with 100 top employers in the UK. They wanted to know why only a third of those employers bought the MBA of London Business School. They also interviewed some 100 chief executive officers of big companies in North America, Asia, South America, and the Middle East, and asked them if business schools provided what the businesses needed.

The corporate leaders produced an extensive list of qualities that they desired to see in a future recruit. The list did not include any functional or technical knowledge. The chief executive officers' requirements could be summarized as follows: more thoughtful, more aware, more sensitive, more flexible, and more adaptive managers capable of being molded and developed into global executives.

How can we respond to these requirements? What should business schools offer in order to develop responsible leaders and managers?

We need to be creative. Recently, IEDC was asked by a Dutch company to set up a seminar called "Leading Change, Identity and Values". We did not invite Jim Ellert to teach on that seminar, although he is the best finance professor in

the world. We did not invite brand specialists. We had an architect talk about his creative expression of identity. We took the managers to Bosnia and Herzegovina, where people have a problem with their identity. We met with artists who told us how they managed risk during the war. We listened to religious leaders and their views on identity. We had discussions with former prime ministers who told us how they were coping with the changes. I can tell you that during those seven days I saw what we should all aim for in management education: reflection and transformation. I would call this program high-touch rather than high-tech. As a result, the managers who took it now want to lead change in their companies. They were highly energized and wished to be more innovative. They also had specific ideas about what they wanted to do. I think that this element in leadership development is becoming more important than the new knowledge.

At our school, we also use the arts to develop creativity. We try to make people more aware of their creative abilities. We use this to teach innovation and change. I see that a lot of schools are using art and science as a tool for reflection but they do not go far enough. You have to invest in this and go deep into it.

We have the responsibility to bring up better leaders who will through their actions change their organizations, their countries, and themselves for the better, not for the worse.

This means that we should spend more time on presenting moral dilemmas in business cases. We need to devote more time to reflection on the broader environment and on connections with the environment. This includes a concern for preserving nature and a search for ways to connect business strategy with new ways of sustainable development that bring revenue without exploiting people and nature.

We should also devote more time to reflection on connection and responsibility for the development of the rest of the world. And finally, ask yourself permanently what you, as an institution or as an individual faculty member, are contributing to the future development of the world.

We can make this happen through research on poverty reduction. We can do it by giving an opportunity to people from less developed environments to participate in teaching-teachers program so that they learn from us. We need to create an awareness of the big world.

I told you that our school is devoted to enhancing creativity. We define it as the ability to transcend traditional ideas, rules, patterns and relationships and create meaningful new ideas, forms, methods, and interpretations. It is characterized by a sophisticated bending of conventions and an ability to produce something new through imaginative skills.

Sociological and psychological studies show that creativity happens in the dynamic systems of organizations. It requires critical reflexivity - a deep awareness of yourself and the world around you. It is also about openness to ideas, contradictions and challenges.

Why should leaders learn from art and artists? According to Edgar Schein, art enables us to see more and hear more. Art communicates, inspires, shocks, and provokes. Artists can stimulate us to broaden our skills, our behavioral repertory and our flexibility of response. An analysis of how artists are trained and how they work can produce important insights into what is needed to perform and what it means to lead and manage. From orchestras we can learn a lot about leading in difficult times, whereas jazz can inspire us to lead in good times because it allows more improvisation. However, improvisation is also needed in hard periods.

Most important, art puts us in touch with our creative self. It gives us concepts and tools to see the symptoms of forthcoming change, to understand them, and respond to them. It enables us to see patterns more clearly and understand the role of teams and leading teams.

To conclude, I would say that management and leadership education is going to become much more innovative in the future. This will impact the curriculum of management programs and its execution. Customer profiles will change and business schools will make new alliances with different universities and various other institutions.

I hope that my short contribution will trigger some reflection and will lead to some new ideas.



# Proceedings of the 18<sup>th</sup> CEEMAN Annual Conference



**New Global  
Performance Challenges  
and Implications for  
Management  
Development**

# Welcome address



## **Danica Purg, CEEMAN President, Slovenia**

I would like to extend a warm welcome to all the participants of our conference. I am sure it is going to be another great event, providing us with fantastic opportunities for networking and friendship building.

Let me share with you my position on our main topic. The generation that came right after 1990 has a particularly acute feeling of how fast the economic and sociopolitical situation is changing. In 1990, the US was still the dominant economy of the world, as well as an inspirational example and benchmark for the new countries in Central and Eastern Europe. A form of Americanization took place, promoted not only by the US but also by the citizens of the countries in our region and their political leaders. An absolutely free market was viewed as the ideal standard. A tsunami of neo-liberalism swept over Central and Eastern Europe, destroying the old values and institutions. A few grabbed the opportunities that this “no man’s land” provided, and enriched themselves in a record time, leaving millions of people in destitution. This explains why we, at CEEMAN, are interested in research on poverty. This is an issue of international significance.

The existing management education was shocked by these sudden changes. Many institutions seemed to have lost their bearings and saw no other survival strategy than to work together with an American or Western European business school. In this process, the quality of the Western partner was not the top priority. There was a risk that Central and Eastern Europe would become the fief of second-class institutions from the West.

That was the time when CEEMAN was established by a small group of people who were disturbed by what was going on. From day one, CEEMAN has worked for the promotion of high-quality business development through special seminars, annual conferences, case writing competitions, creation of a network of schools and teachers, and establishment and development of regional associations. CEEMAN set up IMTA - the International Management Teachers Academy, and IQA – International Quality Accreditation scheme. So far, we have had 2,000 participants in our programs and events, 400 of whom graduated from IMTA. CEEMAN has also provided seminars for close to 1,000 deans of business schools from all over the world.

Now, the world has changed again in a very short time. The US is not anymore the world’s dominant economy as it was for decades. The BRIC countries, and especially China, are gaining clout every day. Neo-liberalism has failed as an economic philosophy and particularly as a development model. The financial and environmental crisis has taught us that we have to develop a more sustainable and responsible way of organizing our businesses and our lives. This has also had a great impact on the position and functioning of management development institutions. It is clear that we need leaders and managers with new skills and attitudes. Of course, the basic functional knowledge is still



necessary, but the world has changed also in that respect. There is a need for transparent and sustainable theories and policies.

In the globalizing and increasingly complex world, business leaders should possess a mindset that does not pursue short-term profits and rewards but emphasizes long-term results and contributes to a better world, helping us to fight poverty, hunger and the lack of healthcare for millions of people. We need leaders with communication skills, imagination, inspiration and empathy. This demands a lot from us, who are leading business schools. Oftentimes, we also have to reorient ourselves and develop curricula for new leadership. CEEMAN sees it as its task to help its members make these big changes and play a leading role in the development of leaders for a better world.

Here we are now, in Caserta, upon the suggestion of our friend and CEEMAN Board Member Ulrik Nehammer, General Manager of Coca-Cola HBC Italia. I met him a couple of years ago in Vienna. He is a Dane who has so far worked in 14 countries, living in five of them. We appreciate the advice and wisdom concerning the market of management education that we get from corporate members like Ulrik. In addition, Coca-Cola has become our partner for the organization of this conference, which is an excellent example of how business and education can work together. Thank you, Ulrik, for your generosity.

**Ulrik Nehammer, Director General,  
Coca-Cola HBC Italia, CEEMAN Board  
Member**

Welcome to Caserta and Italy. First of all, I would like to thank Danica Purg for this event. CEEMAN is incredibly lucky to have her as the association's President. Thank you Danica for this wonderful organization that helps businesses get the most talented people that they need.

I have been in the system of Coca-Cola for about 20 years. I have worked across 14 different European countries and three Asian countries, and I have lived in five of them. Therefore, I consider myself a global manager and leader. As such, I have three messages that are suitable for this conference on global performance challenges and implications for management development. They are very simple and easy to remember.

The first one is, "Do not totally depart from the past". We must continue to learn from it.

Second, "Avoid sameness".

The third one is, "We, together, must continue to develop the life-cycle of talent development".

Italy has existed as a nation for only about 140 years. This reminds us that as we strive to lead toward the future, we must not forget the past. I am afraid that too many people want to forget the past and destroy the bridges to it. The south of Italy provides a particularly good context that illustrates what I said. I think that Italy is a very charming place. One of the things that creates this charm is the unity that has not destroyed the numerous small differences. The cultural differences between the regions create countries within the country. For us, at Coca-Cola, these cultural differences are not a disadvantage. They are an opportunity.

Today, we talk a lot about globalization and harmonization. I think that this is unavoidable. But I also believe that in today's environment the most important thing is not indexing yourself to some global standard. That leads to same-



ness, which means a lack of differentiation. In turn, this results in a lowest common denominator. I believe that we should pursue diversification and create competitive advantages by learning from small differences and pulling them together.

Let me share one final thought on leadership and management. A few years ago, many companies talked about competitive advantages only in terms of production and distribution systems. These advantages are getting increasingly small. I read a study by Harvard Business School according to which a price-based advantage lasts one day, whereas one that is based on production may end after six months. A distribution-based edge can last up to three years. These times are constantly shrinking.

The only long-lasting advantage are people and culture. According to the Harvard Business School study, this advantage can last seven years. Thanks to you, talent development is high on most business people's agenda. The pipeline does not start when people walk through our doors. It starts at your door. For that reason, we and you must work much longer together to optimize the operation of the pipeline. This explains why I consider it an honor to co-host a conference of this type together with CEEMAN. I am honored to have this opportunity and wish you a great time in Caserta.

# Performing in the new global economy: challenges for Italian companies, regions and the country itself

**Fiorella Kostoris, Professor of Economics at the University of Rome La Sapienza, Italy**

Before embarking on my subject, let me tell you something about myself. Although I grew up in Trieste, none of my four grandparents are Italian. Moreover, they all come from different countries. Unfortunately, they did not teach me all the languages that they spoke. My father spoke German to his family and my mother spoke Greek. However, they taught me only Italian. Besides, they did not teach me the Trieste dialect but the kind of Italian that you would learn when you are not growing up in an Italian family.

My topic is Italy's performance in the new global economy. I am going to touch upon three points. The first one concerns the characteristics of the recent economic crisis. The second question is whether the crisis is over. The third is "Where does Italy stand at the moment?"

Let me remind you that the economic crisis started in the summer of 2007. It had some particular features. First of all, it was a systemic, not an asymmetric crisis. Virtually all countries were affected by it. It was not asymmetric like the first oil shock at the beginning of the 1970s when the Western countries suffered a huge fall in GDP and increased unemployment, whereas the OPEC countries registered high economic growth.

This crisis was triggered by a terrible demand shock, whereas the oil shocks of the 1970s were caused by supply shocks. When there is a demand shock, there is also a decrease in output and an increase in unemployment, coupled with falling inflation. On the other hand, a supply shock goes hand in hand with a decrease in output and rising unemployment, but this is coupled with soaring inflation. It is a different phenomenon that needs to be diagnosed soon in order to come up with appropriate policy interventions.

The current crisis started in the financial markets, particularly those in the US. It occurred after the bursting of the speculative bubble in the American housing market. It was related to the so-called sub-prime mortgages. You know that the financial turbulence did not limit itself to that country because the system of derivatives that was built on these mortgages made the whole financial market extremely volatile. This resulted in a dramatic reduction of liquidity and a global credit crunch. Because the financial markets are global, the crisis could not be contained in North America. After a while, it spread all over the world.

The worst moment occurred after September 15, 2008, when a number of banks collapsed, including the Lehman Brothers. I remember what happened in Europe on October 12, 2008, when Sarkozy feared that the stock exchange would not open again the following Monday. He tried to convene all European leaders and convince them to do something together in order to fix the situation. One of the outcomes of those European policies was the decision



that all bank deposits would be guaranteed by the state. As a result, people were no longer afraid that some banks would be unable to pay their customers the money that they had deposited. Additionally, it was decided that bank assets would be saved. If necessary, troubled banks would be nationalized. Other measures were also adopted such as the decision to abandon the market-to-market system.

The credit crunch was addressed by central banks all over the world, sometimes in a very systematic and coordinated way. The idea was to restore liquidity after it had all but evaporated. Interest rates were reduced and are still very low. By March 2009 the worst period of the financial crisis was over and the situation began to improve.

How did the financial crisis spill into the real economy? First of all, a financial loss leads to a reduction of one's ability to consume. Also, there was a fall in revenues. People were losing their jobs or their salaries were reduced if they were lucky enough to keep their jobs. Companies were unable to obtain credit for their operations. All that caused a reduction in consumption and investment. As far as Italy was concerned, companies could not export their goods just as they could not find customers inside the country.

Thus, a recession began in 2008, approximately a year after the beginning of the financial crisis. As you know, a recession is defined as a fall in GDP in two subsequent quarters. Italy and Ireland were the only countries in the Euro area that had a fall in their GDP already in 2008. In that year, the German economy was still growing and so was that of the US. However, in 2009, all rich countries experienced a dramatic recession. On average, GDP fell by 4.1% in the Euro area. In Italy, that fall was 5.1%.

The recovery started around the second half of 2009. I think that the crisis in the real economy is now finished. Some people think that there is still a lurking danger but I am more optimistic. The worst moment for the real economy is over.

What were the policies that were adopted in the real economy? A few weeks after Obama was elected, he adopted a so-called fiscal stimulus in the amount of USD 700 billion. Germany and some other countries followed suit. Italy's stimulus package was relatively modest despite the fact that other European countries were telling us that we should increase our public spending in order to counterbalance the reduction in private spending.

The main tool for the coordination of fiscal policy in Europe is called the Stability and Growth Pact. However, the coordination there was not as good as in the area of financial and monetary policies. That is understandable. In Europe, we have 16 countries in the Euro area whereas the other countries are trying to adapt to the Euro club in such a way that they will be able to join it. This means that we have already an instrument of coordination. On the other hand, the Stability and Growth Pact, which is meant to be the primary coordination tool, is not working well. It was badly conceived in the first place as it does not distinguish between a demand shock and a supply shock. In a supply shock, you have to reduce deficit spending, whereas in a demand shock, especially if it is of a systemic nature, you should step up your deficit spending. Yet, this distinction is not made by the Pact. Consequently, the reforms that it is discussing are not those that we need.

Another market that was critically distorted is the labor market. First, there was a significant lag between the financial crisis and the crisis in the real economy. Now there is a lag between the economic crisis and the crisis in the labor market. When recession strikes, it is essential to understand how permanent it is going to be before letting people go. For that reason, employers tend to wait and see how things will turn out before making their employees redundant. This explains why joblessness trails behind the onset and the end of a recession.

Different countries followed different tactics with respect to redundancies. The US has a very flexible labor market. Therefore, they started letting people go right away. The unemployment rate rose to 10%. It is now declining but very slowly, compared to the recovery in the economy.

In Europe there was very little firing. In Germany and Italy, we resorted to temporary lay-offs. People who fall into this category are not officially considered unemployed. In Italy, they received 80% of their usual salaries and maintained most of their purchasing power. A rotation system was sometimes used so that

people worked three days a week. This is a form of "flexicurity". In this way, when the recovery starts, rather than looking for new people, you can rely on your regular employees. Of course, the downside to this is that your labor productivity falls. That is exactly what we observed, not only in Germany and Italy, but also in all European countries that adopted this method.

Is the economic crisis finished? To make a long story short, the answer is that it is over in the financial markets and in the economy, but not in terms of the high unemployment rates. However, in the spring of 2010, a new crisis emerged in the European public sector. You remember what happened in Greece, as well as in Portugal and Spain and to some extent in Ireland. These are sometimes called the PIGS countries. In Italy, we tend to believe that the "I" actually stands for Italy, even though it is for Ireland. In any event, this is a totally different type of crisis. What happened was that in 2007 and 2008, there were strong interventions by the public sector in order to save the private financial markets. As a result, the crisis became one of public debt more than anything else. Greece was a very typical case, having a debt level of more than 100% of GDP, plus a weak economy and low competitiveness. It also has a large and inefficient public sector. Our countries also have corruption, not only in the private sector, but also in policy making. Politicians lied about the level of public debt. It is not hard to understand why speculators try to avail themselves of situations of this kind. As a result, the spread between the profit on German and Greek government bonds is enlarging. At the end of the day, a country like Greece ends up being unable to pay back its debt and needs to restructure it.

The European Council made a very important decision on May 9 this year. It was agreed that a substantial amount of money would be spent to fix the difficult situation in the PIGS countries. In particular, a huge credit line was given to Greece. As a result, the financial markets have calmed down. After falling against the USD, the EUR stabilized and started gaining momentum. Yesterday, one EUR was worth USD 1.34. I think that the markets will have ups and downs as usual but there are no symptoms that indicate that we are going to have the same kind of trouble again.

As for the real economy, I think that there are some good opportunities. Perhaps some countries are still dealing with the effects of the shock and some of them are in a better situation than others. For example, Spain and the UK are worse off than Germany. Nevertheless, the crisis is not systemic any more. There are countries, such as the BRIC group, that are performing very well. China's estimated GDP increase in 2010 is 10% and India is also close to that figure. Even Russia is expected to grow at 4%. It is also very important to note that international trade is increasing and the expected figure for this year is 9%. Remember that last year a 10% fall was registered in international trade. This means that there are opportunities for those who can catch them. Currently, the opportunities are mainly in the industrial sector as it is doing better than the service sector. Also, big enterprises have better opportunities than small ones. Unfortunately, Italy has few large corporations and they do not always receive the treatment that they should. On the other hand, we have a lot of good small and medium-sized companies that are doing quite well.

There are good opportunities for countries like Germany, which were able to step up their productivity in the past 10 years. As a result, the labor cost per unit of output fell. In Italy, the opposite happened: we have an increase of labor cost. Wage moderation has not been successful and wages rose even as productivity declined.

To conclude, I would say that we need to enhance our competitiveness in order to be able to take advantage of the opportunities in the global economy. This is true of all countries, but it is particularly true of Italy. It implies that we should boost our productivity and stem the rise of wages. Boosting productivity will be easier in the central and northern parts of the country, less so in the South. There are many things that are missing in the South, including a good infrastructure. The roads are not as good as they should be and there are few airports. And railroads are not appropriate for high-speed trains. To develop that part of the country, we need the public sector to intervene. That will take time and money.

As you know, the Maastricht criteria require the Euro-zone members to keep their public debt below 60% of GDP. Yet, Italy's is twice as high. And instead

of falling, it is rising. This means that there is no public money. We have to do something about that even if it implies an increase in the economic gap between the North and the South. There are various things that can be done. There are good enterprises that can cooperate and produce economies of scale. I also think that fiscal federalism can help. The current government is a strong believer in fiscal federalism and I think that it can be put to a good purpose.

Italy is beginning to recover but it is returning to its pre-crisis situation which was characterized by medium-range stagnation. We will return to that unless we can innovate. Also, if we want to be productive, we have to work more. We have to work more hours in a week, more weeks in a year, and more years in a lifetime. Finally, we have to put more people to work as we have too many in our countries that are not contributing enough. Our female employment rate is the lowest in the European Union. We cannot allow this to continue. If the quality of human capital in men and women is the same - and I believe that this is a correct assumption - there is no reason to have more than 60% of men and less than 40% of women in the job market, which is the current situation in Italy.

# Chairperson's introduction

**Gazmend Haxhia, President of ACMS and ASG Group, CEEMAN Board Member, Albania**

Ladies and Gentlemen, welcome to Naples!

I am very happy to be the chairman of the 18<sup>th</sup> CEEMAN Annual Conference. We see how far this organization has gone. I remember the first conference that I attended - it took place five years ago in Kiev, Ukraine. I did not know what to expect but I am very happy that I attended it.

I often ask myself what is going on in the world today. I keep seeing problems and challenges all around and I do not have an answer to them. Worse, I cannot predict what is going to happen tomorrow. The topic of this conference is very pertinent: global performance challenges and implications for management development. The current situation calls for swift action.

There are three kinds of people: those who watch things happen, those who make things happen, and those who wonder what happened. I believe all of us belong to the second category. We also understand that nothing is more constant than change. That means that we need to embrace it and live with it.

How can management educators perform in this turbulent period? The times may be tough but they offer great opportunities as well. I believe that one of the main things that we need to do is to change our mindsets. We have to find out what the market needs and address those needs. We have to understand that change is part of our world and is here to stay. Instead of seeing ourselves as victims of change, we should be architects of change.

We offer degrees in architecture and urban planning at the University in Tirana, which we founded five years ago. I have learned that one of the main tasks of an architect is to manage space. The question is how we manage the space in the world of education. The answer is that we need to be proactive rather than react to the market. We have to come up with solutions before a major change has happened in the market. If we do that, we will be in safe mode.

As you may have seen in the program, the speakers come from many countries and have a lot of experience under their belts. We would love to hear what they have to share with us. Today we will be talking about competitiveness and how to compete in a more sustainable way. I hope that we will have enough interaction so that we get to deal with challenges and generate interesting ideas at the end of the day. Thank you.





# What it takes to be globally competitive; education, innovation, values



**Peter Kraljič, Director Emeritus,  
McKinsey, Germany/Slovenia**

As you see, the topic of my presentation contains a question and an answer. Global competitiveness takes education, innovation, and values. These are the key ingredients of competitiveness that I will address today.

Competitiveness is becoming a key topic nowadays for corporations and states. Why should we be competitive? To survive? To win? Or perhaps to have a win-win situation? That can be seen as an ultimate goal for our corporations, as well as our partners, if we want to take a long-term view.

Who should be competitive? Corporations talk a lot about that concept. But individuals should also be competitive because it is individual skills that drive company performance. States also need to boost their competitiveness. Competitiveness is important at different levels and it comes in different shades all of which are interrelated. You can also ask what competitiveness represents. Is it current performance or long-term sustainability? These are some of the issues that I would like to touch upon.

The ancient Greeks used to say *panta rhei*: “everything flows”. This implies that the world is in a constant process of change, often abrupt. The world is globalizing and, whether you like it or not, competitiveness is becoming a *conditio sine qua non* for success. The human resource trio - education, innovativeness and values - will be the driving force of any society or corporation. Business schools should play a key role in the interface between politics, society and business. This is a great opportunity but also a great responsibility.

Let us return to the *panta rhei* concept. What were the main changes in the world in the past few decades? One was the crash of communism, coupled with the disappearance of the Soviet Union and the Comecon. This was followed by the collapse of Yugoslavia and some other countries. Then we had September 11. It resulted in a war on terror that is enlarging the rift between the Muslim countries and the Christian world. Finally, we saw the crash of financial capitalism or neoliberalism, the subsequent collapse of the real economy, and the erosion of the belief in free markets.

Underlying these three main events are some fundamental trends. In the political sphere, we see the rise of new power centers, especially the BRIC countries. We also see the progress of globalization. It is driven by a technological revolution. Mankind has never seen as many new developments as in the past 20 or 30 years. Another important phenomenon is the increasing scarcity of natural resources. Not only oil supplies are dwindling. Fresh water and arable land are also becoming increasingly scarce. We have environmental issues such as global warming but no appropriate regulations to deal with them. There are demographic issues: ageing societies in Japan and Europe. The standoff between Israel and the Muslim countries has not been resolved yet. There is a growing gap between wealth and poverty, not only at the level

of countries, but also within nations. Germany is a good example. It is one of the richest countries in the world but rising poverty is becoming an issue.

There are educational issues as well. We need new skills for the future generations. We need life-long learning. We need values. Many say that values are eroding which explains the crash of the financial markets. They were brought down by human greed.

These are some of the fundamental changes that we have to keep in mind. They are creating new scenarios, new opportunities, and new challenges. The new opportunities are really there because that is what globalization is about. However, globalization imposes new rules. It takes distinctive survival skills. Global brands, such as Coca-Cola, Microsoft, and Google thrive in this new situation. Talent management is becoming increasingly important.

We have new scenarios that assume an end-game character. In the commercial airplane construction business, for example, there is an oligopoly: only two main players, Boeing and Airbus. Still, Russia is trying to consolidate its airspace industry and so is China. In a few years, we can expect to hear some news from those countries. If we look at natural resources, we will notice that the so-called Iron Ore Trio from Brazil and Australia controls 70% of the free market. The consequence of that is that the price of iron ore rose 300% in recent years and the steel companies could not do anything about it.

We have new global winners: big multinational companies that operate across borders. Interestingly, not all of them originate from developed countries. Increasingly, there are global competitors from the BRIC quartet. There are also companies from small countries, such as Novo from Denmark, that dominate certain niches in the market.

Globalization is also changing the employment structure. Developed countries are expected to keep 15-20% of industrial jobs. Last year, 25% of all jobs in Germany were in the industrial sector. In my own country, Slovenia, that percentage was 35. Germany has shed at least 2 million jobs in industry in the past few years and it is continuing to lose them because these jobs migrate from high-cost to low-cost countries. The new jobs in the rich world have to be created in services or in the high-tech sector.

Of course, there are also new opportunities. Globalization provides you with access to new markets, new suppliers and new customers. Some Phillips people told me a few years ago that they were trying to develop products for countries where the annual income is less than USD 1,000 per person. This means a completely new line of products. Tata is a good example: they developed a car that costs USD 2,000. This probably marks the onset of a completely new era in the automobile industry.

We see technological leapfrogging. China is moving ahead very quickly, introducing the latest technologies and even starting to export them. Think of their high-speed trains.

There are opportunities for global process optimization. A good example is Toyota. Not only have they improved their own productivity but they have also boosted the productivity of their suppliers.

Globalization also creates an opportunity to tap the global talent pool. McKinsey is an example of that. It employs 140 different nationalities.

There are of course new challenges. Consolidation, concentration and take-overs are common. Last week at the IEDC, we discussed the pharmaceutical business. The concentration in that sector is moving ahead and is not finished yet. We see constant change and restructuring. If you do not follow, you will be lost. We are witnessing the commoditization of products. The most successful of them are being copied at the global level because the technology is available. For a long time, stainless steel was produced predominantly in Germany and the US. Now, they are producing it everywhere and they are treating it like a real commodity even though it is a complex product. Shareholders and stakeholders also expect more transparency. This is an issue that management has to deal with to be successful.

There are of course new risks and you had better be prepared for them. There is a volatility of demand in financial markets and in raw materials markets. There is a risk of a brain drain. Indian graduates from good schools are highly

sought after by American companies. They leave India and move to the US.

There is also a risk that you will become a victim of globalization. While some are hunters in this process, others are prey. A lot of companies have been taken over and sometimes whole countries, such as Slovakia or Croatia, have sold off their main businesses and the decision centers have moved abroad.

There is a global domino effect. We saw it in the financial markets. First, there was a sub-prime crisis. Then the Lehman Brothers collapsed. After that, governments had to pour billions of dollars into the economy to ensure liquidity. This resulted in a real crisis in the real economy. The effect of all that is still being felt today even as the economy recovers.

The economic developments are only one dimension. There are also others that are often interrelated. One of these is environmental protection and the reduction of global warming. We cannot do that without appropriate technology. The impact of some of these trends can be very different, depending on the location or the time period. Japan and Europe are aging, whereas India and US are still young.

Some of these changes are both long-term and short-term. The financial and economic crisis lasted only a couple of years. However, global warming is producing a long-term effect.

To deal with these issues, we need competitiveness and a new understanding of that concept across several interrelated levels. I think that competitiveness should span six levels. One is the giga level, referring to the global impact. There is also a mega level - the main economic zones or areas. The next level is the macro level, that of individual countries. Right below is the mezzo level, consisting of clusters of regions or sectors. The micro level is the classical corporate level, although it also includes small and medium-sized companies, whereas the nano level refers to the individual.

Let us look at the Central and Eastern European countries and see where we stand on these levels. In terms of the giga level, only Russia is playing a role because it is a member of the G20. No other East European country is part of that association. Some are European Union members but we know how poorly that organization represents us at the global level.

Looking at the mega level, we see that the Central and Eastern European countries are split between the European Union, CIS, and the Western Balkan region. The latter is a zone that nobody knows what to do with.

As for the macro level, we see enormous differences across countries. In terms of competitiveness, the Czech Republic and Estonia are among the world's 30 most competitive economies. If you are in the 30th position in the Olympics, nobody will mention you. Unfortunately, there are also countries like Bulgaria or Romania that are even further behind. This is not something for these states to be proud of.

The story at the mezzo level is the same. There are very few success stories there in Central and Eastern Europe. Look at Slovenia, a country of 2 million people. Last year, our government wanted to split it into 13 regions. How can you divide 2 million people into 13 regions? A region in Europe should have a population of at least half a million. Many sectors of the Slovene economy are dying. Examples are the textile industry and shoe production. The reason is that they were unable to stay competitive. On the other hand, these industries are still doing quite well in Italy. The only hugely successful region in Central and Eastern Europe that I have heard of is that of Lodz in Poland. It has a very high rate of job creation and economic growth. This means that it can be done. But it needs to be done more often.

Then, we come to the micro level: large corporations and small and medium-sized companies. Apart from some resource-driven companies, such as Gazprom and Severstal, there are very few big international players from Central and Eastern Europe. There were international brands such as Škoda, but they are now part of Western corporations.

At the nano level, we have good people. We used to have good education but it has unfortunately eroded because there was not enough money to finance it. This creates a continuing risk of a brain drain. Serbia is losing 30,000 young people a year. How long can that country sustain that situation? This

is a serious cause for concern. We should find a way to keep those young people at home.

Let us return to the giga level. The problem with it is that it is being left unregulated. It presents opportunities, such as those created by the ongoing globalization, technological revolution and institutions like the World Trade Organization or the International Monetary Fund. These opportunities are exploited by global corporations with adequate international strategies. Yet, there is no power that can regulate this giga market. We saw that during the financial crisis everybody was helpless. The G20 met and decided to have some international financial regulation but they did not reach consensus on how far this regulation should go. Besides, is G20 the right body to make such decisions? Some people are talking about G2: the US and China. They think nobody else matters. Others speak of G3: the US, China, and the European Union. But the European Union needs to have a common perspective on those topics. That is not the case at the moment.

There are risks at the global level, stemming from the failures of institutions, such as the United Nations, as in Darfur and Congo. There were genocides there and nobody managed to prevent them. There was a lot of talk but no real action. The US was called a hyperpower for some time but its power is now eroding. They were helpless in Iraq and they are now helpless in Afghanistan. There is also an economic risk from the lack of global coherence. The Kyoto protocol has not been signed yet by all main polluters. There were some weak attempts to stem the economic crisis at the global level but nothing really serious happened. How much longer can we afford this situation?

The mega level refers to the big economic zones. They both compete with each other, but also cooperate with each other. Unfortunately, they are often very unstable. The US and NAFTA are still the leading economic zone of the world. The European Union is second in importance. Yet, we have not been able to reach the objectives that were set in the Lisbon Strategy, which were for the European Union to become the most competitive economic region in the world by the year 2010. That year has come and the goal has not been achieved.

Then, we have a large construction site: Russia and Eastern Europe. Some of the other important regions are the oil-rich and politically unstable Middle East and Japan with the Pacific Rim. China and India can be classified as rising powers. In Latin America we have Mercosur, led by Brazil. We should also consider resource-rich Oceania, consisting of Australia and Indonesia. Finally, there is Africa, the neglected continent that only China seems to be very much interested in. The Chinese are pouring massive investments in that continent.

As far as the European Union is concerned, the objective to become the Number 1 region in terms of competitiveness was correct. Yet, the implementation of that strategy failed. We were for instance unable to spend 3% of our GDP on research and development. The Maastricht criteria, which were so important for the maintenance of financial stability, were blatantly disregarded by the big members: France, Germany and Italy. Although they did not abide by the criteria, they shook a finger at the smaller countries - the Czech Republic, Slovenia and Poland - if they did something wrong. This creates an imbalance that does not correspond to the spirit of Europe.

We must admit that in European Union we have had many positive achievements. There is a free flow of goods and capital. On the other hand, we have had problems due to national divergence and egoism. For example, the Euro zone is not the European Union. There are countries outside the monetary union. Labor mobility is hampered. Germany and Austria are protecting their labor markets. In communist Yugoslavia, I could go to Germany and get a work permit immediately. Today, as a Slovene, I am not allowed to take a job in that country.

France declared its *patriotisme économique*, protecting some of its companies and sectors. As a result of that, you cannot invest there if you are a foreigner. There are also important political differences. One major issue is Turkey's bid to join the European Union. We have no common policy on that. The same with Kosovo. We also lack leaders that can serve as role models. Can you name one European politician that can serve as a role model?

Moving to the macro level, the most important criterion is national competitiveness. This is not a question of size. It is a matter of concept, will, and coherence. National competitiveness is an indicator of the future growth, sustainability, and progress of a society. And the country level is still very important because a lot of decisions can be made and are made by individual countries. As you know, the IMD business school in Lausanne ranks some 58 countries on competitiveness, whereas the World Economic Forum has 139 countries on its list. You can argue about some of the criteria if you want, although some of them are quantitative, meaning that you cannot challenge them too much. Others are qualitative, based on perceptions. But what is important is to look at the trends that these criteria outline. The rankings tend to remain stable over time. The US has always been at the top of the ranking, despite some small fluctuations. Among the top ten countries, you will always see some small European states, such as Denmark, Switzerland, Sweden, Finland, and the Netherlands. Singapore and Hong Kong are also always ranked high. In recent years, we have seen Taiwan and Malaysia climb up the ranking. It is interesting that small countries can be very competitive.

The BRIC countries and those in Central and Eastern Europe, with the exception of China, which has been surging ahead in recent years, tend to be in the middle of the global competitiveness ranking or lower. Those are not very good positions. Russia was especially hard-hit by the crisis because it has lots of raw materials but it lacks a diversified economy with diverse services. On the other hand, Poland recorded significant progress. It was the only country in Eastern Europe that did not have a negative GDP growth during the years of the crisis.

Slovenia has dropped in the global competitiveness ranking from 32<sup>nd</sup> to 52<sup>nd</sup> rank in *IMD Competitiveness Report*, and to 45<sup>th</sup> place by World Economic Forum rating. There was some discussion of that in the country. Asked what he thought of that, the minister of economy said that the topic was too broad for him. I would say that his perspective is too narrow. This is not something that we can be proud of. After the collapse of former Yugoslavia, Slovenia was ahead of any other Central and Eastern European country. Today, we are not. We have lost 20 years. I would urge our politicians to take these things very seriously and think how they can boost the competitiveness of their countries. If that is not done, we will be the poor relatives of the other European countries. It does not have to be like that because we have our traditions and our cultures and there is no reason why we cannot strengthen our economies.

This brings up the importance of human resources, particularly with respect to the trio that I already mentioned: education, innovativeness and values. The US is a leader in terms of science, research and innovation. That is why it is attracting so many talents from the whole world. The Scandinavian countries are often ahead in education, technology and values. As I said, this is not a matter of country size. It has to do with coherent policies at the corporate and societal levels. It requires good cooperation between governments, corporations and employees. If these three constituents work well together and there is a coherent strategy, there will be progress.

According to the World Economic Forum, global competitiveness rests on three pillars: basic requirements, efficiency enhancers and sophistication factors. The basic requirements consist of institutions, infrastructure, macro-economy, and healthcare and primary education. In terms of institutions efficiency, the leading country is Singapore, whereas Germany has the best infrastructure. Kuwait is ranked highest on macroeconomy. In terms of healthcare and primary education, Finland is ahead of all other countries. It also has the highest overall score on these indicators.

The efficiency enhancers are higher education and training, goods markets, labor markets, financial markets, technological readiness and market size. Finland had the highest score on the first of these measures, whereas Singapore was first on the second. The US was perceived as having the best labor market and Hong Kong had the best financial market. The Netherlands had the highest technological readiness and the US is the country with the largest market. The overall winner on the composite measure was the US.

The sophistication factors are business and innovation. The highest scorers were Germany and the US.



According to the IMD, there are four main competitiveness factors: economic performance, government efficiency, business efficiency, and infrastructure. The first factor is underpinned by the domestic economy, international trade, international investment, employment and prices. Government efficiency is measured in terms of public finance, institutional framework, business legislation, and societal framework. The business efficiency factor consists of productivity and efficiency, labor market, finance, management practice, and attitudes and values. Finally, infrastructure has four components: technological, scientific, health and environment, and education.

Improving a country's position on these measures is not the sole responsibility of politicians. I would say that it is also the responsibility of corporate leaders and educational institutions. Last but not least, I would also expect trade unions to make a contribution. If all these horses run together, competitiveness will improve. But how many countries can claim that these forces work effectively in them?

In Central and Eastern Europe, we have to deal with a triple transition. We changed our political system from communism to democracy. We also changed our business system from a planned economy to a free market. But the most difficult thing was to change our mentality: from Soviet to Protestant work ethics. It is tough to change all three things at the same time and we are losing time because we are not doing what we should. We should address these issues much more seriously.

Next, let us look at the mezzo level. It is often neglected despite its growing importance. Globalization results in concentration and deep and radical change in some sectors. For example, China is now producing 40% of global steel. Its textile exports almost suffocated the production of some European countries and led to a trade war. But the Chinese are not churning out only low-cost products. They are also into solar panels and other high-technology areas, like high-speed trains.

Regions are also competing with each other for domestic and foreign investment. For example, L'Île de France is much more attractive for investment than some peripheral regions in that country. Germany invested one trillion EUR into Eastern Germany but there are still major differences in terms of employment and value added.

Clusters - whatever their definition is - are also important because they can be a driver of economic growth and job creation.

There are a number of positive examples at the mezzo level. Although France has a heavily centralized economy, it has a number of competitive national champions: AXA in insurance, EDF in electrical energy, Lafarge in cement, and Sanofi-Aventis in pharmaceuticals. They were created by means of concentration of individual sectors. Is that good or bad? It may be good for France but bad for other countries. There are some very successful regions in Europe, such as Bavaria and Saxony. Friaul in Italy or Graz in Austria are also very successful regions. In Italy there are also large regional differences, between the north and the south. If you go to Eastern Europe, you will see a similar picture.

The success factors are also known. There are three growth drivers. The first one is investment. The second one is acceleration of the growth of the existing small and medium-sized enterprises. The third one is the creation of start-ups. You have to mobilize the creativity of people who have an idea. Help them set up a company and build it so that it reaches a critical mass. Twenty to thirty percent of them will disappear but the remaining ones will grow. Whoever understands this concept can enhance regional growth and create new jobs.

The second success factor is a good understanding of human resources in the region that you are trying to improve. The third one is the attractiveness of the region in terms of infrastructure and incentives. Regulations are particularly important. Let me give you an example. I worked on a job creation project in Wolfsburg 10 years ago. Unemployment there was 18%, which was three times Germany's national average. The reason was that Volkswagen was laying off people massively and the city was broke. Then, Volkswagen decided to finance the development of a cluster concept in order to create new jobs. We came up with the idea of an automotive cluster. As a result of our work, over 5,000 jobs were created and unemployment fell to 7% within four years. The model was later successfully used by Lodz. I think that it can be a very efficient tool for many Central and Eastern European countries.



The micro – corporate – level is absolutely critical. It remains decisive for the progress of states and regions. The growth and value creation of every country depend on an adequate mix of globally competitive companies, big and small. Bavaria and Baden-Wurtemberg in Germany have achieved exactly that. They have big corporations, like Mercedes and BMW, but also a number of small and medium-sized companies. They are doing the right thing.

The big multinationals are strong drivers of economic growth. Many of them are from big countries, but some are from small ones. We all know Nokia from Finland and Maersk from Denmark. Nestle and Novartis also originated in a small country. Why have they succeeded? And why have we in Central and Eastern Europe not been successful in creating global leaders? Twenty years ago Slovene Iskra was bigger than Nokia. Today it does not even exist anymore because it was broken apart.

There are also a lot of middle-sized companies that can become global leaders in some niche markets. And it is also important to focus on start-ups because they are drivers of innovation and new job creation. Silicon Valley is a classic example but there are many more in Finland, Italy, and other countries. The main factor in the success of these companies is not the size of the domestic market but their global competitiveness based on a coherent vision and strategy and a constant change, optimizing the four key corporate levels: strategy, organization, operations, and people.

Every corporation needs a clear and sustainable strategy based on a competitive advantage. One potential advantage could be a structural advantage, such as access to cheap labor or cheap raw materials or a combination of both. I am a metallurgist, therefore I will use an example from the steel industry: Severstal. They have their own iron and coal mines and use good and inexpensive labor. Tata in India and Bao in China also rely on the same advantage. Another advantage is scale and scope. I can mention Arcelor Mittal. They have by far the widest product range, dominating the steel industry. The third advantage is provided by specialization, speed and skills.

In addition to that, you need a clear vision. You should plan for events and discontinuity. You need to think of “what if” scenarios. It is important to understand that constant change is the only stable factor at the moment. This is the motto of General Electric but I think that every company should adopt it. Naturally, companies should also consider the environmental impact of their products.

As far as the organizational element is concerned, there is a need for optimization and coherence of all organizational components and levers. This applies to big and small corporations alike. Remember the 7S paradigm: strategy, system, structure, and so forth. The paradigm needs to be revised. We are now talking about the effect of the invisible organization. You have to look into people’s hearts and minds and souls. There is a formal context in any organization that accounts for about 30% of its performance. These are the so-called hard elements. The remaining 70% are driven by two other factors: the mental context and the social context. The mental context is about shared values and shared objectives, from the chief executive officer all the way down to the youngest workers in the company. It is essential to have a high level of shared aspirations for the organization. The social context is the quality of collaboration within a company across all levels and units, which is driven by trust. If you are high on ambition, aspiration and cooperation, you are among the star performers. If you are low on both, you are in a crisis. Most companies are somewhere in the middle. They perform reasonably well but below their potential. I call them “happy underperformers”. This term can refer to a corporation or a whole country that are doing well but are not using their full potential.

One reason for being a happy underperformer may be a lack of trust. How much trust do you have in your institution? That is another issue for you to think about. Do you really cooperate on the basis of trust? Or are there hidden agendas and egoism? As long as you have these, you cannot be successful. You also need good corporate governance, particularly in transition countries. Supervisory boards and executive boards are essential for the success of a corporation. The supervisory board should not be influenced by politicians. You need transparency, independence, and competence. If you cannot find that in your country, pick your supervisory board members abroad.

Some of the other success factors are delegation, motivation, and interaction

with the employees. The best example of that in my experience is Nucor, an American steel company that did not exist 20 years ago. By now they produce 20 million tons of steel. How did they achieve that? They made their workers feel like owners and entrepreneurs. A foreman can make a decision about a USD 500,000 investment without asking anybody. I was surprised when I heard that and asked how it was possible. The foreman looked at me and said, "Whom should I ask? It is my furnace". As a result, the productivity at Nucor is four times that of their next competitor. Their workers make USD 100,000 a year, which is also four times what the average American steel worker makes.

Operations are also an important element of a company's success. The key-word used to be "excellence", but nowadays it should be "distinctiveness". That means you have to ensure continuous innovation and innovativeness. As an example of an organizational culture of innovativeness, I can refer to Bosch or J&J in the US. Some other issues that need to be heeded here are continuous improvement, customer intimacy and relationships and information on the competition. The latter refers to benchmarking: finding out where you stand with respect to your competitors and the sector in general. Ideally, you should not follow others; they should follow you. Finally, in times of a crisis, you need to have a good cash flow and an ability to optimize your cost and inventories.

Finally, let us look at the importance of human resources. Managing these should be a core corporate function and competence at any company. Top talent is the most important corporate resource and in some cases the only one. How do we develop human talent? We have to have a good understanding of our strategy in order to prepare the kind of people that we need well in time. In that way, they will be able to perform in whatever area we need to develop. Human resource management is intricately connected to innovation, which implies life-long learning. Some of the key tasks for human resource management are to recruit and retain top talent, and to evaluate, motivate and remunerate them. The ultimate goal should be to develop leaders, not just managers.

The last level that I want to discuss is the nano level, which is the level of individuals. We are in a knowledge-driven, post-industrial economy. The effect of globalization poses a number of new challenges to all of us. We have to win the war for talent, and reduce our brain drain in order to keep the best people in the country or in our corporation. We also have to manage delocalization and outsourcing and deal with the polarization between high and low value-added jobs.

Europe needs additional investments and new concepts that go beyond Pisa and Bologna. We need constant knowledge upgrading. We have to motivate our young people to prepare for jobs for the future. Germany has a severe shortage of engineers and scientists. Slovenia is in the same position. We invest a lot in education and we produce many lawyers and economists. That is good. But we do not have enough engineers and scientists. How will our industries survive without engineers? We need a life-long learning mentality. It is an attitude that we have to develop: people should understand that learning never stops. Also, our managers and employees need training in new areas because they will need new skills.

The ultimate goal is to achieve a cutting edge in our countries because only this will make us competitive. This is true of Western Europe as much as it is true of Eastern Europe. Western Europe has hardly any structural advantages; it possesses very few raw materials and its labor force is very expensive. There are few corporations other than the established multinationals that can compete globally on scale and scope. Specialization, speed and skills can be a solution for many of our companies but they need to be embedded in the right organizational culture and the right value system.

We have many strengths and advantages in Europe but the situation is nevertheless very heterogeneous. Some small countries, such as Denmark, Sweden and Finland, are always among the top ten in terms of competitiveness. Others - Spain, Italy and even France - are always lagging. As for the new European Union members, they tend to have an average performance in terms of the human resources trio - education, innovation and mindset - but some are far behind.

In terms of education and training, the Scandinavian countries and Switzerland are often ahead, whereas some Central and Eastern Europe countries, such as Bulgaria and Romania, but also old European Union members like Belgium, Spain, and Greece, lag behind.

In terms of technology and innovation, Switzerland, Denmark, Iceland, Ireland and Sweden are again in the lead, whereas the US is the best non-European performer. Bulgaria, and Romania are among the last, together with Italy and Greece.

Looking at values and mindsets, Denmark and Iceland are at the top, whereas Romania, France, and Bulgaria are among the last. Singapore is the best overseas performer because that country focuses on competitiveness and has managed to boost young people's interests in science and technology. Slovenia scored 52<sup>nd</sup> on ethical behavior of the firms, 55<sup>th</sup> on attitude toward globalization, and 58<sup>th</sup> on national openness. I am very unhappy with these numbers and would like to know why we are not improving on these measures. Who is the person who can address the value system of a country? Is it the president or the prime minister?

I believe that we have to rethink the situation fundamentally. We need new ambitions and joint action across Europe and at several levels in order to boost our competitiveness. On the mega level, we must reach the Lisbon goals: 3% of our income should be spent on research and development. Smaller countries like Slovenia should spend at least 4%. At the macro level, governments and academia must improve education, stimulate research and develop values. At the mezzo level, governments, corporations and trade unions should focus on cluster development and address labor market topics. Finally, at the micro and nano levels, corporations, universities and trade unions should deal with innovativeness, technology transfer, training, life-long learning and motivational areas. This is always a joint effort, rather than individuals trying to achieve these goals on their own.

I see that some countries are becoming aware of this. Recently, France produced the Attali report, focusing on education and entrepreneurship, preparing young people for the knowledge economy and the other challenges of the future. It also emphasized innovation and globalization, fostering new growth sectors, such as nano-technologies, and global competitiveness.

Similarly, Germany had its Deutschland 2020 report. The priorities that they identified were new entrepreneurship, helping universities become drivers of innovation, and providing opportunities through education. Angela Merkel even came up with the pun "Bildungsrepublik Deutschland" - "The Educational Republic of Germany". It is a good goal but they have a lot of work to do because, based on the latest rankings, they do not have any universities among the leading ones in Europe, let alone the whole world.

We come to the last point: MBA schools and CEEMAN. The business schools have a crucial role to play, particularly for the transition countries. MBA graduates work in the real economy and have huge responsibilities. They will have to think not only about shareholders' interests but also about those of the stakeholders. They should practice corporate social responsibility. For that purpose, we need role models, both among business leaders and politicians.

Where do today's MBA graduates go? The direction of the flow is still skewed. The bulk goes into business and services. That increases the leadership potential of those institutions. But there are not enough MBAs in politics and public services. This results in some deficit in political decision-making. MBA schools can and must play an even more important role in issues that have to do with business, society and values, particularly in the Central and Eastern European countries. There is a low level of trust in politicians in most countries - a worrying phenomenon that needs to be addressed. We also need managers who command high credibility and avoid the erosion of values that I mentioned before. That erosion results in greed and corruption.

MBA graduates must become aware of their future roles and responsibilities. An MBA title is both a recognition and an obligation toward companies, people and the environment. MBA graduates are or will become leaders of their institutions, companies, or even countries. Their future challenges and tasks call for new mindsets. They do not need to be Masters of Business Administra-

tion because administration is the last thing that we need today. They should have the right mindsets to be Masters of Business Leadership or, even better, Masters of People Leadership. MBA schools are therefore critical developers of people. Ultimately, everything depends on people. Given the right type of leadership and motivation, their potential is limitless.

Therefore, the CEEMAN members should enhance their efforts in the area of management education so that the ranks of the Central and Eastern European countries improve. Currently, the best-placed country in terms of business education, Estonia, is 24<sup>th</sup>, whereas Bulgaria is in the 58<sup>th</sup> position. To achieve progress, the CEEMAN members should heed what it takes to be internationally competitive. They should have attractive concepts, top teachers, top-quality participants, superior infrastructure and funding, and effective branding and networking.

Let me sum up. In a volatile globalized world, competitiveness is becoming an indispensable condition for success, not only at the corporate level, but also at the individual and country level. To meet the future opportunities and challenges, we will need a more holistic approach to competitiveness, which involves action across the various interrelated levels that I talked about, from nano to giga. Beyond the classic levels of competitiveness, the human resource trio - education, innovativeness and values - will be of the utmost importance for sustaining a competitive performance and position. In this context, MBA schools must play a key interface role, educating the future generation of leaders. The CEEMAN schools have already achieved a lot but even more remains to be done to make our corporations, countries and citizens truly competitive in a global sense.

# Living up to the challenges: competitive and responsible business



**Andreas Antonopoulos, Rector,  
University of New York in Prague,  
Czech Republic**

In the next 20 minutes, I am going to outline the main threats and challenges to business education in our region. Let me pick your mind on a few things. Regardless of whether your school is private or state-owned, we are going to have some challenges. If you are a

state school, you have probably heard about budget cuts. They have just started and they are not going to end soon. In the Czech Republic, where we operate, state financing for public universities is widely expected to be cut by anything between 5% and 10% in the coming years. The universities are protesting against such changes but they will have to adjust to the new reality. We are also looking at some forced introduction of tuition fees in public universities. This is going to boost the universities' revenues and make them compete a little with the private sector. This approach copies the UK and I understand that it is going to be tried out not only in the Czech Republic but also in quite a few other countries in Central and Eastern Europe. Even in the cradles of free university education, such as Germany and France, there is both talk and action on introducing tuition fees at state schools.

The Bologna process is also going to cut the length of what was considered higher education. There will not be much of a difference in the UK but in other countries Bachelor's programs lasted four or five years and now they will have to be reduced to three years. This means that the state will earmark less money for the state universities and that can cause an upheaval in the schools' budgets. I heard from some Russian colleagues that this process has already started in Russia.

There is also an issue with demographics. After the fall of the Berlin Wall, most Central and Eastern European countries experienced a decline in birth rates. In the Czech Republic, the number of 18-year olds who go to university will decrease drastically in the coming years. That is a substantial drop in the market. In a country of 11 million people, there are more than 70 accredited higher education institutions. The Ministry of Education has already banned the licensing of new universities for an indefinite period. The country's president has repeatedly mentioned that there are too many universities around and some of them may have to close down.

Another challenge is that the regulations in higher education can change very abruptly. Yesterday, a colleague from Ukraine mentioned that they have to deal with a very difficult environment. Ukraine may be an extreme case but violent forceful changes in the way that schools operate may occur in other countries as well.

Looking at competition, you see that the market is getting more crowded. First of all, because of all the pressures that I mentioned, many state schools are

setting up English language programs. That creates a healthy competition with a lot of private schools but it also constitutes a threat to them. The thing is that state schools have an established brand name and huge assets they have inherited from the past. They have what it takes to be quite competitive, providing they play their cards right.

Thus, there is increased competitiveness in the management education market. It is additionally boosted by the financial crisis. There is also an issue with the perception of the value of business education. This topic was brought up yesterday and we heard that recruitment of both undergraduate and graduate students is becoming increasingly hard. The difficulty of the situation is compounded by the fact that Western schools are moving in the region. They used to be more interested in rapidly growing markets like Asia but we began to see a number of British schools looking at our region and establishing branches here. Greenfield initiatives may be difficult and they often prefer a local partner but in any event Central and Eastern Europe is a growth area for them. They have important advantages: established school brands as well as country brands. Inevitably, this is going to step up the competition in the region.

Like it or not, private education is making significant inroads. In the Czech Republic some 15% of all students are studying at private universities. It is estimated that 20 years from now over 25% of students will either study at private schools or pay full tuition fees at state schools. In any market that goes private, you see growth of trans-national groups, which are the equivalent of multinationals. There are already some multibillion dollar educational groups in the world that are beginning to look at the region. The moment they set up an operation where you are, competition will heat up because they will come with enormous resources. That is both a threat and an opportunity.

Some of the other problems in the region are funding and human assets. Unfortunately, human assets migrate to the West and do not return. There is also a shortage of experience in the area of producing meaningful research that can create an impact.

Last but not least, there are quite a few paper mills in Central and Eastern Europe: schools that "sell" degrees. There are crooks in every market but in this region the paper mills are quite a few. They can cause serious damage to management education by discrediting it. Maybe their impact is not so tremendous in a large country like Russia but we know that in a small nation, like in the Czech Republic, the bad image that they can create has the potential of bringing us all down. We try to work with the Ministry of Education but we do not want to point too many fingers because this can be viewed as unethical competition. I am very scared when thinking of the damage that these paper mills can inflict. Of course, we also had a problem with one of the largest state-owned schools that was involved in a big scandal: it produced fraudulent diplomas for politicians and business people on request. The scandal damaged the reputation of the entire educational system.

Let me now turn to the opportunities side. One of them is the fact that in our region the percentage of people with higher education is still lower than in many of the advanced Western markets. We still have to catch up in the next 10 or 15 years. In the Czech Republic, the percentage of high-school leavers who go on to a university is still 8-10% below the West EU average. This means that the market is not mature yet and there is potential for growth.

Another issue is the fact that the quality of business education in Central and Eastern Europe is still inferior to that in the West where it is by now a well-established endeavor and the corporate world is much more involved. Consequently, we still have a lot of room for improvement.

Central and Eastern Europe was hard-hit by the economic crisis. One of the reasons for that is that these countries are very much export-oriented. As worldwide demand fell, their economies were squeezed. Nevertheless, that period is now over and growth is slowly picking up. The mid-term and long-term potential for economic development is still there. I am a very firm believer in the future of this region. There are all sorts of issues and problems - financial, political and regulatory - but these can be overcome. We all stand to benefit from that; as they say, the tide lifts all boats.

There is a positive trend in Central and Eastern Europe: the rise of the brand of the local business schools. CEEMAN has contributed to this trend and Danica



Purg's personal contribution must also be acknowledged. As soon as some local champions emerge, the whole market will be strengthened. One of the results of this will be retention of good students in the country. Another result will be internationalization. When you have a good school with a prominent brand, you have to deal with the influx of international students who covet your degrees. As 70% of the students in our university are international, we have the same headaches as Western schools: we have to get those students visas. Inevitably, when a local champion emerges it starts drawing students from the region.

There are still a lot of opportunities in terms of value creation for local industries. We need to understand their needs. We have done very little work in that area. The bulk of the business in the area of executive training goes to consultancies or specialized training firms. Business schools need to do a lot of work in order to learn how to create value for companies.

The business model of business schools is very attractive because it provides very stable revenues. It is less cyclical than other industries. This should also be counted as an opportunity.

You may have heard that the most important thing in real estate is the triple L: location, location, location. For a business school it is the triple Q: quality, quality, quality. Yet, while we talk about our quality we normally mention our programs and our professors. But what do we do for our students? Do you lose sleep if they are unhappy with an aspect of their education? Do you know what problems they have? In every other business conference that I have attended, every discussion turned around the customer. I understand that this is an academic conference but I still think it is surprising that so little has been said about the students. Western schools will tell you how often they interview their students, what they do with the feedback, what they discuss with the student representatives. I have not heard any of that here. I have heard nothing about improving services or improving the feedback. This is important because in our business, up to 80% of our recruitment is word of mouth. My marketing budget provides about 5% to 10% of my recruitment. The rest comes from word of mouth!

There are many issues that we need to address - in the area of corporate social responsibility, research, content and program adaptability, and sustainability. There are also relevance issues: we must never lose sight of what the market needs. This requires an on-going relationship with industry.

I have also heard very little about your alumni during this conference. I know that many of your schools are still very young. But some have thousands of alumni and it is high time they started thinking how they could work with them. American schools are very good in this respect but we still have a long way to go. When was the last time you had lunch with your best alumni? When was the last time you organized something for them?

We are very interested in accreditation as it is important. Accreditation has two sides. It validates your quality and helps you adopt good practices. It also enables you to work with partners. I heard that it is also very important in your recruitment and positioning. However, 99% of our undergraduate students have never heard of any accreditation agency. Accreditation (professional and not academic) has still next to zero value for our undergraduate recruitment. As for graduate students, there may be a small effect but not as much as it should be. The ones that have done their homework in that area are typically those that go to very prominent schools in the West. The middle managers of General Electric and Nestle in the Czech Republic do not have time to go check what AACSB stands for and they do not care much (unfortunately). They want a good local school, they ask around, they get some funding from their company, and they decide. Therefore, I think that the accreditation agencies should do their own homework so that they move more under the spotlight in the real world.

**Nadya Zhexembayeva, Coca-Cola  
Chair of Sustainable Development,  
IEDC-Bled School of Management,  
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I was asked to speak about competitiveness and responsibility and the seeming paradox between the two. We often see a trade-off between these two concepts. If you are responsible at the expense of competitiveness, it means that you will see responsibility as a cost. But is there no way to reconcile the two? Is it possible to have the two at the same time: to be responsible without compromising competitiveness and the other way around?

Ask your MBA students what was the last time they attended a meeting on corporate social responsibility that got them really excited? I think that two out of 50 will raise a hand. When you ask them what happens during such meetings, they will tell you that it is just a lot of “bla-bla”. How relevant is responsibility to you in your daily operations? Not much.

A couple of years ago, I was approached by an energy production and distribution company. They have a diverse portfolio, some of which is nuclear, some is oil, and some is coal. They wanted me to help them with their responsibility strategy. Before doing that, I decided to make some interviews with key managers of the company. They had a big research and development department and I chose its head. He had a PhD in climate change and I thought that he would be on “my side.” I called him and had barely said a couple of sentences when he interrupted me and said, “Let me tell you something, lady”. I think I will forever have that “lady” on my resume. He went on to tell me that responsibility is a complete waste of time and if he could have his way he would never even talk to me. He saw responsibility as a public relations exercise that is totally irrelevant to business in every other respect.

I think that there are many people like him. They view responsibility as a cost. But something else is going on, too. And that change is connected to the central issue of (hopefully!) every company: value creation. And how do you do that? More than ten years ago I taught undergraduates. I asked them how value could be created and this is what they said. “You get some money, find some people, put them together in a room and ask them to invent something that somebody will buy. That is how value is created.” While it is, of course, overly-simplified, it is a very good and elegant way to think of a competitive advantage. In most cases, it is located in one or two main areas. Apple competes on people. Wal-Mart competes on facilities and operations. Some financial companies compete on capital. Harley Davidson competes on customers. It is useful to think about the key sources of your competitive advantage. And this is exactly where the big change is coming: the things that we compete on are shifting.

The first big trend that marks this shift is radical transparency. Never before did we live in a time where transparency was so important. If I produced a chair 100 years ago, there would be nobody to tell me what I could do with it. There were nearly no government regulations or other guidelines that would specify how that chair should be designed and produced. However, we now live in a world of declining resources and rising expectations. In the past, raw materials had a stable price. Labor was cheap and there were no regulations. Capital was in the hands of a very small group of people. Now, all of us who have a pension fund, are investors by default.

The second big trend that is changing the way we compete is declining resources. The world’s resources are declining and this is not only true of oil.



Food is even more critical because everybody eats; anybody here who does not eat? According to *British Petroleum Statistical Review and Alternatives*, at current consumption levels oil reserves are expected to last for about 40 years. Gold reserves will be depleted in less than 40 years. A 20-year longitudinal study showed that 43 garden crops have shown a decline in their levels of protein, calcium, phosphorus, iron, riboflavin, and vitamin C. In the 19<sup>th</sup> century, one species went extinct every year. By 1975, that rate had soared to 1,000 a year. By the year 2000, that figure was 40,000 a year. According to Stanford University, all commercial fish may be lost by 2048. If you think of all this, you will see that responsibility is not just a public relations exercise. It should be part of your strategy.

Finally, the third trend re-shaping the way we compete is increasing expectations. The number of non-profit organizations dedicated to social and environmental concerns worldwide has surpassed one million. Consumers are also exerting pressure for a lifestyle of health and sustainability. The market for that has reached 35 million adult consumers only in the US. In UK, ethical consumerism was worth GBP 35 billion in 2007, a 15% increase on 2006.

Investors are expecting a new level of performance and a new type of management. Social responsibility investment rose from just two funds in 1970 to 11% of the assets. A pension fund manager once told me that the fund's clients would become pensioners in 30 years. Unless they can be sure that a company would exist in 30 years, they would not invest in it.

Increasing expectations, declining resources and radical transparency are changing the way we think about responsibility. This is no longer a public relations job. It is no longer just about safety and preservation of the environment. It is becoming a crucial element of business strategy. It is about product creation and value change management, about finance and risk management, about customers and product development.

We need a new way of thinking. Focusing only on shareholder value is unsustainable. But the traditional philanthropic approach of taking money out of the shareholders' pockets and giving it to stakeholders is equally unacceptable. We have to find a place where the two meet. We should not look for a trade-off between the two. It is not a matter of "either or". There are a lot of opportunities to create value for both – a true sustainable value.

Take, for example, the automotive industry. Here, there is an explosion of sustainable value. Customers demand strong environmental performance. However, when companies hear about responsibility and sustainability as an element of strategy, they perceive it as a sideline, as a Band-Aid that you stick to your normal business practice. In that way, it becomes a matter of a few green products. Or it becomes a basic energy efficiency program. Sometimes, companies set up sustainability departments. Of course, that is a step forward but it is not good enough.

In contrast to such "bolt-on" approach to sustainability, the best of the best companies embed their sustainability effort throughout their operations. It becomes the foundation of how they design products and run their business. It is about focusing on all levels of value creation. It involves a focus on stakeholders as co-designers. Responsibility and sustainability is everybody's job; it is not confined to a particular department.

Embedded sustainability becomes the big new competitive advantage. It can be a source of creating value via risk management and operational efficiency, but much beyond that, it is a source of new product development. Furthermore, it can also be a way of creating or entering new markets. It can help you reinvent your brand and reduce risk.

The good news is that sustainability is entering the essence of business much faster than we can imagine it. One good example is Erste Bank of Austria, which is quite active in Central and Eastern Europe. It is owned by a foundation and 30% of the bank's profits go to that foundation. The foundation uses the bank's competences to address social needs. They are active in micro-lending, micro-insurance and micro-saving, all of which satisfy social needs. Erste Bank already has a full micro-finance operation in Romania and it has been so successful that they decided to do it in every market where they operate.

How many of you think of Wal-Mart as a responsible company? It is one of the most hated companies, the symbol of everything that is associated with a lack of responsibility. But in 2005, Wal-Mart started to rethink its operations. Its goal is to be fully powered by renewable energy, create zero waste, and sell products that sustain the environment and its national resources. To achieve these global goals, the company decided for its stores and fleet to become 25% more efficient in three to seven years, and achieve a 25% reduction in solid waste in three years. One of the early projects Wal-Mart took on focused on packaging. They started thinking whether they needed all the packaging that they had been using. They found out that by just cutting out a few square centimeters of package from each product that they sold they would save 3,425 tons of corrugated materials, 1,358 barrels of oil, 5,190 trees, 727 shipping containers, and USD 3.5 million in transportation costs. Responsibility is not anymore a cost to a company. It is not something that erodes your competitiveness. And it is not something that is just nice to do.

The implication for managers is that they have to embed responsibility and sustainability in their businesses. As management educators, we need to embed responsibility in our curricula. It should not be an elective. It should be part of strategy, marketing, logistics and operations and any core course in management education. We also need new forms of education that will help young and aspiring managers understand the importance of responsibility and sustainability. But the good news is that, perhaps for the first time in modern business history, we do not need to choose between responsibility and competitiveness. In contrast, solid managing of social and environmental performance of a company becomes an exceptional source of competitive advantage. And that is a shift worth noticing.

**Jonas Haertle, Head, PRME Secretariat,  
United Nations Global Compact Office**

I work for the UN Global Compact, which is run out of the United Nations' New York office. I head an initiative called Principles for Responsible Management Education (pronounced "prime") and I am very glad to be here today, as CEEMAN has been our staunch supporter since the very beginning, and a member of

our Steering Committee beginning this year. Danica Purg attended our first meeting, which took place at Case Western University four years ago.

As you know, the United Nations General Assembly is taking place as we speak. It consists of 192 member states. They also had a three-day summit of heads of states and prime ministers on the Millennium Development Goals. We tried to bring in the private sector into this discussion as we wanted to show what companies worldwide can do in order to tackle poverty. I think that meeting was an eye opener for many world leaders who saw that the private sector is such an important stakeholder for the United Nations. That is one of the jobs that Global Compact is doing.

I think that it is perfectly possible to talk about responsible and competitive business. The Global Compact is working precisely on that goal. As *The Economist* put it some time ago, "done well, (corporate social responsibility) is not some separate activity that companies do on the side, a corporate life reserved for virtue: it is just good business". This is important because *The Economist*, being a liberal magazine, was highly critical of corporate social responsibility some ten years ago. But by now they have realized that doing



responsible business is good for a company's bottom line. It is quite possible to combine competitiveness and responsibility.

The Global Compact is still very much a United Nations project. You may wonder why the United Nations is engaged with the business sector. Traditionally, the United Nations stands for values like peace, development and human rights. On the other hand, the business sector pursues profit and growth. However, I would argue that a mind shift is happening nowadays. The United Nations realizes that it should engage in new areas in order to attain their goals. One of the best examples that I can think of is Colombia. Some ten years ago, the most important topic there was security. By now, the government has managed to create a more stable national environment. This resulted in better opportunities for businesses to generate jobs and profit. In turn, the better economic situation boosted security. Nowadays, Colombians identify unemployment as the country's most important issue. Establishment security is very much in line with the goals of the United Nations for Colombia, and this situation also benefits the country's business sector.

The Global Compact is an initiative of the United Nations and its partners. It was launched 10 years ago with roughly 46 companies. Its main goal is to promote a more inclusive and sustainable global economy. The Global Compact provides a multi-stakeholder platform for collective action. It is rooted in universally accepted conventions: the Universal Declaration of Human Rights, the International Labor Organization Declaration, the Rio Declaration, and the UN Convention Against Corruption which have been translated into 10 principles:

#### *Human Rights*

Principle 1: Businesses should support and respect the protection of internally proclaimed human rights.

Principle 2: Businesses must make sure that they are not complicit in human rights abuses.

#### *Labor Standards*

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should eliminate all forms of forced and compulsory labor.

Principle 5: Businesses should abolish child labor.

Principle 6: Businesses should eliminate discrimination with respect to employment and occupation.

#### *Environment*

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

#### *Anti-Corruption*

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

A company that becomes a participant of Global Compact is asked to incorporate these 10 principles in its core operations and its strategy. Mere words will not do however; we expect action. Every year, these corporations have to report on the progress that they are making. Failure to deliver a report results in deletion from the Global Compact participants list. These reports are also integrated in the companies' sustainability reports that are increasingly often released in addition to financial reports.

By now about 6,000 corporations and 2,000 non-business participants have signed on to the Global Compact and accepted our principles. About 200 of these are universities and management schools. I also would like to point out that the Principles of Responsible Management Education initiative is a sister initiative and we have some 300 business schools.



As you see, we have been steadily growing in numbers. Our goal is to reach 20,000 corporations by 2020. That is still a modest goal as we know that there exist approximately 70,000 multinational corporations. Of course, we have to reach them all in order to reach our goal of a more just global business environment. We have a lot of driving power but also a long way to go.

Global Compact is strongly represented in Central and Eastern Europe, except in the Czech Republic. In that country we still do not have a local network. We hope that the IEDC's example will be followed in the Czech Republic. It was the IEDC-Bled School of Management that set up the Global Compact Local Network in Slovenia.

We did a study last year in which we asked our corporate members why they had joined the Global Compact. The main reasons that they mentioned were a desire to increase trust in the company, promote organizational integration of the environment, and social and governance issues. Some mentioned the universal nature of the principles of the project, opportunities to network with other operations, and a wish to address humanitarian concerns. I have to point out the fact that in the previous studies, this last reason came in second and third place for most corporations. Nowadays, participation in the Global Compact is seen as an instrument for the creation of value by boosting trust. This is interesting because we found that 70-80% of the member corporations are not high performers but beginners or playing in the mid-field.

We also studied the effect that the economic downturn had on corporate social responsibility strategies. You heard Nadya talk about the reasons that companies adopt corporate social responsibility practices. What are those reasons? Is it just window dressing? Sometimes, it is. Is it just a public relations exercise? Sometimes, it is. But we were happy to learn from our survey that 70% of the respondents said that the economic crisis had had no effect on their corporate social responsibility strategy. In fact, 25% stated that their engagement had increased during the crisis. An argument can be made that these companies have integrated corporate social responsibility in their core strategy and operations and the integration is so strong that an economic downturn produces no effect. Corporate social responsibility is part of these corporations' DNA and it cannot simply be cast out when a crisis strikes.

Finally, I would like to touch upon what we call the leadership blueprint. We find that large corporations wish to show what leadership means based on the Global Compact 10 principles. You can also call this leadership in the corporate social responsibility movement. Part of this is a definition of responsibility. It is need as everybody talks about it but how do you actually define it?

We have defined three main areas as follows:

#### *Implementing the 10 Principles Into Strategies and Operations*

1. Full coverage and integration across principles
2. Management policies and procedures
3. Mainstreaming into corporate functions and business units
4. Value chain implementation

#### *Taking Action in Support of Broader United Nations Goals and Issues*

1. Core business contributions to United Nations goals and issues
2. Strategic social investments
3. Advocacy and public policy engagement
4. Partnerships and collective action

#### *Engaging With the UN Global Compact*

1. Local networks and subsidiary engagement
2. Global and local working groups
3. Issue-based and sector initiatives
4. Promotion and support of the UN Global Compact

In addition, there are a number of principles that interact with all of the previous ones. You also have to respect these if you want to become a leader within Global Compact: chief executive officer commitment and leadership, board adoption and oversight, stakeholder engagement, and transparency and disclosure.



What are the implications for management educators? We want to find management development institutions that would like to be involved in this leadership development process. We would also like to see executive degree programs focused on boardroom issues. I am not aware of any programs that target this topic at the moment. It is very important because if the board does not embrace corporate social responsibility, the company will not go that way. We welcome your participation by joining the Principles for Responsible Management Education initiative.

# Report from the Deans and Directors Meeting

**Jim Ellert, Professor Emeritus and Former Dean of Faculty, IMD, CEEMAN Board Member and IMTA Academic Director, Switzerland**

We had a very stimulating meeting yesterday and I would like to present some of the highlights. I cannot do justice to all of the presentations but I have a summary of the key points that were raised.

The first panel dealt with new consumer demands. Rafal Towalski indicated that undergraduate students look for what he called “open participative discussion”, whereas employers would like to have more participation in the design of management programs. Both groups of customers require a greater attention to values and social responsibility.

Speaking of graduate programs, including MBA, Sergey Myasoedov emphasized the need to build trust, build brands, innovate, modularize programs and diversify into more specialized options. His school, IBS, was successful in raising prices during the crisis to counter declining enrollments.

Richard Lamming noted the demand trend from open to tailored executive education and the pressure on pricing which means that more needs to be done with less. There are also more requests for shorter courses, e-learning and the use of internal coaches by companies. A shift is observed in course design requests from return on investment to an ability to lead.

Panel 2 looked at how we are doing on teaching, program design and teaching materials. Derek Abell set six criteria to make this assessment. He argued that Central and Eastern European schools are not doing well on one of them: local relevance. The second criterion is a solid research base. The third is the right alignment of faculty rewards to support research strategy. He thought we had made more progress on understanding global changes, as well as crafting and adopting best-learning practices. Virginijus Kundrotas urged Central and Eastern European schools to focus more on client needs rather than use a copy-and-paste approach. He also advocated sustainable teaching strategies rather than being victims of fashions. He also felt that we should be more proactive when we adapt to new trends and opportunities. Finally, there is a need for a climate of greater cooperation rather than following a single-innovator approach to program design.

Al Rosenbloom reported on the CEEMAN poverty survey, which had 377 respondents from 51 countries. It showed strong support for the view that poverty is an important topic and should be integrated in foundation courses. The respondents wanted to see more action learning related to learning visits and projects. The study described a number of innovative approaches to teaching this topic. The survey results will soon be available on the CEEMAN website.

The topic that Panel 3 discussed was “How do we measure up on research?” Krzysztof Obloj contrasted two possible roads. One was the assumption that we are special enough to have a Central and Eastern European theory of



management. The other one amounts to testing revised Western theories in our setting and attempting to get the results published in Western journals. He argued that we have made progress on the first road. A number of regional journals have been created and CEEMAN has conducted many research projects. Yet, he argued, Central and Eastern Europe needs to do more on the second road. We rank low in international research ratings and we need to do better to gain international respectability. For this to happen, we need Central and Eastern European data bases, funding from the European Union and guidance from Western scholars, as well as collaboration with them.

Morten Huse noted the challenge for junior faculty to publish in American journals as they are not very interested in Eastern Europe. He acknowledged the gap between relevance and rigor in American journals and positioned EURAM as a European alternative, focused on what he labeled “engagement”, believing in what we do, accumulating knowledge and being relevant for practice and policy.

The fourth panel was devoted to the issue of how we measure up on institutional management, particularly marketing, public relations and communication. Katrin Muff shared lessons learned from her experience at Business School Lausanne. She argued that word-of-mouth is the most powerful tool that a management school has at its disposal. This involves communication with participants and walking the talk. Your course strategies should become your key marketing messages that explain how you differentiate yourself from other schools. She also recommended the use of modern media, such as blogs and social networks.

Bohdan Budzan provided the business perspective. He emphasized the need for business schools to educate business people and the need to understand and adopt corporate responsibility principles and work together with businesses and legislators to improve legislation regarding business ethics. He also advocated a CEEMAN program for newly appointed Central and Eastern European deans.

How well are we doing on accreditation? Dorota Dobija shared lessons learned at Kozminski University, which has accreditation from the Polish state, EQUIS, AMBA and CEEMAN, and is now in the process of doing an AACSB accreditation. She emphasized the need to prepare for accreditation. The accreditation process is a vehicle for the introduction of institutional change, the migration from teaching outcomes to learning outcomes, and the development of an institutional research strategy. She believed that accreditation helps attract international students and become more international.

Randy Kudar stressed the advisory role of CEEMAN’s IQA accreditation and its emphasis on promoting diversity of faculty and students, on the need to focus on what schools can do and want to do, on the development of teaching materials and working with local businesses and broader communities. His greatest challenge is to convince schools that apply for accreditation to provide a balanced and frank assessment of both their current strengths and improvement opportunities.

Panel 6 discussed how well business school rankings reflect new challenges. Della Bradshaw of the *Financial Times* explained the history and launching of the business school program rankings that her newspaper has been releasing. They emphasize objective measures of business school performance on three dimensions: research capability, internationalization, and the career progress of graduates. She noted the declining dominance of American schools in the top of the *Financial Times* program rankings. She attributed this to declining salary premiums being paid by employers to graduates from American programs relative to European and Asian programs. Another reason is that American tuition fees have increased faster than in other regions.

I summarized the differences in the methodologies in the rankings of business school programs in highly visible international publications. These rankings are strongly influenced by the choice of methodology. As no methodology is perfect, I cited criticisms of all of them. I also argued that Central and Eastern European rankings would not help us much meet our challenges and concluded that the region is not ready for such rankings for a number of reasons.

Peeter Kross shared data showing that Central and Eastern European schools are more focused on accreditation and see less relevance in the rankings.

Madis Habakuk was critical of the reliability of rankings and emphasized the challenges associated with ranking schools in Central and Eastern European countries, such as the low recognition of country brands and the lack of good selection criteria. If financial criteria, such as salary data, are to be used, he suggested that the data be divided by GDP per capita.

The panelists' presentations occasioned lively debates and different views from the audience. I have listed a few representative questions and themes:

- How can we develop our faculties in order to meet the new challenges?
- Is there a paradox between the declining luster of business schools and the rising prices of management education?
- Is the internal use of coaches by consulting companies a threat or an opportunity for business schools?
- Is our mission to train or educate?
- Should research be generalized across countries?
- Is there a gap between the two research roads that Krzysztof Obloj outlined?
- Why are rankings based on economic performance rather than the values that we transfer?

In her concluding remarks, Danica Purg noted the changing landscape for the recruitment of MBA graduates. Fewer go into financial institutions and consulting, whereas more specialists are being hired by these sectors. Second, companies no longer hire solely on traditional technical skills. We need to become more creative and innovative in the design of our programs, the way we target our clients and our program delivery.

# Reports from parallel workshops: Global performance challenges and implications for management development



## Workshop 1: Implications for degree education

**Stefano Pilotto, Professor of International Management, MIB School of Management, Italy**

We discussed degree education with a lot of passion. We talked about the financial crisis, the challenges, and the changes, and we listened to three distinguished speakers.

The first speaker was the chief executive officer of the International Business School of Budapest, László Láng. He analyzed today's situation with a lot of realism and outlined the main problems that degree education is faced with. He said that we should seriously reconsider the residential teaching model. We concluded that this model is under threat and we should explore other solutions. Perhaps, we should individualize the educational package and be more flexible so as to meet the needs of the customer.

Laszlo also presented a list of changes in degree education. He said that the Bachelor's degree of today has become the high school degree of yesterday. We may have to reconsider the current ranking of degrees.

The second speaker was John Wilson, Head of Salford Business School in the UK. He talked about global performance challenges and made some significant political analyses, underlying the differences between East and West. CEE-MAN is an association that makes it possible for us to interact across the former East-West division. John also mentioned the threat that comes from changing demography. I think that some of the added values that the speakers provided were included in their daily experiences: they shared them with us.

John brought up the context of degree education. Should we go for general or specific? Should we focus on undergraduate or graduate education? He also mentioned an approach that can help us find solutions in a period of instability and ideological issues. He talked about innovative society, the need for integrity, the impact that business schools should produce nowadays. And he discussed an inspirational dimension of learning.

The end of John's speech was focused on the issue of meaning. We have to reduce our focus on performance and start to think seriously about meaning.

The third speaker was Nikos Mylonopoulos, Associate Dean of ALBA Graduate Business School in Greece. He started out with some comments on the deep crisis in Greece. Of course, a crisis of that magnitude is a test for everybody. Many intellectuals think that a crisis provides an opportunity to measure the existing skills that it takes to resolve the problem. The main message that he conveyed was that Greece is suffering from a collapse of trust. How can trust recover? He believed that one solution might be a longer duration of business education and asking deeper questions in order to regain the trust that business education needs.

It was also interesting to listen to Nikos's experience at ALBA. For example, he said that e-learning is not an option for his school at the moment. They are considering other methods to strengthen their education offer.

During the session, we heard comments by several people. Arnold Walravens said that he was skeptical about the future and that we need to re-examine the reliability of the teaching staff. How can they inspire trust after the crisis that was provoked by the existence of old theories? It is a very good question to which we could not provide an immediate answer. But it is probably time to start thinking of a generation's change.

Another good comment was made by Andreas Antonopoulos. It was about the need to cut costs at business schools and implement other fiscal measures that might be necessary to ensure the survival of business schools.

We also heard a very interesting comment by Sophia Opatska from Ukraine. She spoke about values and standards in the recruitment process. This generated a lively debate. Is it easy to define values? Not at all. That is why Irina Sennikova argued that there should not be any sort of discrimination in the recruitment process.

It was an honor for me to chair that panel and listen to the debates. Obviously, we do not have standard recipes for the problems that we discussed. Yet, we can use some of the suggestions that the speakers mentioned. May the beauty of the Castle of Caserta inspire the solutions of tomorrow, by reminding that we need the accuracy of performance and the harmony of human mankind!

## **Workshop 2: Implications for executive education and in-company programs**

**Tomasz Harackiewicz, Director, Gdansk Foundation for Management Development, Poland**

We discussed demographic issues. Who will provide our revenues if we do not have enough students? Now, here is a

quote from the presentation by Tibor Vörös: "I have the impression that we have been discussing the same issues for 10 years." The problem may be that the world changes more rapidly than business schools. The issues that we are debating are not new but we have not resolved them yet.

We had three excellent speakers. We started with Sergey Mordovin of IMISP, St Petersburg. He discussed corporate training centers, which he perceives as threats to business schools. He illustrated his argument with some examples from Russia where many companies spend much more of their training budget on their own training centers than on regular business schools. What can be done about that? One is to set up a joint venture between the business school and the corporation. The other one is a specialized training program adjusted to the needs of specific industries.

The second speaker was Wil Foppen from Maastricht University. Here is a quote from him: "We educate competent people who then turn out to be incompetent in their organizations." How is that possible? The problem of business schools is that 80% of the problems that organizations experience are not related to individual competences. Yet we want to solve all problems by means of education. Therefore, we need not only to look at individual development, but should also pay heed to processes within organizations. We simply need to understand organizations better in order to help them develop.





Then, we listened to Tibor Vörös of the Central European University in Budapest. He talked about clients' perspectives and stressed the needs of three different groups of clients: clients for executive MBAs, clients for functional programs, and clients for customized programs. These clients have different needs. He pointed out that instructors need to be consultants, but in fact they are mostly lecturers.

We also discussed experiential learning methods. Tibor shared his experience with simulations in business training. We looked at examples of successful and unsuccessful joint ventures between business schools and corporations, of how we should keep abreast of clients' expectations. We also talked about political issues within organizations. Finally, we gave some thought to measuring business education effectiveness from the viewpoint of corporate clients.



### **Workshop 3: Implications for research and teaching materials**

**Jonathan Cook, Executive Director, Association of African Business Schools, South Africa**

Pavel Lebedev said that in the past there was a linear model: research determined teaching materials and the course that would be offered. He suggested that today, particularly because of the demand of marketing departments and the need to show responsiveness to the client, the model has been reversed. The needs of the customer determine the product, which determines the course, which determines the material and the research into it. This is quite a nice model. However, we thought it should be a circle or wheel going in both directions.

One of the questions that came up was whether clients want what they need and whether they need what they want. Pavel discussed three different MBA courses and suggested that they require different materials. This is also true in the field of executive education. For example, regular MBA programs need published cases, whereas an Executive MBA program will require locally applied research and case studies.

Then, Ashok Som provided his story which is an interesting journey. He went from India to one of the Grandes Ecoles in France and found the teaching expectations to be different from what he was used to. He was used to Harvard-style case studies but the French were not sure why they should spend time reading the case before the class. He had to adapt fairly quickly and did so by introducing short cases and having each group present so that they had to prepare for the class. Then, he selected French companies to write cases on, because he found that the French were not very interested in American cases. In that way, he selected material to suit the class.

Then, he talked about his research experience. A longitudinal case study could be published; however, it was not as popular as quantitative research. He tried to compare French and Indian data, which is a sensible thing to do. But, as we heard earlier in this conference, the journals were not that interested in Indian material. Very cleverly, he set up an Indian Research Center and focused on his area of strength. This led to some substantial growth in research.

We wondered what should be recognized as research output. Should books be in that category? Or is it just refereed journal articles?

Gyula Zilahy looked at the application of environmental management, which is the field that he works in. He asked whether our customers want sustainabil-

ity and corporate social responsibility. What is the role of business education in this? Is it part of what schools put across as management education or is it on the side? He also brought up the issue of coordination between courses. Finally, he asked if we can teach our students to be wise, not just to survive.

To summarize, materials should suit the class. That requires dealing with institutional issues. Quite often the reward systems that we have in our institutions do not reward this.

Another topic that we discussed was the extent to which we are value leaders and thought leaders. Should we help our students be wise as somebody put it? If so, should we have a consistent message across the school? And who should be responsible for that? Whose message should that be? That is a scary territory to go into.

We discussed the question of whether cases can be counted as publications. They can count as context research complimenting the refereed type of research.

We concluded that we need a new model of research to allow our system to enable institutional support. Maybe business schools in emerging markets can develop a model of faculty performance and development that takes into account particular circumstances.

#### **Workshop 4: Implications for faculty development policies, hiring and promotion**

**Derek Abell, Professor Emeritus, ESMT - European School of Management and Technology, CEEMAN Board Member and Accreditation Committee President, Germany**



We had three highly contrasting countries: Romania, Ukraine, and Singapore. The speakers also came from three schools that are at a very different stage of development.

First of all, I asked the three speakers to tell us where they stand on the question of practice-oriented research versus more academic research. My second question was about what they do about the new performance challenges that are the subject of this conference and how this is reflected in faculty hiring and development.

The answer to the second question was that nobody in any of these three countries talked about this at all. That was very interesting. We have chosen a conference topic that is not the highest on the map of faculty issues. What did come out was the issue of practice versus an academic orientation. Here the range was extraordinary. In Ukraine, we were told, faculty members are expected to possess a mixture of hard skills and soft skills but there is no time or money for theoretical academic research. They are looking for practical stuff.

In Romania, the issue was different. They do not have access to global markets, they have a lot of government “interference” in educational policies, and they do not have enough money. Therefore, the issue of practice versus academic research is irrelevant. People are trying to lift themselves out of the syrup of too little money and too little autonomy.

Singapore gave us a clue that joined the three together. Seventy percent of their 250 faculty are involved in academic research. They also have to teach and do institutional service. Yet, their main task is to do academic A-class journal research. This leaves 30% doing practice-oriented research. We were told that the government funds this particular school to a very large extent and it

enjoys a luxury because they do not have to earn those funds. I asked them what they would advise the government if they could: would the proportion still be 70 to 30? The answer was that this is a "no-brainer"; it would be 50/50. This got us thinking whether this story has to do with the availability of money and the philosophy of the people who make political decisions. At the end of the day, there is no single answer to this question. It depends on where you are, what stage of your development you are at, and how much money you have.

Maybe there is such a thing as A-class practice research but it has not been done yet to a large degree. We may be able to find some examples among the celebrities in the research field but they are a minority. I think that this could be CEEMAN's mission. As nobody has done it yet, making the first move will bestow a great advantage.

# Looking ahead

## **Luca Gatti, Founding Partner & CEO, eLogus, Italy**

I am acutely aware that if you look ahead, you see dinner. This means that I am now standing between a hungry and expectant human being and the source of his pleasure and satisfaction. This is not a position that anybody should ever wish to be in. People are not particularly amicable when they are hungry. Therefore, I will try to glide through the future very quickly.

At the risk of frustrating you, I must tell you that I do not know what is in the future. What I can do about it, is to make a few comments, outline some problems, and share with you what we have done fairly successfully across time and what we have neglected to do.

The future is definitely a problem. It is, in fact, a very big problem that we have had to deal with since day one of our existence. That is so true, and so damning that we do our best to forget it. The fact is, we do not “know” the future. Nothing can be truer than this statement, for we can only know what has already happened. And if there is one thing that can be said about the future with any degree of certainty, it is that it has not happened yet.

I am amazed by the assumption of some business people that the future can be predicted by collecting some quantitative data and analyzing it in a rational way, believing that, if you do so properly, you will be ahead of everybody else. That is absolutely false. The future does not beam data back to us. At best, the future is a randomly evolving aggregation of the present, an extension of the present in which the possible expands exponentially, stretching our capability to perceive and describe. The future therefore represents an infinite range of possibilities.

Recently, I learned something fascinating about sign language. When you signify the future in a Western sign language, you point ahead of you. But that is not necessarily the conventional symbol everywhere. In Africa, for instance, you point behind you. That actually makes sense, given our practice across time. There is an accumulation of data behind you and you can assume that you can use them to predict what is going to happen next. This method worked amazingly well for us for a significant period of time. We were able to analyze our past experience and form ideas about what the world would look like in the future.

A good way to describe the future today is to say that it is random. What is random about it is the fact that it unfolds as a constant reaggregation of the present. If we understand that, we may be able to start formulating the future in ways that are a little bit more efficient. The future gives you a volume of possibilities that you need to manage. The fact is that the range of possibilities is virtually infinite and immeasurable. That is what Jenny Holzer means when



she says “The Future is Stupid”, for stupid comes from Latin “stupor”, which is a conceptual blindness, a lack of vision.

I am sure you realize that if any of this is true, we have a really big problem. How can we make individual or collective decisions if the future is stupid? We can, of course, pretend that the problem does not exist. Or we can recognize its existence and decide to do something about it.

I thought I should share with you an image produced by a Babylonian community some 4,000 years ago. They had a ritual mask representing the Future. What is extraordinary about this image is the complexity of meanings that can be derived from it. This face anthropomorphizes the Future, which in itself is remarkable, and as you can see it also strongly emphasizes the sensory apparatus: big eyes, a large nose, a huge mouth. This suggests accumulation of data. However, the structure of the face itself is made of coiling entrails, which is a processing system. Data are aggregated, analyzed and processed: what is useful is kept, the rest is discarded. This is a remarkable example of what we do about the future. What this mask represents, in fact, is a system of interpretations. But what is truly fascinating about that image is the way in which it was used. This was a ritual mask, worn by the leader of the community. He would ritually go to the community and tell a story about the future. And it is telling a robust story about the Future, which is a fundamental capability of human social systems that has served us well, consistently giving us a competitive advantage.

I am telling you this to illustrate the fact that telling a robust story about the future is the only thing that you can do. You should accept that and stay in that position, uncomfortable as it may make you, and reflect on the fact that there is absolutely no chance that your story is going to be right. In fact, there is a 100% probability that your story will not reflect the future correctly. That is probably the only certain thing about the future.

That leads us to a truth in economic history. In case of uncertainty, make sure you spread your risk and have a good spread. Always assume that you are in the wrong position with respect to the future. Make sure that your spread is your element of resilience. It should capture those things in the future that are surprising, improbable, and disruptive. That is what will give you the resilience that you need.

Telling a robust story about the future helps us conceptualize the problem. It equips us with the most fundamental human capability: problem conceptualization. Once you are there, accept that you are never right. Therefore, we need to have a good portfolio of robust stories.

At this point, you realize that there are multiple futures. My intent this evening is to depict some that are possible.

As most of us, I am obsessed with my own self. And I have the impression that I am close to knowing something about myself that I did not know, and that opens to my own future, a future which is uniquely mine. My genetic profile, which I have recently acquired, provides significant information about the future evolution of health conditions, as well as interesting insights into biological origin. Genetics is going to change our relationship with ourselves. We are going to have information about ourselves that we never had before at this level of depth and precision. It is one of those areas in which we are redrawing the boundaries of what it means to be a human being.

One of the things that we are doing is that we are extending old age. We are pushing death further and further away from us. Unfortunately, what this gives us is a longer period in the life cycle where we do not really want to be. Nevertheless, we keep doing it. As a result, we will have to redefine social systems and relationships between individuals in order to accommodate for the fact that this is happening and will continue to happen to an even greater extent in the future.

If we learn to tweak our mortality, that will be something with colossal implications. Let me reassure you that this is improbable. Not because we will not be able to do that, but because we will almost certainly refuse to go there. There are also significant stakeholders in society to whom it is very important that the current paradigm of human mortality is not altered. I will leave it to you to figure out whose business model depends on mankind’s mortality.

Claudia Mitchell, the young woman you see in the slide that I am showing you, opens up a completely different perspective on what it means to tweak the boundaries of humanity. She is an American woman who had a bad accident and lost a shoulder and an arm. A remarkable convergence of technological capability from different disciplines from different parts of the world provided her with a mechanic prosthesis that substituted her arm. I watched the press conference at which she was interviewed about this. I noticed a high level of joy and frustration as the questions were asked. They asked her if she could write or shake hands. Eventually she volunteered the information that was relevant to her: she could “feel” with that artificial hand. This was now a woman, a wife, a lover, a mother who had restored her full sense of self through her implant. It was after hearing this that I realized that we will go there, because it will make us happier.

This brings up the question of who we think we are. How much of our biological element needs to be there for us to say that we are human? We are amazingly lazy and conservative in thinking about that. But that is going to come to an end. Just think of teenagers. Their conversations, social practices and thoughts suggest that it is natural to think that being human means being connected. This brings down a barrier: the sense of the individual as a whole. We can start thinking of a connected mankind. I do not know how you feel about this but one of my clients worked on that paradigm: what can we do to enhance human individuals with a biological capability of connectedness?

Let me once again take you back in time. Keynes has been mentioned quite frequently recently because of the events in the financial markets. However, I have something different in mind: a collection of essays that he wrote in the 1930s. He called them “Essays of Persuasion”. He wanted to persuade the world of something that in his view needed to be done. In the very last essay in that collection, he writes to his grandchildren and tells them what the world would look like 100 years later. This means that those of us who are still around in 2030 can check the accuracy of his predictions.

Keynes says something remarkable about what is going to happen. He says that we will have removed from ourselves the “human problem”, i.e. access to resources for satisfying basic needs. At the beginning of this year, a group of economists was asked to pronounce him right or wrong although we still have another 20 years until the time to which his prediction refers. They all said that he was wrong. Look around and you will see that what he predicted has not happened. It is hard to disagree with them. On the other hand, there is an amazing coincidence between Keynes’s idea of where the world would be in 2030, his arguments about what will make the world get there - which is the combination of the force of compound interest on capital and technology - and where we appear to be heading. Keynes’s reasoning is remarkably similar to the reasoning that scientists today believe to be the foundation of what they call “the singularity”. That is the point at which technological evolution will have advanced so much that computational capability will be far superior to that of mankind. By the way, there is some consensus out there that 2030 may be the year when this might happen.

One of the founders of the Singularity University is Google and the other one is NASA. The third one is a company called 23 and me. It was that company that gave me my genetic profile. Interestingly, that company was started in 2009 by the two wives of the two founders of Google. We see amazing convergences pushing in strange directions.

I thought that Keynes would provide a good opportunity for us to reflect on the fact that wherever we look in terms of going ahead there seem to be problems. To solve them we need different structures. The most recent one was the crisis in the financial markets. There is a perception now that a problem of this kind can be resolved only at the level of global governance.

There is another force that is going to push us in that direction: climate change. Of course, climate change was around before the meltdown of the financial markets. I remember people saying that we needed a system of global governance to tackle this problem. You know that negotiations on that issue were basically a failure.

Remarkably, sometimes obliquity pays more. A model of global governance is being built in another domain: the financial markets. If it proves successful, it



could be shifted to the world of environmental conservation. There are problems out there that require global systemic tools. We cannot deny that. But the question is whether we have the capability to come up with something that will successfully deal with the complexity of the world as it is.

We need a pervasive and persuasive global leadership mindset. One task that I would give to educational institutions would be to contribute to the solution of the problem by churning out individuals who have the ability to be such leaders. Of course, that does not mean an ability to think of the world as one entity. That is too simplistic and unnecessary. Leaders need to think of the world in terms of its multiplicity and what keeps it together as a single unit.

The central problem for leadership is the infinite complexity of the future. Leaders need not only to be able to recognize this complexity but also to address it and live with it happily. There is always a structural simplicity that can be brought into the observed complexity in order to understand it. Having that skill is a remarkable asset and definitely one that the future requires.

As we look ahead in terms of decision-making, management and leadership, I see two fundamental qualities. I hope that educational institutions can address them. One is the capacity to fully understand a self and an identity, and the other is to place it in a wider context and generate the right amount of coherence that this requires.

I have heard a suggestion that business should start to work with meanings. Please do. It is high time for that. It is an essential thing. I come from a philosophical field called hermeneutics. It is the study of meaning. It is the most complex discipline that I have had to travel through. But if you want to go there, please do. That is definitely an indispensable capability. You have to understand what meaning is, how social systems generate it, how it is interpreted and how it makes things happen. Definitely, that is a space that you want to be in. Managing that is an essential element of leadership.

I think that the best way to conclude is to use the words that Keynes spoke in 1929: "There is no reason why we should not feel ourselves free to be bold, to be open, to experiment, to take action, to try the possibilities of things".

One of the interesting things about the future is that, being an infinite range of possibilities, it frees the individual. You can go out there and try out this infinite range. Your goal as educators is to support the development of individuals who have the capability to go out there and boldly try the possibilities that it allows. I have worked in many educational and research institutions but I still have to find one that does this full-heartedly. If yours is one, I would be happy to pay you a visit.

You need to develop a capability to move across experiences, ages, genders, disciplines, and knowledge. That is what effective management will require in any future that I can see. The individuals that you produce at your schools should be happy and confident to move across an infinitely fragmented and perpetually remorphing context. You have to give them the conceptual means that they need to do that. If you are successful in that, you can change the world.

# Closing remarks by the chairperson

**Gazmend Haxhia, President of ACMS and ASG Group, CEEMAN Board Member, Albania**

This was an exciting and inspiring event. I believe that we all have a package to take home from this conference. The speakers took us to different regions of the world and shared a lot of experiences. Peter Kraljić explained to us what

it means to be globally competitive. He told us that competitiveness is not a question of country size but a result of coherent actions on the political, ethical and corporate levels. We continued with a panel on living up to the challenges of running a competitive and responsible business. Andreas Antonopoulos, Nadya Zhexembayeva and Jonas Haertle sent very strong messages to all of us: corporate social responsibility should be a way of life and not a one-off initiative.

Professor Jim Ellert reported on the Deans and Directors Meeting of yesterday and the challenges they face. In today's afternoon session, we had four workshops: on implications for degree education, implications for executive education and in-company programs, implications for research and teaching materials, and implications for faculty development, hiring and promotion. We were then taken on a philosophical journey, captained by Luca Gatti.

This conference was different because of another dimension. My active vocabulary got richer and increased today by the new terms and concepts that we came across. This happens to me very rarely. That speaks highly of the caliber of this CEEMAN conference and the innovative approaches that the speakers and panelists exposed us to.

I asked myself what is my personal take-home value. We need to embrace change and not wait for it because being proactive is the name of the game. A lot of the things that we can utilize are in our backyard, among ourselves as individuals and in the CEEMAN community. What we need to do is look at the world differently. By nature, I am not a victim of passion. But I got passionate and uplifted when I came across a few lines by Nancy Adler: "The real voyage of discovery consists not of seeking new landscapes but having new eyes." Thank you.



# List of participants

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CEEMAN is an international management development association which was established in 1993 with the aim of accelerating the growth and quality of management development in Central and Eastern Europe. Gradually CEEMAN has become a global network of management development institutions working mainly in emerging markets and transition economies. The organization's interests cover the quality of education, research and innovation in these economies, as well as the broad range of subjects related to change and development.

With professional excellence as its aim, CEEMAN fosters the quality of management development and change processes by developing education, research, consulting, information, networking support, and other related services for management development institutions and corporations operating in transitional and dynamically changing environments. Its holistic approach to the phenomena of change and leadership development celebrates innovation, creativity and respect for cultural values.

#### **CEEMAN's objectives are:**

- To improve the quality of management and leadership development in general and in countries undergoing transition and dynamic change in particular
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- To provide a platform for dialogue, mutual cooperation and learning between management development institutions and businesses that are operating in the context of transition and dynamic change
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- To represent the interests of its members in other constituencies

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# 19<sup>th</sup> CEEMAN Annual Conference

**22-24 September 2011, Tbilisi, Georgia**

The 19<sup>th</sup> CEEMAN Annual Conference will be held on 22-24 September 2011 in Tbilisi, Georgia, hosted by Caucasus University.

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# Notes

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