



Proceedings of the  
16th CEEMAN Annual Conference  
25-27 September 2008  
Tirana, Albania

Management  
Education for  
the Realities of  
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CIP - Kataložni zapis o publikaciji  
Narodna in univerzitetna knjižnica, Ljubljana

37:005(063)(082)

CEEMAN. Annual Conference (16 ; 2008 ; Tirana)  
Management education for the realities of emerging markets :  
proceedings of the 16th CEEMAN Annual Conference, 25-27 September  
2008 in Tirana, Albania / (editor Michael Minkov). - Bled : CEEMAN  
- Central and East European Management Development Association, 2008

ISBN 978-961-92270-3-9

1. Gl. stv. nasl. 2. Minkov, Michael

242816768

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# CEEMAN Deans and Directors Meeting



Management Education  
Institution Building –  
Transition to Phase 2

# Welcome Address



**Danica Purg, CEEMAN President,  
Slovenia**

Dear colleagues, welcome to the annual CEEMAN Deans and Directors Meeting!

I came to Albania for the first time at the beginning of the 1990s as a UNDP advisor. Together with Suzana Pani, who is currently advisor to the prime minister, my task was to help establish the first

management school in the country. Unfortunately, that school was ruined in 1997 when Albania experienced severe political and social turmoil.

Subsequently, I began coming to Albania on a regular basis. Each time I came I noticed a huge difference. In fact, Albania is probably the south-east European country where change has been most visible since the beginning of the period of its strong economic growth.

For all of these reasons it is a real privilege for us all to be here and to enjoy the hospitality of CEEMAN member Gazmend Haxhia. Among the many jobs he holds is that of advisor to the Speaker of the Albanian Parliament. He is a great believer in management education, and that is one of the chief reasons we decided to organize this CEEMAN conference in Albania. Another reason for having the conference here is that we wanted to show you the reality of a fast-growing emerging economy.

Today we are going to discuss the transition to phase two in the development of management education institutions. It is important for us to analyze our situation now, when the pioneer period in the history of business education in Central and Eastern Europe is drawing to a close. Our illustrious speaker Ichak Adizes is going to tell us what lies ahead, and how we can prepare for it. Virginijus Kundrotas, president of the Baltic Management Development Association will chair this meeting.

I wish you a very good day!



# Introduction by the Chairman

## **Virginijus Kundrotas, President of the Baltic Management Development Association, Lithuania**

Welcome to the Deans and Directors Meeting. I am pleased to see so many current, former, and future heads of academic institutions today.

CEEMAN is an association of predominantly young institutions. Most business schools in Central and Eastern Europe were set up after 1990. We are young and we face common challenges. That is why the topic of our meeting is extremely important to all of us.

When you run an institution, you do not have much time for reflection. For that reason, I went on a sabbatical on the first of July 2008. Now, I have more time to think and reflect. I am very much looking forward to discussing these interesting issues with you.

We have fantastic speakers and very experienced participants. All of your expertise will be welcome. That is why the room setup is unusual today. You are going to participate in discussions, rather than simply listen to presentations. That is where the value is going to come from.

Today we have the exceptional opportunity to have one of the most famous management gurus with us, Dr Ichak Adizes. He will make a presentation and will answer questions. Besides, he will listen to our discussions and give us a summary of his impressions at the end.

We will also give the floor to Prof Krzysztof Pawlowski, rector of the National Louis University of Nowy Sacz, Poland. He is going to talk about the challenges that management development institutions face.

After the break, we will give the floor to founders of management development institutions who have run them since their establishment. They will tell us about the challenges that they have to deal with, as they see them from their own perspectives.

These presentations will be followed by group discussions. After lunch, we will have a similar mode but with different people - those who took over from the institution founders. What challenges do they have to overcome?

Finally, we are going to have joint discussions, after which Ichak Adizes will provide his concluding remarks.

Now, I would like to give the floor to Dr Adizes. Many of you have probably read his books or heard of his institute. He has developed an interesting methodology that he is going to share with us today.

You all know that managers sometimes complain that academics are too theoretical and difficult to understand. Fortunately, Dr Adizes is both an academic and a practitioner. He is capable of explaining things in such a plain language that everybody can grasp his thoughts. Dr Adizes, the floor is yours.



# From Pioneering to “Prime” Organization: Implications for Business Schools



**Ichak Kalderon Adizes, Dean, Adizes Graduate School for the Study of Change and Synergetic Leadership, California, US**

For over 40 years I have worked as a consultant all over the world, interested in studying one specific type of transition: from entrepreneurial management to professional management. Because of the shortage of space, I will just give

you the bottom line of what I have learned. If you want to know more, you have my books on the subject.

I would not be saying anything new if I said that there is change, and it has been going on since the Big Bang.

All change follows a life cycle. Everything is born, grows, ages, and dies. Not only trees, animals, and people, but also planets and stars. Astronomers tell us that some stars are old, whereas others are young. Geologists will say the same about rocks.

Products and organizations also have life cycles.

All change generates problems and opportunities, because by definition change means that something new has occurred, and this new occurrence can be either a problem or an opportunity which needs addressing.

Since all change follows a life-cycle pattern, and at any stage of the life cycle there are typical problems, if one knows where one is on the life cycle one can predict future problems.

It is essential to realize that not all problems are abnormal. At every stage of the life cycle you will have normal problems and you may have abnormal ones. You may also have fatal problems that can bring the demise of your organization. A leader should be able to tell the difference.

Problems that are normal at one stage can become abnormal at another stage and if they are not dealt with, they will eventually become fatal.

If I told you that somebody drinks a lot of milk, wets his pants and cries all night long, would you say that is normal or not? It depends on the person's age. If the person is a baby, these problems are normal. But if he is 45-years-old dean of a business school, it is a totally different story.

Thus, whether something is normal or not depends on the particular stage of the life cycle the organization is in.

I call the first stage of the life cycle "courtship." That is when you are thinking of starting something. It has not been born yet; you are only thinking about it.

The main characteristics of the courtship stage are "noise" and excitement. People are in love with their idea. They are telling everybody else how great this is going to be. But who are they actually trying to convince? Themselves.

Why?

They are building their commitment to the endeavor.

When is an organization born? When a risk is taken. As long as there is no risk, it is just talk. But when risk is taken the organization is born. You have to feed it, rock it, and change its diapers. You do not sleep all night long. You need a lot of commitment for that.

The greater the risk you are going to take, the greater commitment you need. Too many people launch big ships in shallow waters. They want to start something big but their commitment is very shallow. This will not work.

Just like in a marriage, there is such a thing as the seven-year itch in the life of a newly created organization too. That is when commitment slumps.

Once a company founder asked me if I knew when you stop making love to a gorilla. It is not when you decide to stop, but when the gorilla does. At the outset, your project is like a hairy little monkey that you love like a child. Gradually, it becomes a monstrous gorilla. Now you no longer know who is controlling whom. You want to take a break but the gorilla will not let you go. It is a difficult time. What happens to your commitment then? It starts to evaporate.

If you have not impregnated the rest of the company with your commitment, you will have no continuity. When the founder of the company dies, so does the company. I have seen this many times. It is called "the founder's trap."

The initial commitment is high but as the organization grows, the commitment starts to evaporate. As the founder of the organization, you start feeling that you have created your own trap and you are suffocating in it.

But, I am jumping ahead in presenting the sequence of events.

What comes after infancy is the "go-go" stage. It is like a young child who has started to crawl. He looks at the world and finds everything interesting. He crawls all over the house and you have to baby-proof everything because the baby can do something dangerous. It is the same in an organization. It spreads itself in many different directions.

In the go-go period the founder becomes somewhat arrogant: "Wow, we did it. We can do anything. We can expand, we can grow, we can do all sorts of new things." This is the over-confident stage of an organization's life cycle. Invariably, this organization will get into trouble.

Why?

By and large, founders of organizations are externally oriented. They look at the outer world. They are client-oriented because in their perception the business has been built for the clients. They believe that they can use their passion to satisfy the needs of the market. They are not focused on internal things such as costs.

During the go-go stage, there is something that I call "the space syndrome": expansion on the margins but collapse at the core. Building an organization is like building a high-rise. You build the first three floors, then you want to continue building upwards because the land is very expensive. You continue to add floors but the foundation of the building is only for the initial three floors. It was not meant for a skyscraper. The building is going to crack.

Unfortunately, founders of organizations do not like to work on "foundations" - organizational structure, processes, budgets etc. That is boring. The excitement is elsewhere: strategic alliances, new businesses, new projects. Turning around and looking at budgets, discipline, people, reward systems, and job descriptions is boring. Once a company founder told me he would hire me as a consultant on one condition: He did not want me to draw boxes on the organization chart. Can you imagine how a founder feels in a box? He wants to be free.

That is why founders get organizations they gave birth to and nurtured, into trouble.

The lack of attention to form, to structure, to processes, has different manifestations in different organizations. Sometimes the organization turns against the founder.

The next stage is adolescence. Teenagers are trouble. They want to have the authority of an adult with the responsibility of a child. It is the same in an organization.

The organization wants to get rid of the founder the arsonist but at the same time is deeply dependent on him or her to survive.

This stage involves a love-hate relationship between the organization and the founder. It is like adolescent children: They love you and hate you at the same time. The organization loves the founder because he is the leader. He is the person with the connections. He is the heart of the organization. However, he is also the source of all the trouble. He constantly churns out new ideas and new projects, and the employees cannot catch up with him. They want him to calm down.

This is the typical transition problem. If you do not solve it in a timely manner, the result can be tragic. I have seen it many times. They fire the founder. The board of directors will say that he was a genius but now he is an unguided missile. He is the source of all of the company's problems. Enough is enough, thank you very much. Now go home.

When that happens, the founder is crushed. He has devoted his life to the company. He does not know his family. He sacrificed everything for the benefit of the company and now he has gotten the ax. He does not know what to do with himself because the company was his life. I have even seen people get cancer and die.

What happens to the company? This is very interesting. The board usually thinks they have had enough excitement. They want somebody stable, organized, systematic, and dependable. Usually they pick up a financier to manage the whole company.

This solution is good for a while. There is a saying in Hebrew, "Friends come and go; enemies accumulate." You see the same development in the life of an organization. Entrepreneurs come and go; bureaucrats accumulate. It is usually a bureaucrat who takes over from the founder because everybody has had enough excitement for a lifetime.

The bureaucrat will stabilize the company for a while. He will get it organized. He will fire any overly exciting people because he wants order and predictability. This is fine for a while but eventually this stability becomes dysfunctional. The company starts to die because its "pumping heart" is gone.

So, what should be done to avoid this predicament?

In the initial, infancy stage, the company is very much organized around people. It is growing and new employees are needed all the time: "I have found somebody, let us see what he can do for us." This type of company is quite dependent on the personality of the founder and the people whom he found.

There is a joke that illustrates this:

A guy goes to a tailor to get a custom-made suit.

He complains to the tailor, "Hey, this sleeve is too long."

The tailor says, "It does not matter, just lift your arm and shoulder up a little."

"OK, but this other sleeve does not fit either."

"Never mind. Lift the other shoulder up, too."

The guy walks out in his new suit with a twisted body and two ladies see him.

One of them says, "Poor guy. He is so deformed."

The other one remarks, "Yes, but the suit fits him."

The founder's company is organized around him and fits him, custom made. It works for him. Bring in a professional manager and there will be no fit. There will be a fight. This new manager tries to bring order into the place but the result is trouble. Those that worked for the founder and are used to his style find the change of styles upsetting and constantly complain to "papa" or "mama". If the founder is still in power, he will remark that this man is too detail-oriented. "He is not like me. He is stupid. What I need is somebody like me: excited and energetic. Fire him and get me somebody else."

Now, bring in a manager who is like the founder and you have two entrepreneurs. Trouble again. They have different ideas and cannot get along. This manager also gets fired. This goes on and on for some time and the founder is exasperated because he cannot find the person he thinks he needs.

In the meantime what happens?

If the manager the founder hired is politically astute, which is quite often the case; he will develop a relationship with the board. He will keep explaining to them how terrible the founder is and how he is the source of all conflicts. He deserves all the credit for starting the company but right now, he is a burden. Eventually the board starts sharing this perception.

There is also another phenomenon that accelerates this perception that the founder is a liability. It is called the "sea-gull syndrome."

If you are a sailor, you probably do not like sea gulls because they fly over, crap on your decks, and disappear. The founder is like a sea gull. He does not like the mess in the company, so he travels a lot. When he comes back he hates what he sees, gives assignments, then disappears again. Everybody is paralyzed: "Oh, my goodness, he is coming again. What does he want this time?"

When you start a company, you do not have a structure. There are no job descriptions. You do whatever needs to be done. The employees are like a guerrilla army without very clearly defined functions. But eventually, this does not work anymore. Instead of structuring the organization around people, you need to structure the people around the organization.

When I work with organizations at this stage, I tell them to deal with people second. Focus on structure first, independent of people.

The right sequence is very important here. To sneeze, then wipe your nose is the right sequence. To wipe your nose and then sneeze is not. Too many people get the sequence wrong - they look for people before they have nailed down the structure - and they are surprised that they are not successful in solving the problem.

If you hire a lot of people without having a structure, you will only get in trouble. You will generate a high turnover and encounter even more problems. Stop thinking about people and look at the organization first. What does it need? What does it want?

When I work on this issue, I ask people to put name plates in front of them. I also put an empty chair in the circle with the name of the organization on it. People will tell you what they want. But what does the organization want? It also has a name.

How do we know what the organization wants? First of all, look at the mission. What is the organization all about? Think of CEEMAN (the Central and East European Management Development Association) for instance. The name suggests that it is a Central and Eastern European organization. But it has West European, American, and Asian members in it, so it cannot be just about Central and Eastern Europe. What is it about? At the beginning it was "give us the best of the West and keep the rest." But what about now? It is a different organization. You have to define a new mission. We are not who we used to be. Who are we now? What are we trying to do?

In some languages there is no present tense. If you think about it philosophically, you will realize that there is no present. It is either part of the past, or the beginning of the future. Many people talk about who they are by looking at the past. Think of who you are as you go into the future. As the saying goes, "Today is the first day of the rest of your life." Do not drive forward looking in the rear mirror. Think of what you are trying to be. If you are a school, do you want to be a business school or a management school? A local one or a regional one? Specific to a particular industry?

It is very important to visualize the future. Where are you going to be 10 years from now? Once you have the answer to this question, you can ask yourself what kind of structure you need. However, this should be a structure without names.

Can you define a mission of the organization?

I believe so.

Can you design the structure to accomplish the mission?

I doubt it.

There is an interesting Jewish adage: "No prisoner can free himself of his own chains." I identify with this saying very well. I built my own institute and have

devoted 40 years of my life to it. And I have experienced all the troubles that I have described to you in this presentation. Could I do what I am prescribing you to do?

In my life I must have worked with more than a thousand companies from startups to some of the world's largest businesses. I have helped them avoid the founder's trap. I can do it with my eyes closed. But there is one company that I cannot help: my own. It really kills me, because I think I am the best in the world at what I do and I cannot deal with my own organization. Do you know the reason? You cannot see the picture when you are in it.

I told you that you should disregard the people. But when you are inside the company, you are attached to them and cannot disregard them. One of the good things about being in an alliance or network is that you can help each other. Unfortunately, you cannot help yourself. I have seen too many examples of that.

So, you must first think of the mission and then take care of the structure. Only then does it make sense to hire the successor.

Some principles of building the right structure.

In a Prime professional organization, entrepreneurship is institutionalized. There are departments of marketing research and strategic planning. There is an engineering department. There is new product development. There is finance department separate from accounting, as well as a human resource development. Not human resource administration but development. It is an organization and the entrepreneurial functions are not monopolized by a single person like the founder.

In the case of a company that has not reached that stage yet, everything is monopolized by the founder. In fact he monopolizes everything on purpose. He hires people, thinks of new products, and looks for customers. When he dies, so does the company because the development of new ideas and the control of all processes had been monopolized.

Problem: If you are a small company, you cannot afford to have a vice president for finance and a vice president for marketing and a vice president for human resource development. Perhaps you can have one of these, but not all. It is too expensive. So, what should you do?

Take your calendar and check one day each month. On that day, go out of the company, to a hotel, for example. Take with you all your top people. Schedule this activity for the same day each month. Do not decide when to meet next; meet always on the same date. It has to be like Christmas. If you have to decide when you are going to have Christmas you may never have it.

The next rule is not to have an agenda. The moment you have an agenda it becomes an operational committee meeting. What you want is an entrepreneurship meeting. You should have a topic of discussion, not an agenda. And you are not allowed to make any decisions during that meeting. The decisions will be finalized in subsequent management committee meetings. This is different.

The first meeting can be devoted to marketing. What are we doing? What about the competition? Where are we going? Just talk about that. When you were courting, you talked a lot. Later, you no longer had time for that. You need time to talk. By the way, do not find time. Take time. That is why I am telling you that you should check a particular date each month and stick to it. Get together and just talk.

I call these dream sessions. If you go to a psychiatrist and say that you do not remember your dreams, he will tell you that you have a problem. You need to dream. Dreams help you get rid of the past and give you hope for the future. It is the same in an organization. Organizations are built on dreams. It is reality that kills them. You need to have periodic dreaming sessions. And who is dreaming during those sessions? The founder is no longer alone. The whole management team participates in the dreaming.

The next session can be devoted to technology. What kind of technology do we need? How can we implement it? Again, do not make any decisions. As soon as you have to make a decision, you have woken up. You are not dreaming anymore.

Then, you can devote successive sessions to financing issues, human resource management, and so forth. Eventually you start all over again.

Now, why is this good? Because if you die the dream stays alive. It is like in a family. The parents die but the children get together for Thanksgiving and Christmas and New Year's Eve. They observe a ritual and remember the parents. If there is no ritual, after the parents die the children may not see each other anymore.

How exactly do you achieve this transition, to avoid the founder's trap? You start delegating various functions while keeping the ones that you are most devoted to. In the case of a business school, you can appoint somebody as a dean. That person would be in charge of raising money, introducing new programs, and hiring new people. The founder would be the chairman of the board. He would be free. However, you cannot do this all at once.

Thus, what you need is dream sessions to define mission and structure. Then you hire the people and you delegate, slowly, one function at a time. That is how you complete the transition. When it is completed, you are free.

What do you do then? You can pursue various routes. For example, there are people who are too old to start something new but not old enough to retire completely. Some of them may be happy with a teaching job. In that way they can make a contribution by sharing their experience.

Once I had a client who increased his capitalization from \$250 million to \$3.5 billion. He had lots of stores and television stations and telephone companies. He bought the biggest private airplane that you can imagine. After that he bought an enormous yacht with a swimming pool. Then he wanted to have a huge villa on the president's compound on the beach. I asked him what he wanted to have next. He said he was thinking of a farm in the mountains. At that point he reminded me of a vain woman who can never stop buying clothes, shoes, and jewelry. Why is this woman behaving like this? Because she has an empty soul. When that is the case, you try to fill it with things.

What would you think of an educational program for women that teaches them that life is about flaunting your social status, and that status is measurable by means of shoes and clothes? I am sorry, my friends, but all MBA programs do precisely that. They teach people how to achieve material success and measure it in dollars: market share, profit margin, return on investment, company capitalization. You destroy the world in this way.

We have to start adding a spiritual element to our management programs. As company founders, we build big closets full of clothes. And eventually we realize that we are empty inside.

When you are not empty, you can think of so much to do. You can build houses for poor people, like Jimmy Carter. You can go to Africa and teach people how to run their small companies and survive. You can always make a contribution, providing you have a soul.

Thank you for your attention and I wish you the best in making inevitable transitions.

# New Demands on Management Development Institutions



**Krzysztof Pawlowski, Rector, Wyższa Szkoła Biznesu - National-Louis University, Poland**

In my opinion the period of the aggressive creation of business schools in Central and Eastern Europe is over. We have entered a new period of substantial change.

One of the dramatic developments that we observe is a population decline. For

example, the number of students in Poland is going to fall from about two million at present to one million in some ten years.

In addition, Poland's accession to the European Union opened up all European universities to Polish students and gave them access to European funds, especially the European Social Fund. This has turned the market for training and graduate programs upside-down.

Apart from that, private higher schools in Poland must still compete with state universities which offer free programs for a growing number of students.

This means that competition for each new student is becoming increasingly fierce. Under these conditions, it is not unlikely that up to 90 per cent of private universities will disappear.

What can be done in this difficult situation? There are several potential solutions.

The easiest way out is simply to quit. You give up and wind down the institution's operations.

Another solution is to use the brand, organizational experience, and faculty to focus mainly on continuous adult education, such as graduate programs, training, and consulting.

The third solution is to continue on the path of building a prestigious academic institution with a growing focus on scientific research.

Finally, it is possible to move forward by searching for a new niche and a new competitive advantage in the new circumstances.

Let me present briefly some information about my school in Nowy Sacz. We implemented the first round of innovation in 1992 when we transferred American know-how into Poland in the form of curricula and organizational culture.

The school is located in a small town, far from the traditional academic centers. Quite unusually for Poland, we had to develop our own faculty. Currently, more than 80 per cent of all lecturers are employed exclusively by our school.

During the 1990s we were the only private higher-education institution in Poland with the number of full-time students dominating the student body. Sixty per cent of them came from other regions of Poland.



From 2000 we started developing new English-language programs and set up new majors in political science and psychology in addition to the still-dominant programs in management and computer science.

The school gained prestige by building a strong and easily recognized brand in business circles as well as the political community. However, we are still very much dependent on tuition fees.

Since Poland joined the European Union, we have faced strong competition from European universities, mainly in the UK. Due to the strong zloty, tuition at our school costs as much as in the UK. The effect of this has been a significant drop in the number of full-time students at our school.

We tried to react to this situation by increasing our efforts to attract foreign students from China, Ukraine, and Belarus. However, this proved very difficult because of the strict European Union visa regime that Poland has adopted. This resulted in a very awkward situation: a combination of excellent facilities, highly qualified faculty, and tested programs with falling enrollment and a disappearing competitive advantage.

This was followed by some positive developments.

We were invited by Optimus - a computer company located in Nowy Sacz - to set up a joint research and development center. In 2006 the Polish government drew up a so-called Indicative List of Projects Essential to the Development of Poland, financed with European Union money.

Finally, our computer science experts were successful with the implementation of a large project under the EQUAL program, including the construction of our own e-learning platform and developing our own business simulation games.

In mid 2006 we created a Multimedia City project, which is a cutting-edge science and technology park. This was done with the substantial intellectual contribution of the school's alumni.

In February 2007 the Multimedia City project was added to the government's Indicative List. The government pledged to provide serious funding for that project: €28 million under an operational program called Innovative Economy - Action 5B.

The main goal of the Multimedia City project is very ambitious: building a large corporation, or a group of companies, capable of competing with the world's leaders in multimedia and information systems. Another goal is to transform our school into a world-class university. Thirdly, we aim to contribute to the development of our town and region.

The Multimedia City project will result in the creation of a non-profit company that will build a science and technology park, covering a total area of 10,000 sq m. This will include a compound of specialized laboratories, workshops, and studios. They should be ready by 2009-2012.

We started this project with a cluster of 60 small and medium-sized Polish companies operating in the sector of multimedia and information systems. We have worked with them for two years. We have now set up a venture capital investment fund and a joint-stock company, which will act as an operator of the whole project. The Multimedia City project is independent of our school but we are its main shareholder.

I think that this project will result in several important contributions.

First, it will help build a network of cooperating companies and reduce their transactional costs by creating resource synergies.

Second, our students will have a place for internships and work during their studies. It will also help them set up their own firms.

Third, our faculty will be able to do research together with the personnel of the Multimedia City project.

Additionally, the project provides a strong impulse for our faculty to focus on research application and create a center for the transfer of knowledge, innovation, and technology. It also gives them an opportunity to cooperate with practitioners representing the cluster firms. This is still unusual in Poland but I think it is very important.

How is the execution of this project possible in a small town in the middle of nowhere? What makes it possible is the Internet. That technology has changed the world completely. It has practically abolished location.

Actually, our town is not so badly connected to the outer world. We have two airports within 100 km. And, very importantly, we are situated in one of the most beautiful regions of Poland, an excellent place to live and work creatively.

The Center must be open to people and ideas coming from the outside. Quite often, Polish institutions are closed, especially when they are state-owned universities. Success requires a complete openness to change.

I think that Poland is in a good position in terms of research and development because the funds for such activities are going to double over the next few years.

When do we expect results? I think that we have already achieved some. The rejection of the old paradigm and the existing momentum are already a success in their own right. We expect the business operations to intensify as of 2010. By 2020, Nowy Sacz should be one of the world's leading regions with respect to research, education, business, and investment in the multimedia sector.

Associations with Silicon Valley do not make sense in our case because that was a completely different technological reality and environment, created more than 30 years ago. At that time, Stanford University enjoyed a position that was hundreds of times stronger than ours today. Yet, 100 years ago, Stanford was just a small provincial school.

The average age of the people working on this project is 31 years. I am twice as old as my co-workers.

Our seed money amounts to 111 million zloty. When I launched the school project in 1992, we collected \$2,000 from 27 people. Talk about a difference!

I have written a paper entitled "The New Generation University" for Higher Education in Europe, CEPES-UNESCO. The paper will be published in 2009. It presents the case of the higher-education institution that is trying to boost its development and transforms its environment so that it can reach the rank of world-class institutions.

# Institutional Transition, Leadership, and Succession: Perspectives from Founders

## **Danica Purg, President of CEEMAN, President of the IEDC-Bled School of Management, Slovenia**

For the last 22 years I have overseen the development of the IEDC-Bled School of Management. I was not exactly its founder - I inherited it, so to speak. Back in the period of socialist Yugoslavia, it was a political school that educated employees for future leadership roles. At some point along the way I was asked by the Slovene Chamber of Commerce to become head of the school. I was not sure I wanted to do that at first but I went ahead and accepted the challenge because I saw that we lacked professional management in many of our operations and since I have always loved my country I wanted to do something for it.

However, the troubles started as soon as I accepted the offer. First, I had to fire about 100 part-time professors, most of whom were politicians, one of them even president of the Constitutional Court of Yugoslavia. I don't know if you can imagine what it felt like to say: "Thank you, that is all we need of you. Goodbye".

I also had to change the staff. None of the staff members could speak English and all of them wanted to work from 6am to 2pm - there was absolutely no one at the school in the afternoon! In fact, we may have been the first institution in former Yugoslavia to introduce West European office hours.

As to the new staff, I required them to work hard, have a positive attitude, and be customer oriented. And yet, because our salaries were set by the Chamber of Commerce, I could not pay them enough for all I was asking them to do. The result was that a lot of people quit. For those who stayed, I had to do unusual things to provide some motivation: some I invited to my home; for others, I baked cookies. With the help of our foreign professors, I was able to send some of them abroad to attend management development programs.

The task the Chamber of Commerce had given me was simply to improve the functioning of the existing institution. But I had a much more ambitious vision. I wanted to transform the place into an international business school.

My dream was to see people waiting in line to sign up for our programs and for professors to consider it a matter of prestige to teach courses on our campus. I have not achieved the first of these goals but I am proud to say we have been blessed with my vision of prestige.

Meanwhile, there was the faculty problem. Nearby professors did not want to leave their jobs at their universities and come to our school to teach for us. I met that crisis in the extraordinary way of instead hiring faculty from some of the world's leading schools. Instead of those who had turned a cold shoulder, I now had professors from INSEAD, IMD, Richard Ivey Business School, and many other distinguished places. Those professors set the high quality standards that we still maintain today.

Then, the president of the Chamber of Commerce left and in one sense I was left alone. I was forced to spend my time fighting against Chamber bureaucrats.

One day I had had enough. I met with some of the leading business people in Slovenia and asked them if they would consider supporting the school with-

out the participation of the Chamber. Magically, they agreed and they told me that they preferred to give their money directly to the school rather than use the Chamber as an intermediary.

As soon as we got their support, I dismissed the entire staff overnight. The next day, everyone was hired back as an employee of the new company - whose owners were 27 Slovene firms.

As to those 27 firms, they gave, and have continued to give us, complete academic leeway, leaving it up to us to decide what programs to run and to run them as we see fit. However, they continue to be there when we need their input. They have continued to generously support our new projects; they have funded the construction of the school's facilities. This includes the Center for Innovative Learning, which we will open in October.

All these facilities are very important to us; thanks to them we have been able to move from the old-fashioned government hotel at Brdo pri Kranju to the shore of Lake Bled where we find ourselves now. This has allowed us the setting appropriate to the modern and unique education we had envisioned.

When we moved to the new premises, the celebration of the event reached national proportions. The facilities were inaugurated by the President of the Republic at a ceremony attended by 900 people. Once we had those new facilities, we added "creative environment for creative leadership" to our mission. That is what we are doing now. We would like to position ourselves as one of the most innovative business schools in the world.

As to students, originally, in order to study at the school, you had to be selected by the Chamber of Commerce. I introduced, instead, a market approach. Now, more than 90 per cent of our revenues come from tuition fees.

As to faculty, we are in the process of trying to develop that at this time. Currently, we are in the process of hiring more professors on a full-time basis. We have had some success in that but the process has not been as rapid as I would have liked. Although most of our full-time faculty is from Central and Eastern Europe, we still like to hire professors from Western schools in order to diversify the education experience.

Our mission has always been and continues to be to strive to be a center of excellence and teaching; to be an agent of change in Slovenia and Central and Eastern Europe; and a meeting place for the generation of new business. I think we have demonstrated that we can live up to our mission.

I think also that I have managed to spread around the view that art is important to management development. It has not been easy but I think that most of our staff members have come to accept this outlook. I think that this is an excellent achievement.

And by focusing on such innovation, we get interesting faculty from all over the world who are curious about our creative learning methods; we get clients from multinational companies that want to reinvent their businesses and have their managers inspired for change and integration. And we get to reinvent ourselves: I see that I am reinventing myself, too, through the inspiring and innovative new ideas that come in from every side.

In the past, when I was away for a couple of weeks, I could expect all sorts of problems at the school. Now, however, my staff has been so infused with this philosophy of challenge and innovation that they hardly need to be supervised. Instead of coming back from my travels to find problems, I come back to requests for meetings: everybody wants me to see all that they have been doing while I was away.

The philosophy of excellence, of continuously creating, is so inculcated that on their own staff members will not allow for any concessions to be made to it. In fact, regularly, they even surpass me in their striving for perfection. Also, finally, I managed to employ an excellent assistant, someone who has now become Director of Operations. This has allowed me to withdraw from the day-to-day management of operations and I consider this another success in the development of our institution.

Our principal goal now, as mentioned above, is to identify and engage more permanent faculty and to develop further our experiences in education inno-

vation. None of us can ever know exactly how the future will turn out in that respect. But I do know we can do better.

I think here of Ichak Adizes's advice: first structure, then people. And perhaps the words of the American transcendentalist, Henry David Thoreau: "You have built your sandcastles in the air; that is where they need to be! - now put the foundations under them."

I like to think both of them are right.

**Pavlo Sheremeta, Dean, Kyiv Mohyla Business School, Ukraine**

I have been with Kyiv Mohyla Business School for nine years and we have had a close relationship with CEEMAN for six or seven years. It has been so close indeed that I find it hard to separate them and determine where one ends and the other starts.

For example we had a seminar on the Adizes methodology two years ago. By the way, I was once asked by some Ukrainians if I was capable of making a presentation without mentioning the name Adizes in every paragraph. I hope that after you listened to Ichak Adizes today, you know why I use his name so often.

We are a school that uses the jazz metaphor and now we are going to add yoga metaphor as well.

Two years ago I reached a critical point where I began to think about phase two in our development, the adolescence period of a company. Some time ago we had a roundtable in the school on how to move a company into adolescence. Some company representatives asked me whether I was missing childhood. I said I was. Then they asked why I was pushing them into becoming adolescents. They did not want to get to that stage in their development. Perhaps they have a point.

We try to forget the past, which is naturally very difficult. As the landscape changes, our competition does not come only from national schools or Western ones. It comes from regional ones as well. Many of the schools that are represented here today are in that league. This means that we need to compete in a new way that reflects the reality across the region.

We are a business school but we have considered getting more involved with management in general. For example, we have thought of launching a Master of Public Administration program, providing we have the capacity to do that. But even more importantly, we need a more internal view so that we become an example of good management.

People listen to us talk about management and they step out of the classroom during the break. If they see some discrepancy between "the talk and the walk" they will think that our teaching is just some kind of performance or a farce. This means that we have to practice what we preach. The school does not only need to inspire leaders, which is our mission. It also needs to be an example of good practices for those who are in the classrooms.

I have heard an interesting saying: first-rate people hire other first-rate people; second-rate people hire third-rate people. I do not think that we, the founders and leaders of our schools, will be judged only on the basis of our own results. We have probably all done a good job. The crucial question is how our schools will look five years after we have left. Have we ensured continuity? Do we have first-rate people for that?

I have been criticized for teaching too much and devoting too little time to management issues. It is true that teaching has always been a strong tempta-



tion that I have failed to resist. But, on the bright side, that means that others have had to learn how to make decisions in my absence.

I mentioned our close involvement with CEEMAN. All our faculty members and many of our managers have attended CEEMAN development programs such as IMTA or management seminars. My deputy, Svitlana Chernyshova, who is going to become the school's chief executive officer, is a proud graduate of both CEEMAN's IMTA and IEDC-Bled School of Management.

With respect to structure, my personal mantra after the Adizes seminar has always been to decentralize and depersonalize the entrepreneurial function. Decentralization means setting up business units or profit centers, establishing a management committee with authority and power, and giving up part of the ownership stake. Every program that we offer is a separate profit center. There is an umbrella brand above them but they are responsible for their own program setup, marketing, performance, and profit.

I used to own 25 per cent of the school. Four or five years ago, I gave up my ownership. The school is now worth millions of euros. I know that because we had an offer this year and I know its evaluation.

Why did I give up my ownership?

First of all, I was not concerned about the money issue. I thought I could earn money in another way. Also, if I were the owner, I would not be in a position to do much fund-raising. You do not have much credibility when you ask somebody to give you money for something that you own. Another reason is that I felt that if I kept my stake the organization might die when I left. That is not my intention. I want it to live much longer. Naturally, this is a very painful decision and I do not recommend that you do exactly the same thing. I am just telling you what I did and I why I did it.

We have established a management committee in order to have more transparency in our decision-making process. This is not an academic council. We actually have a pessimistic view of academic councils, since generally they represent the faculty view only.

Our management committee consists of both faculty members and managers. If it consisted only of faculty, they would monopolize too many roles and that would not necessarily be good for the school. For example, they are not very interested in attracting new talent because they see that as competition and they are not happy about it.

Our management committee meets each Tuesday at 1pm. Even when I am not in attendance, they meet without me. The agenda is sent to everybody 24 hours earlier and the final decisions are sent to everybody 24 hours after the meeting. I do not chair those meetings. That is a very hard thing to do.

Nevertheless, it is clear that the other participants try to read my emotions even when I am not speaking. They want to know if I like or hate their ideas. That explains why I am happy not to be there. The reason is that I am not very good at controlling myself and sometimes I even go ballistic.

We have strategy sessions three times a year although we should probably have these more often. We have these sessions with the top managers of our client companies. The basic questions that we ask of the clients are where are they going, how we can help, and what do they think of business education in general?

Is all that a success? I do not know. It still remains to be seen. In order to implement all these nice things, you need strong will. And what is will? It is an ability to implement the decisions that your brain has taken.

**Virginijus Kundrotas, President of BMDA and Founding President, ISM University of Management and Economics, Lithuania**

The ISM University of Management and Economics was established in 1999 by the Norwegian School of Management. It is a young institution but it was established based on the activities of an executive training center, which had already been functioning for five years. It is the first private university in Lithuania, with campuses in Vilnius and Kaunas. We have close to 1,800 students. We offer three levels of degree programs: undergraduate, graduate, and doctoral. We also offer executive education.

Our professors come from across the globe. However, they are mostly temporary visitors. Our core faculty is mainly local. We have exchange programs with institutions from more than 20 different countries.

There was a clear need for developing a new private business school in Lithuania for various reasons. Lithuanian academics lacked a modern framework for developing their knowledge and skills. There was a growing demand for high-quality degree programs in management. There was also a need for an innovative and dynamic institution to conduct research and develop new programs as well as for new market-orientation training.

Starting from an executive center and moving to a fully-fledged business school created a lot of challenges. Initially, we were consultants involved in executive education. Then, we had to hire people from universities. This resulted in a mix of different cultures and approaches to customers. It is quite a challenge to handle that situation.

Another challenge was the creation of innovative programs and the recruitment of the best people. On the one hand, we were in the start-up phase and did not have sufficient funds. Also, we were a local organization and could not rely on the international community. We had to hire our staff locally.

Building a modern physical infrastructure was another difficult task. This was necessary because we needed a visible image at a time when hardly anybody in Lithuania believed in private education. Despite these changes, we have enlarged our market share by about 20 per cent each year.

As I mentioned, we were established by the Norwegian School of Management, which provided us with a long-term loan. We managed to pay it back, relying completely on our tuition fees, which are our only source of income.

We tried to be bilingual and ended up offering some programs that are taught entirely in the English language. Together with the Norwegian School of Management, we developed a Master of Management Studies program. It is designed for professionals with an academic degree and work experience. The graduates receive two diplomas: one from ISM and one from BI.

We also offer training in all management areas: management psychology, leadership and personal development, strategic management, communication and sales, marketing strategy and management, project management, changes and organizational development, financial management, and human resource management.

The ISM Research Institute is a center of science and innovation. It generates innovation and boosts the quality of our programs. It guarantees that we are in touch with global developments in science. The Science Council of Lithuania acknowledged that ISM provides the highest-quality doctoral programs in management and business administration in Lithuania.

Together with the Baltic Management Development Association and Emerald, we publish the Baltic Journal of Management. In 2008, the journal was accepted in the Thomson Reuters' Science Index.

We believe that values are the basis of our activities: the constitution that we adhere to in our everyday work and proclaim to our clients. We have developed a system of values that consists of five main headings.

First of all we believe in innovation, which means a constant search for, and implementation of, original solutions.

Openness is very important to us and by that we mean sincere support of ideas and change, honest communication and tolerance of differences.

Quality, as we see it, is a lifestyle and a philosophy that implies striving for best results.

We also value professionalism: professional experience, top competence, inner energy and self-expression. This is what creates a leading organization.

Life-long learning is another important value. This involves constant acquisition of new knowledge and experience, sharing it with others, and achieving improvement.

Adherence to these values has helped us develop a good organization culture.

Our fast growth has created challenges. The organization has been expanding and new people have come in. They did not know about our value system and needed to adapt to it. In order to keep the best people we had to raise their compensation. In that respect we did not compete with other schools but rather with business companies. We developed good administrators who later left us because they found business jobs that paid higher salaries.

As we grew, we needed new competencies and new programs. The new competencies needed to be spread throughout the organization. The management processes were becoming increasingly complicated. We needed to keep our different programs integrated even though they served different clients. It was not easy to reach a common understanding of these issues.

Detailed information and good communication are critical in this case because they ensure internal efficiency. But on the other hand, increasing the volume of information makes control and performance measurement more difficult. In that situation, the need for sophisticated tools for managing the core activities and support functions becomes essential. Being fast is very important if you are running a short distance but what you need for a longer race is endurance, which means sustainability.

Although I started this institution and dealt with all the initial challenges, recently I felt that I should step down because I realized that this stage of development is not what my heart desires anymore. The board asked me to stay on until we find a successor.

We found one six months ago. And during that transition period I was in rather difficult position. I was still in charge but could not launch any long-term plans and initiatives. It was not a very easy situation. However, my successor was receiving on-the-job training, has been able to get deeper into the challenges of the institution's leader, and learned the key success factors for our institution.

Now and in the future, we need to continue focusing on relevant research. It is a source of knowledge creation and a background for the development of core competencies.

Another factor is experience-based teaching supported by highly interactive methods. We need performance-based competence development and motivation systems, as well as flexible structures with a high level of delegation and cross-functionally integrated planning, performance evaluation, and control systems.

Another essential factor is standardized procedures, support processes, and quality management, as well as a suitable management ICT system for the development of managerial effectiveness and organizational competence.

And the most important thing – to keep and maintain our value system inside the organization. My experience has shown that this is most critical factor for the success of any organization.



# Summaries of Group Discussions

**Milenko Gudić, IMTA Director, CEEMAN, Slovenia**

Whenever you start something - be it a company, a business school, or a marriage - you need to have a vision. This vision had better be realistic. It may be not ambitious enough or, at the other extreme, it may be just wishful thinking. We talk a lot about Blue Oceans or finding nice lucrative niches. But not all oceans are blue even if they look like that at the outset of the journey. They can easily turn red when there is a lot of competition.

The second important topic that we discussed is the role of innovation. The next stage, whatever it is, is innovation by definition and business schools must deal with it. But in order to move into the second stage of their development, they should pursue innovation actively.

In the past, the main problem concerning innovation was the lack of people who could generate new ideas. Now it is a lack of ideas and mobilization of potential. There was an interesting proposal for a distinction between ideas and innovation. It was suggested that innovation is an idea followed by implementation. I think that this is something we need to keep in mind.

We all wish to make education a change agent. But how do we do that? Should we copy models that have proven successful in the past or do we need to adapt? If we need to adapt, what should we adapt to?

We heard an interesting story of a Russian professor who developed a so-called Russian model of management. His idea was not to come up with something entirely new but to analyze Russian history in order to ascertain if there is anything that can constitute a Russian model.

It appeared that there are some commonalities that can be found in the period of the tsars and later. They reflect a managerial style, rooted in culture and mentality, that works. That does not necessarily mean that it is the best model but it works and people understand it.

Developing management education, one should consider the cultural context. We cannot just copy what the West has, no matter if we are talking about best practices or not. We should adapt it to the local conditions and find something new.

Related to this is the role of educational materials, particularly case studies. Everybody agreed that this is an extremely important issue. There was also agreement that Harvard produces excellent cases but they are not the only ones that can be used. Students and participants in executive education prefer to have local cases that they can identify with. This issue represents a challenge to all of us who work in business education in this part of the world.

Finally, we discussed the role of the leader. Is the leader the only one who can have a vision, whereas others should simply identify with it and accept it? Or should there be some instrument, such as brainstorming sessions, that involve



others and give them an opportunity to contribute? Our conclusion was that both approaches are important. The leader should definitely have a pioneering function, but the followers should also be allowed to participate.

Finally, should we talk about leadership or management? There is a difference between the two and we know what it involves.



**Nakiye Boyacigiller, Dean, Sabanci University, Faculty of Management, Turkey**

One of the very first things that came up in our discussion is a point that I brought up: are we in different institutional contexts?

I think that many of the CEEMAN institutions are young and face the same challenges. On the other hand, I sometimes

feel that I am in a different situation because I am at a fully-fledged university where the largest percentage of students and faculty are in engineering.

Their model of operation is very different. For example, all graduate students of engineering at my university are on full scholarships, whereas I fight for every business student that I get. I think that this context issue is what we need to discuss more about.

The second point that we discussed was the scale of resources that is necessary as we move from the national level to the regional and global. A significant part of our success on that journey is going to be determined by the resources that we will be able to acquire.

The third point was that there are multiple transitions that we will be going to, not just the one from stage one to stage two. We also discussed the issue of being in the private versus the public space and how that affects our acquisition of resources.

We also came to a conclusion that we hate to announce. There is going to be massive restructuring in our market and some schools will not be around 10 years from now.

Consequently, we need to think what is going to happen as we move into the next stage. We believe that those who will survive will be the real innovators. We also think that differentiation and uniqueness can help. If you are a school that cannot be distinguished from others and does not stand out in any way, you are unlikely to be around in 10 years.

**Bohdan Budzan, Director, Management Consulting Center, Ukraine**

We discussed some practical aspects of business school management. Our first point was that when you are appointed to run such an institution, you should know what that involves. Are you ready to devote all your time and efforts to it?

The second important question is whether you have a vision and a strategy. Usually, when you become the leader of a business school, people expect something new from you. You have a couple of months for that. Unless you start introducing change at the very beginning, it gets much tougher later.

The next question is what kind of relationship you develop with the board that appointed you. Sometimes, you might want to get the board prepared when you are about to propose something new. When you discuss issues with people off the record, you can see their real reactions. Then, you are better prepared to defend your project during the official presentation. This is important because even if the board approves your proposal, it is you that will be responsible for the results, not the board.

One of my main projects, for example, was a new building for the institution although we did not have any funds for that. I convinced the board to approve my project, despite the serious risk that was involved. In business you can never be successful without any risk.

We also discussed leadership succession. You should be ready for that at any time.

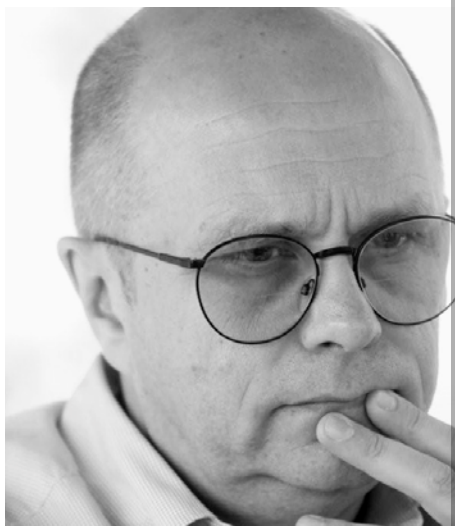


**Sergey Filonovich, Dean, Graduate Management School of the State University – Higher School of Management, Russia**

Our conclusion was that the pioneering stage in the development of business education in our region is coming to an end. The main question now is what to offer in order to be as attractive as the schools that have a much longer history than ours. This is a very complex issue, certainly not one that can be tackled in 20 minutes.

But some ideas did come up in our discussion. We started from Dr Adizes's suggestion that we need more spirituality. However, some discussants expressed an objection: the word "spirituality" is often associated with religion. That is not what we mean.

What we mean is that we need to use the cultures of our countries, which are always very deep in terms of personal thinking. Perhaps, we could think of ways of bringing this into the classroom and overcoming some of the limitations that traditional MBA programs have. Generally speaking, we must all



think what we can do differently and how we can contribute to the enrichment of global business education.

Second, we discussed the purpose of leadership as well as brand development. It was noted that the schools in our region do not have strong brands. One person said that we could probably build strong individual brands - star professors who become famous in the region and perhaps internationally. They could eventually promote the school brand as well.

We agreed that leadership succession is an extremely difficult task. You can have appropriate procedures for that but the real problem is who will replace the existing leader, generate new ideas and manage the school?



**Dan Scott, European Sales Manager,  
Emerald Group Publishing, UK**

One of the conclusions of our discussion that everybody in the group agreed with is that business schools have to expand and change or die.

How do you achieve the first goal? There are a lot of ways to do that. We discussed business parks, business incubators, and expansion of courses and campuses overseas.

One of the interesting questions with respect to this issue is whether it is better to do this in isolation or in cooperation? There are obvious pitfalls if you try to be on your own and benefits to be gained from collaborating with others. Some of them are sharing the risk and lowering the cost, economies of scale, and economies of scope. Also, this can help create new knowledge because everybody brings something different to the party.

CEEMAN could have a role in this. It could act as a mediator and facilitator in this process for those who are interested in some sort of collaborative approach.

We did not feel that the previous presentations had laid sufficient emphasis on the importance of culture - the values and beliefs that underpin all our organizations and make us unique. We think it is important to realize that this is not about facilities and infrastructure; it is rather about some emotional components.

We also discussed structure. I was struck by Danica Purg's comment that the Bled School of Management should strive to become a regional center of excellence rather than a global organization. This is very much in line with what I heard from the Global Foundation for Management Excellence. They have reached the conclusion that regionalization of content is absolutely the way to go.

There is a need for organizations to learn from the past by means of external or internal moderation of what they do.

Finally, we observed that some of the issues that we discussed affect each other. For example, culture has to do with strategy and vice versa.

**Peter Calladine, Accreditation Services Manager, Association of MBAs, UK**

We identified a number of issues that are common to most schools. I am going to concentrate on two.

One is recognition. The second is internationalization. All schools that wish to move onto the next stage are faced with these issues.

Recognition has various aspects. Most important is its academic component. You will achieve that only if you have good faculty and solid research. However, not every school has a model that will enable it to produce international research. An alternative to that is to do applied research that is relevant at the national level. This is very important and it can be measured.

Business schools should have relevant programs that are useful to their customers. A good program can ensure a brand-name for the school. An example of that is the Warwick MBA.

Innovative delivery of programs is also very important. I am sometimes shocked, in a positive sense, when I go to a school that I know little about and learn what innovative approaches they have adopted.

Last week, for example, I was in Australia and was stunned by some of the innovative things that a local business school that I knew nothing about was doing.

I suppose that many of us are intimidated by rankings and do not like them. But we have to live with them and appreciate that they can be very helpful.

Corporate recognition can also be very important, especially in the area of executive education. This helps recruit students and generate profits. All good schools nowadays are enhancing their corporate relations. Of course, recognition by prospective students is also a crucial element of a business school's marketing strategy.

Because we operate in a global market, many business schools wish to be recognized internationally. That can be achieved by means of international recruitment of students, international faculty, and international program content.

All schools in transition should realize that they need to have a powerful network of alumni. That can be a great advantage for the graduates of any school. A useful career service can also be mentioned here.

Corporate relations are tremendously important for various reasons. They can be used for fund-raising. Practicing managers can also be hired as faculty in order to bring their practical perspective into the classroom. I have seen some remarkable things in that respect.

All excellent schools have powerful advisory boards. Often they are quite international.

I am afraid that Europe's business schools are facing major challenges these days. One of them is the dwindling number of students because of the demographic situation. Another issue is the Bologna Treaty, which is misunderstood by many employers.







**Modris Ozolins, Director of International Program Department, Riga Technical University, Latvia**

The first finding of our discussion team is that academic institutions are more stable than business companies. This is especially true in the case of large traditional educational establishments. As far as small private management development institutions are concerned, the

rules are somewhat different and the situation is shakier.

Then we turned to the question that has been brought up many times today. How should the succession process be managed? Should the organization's previous leader stay on board for a while in order to ensure some continuity or should he or she disappear as soon as possible?

Our answer is that the second option is far more preferable or else all sorts of problems can arise. For one thing, the subordinates of the two bosses will be confused, not knowing whose instructions to follow.

We also discussed another interesting question. Is it preferable to set up a business school or become the president of an existing one? We heard Danica Purg's story, who took over an existing institution, as well as Pavlo Sheremeta's, who built a school from scratch. Our feeling was that it is better to do a green-field job, like Pavlo, because in that way you avoid some of the trouble that Danica described.



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

In our group, we discussed transition. That is like walking on a tight rope. We talked about what is happening on that rope at any one time. There may be things in the outside environment that can cause the rope to move. Sometimes we need collaboration and to reach out in order to make partnerships.

We also discussed the direction that we follow on the rope and the appropriate speed for moving from one place to another. The rope eventually starts to fray and some of us will not be around when that happens.

# Comments on the Group Discussions

**Ichak Kalderon Adizes, Dean, Adizes Graduate School for the Study of Change and Synergetic Leadership, California, US**

I am very glad to have this wonderful opportunity to comment on your discussions today. I have written a lot of books, but, to be honest with you, when you write books you never know how many people will read them and how they will react to them. It is not a very gratifying experience. As I listened to your discussions, I realized that you had understood some of the things that I teach and had made use of them. Thank you.

My comments on your discussion are as follows.

## **On leadership**

I was impressed by some of the statements that I heard: "Leaders should not be evaluated on the basis of their personal results". I think you are absolutely right. They should be evaluated on the basis of the quality of the people who produce the results. That is management. That is leadership.

Sometimes we are so busy working hard and producing results that we gather some second-class people. The trick is to get the right people who can deliver results and let them do that. It is not for you to deliver results single-handedly.

## **On the sequence for leading change**

You were also right about the sequence of the main elements: vision, mission, structure, people, processes. This is like cooking. You can have the best ingredients - meat, vegetables, and spices - but if you do not cook them in the right sequence you will ruin the dish. My methodology is very systematic, emphasizing the importance of the right sequence.

The first things that you have to get right are the vision and mission. What is a vision? What do you have to do so that it does not turn out to be just wishful thinking?

I differentiate between vision and mission. I try to focus on the latter. That is what a company is going to do. It is something that can be validated. Where are we going? What are we trying to achieve? That is what a mission is.

A vision is what you want. It is all right to start with that. It is like a dream, and it is fine to dream, providing you wake up eventually. Too many people live in their dreams and never wake up.

I also differentiate between mission and strategy. This is very confusing to some people. Your strategy is the way to achieve your mission. The focus of strategy is the "how" while the focus of mission is the "what" and "why".

The next thing is structure. I am a structuralist and one of my main frustrations is that business schools do not teach that. I do not know of a single school that does. When I do consulting work with companies, I see that they do not have the slightest idea how to draw up a company chart. The lines and boxes do not make any sense to them. It is like being an architect who does not know

how to draw plans. How do you communicate who should do what, and how, without having some kind of a chart?

By the way, structure is not very much in vogue today. When you mention that word in America, they will tell you it means bureaucracy. They do not want you to talk about organizational structures. They will say that what we need is open systems, open networks, and flat organizations. But the result of that is a mess. You do not know who is accountable for what.

How did I discover the importance of structure? It was not in the books that I read. I picked it up from my life experience.

When my son was very young, I bought him a globe. When he saw it, he asked me why it was tilted. It is a hard question, but it is clear that if the globe were not tilted, there would be no seasons. What would happen if winter lasted for twelve months? Polar bears would be the only animals to survive. Now, what would happen if a camel wandered to the North Pole by mistake? It could die, or it could get out of there while it was still alive, but the third option is for it to develop a polar bear's skin.

There are many organizations that are full of bureaucrats. They wear polar bears' skins but deep inside they are camels.

There is a strong modern trend for business schools to teach behavioral sciences and assume it is management education.

General management has almost disappeared as a subject. The behaviorists like to teach the need for cultural change. "You guys are too bureaucratic. This company needs more entrepreneurship. So let me teach you how you can change and become an entrepreneur." They take executives to seminars and teach them how to be camels. But when these executives return to their everyday environment where it is snowing all the time, how long do you think it takes them to slip back into their polar bears' skins?

If you want real change, you need to "tilt the globe". You need to create multiple climates in your organization. The climate in the marketing department should be different from that of the accounting department. Marketing should be in a continuous go-go stage. Accounting tends to become bureaucratic within 24 hours of its birth. That is normal.

You need a complementary team, which means a diversity of styles. But that is not enough. You also need a diversity of structure and expectations. You should expect different things from marketing and accounting. Marketing can afford to be entrepreneurial and even a little bit unstructured. Accounting needs to be very structured. The sales team should be result-oriented. This requires different styles, which means structural differences. Once you have achieved that, you can think about processes: how to connect the dissimilar styles and have them work in harmony. If you do not do that in the right sequence, the process will backfire on you. If you hire people without the right structure, they will become polar bears. Then, if you try to change the culture, the organization will go into turmoil.

### **On succession**

When I do consulting work for companies, I try to discourage them from bringing in people from the outside. They are not as effective as those who come from the inside. The reason for that is that there is a chance the outsider will lay off a lot of the current staff because he wants different people. Again, you will have turmoil, for at least a year. That costs money and energy that could be spent outside the company instead of inside. The devil that you do not know always looks more attractive than the one you know. The grass is always greener on the other side of the fence. Managers from outside the company look very attractive until they get in and start wreaking havoc with the organization. Only then do we realize that we have much better people inside.

This means that it is preferable to develop people who are already in the company. What kind of persons should they be? When a company founder is looking for a successor, he often wants somebody like himself. But such a person is impossible to find because everybody is unique. All founders are unique and so are their creations. Looking for somebody who will provide a perfect fit is a



hopeless endeavor. You will not find such a person. Find somebody who can accept your vision and make it happen.

Now, suppose the founder has found a successor. What should the founder do? How much involvement should he have? One of my clients was one of the largest manufacturers of semiconductors. I noticed something very interesting about the president. During meetings he was half asleep. People were discussing things, but he did not seem to be listening. Nor did he say anything. When you called him and said, "Dan, can I see you?" he would say, "Sure, come right over." His calendar was empty. I wondered what the heck he did. After all, this was a \$10 billion company.

Here is how he managed that: A good leader does not tell you what to do. A good leader tells you what not to do. He sits in the meeting and listens. If things are going in the right direction, there is no need to step in. But the moment something goes wrong, he wakes up like a lion. Still, he will not tell them what to do. He will ask them, "Have you thought of this?" and "Have you thought of that?" He just sets the boundaries. Then he goes back to watching.

There is a major difference between an employee and a manager, and also between a manager and a leader. An employee tells you the problems. A manager tells you the solutions. He cannot ask somebody else for solutions because it is his job to know the answers. That is what he is paid for.

A leader does not give you the solution. He causes you to find it.

When you go to Dan with your solution, if he likes it he will tell you to go and implement it. This takes only a couple of minutes. It is much more efficient than telling people what to do and then supervising them. If he does not like your solution, he will ask you if you have considered all sorts of issues: "Why don't you give this some more thought. When you are done, come see me again". This makes people think. That is the way to develop leaders.

If you cultivate this in your employees, it is not unlikely that sometimes they will have a better solution than you. When you have a successor, do not breathe down his neck and tell him what to do. We love to tell people what to do because that makes us feel very powerful and smart. But you cannot develop leaders in that way. You develop them by approving what you think they should do.

When Dan retired, the new manager fired all top managers of the company. Later, all of them became chief executive officers of other companies. They were already trained to be leaders. That company was the best chief-executive-officer school I had ever seen.

If you are a company founder and want to turn the job over to a successor, do not just go away. Stay around for a while because the new person can benefit from your experience. But do not tell him exactly what to do, because then you will be back in the driver's seat. I call this balance being a grandfather. The difference between parents and grandparents is that the latter do not really tell the children what to do. Sometimes they will only ask them, "Have you thought of this," or "Have you thought of that?" You have to appreciate that the things they are doing are those that you wanted to do but could not. Nobody can do everything. Let the grandchildren do what they can and let them have the recognition that they deserve.

### **The role of the board**

What about the role of the board? My experience shows that boards have destroyed a lot of companies. They often do not understand the business. They may know the numbers, and that is all. They have no idea what is going on. They visit the company once in a while and catch quick glimpses of it. They are simply not knowledgeable. This means that boards should not decide on leadership matters. Forget it. I have seen too many boards take companies down the drain. It can make your hair stand on end.

The role of a board is to review the decisions of the chief executive officer. It is that person who is the leader; he should not look to the board for leadership. The board should only provide a review of what he has decided to do. That means you want to have on your board people who are wise and can evaluate your decisions, not make them for you. It also means that a major part of a

chief executive officer's job is to manage the board. That is not manipulation, that is his job. He should know how to select the right people or how to kick out those who are not right. He should keep them sufficiently informed. He should form a political alliance with them because otherwise they can oust him before he knows what is going on.

### **On organizational structure**

I would now like to return to the issue of structure. I am always reluctant to start motivating and inspiring people when the structure is wrong. Let me tell you some basics about structure. They are from the business world but you can figure out how to apply them to the management of business schools.

One of the principles to observe when structuring a company is to keep some functions separate. For example, never merge sales and marketing because, if you do, marketing as a function will disappear. The marketing department will end up providing sales support and doing nothing else. It might be called marketing, but would be like a transvestite: it looks like marketing but it is actually sales.

Also, I would never put new-product development together with manufacturing. If you do that, the engineers will not develop new products, they will simply provide production maintenance.

Similarly, if you are a business school, do not ask your program director to do program development as well. The two functions do not go together well.

I see organizations as motor boats. Tell me the power structure and I will tell you which way the boat is going. Strategy is very interesting but it does not make much sense to sit on the deck, holding a map, and shout, "Left, left, left!" The boat will keep going in the same direction. What you need is to change the power structure.

Some people say they do not like to deal with power because that is politics. If you do not like politics, leave the business world, go to a university and write research papers. If you want to manage, you cannot run away from politics. As Harry Truman put it, "Those who cannot take the heat should get out of the kitchen". Management is about managing power and politics. You have to maneuver the power structure of the company all the time. If you do not like that job, leave it.

### **Business schools as museums**

In my view, many business schools are not leaders but followers. Their professors go out and try to find out what the industry has done, then they put it in a book. It is about what has happened. There is no innovation. There is no suggestion as to what can be done. Instead of calling them research institutions, I call them museums. How many professors explore new ways of managing companies? That is why I left the academic world and it is Danica Purg who brought me back.

I think that most business schools have got it wrong. Can you imagine a school of medicine without clinical professors? Would you like to be taught medicine by somebody who has never touched a patient? Wouldn't that be a disaster? Business schools are often professional institutions without any link to the real world. I strongly suggest that all business schools have an executive in residence. However, do not let them teach. They have a lot of stories to tell but there is no theory behind them. It is fine to tell stories, but how do they connect?

I like to have joint teaching. Somebody presents the theory and then the executive adds his practical angle. The students need that. I would not allow anybody teach at a business school unless he is a consultant as well. You need to go to the real world and try what you are teaching.

Practical experience is absolutely indispensable. When I first became a consultant, I started making recommendations and it was a disaster because I was quoting page 326 from the textbook. You need to have experience in order to understand what you teach.

You also talked about change. I do not think that there is much change in business schools. Harvard has been stuck with the same methodology for 50

years to the detriment of management education. I think cases are not for teaching. They are for knowing whether you have understood what you have learned. You can use a case for practice but you do not learn conceptual theory by solving a bunch of cases.

### **Who should provide the vision**

One of the questions that was debated at this forum was who should provide the vision. Is the leader the only person for that? At the beginning, yes. My experience shows that almost all startups have very stubborn, opinionated, hard-nosed founders. They do not accept alternative views. Everybody criticizes them and tells them that they should have a more participative style. But I have come to realize that this is wrong. It is fine for leaders of startups to be autocratic. That is how it should be. Look at the world of animals. When animals have a new baby, they are very protective. They are not very open-minded and they are dangerous. It is the same with the founder. After he has given birth, he is very protective. He wants to have his own vision and mission, his own strategy. If you ask him to delegate, he will not know what you are talking about. He does not know well what he is doing; how can he delegate? He is still starting and trying things out.

However, what is normal in the beginning, or in the infancy of the company, becomes abnormal at the go-go stage. It can even become fatal. You need to instill a common vision. That is why I talked about dream sessions. Otherwise, you will never know if your vision is good enough. Maybe it was in the past, but things change. It is all right to start with your own vision but do not stay with it.

### **On locating business schools in a university structure**

What do you do when you are the last child and all your brothers and sisters are much bigger and jealous of you because you are getting all your parents' attention? You have to fight for your life. What I tell to my youngest son is that he should stick to his guns and be himself. He does not need to be like his brothers. He should just do his own job.

At the Hebrew University in Jerusalem, business is taught at the department of economics. Economists look down on businessmen. They are something like second-class citizens. It is the same at the school of psychology. They consider education psychology something inferior. But just like a younger brother should be himself, rather than imitate his older brothers, your university department should not be part of a stronger one. Otherwise, you will get suffocated.

I have observed something interesting in the United States, although I do not see it much here, in Europe. At Columbia, Stanford, and UCLA, executive education was always a second-class citizen. If you teach on an executive program, you are not considered academic enough. You are just selling yourself. They are writing papers and you are commercial. That is totally wrong.

You have to be careful not to allow executive education to become a second-class thing in an environment of academics. The two should be equally important and feed each other.

### **On exiting**

The next question is about the right timing for the founder to go out. If you go out prematurely, you will leave a mess behind and nobody will know how to clean it up and sort it out. I gave you the right sequence for that. I have enabled many company founders to leave and the sequence always works.

I heard that some of you have a management committee. This reminds me of a trick in the business world that works. If you are an academic, you might say that this is too simple. I beg to differ. I am very proud of this simplicity. I work very hard to make things simple. When they are complicated, they are not powerful.

This is the trick. After you have had your dream sessions and your people know what they want to do together, you can appoint a management committee and let it work on its own. But this can be dangerous. They can start a revolu-

tion behind your back. What you really want is control flexibility. Here is what you have to do. However, you must follow all rules. If you miss one, the whole thing will backfire.

Rule number one is that the managing committee should be multidisciplinary. Basically, these would be the top people that report to you. They can meet once a week or once every two weeks. The meetings must be scheduled and the timing cannot be changed. I firmly believe in disciplined meetings. We do not meet when we have a crisis or when we just feel like it. We meet at the designated time and if we have nothing to discuss, we shake hands and leave.

Second, you do not appoint a chairman. You appoint an integrator, a first among equals. That person leads the discussion but does not make decisions. All members arrive at a decision together. They also appoint an administrator. He must see to it that everybody arrives on time and there is an agenda.

The third rule is that the meeting participants must submit materials for the meeting at least 48 hours ahead of time. It is forbidden to bring materials to the meeting. If you do not observe this rule, people will start reading the materials during the meeting and will get distracted. They have to read everything in advance and come prepared. If they are not prepared, they had better leave.

The next rule is that the committee must submit the meeting materials to the founder 48 hours earlier. He has the right to veto any subjects that he does not want to discuss. He can do that for any reason. For example, a particular topic may be too strategic.

The meeting must end in a consensus. If no consensus is reached, it is up to the founder to make a decision. By the way, this never happens. The committee members will sit around that table until dawn, looking for a solution, rather than have the founder step in. And if they are all agreed, it is a good decision.

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The committee members will sit around that table until dawn, looking for a solution, rather than have the founder step in. And if they are all agreed, it is a good decision.

This means that you do not have to go to the meeting but you are still in control. With this arrangement, at the beginning the founder follows the work of the committee and reads everything. Then, gradually, he gives up. He even stops going to the meetings. He is out.

By the way, that is what Royal Dutch Shell did. It is one of the world's largest companies. If they can do it, you can do it, too.

I heard somebody mention using an executive search firm for finding a chief executive officer.

Be sure they bring you what you need and not what they have. What you need is somebody who is not like you.

Why? Because as the company grows and changes it needs a different style of leadership.

Can a leader change his style to what is now needed? Yes, but rarely. And you can change your style for a short time only. Changing it long-term is a bit too painful.

You need a successor to the chief executive officer from the start. You do not start looking for one when you are in trouble. You do not first have a child and then look for a father. You raise children together from the beginning. Moreover, you should have several options. You should wonder which of them would make a better successor because they all seem equally good.

### **On spiritual education**

I absolutely agree with you that spiritual does not necessarily mean religious. What is spiritual? In the Hebrew language, the word for "spirit" is akin to the word for "breathing air". It is the air that unites us all. Everybody breathes air and so do animals and plants.

Being spiritual means to realize that you are part of a totality. You are not on your own.

Unfortunately, religions start out by being spiritual but end up being bureaucratic and ask you to follow a manual.

That is not what we are talking about.

Here is what I would suggest in order to develop spirituality among business students.

In my view, the best business school that I have been to is Stanford. I noticed how they selected their students in the mid-1990s. They did not rely on tests or grades. They wanted to see whether the applicant had any leadership experience. I agree with them. You cannot develop a leader by teaching. I think it is genetic. It is like developing Olympic champions. You cannot pick just anybody and prepare him to win the games. You cannot make a musician out of people who have no gift. You need to identify talented people first. Once you have the right inborn qualities, you can develop them further.

If you want to select people for spirituality, you can look at how much they care for the world. What have they done so far? If they have done something already, you can develop it.

I established the first program in the world for managing performing arts organizations such as symphonic orchestras, ballets and theaters.

No such thing existed in 1969. I did the first conference in the world with directors of orchestras and operas at the UCLA and they all told me that you could not teach an artistic director. Where do you get them then? Well, if a singer loses his voice, or a dancer breaks a leg and can no longer dance, they can become directors. There is no other way, they said. I disagreed with them and told them I would create a program for directors of the performing arts. And I did. But I had to solve a great dilemma.

Should I take somebody who knows business and teach him arts or the other way around? My solution was to go for the second option. It is easier to teach business skill an artist than develop artistic sensitivity to a business person.

Similarly, you should accept to the school people who care and teach them how to manage rather than take in people who manage and try to teach them how to care. That is too difficult to develop.

I wish business schools had internships that would take students to poor neighborhoods. Unfortunately the only thing that they teach is how to make money and acquire material possessions. Or teach business social responsibility which is all mental exercises with no experiential heart involved experience.

I think that this materialist world has already run its course. MBA programs are losing the luster that they used to have. Many executives nowadays say that an MBA is not "it" anymore. The reason is that society is changing and the pursuit of materialism is not yielding the overall desired results anymore. What is emerging is social entrepreneurship and leadership. If you are training them how to have more shoes and clothes, you are not doing what society needs. Teaching them corporate social responsibility is not the way to do it either, because they take the course, pass the exam and forget it. Let them experience.

Years ago, I worked with a company that produced respiratory devices. They had quality problems and asked me what to do. The typical answer is to hire more quality control investigators, observers and reporters.

But I did not give them that advice. I asked them to get me two buses. I took the econometric social stars among the workers of the factory to a hospital. We went to the children's ward and we took pictures of children with respiratory problems breathing from their equipment. Then, we put a picture on every machine in the factory. The quality problem was solved. That is what it means to be spiritual. You need to experience and be conscious of the repercussion on others of your deeds.

### **On academic recognition**

You talked about academic recognition. How did general management theory die in all business schools? It was replaced by behavioral science. Why?

In order to get recognition in the academic world, you have to publish or perish. To publish in a peer-reviewed journal, you have to come up with some research. The kind of research that has taken over comes from the natural sciences. Unless you have a lot of statistical analyses, you do not get anything published. For that reason, everybody puts together questionnaires, runs statistical analyses, and publishes articles.

That is not management, my friends. Management is a lot of philosophy of life. It is understanding relationships, not tables.

I established a doctoral program, called Adizes Graduate School. If you present one single table in your dissertation, I will flunk you. If you do any questionnaires, I do not accept your thesis proposal. What do I want you to do? Think. Go and see what is happening in the world.

Develop your own theory of what is going on.

I have had an opportunity to study hospitals in the United States. There are three types of hospitals: research, teaching and service.

Those that focus on research are the worst in service. They do not know how to treat people. Their patients are guinea pigs.

It is similar with business schools. Those that focus on research and publishing are not necessarily good teachers and the other way around.

Some of the schools whose faculty do not publish in the top journals can be fantastic teaching schools.

I prefer to hire people with MBA degrees from second-tier schools because they are not so focused on research. They are more management oriented. The top-tier schools produce graduates who become consultants and investment bankers but they are poor managers. They only know how to quote books and write reports.

### **On teaching values**

I heard you talk about values and how to teach values. Let me tell you an interesting story. I was once doing consulting work for an environmental laboratory. A certain city, whose name I will not mention, gave them some water to analyze because they wanted to see if it contained some specific substances. The laboratory did not find any of those but it found a carcinogen that the city had not asked them to look for. Now they had a problem. Should they report it or not? The city told them that they had not asked about that substance, so they did not need it in the report.

If the laboratory defied the request of the client and reported the carcinogen, nobody would ever employ them and they would go out of business. That was their fear. And now the question is: who is the real client of business? The customer who pays your bills or the society at large, those already born and those that will be born?

This is a question of values.

A value is something you are committed to. What is the use of having values without commitment? And how do you measure commitment? Through the sacrifices that you are willing to pay.

You can decide that you want to lose weight and go on a diet but if you are not fully committed, and willing to pay the price of forgoing fattening food you got addicted to, go on eating sprees whenever you feel like it, you will not achieve anything. That is not a diet. Tell me the price you are willing to pay and I will tell you the commitment you have.

Values have prices. There is no priceless value.

I believe I should stop here. This discussion has been very interesting and thank you for giving me the opportunity to comment.







# 16th CEEMAN Annual Conference



**Management Education  
for the Realities of  
Emerging Markets**

# Welcome Words



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

Dear Colleagues and Friends,

Welcome to the 16th Annual CEEMAN Conference, held this year in Tirana, Albania. The fact that this is our 16th conference means that once we had two meetings in a single year!

Since some of you are with us for the first time, I would like to explain briefly what CEEMAN is. CEEMAN is an international association of 170 members representing 42 countries that are having important transformational roles in societies with emerging economies. We have existed for 15 years. Our mission is to be an agent of change and to make management development a professional enterprise. We have always taken that mission quite seriously.

In the early 1990s we did some research that showed that Central and Eastern Europe needed an additional 2,500 professors of management, as well as thousands of new managers for its industries. This led to the conclusion that it was very important to found an association that could help accelerate management development in the region, and at the same time set high quality standards for that work. And that is how CEEMAN got started.

Besides that educational mandate, we have others: to create a platform for the exchange of ideas, for example, and to become a major educator of management faculty in developing economies. (In fact, there are over 300 alumni who have attended our IMTA faculty development program.)

Other CEEMAN activities include providing program management seminars designed to help promote business school excellence and developing seminars for deans and directors; in this latter endeavor, we have been able to share the best practices available in the management of business schools.

Altogether 3,500 participants have taken part in our events. Through these activities, as well as through our publications and accreditation system, we have accelerated the development and enhanced the quality of management education across our region.

At the same time, we have created opportunities for other international partners to use our education and information network to share and to learn. In fact, at present, more than one third of our members come from outside Central and Eastern Europe. We have reached a point where we need to think about a redefinition of our mission.

Meanwhile, whatever that redefinition may come to be, we shall remain an association that fosters quality in responsible management education, treats its members as part of a large family, and helps them feel good about themselves and their work.

And we have great ambitions for the future. We will keep up the good actions we have done in the past, and strive to enhance the services we can provide to our members in the future. CEEMAN will continue to offer support in the

fields of professional development, management of institutions, and program development.

We would also like to help our members reflect on the values, cultures, and unique qualities of their organizations.

A couple of years ago, we had a meeting at which we elaborated the values of CEEMAN. We realized some important things about ourselves. We realized that we stood for ethical behavior and for the responsibility of developing managers with minds geared to making the world a better place. We also recognized the importance of diversity, creativity, and innovation. We are an association of curious people and explorers, builders of relationships among people, institutions, and countries.

We also think we need to reinvent management education. This may sound a bit ambitious but we do believe that we have to promote some new thinking in the field. We would like to see more responsible managers in the future, managers who care about society at large, managers for whom ethical behavior is a leading value.

CEEMAN also supports the development of creative and innovative approaches in all aspects of leadership development. It aims to foster working-together among its members. I think we have a lot of East-West cooperation but less than we would like within Eastern Europe. We need more partnerships in our region. We understand that they will only be possible if and when we learn to trust each other.

I have the impression that although numerous business schools in the developed world may be stronger than ours, most innovation is taking place here in our own region. We do not have these staid schools' conservative traditions and rigid departmentalization. We are considerably younger organizations and we can move more quickly and achieve much more in the field of innovation.

There are some important tasks ahead of us. We need more exchange of students and professors and many more research projects. Case writing and publishing are two other areas where we need to do a lot more. Certainly we will devote considerable effort and time to both.

Additionally, CEEMAN would like to continue to work together with other international associations. What I have in mind is not just management development institutions but other associations as well - the United Nations is one example - institutions that promote values similar to ours; institutions which are pursuing a similar goal: to create a better world (see UN Global Compact and Principles of Responsible Management Education).

The topic of this, our 16th conference, is "Management Education for the Realities of Emerging Markets". We chose this topic because we believe that we need to re-analyze the current reality of the marketplace and the type of management for which that reality calls.

We are holding this conference in Albania because it is a rapidly developing country and an emerging market. Gazmend Haxhia - an Albanian entrepreneur and a loyal CEEMAN member - is the kind host of our meeting here. I would like to thank him cordially on behalf of all of us for inviting us to this great and beautiful country!

We have invited some well-known personalities to share their views with us and we are very much looking forward to their presentations. I wish you a very pleasant and stimulating experience!



**Gazmend Haxhia, President, ACMS and ASG Group, Albania**

Ladies and gentlemen, guests, and colleagues.

I feel honored to address all of you today in the beautiful land of the eagles, as we call Albania, the country where I was born, grew up and continue to live. A very warm welcome from me and my

team as the organizers and co-hosts of the 16th CEEMAN Annual Conference.

The subject of our conference, "Management education in the realities of the emerging markets" is such a perfect and timely title and where else could it be more becoming than in a country like Albania!

In the 1997 Hollywood film Wag the Dog, media spin doctors convince the president of the United States of America to start a fictional war with Albania to distract media attention from a looming sex scandal. Their reasoning to pick Albania: "Why Albania? What has Albania done for us? What do we know about them? Nothing!"

Just a few years later, the real president of the US was involved in such a scandal and the US military was active in Albania - albeit to help the country deal with the effects of the Kosova crisis. Albania has come a long way since the underdog days of 1990s, and the country has made serious steps towards becoming a regional player to be reckoned with. The question is no longer "Why Albania?" but "Why not Albania?"

It was exactly this question which travelled with me last year to the 15th annual conference of CEEMAN in Istanbul, Turkey. And Albania was the winner. I want to thank all of you for placing trust in me, my team, and my country to host this year's conference.

Albania is not an easy country to understand. The main reason is that Albania belongs to different worlds. It is part of former communist Europe, it is part of the Balkans, and now it has made its appearance in the capitalist world and is joining NATO and moving in the direction of the European Union.

Albania has a lot to offer and we would like you, our dear guests, to feel comfortable, like at home and to avail yourselves of all we can offer.

I am sure you will find the conference challenging as the program, as we all have seen, is packed with contents, wonderful speakers, and great participants - all ingredients for a great and unforgettable event.

Moreover, it is being organized against a background of the Albanian way of welcoming. You will have a chance to see pieces of our culture, our food, and the way we enjoy life. That being said, all of you dear participants will be able to rejoice and be part of the celebrations we will have during these two days.

I feel very pleased you have come from all over and we have such a beautiful full house and you are witnesses that the realities at home in Albania are very different from Albania's image abroad. And the biggest gift you can give to all of us is to serve as our ambassadors in your countries telling your dear ones and friends what you experienced.

If people want to know what the stereotypes of Albania are, just tell your relatives that you are visiting Albania and you will hear them all: it is dangerous, corrupt, poor, and gray. But just a visit to the country and you will lose most of the stereotypes.

I invite all of us to be active participants in the conference. I am confident we will have a great conference and I invite you to enjoy Albania!

Thank you. *Faleminderit.*

**Derek Abell, Professor Emeritus, ESMT –  
European School of Management and  
Technology, Germany**

I have been involved with CEEMAN for 15 or more years. However, I am one of those who is in Albania for the first time and I am very pleased to be here. I must tell you that I have come with high expectations but everything that I had heard about this country has been fulfilled and exceeded.

Currently, CEEMAN has members from 43 countries. It is probably the most unusual organization that I know of because of its network across the European space and beyond. Our original idea was to set up a European association but it is very hard to define the boundaries of this continent. None of us really knows how to do that.

For that reason, I prefer to use the expression "the European neighborhood"; but that is also a little vague. Last year, our conference was in Turkey. Is that country in the European neighborhood? Absolutely. What about Albania? Absolutely. This is probably a better idea than the strict geographical definition.

CEEMAN is something like a large family. That is why we appreciate our membership so much. Fortunately, Albania has been part of this family since the very beginning.

Our big family goes far beyond the Ural mountains in the east, Ireland in the west, and the Mediterranean in the south. We are all together in it. I hope that we will embrace ourselves even more closely, especially in these troubled times.

Whether we are part of official institutions such as NATO or the European Union is less important to me than our friendship and the fact that we work together in order to do something constructive. If we do not, we will be lost in this increasingly competitive and cruel world. No group of people can compete better than this diverse group. Diversity is our strength.

Thank you very much.





### **Edi Rama, Mayor of Tirana**

First of all, I might tell you that I am fully devoted to my country and its people. I am determined to fight my battle here and be buried here.

My experience has shown that people often hold stereotypical views of Tirana and Albania. These stereotypes do not reflect reality.

I have just come back from Spain, and I must tell you that Tirana is a safer city than Madrid. In fact I can say that Tirana is among the safest cities in Europe. It is a growing city because of the demographic changes that have occurred after Albania chose the path to freedom.

I am happy to say that although I found Tirana to be a no man's land eight years ago, it is now like any other city. However, this does not mean that everything is problem-free. For one thing, the city population has tripled.

It is my pleasure to welcome you here. Your presence in our city is very important because many of us talk about Europe as something distant. Instead, our goal must be to build Europe here, in our schools and hospitals and in our infrastructure.

I use this occasion to tell you that we need your support for the sake of the new generation. Too little is being done at the moment to provide them with the knowledge and skills that they need to be successful in the modern world.

There are many challenges in front of us that were not solved in the past. Politically, we are still detached from the European family. One of the other political problems that we have to struggle with is that many West Europeans still speak of the Balkans as a common entity, although it does not exist any more as such in any sense.

However, I know that we will succeed. We are a country of very energetic and talented people. I am not saying that because it is politically correct but because it is true. If it were not true, we would have never survived the challenges of the transition period. It is the hard work of our people that explains our achievements.

Those who come to Albania for the first time have a wonderful time and that is fine. But the friends that Albania needs are the ones that come back.

# Albanian Past, Present and Future: Opportunities and Challenges

## **HE Jozefina Topalli, Speaker of the Albanian Parliament**

Ladies and gentlemen, distinguished deans, guests, friends, colleagues.

It is a great honor and pleasure for me to be here tonight and to address the participants of the 16th CEEMAN Annual Conference on "Management Education in the realities of Emerging Markets".

On behalf of all Albanians I would be pleased to extend to you the warmth of our traditional Albanian welcome by saying *Mirese keni ardh!*

Many years ago, hosting such a high-profile event in Albania would have been inconceivable, which shows how much the world has changed and how much Albania has changed. And I feel good to see that Albania has won your trust in hosting it in our capital Tirana and that the organizers and participants feel comfortable in the fact that it will be a very successful conference.

What you see today is an Albania on the verge of joining NATO. An Albania that has a Stabilization and Association Agreement with the European Union that is a first step towards future EU membership. You see an Albania that has a thriving economy with an increasingly modern and dynamic capital city. And you see an Albania that plays a hugely important moderating role in this region.

But to come to where we are today, the Albanian people had to cover a long and difficult road. We have suffered a great deal throughout the years and our national history resembles a long chain of pains and difficulties.

One of the fiercest communist dictatorships strived to destroy the soul of the Albanian people. It tried very hard to burn down the values cherished so highly by us; it tried hard to blur the visions and the aspirations of our nation; it tried hard to destroy once and for all our belief and value system. But it is true that the biggest and the most natural dream, the European one, continued to remain deeply rooted into our European identity.

Eighteen years after leaving behind the totalitarian regime, Albania has turned a page from a history of survival to a history of development and progress. In these years, Albania has faced real challenges in getting to where it is today. We are well aware that further challenges remain ahead of us.

We moved along and with the support of friendly countries, we cherished the European dream, moved ahead, dared courageous reforms, and achieved tremendous transformation. This happened because of the strong leadership displayed, commitment, determination, and love and respect.

It was not very easy, in fact it was not easy at all, but today I feel proud that thanks to the overall political, economic, and social reforms carried out with tremendous efforts in these last couple of years, we witnessed great historical events.

In April 2008 we received the invitation to NATO membership and we do hope to become a full member next year. The number of countries ratifying our joining





NATO is increasing with each passing day. Likewise, we do believe that within this year we will conclude the SAA ratification and request candidate status.

Amidst our challenges, we have granted an absolute priority to the fight against crime and corruption. We targeted organized crime not simply because it tramples human rights and the state's legal stability but it also harms the image and the function of democracy.

Albania, thanks to "zero tolerance against crime" and steady governmental determination, is drawn out of the map of trafficking countries. In fact, Albania is not only a safe country, but it also reflects peace and stability to the entire region. In that respect the latest Transparency International report gave high marks to Albania on its performance.

Likewise, Albania embodies another precious asset: religious harmony and tolerance. Albania conveys to Europe an excellent message of religious tolerance, the excellent message of respecting others' beliefs and shared great values.

Over the recent years, Albania has undergone a genuine fiscal revolution.

As the outcome of the fight against smuggling and fiscal evasion, we have increased budget income by 23 per cent whereas public investments in infrastructure are multiplied four times. We have also limited abuses and reduced the administrative costs by 30 per cent.

National economic growth is six per cent a year and the inflation rate four per cent. Only two years ago, Albania was among the countries suffering the highest taxes in Europe. Thanks to the fiscal reforms, it is listed today among the countries with the lowest fiscal burden in the continent, an attractive country for investment and tourism with an applied flat tax of 10 per cent. The outcome of such reforms is identified with the increase of 70 per cent of direct foreign investments whereas only last year the savings of Albanians increased by 19 per cent. As a whole, Albania is undergoing an enthusiastic period.

The latest report from the World Bank on "Doing Business" ranks Albania as the number-two country in the openness of doing business and we consider that as quite a high mark for our efforts.

In this framework, we have seriously committed ourselves to approximate and apply EU laws. We have adopted a series of laws on human rights, the law for the organization of the judiciary and are working hard on electoral reform. A few months ago, the Albanian Parliament, as a key factor in political life, undertook the most important reform of our Constitution on the broadest political consensus ever achieved.

Honorable participants.

We face challenges for the future and are ready to tackle them because we know what awaits and because we are aware that only through hard work and effort can results be achieved.

One of them is a new electoral code, which our Parliamentary Commission is working on. As we all know, elections that are seen to be free and fair are the best indication of democracy in any country. It is therefore important that the arrangements surrounding elections are supported as widely as possible.

Another challenge of great importance for us is legal reform. This is a crucial area in all countries. For a legal system to work effectively, it needs to have the support of the people. It needs therefore to be independent of outside influence whether that be from the government or any individual, body or party.

Legislation needs to enable effective and transparent justice free of corruption. Albania is working on such a system; it needs such a system; and, most importantly, the Albanian people deserve such a system.

I have always felt that a big challenge for the future for all of us is managing the big difference between the way we conceive ourselves and how we are conceived by others. It is important to note that the Albanian nation with such a hard and difficult history behind us came out victorious with a good spirit, a European spirit and with a different feeling about how we see ourselves. Achievements have been made and can be seen.

Most importantly, apart from the difficulties we have gone through, we have emerged with very big hearts. This is shown in the Kosova crisis many years ago when over 500,000 people were offered shelter in Albania. But our most



important asset is our people. We are a young nation with over 60 per cent of the population under 26 years of age.

Don't read me wrong, we still have issues and severe problems. But another part of the problem is that we are not experts in exporting a good image of Albania abroad. We have a lot of resources, but the most important asset that we have is the heart, and the nature of the Albanian heart.

Ladies and Gentlemen.

Many of the countries you represent have had hundreds of years to try to get democracy right. And there are still things that you could improve. Albania shook off dictatorship less than 20 years ago and has made great strides since then. But the pace of the modern world means faster actions are required nowadays. And an inspiration to join that great effort needs to be made. I am sure that Albania will accomplish this and has a future ahead of itself and that many of the countries you represent will welcome Albania some day as a fellow member of the EU.

Someone once observed that the future is where we will spend the rest of our lives, so we had better be aware of it. We are and we know that it requires great efforts, commitment and determination.

Great ideas as solution providers, herculean efforts and a big Albanian heart have never let us down. Nor will they now.

Let me conclude by wishing the conference success - and enjoy Albanian hospitality.

Thank you.

# Chairman's Introduction



**Chin Tiong Tan, Deputy President,  
Singapore Management University**

The fact that I am acting as a chairman at this conference is an accident. This is the second CEEMAN-related accident that has happened to me. The first one occurred when a colleague of mine came to me and told me about the existence of a business school in Slovenia called IEDC-Bled School of Management that had a very interesting train-the-trainers program.

He said that we (Singapore Management University) should consider sending some of our professors there. I was really surprised but decided to take a trip to that country. I met Danica Purg, Milenko Gudic, Olga Veligurska, and the whole gang, and saw that they were very professional and nice people.

I was convinced that we should support the program. Since then, we have been sending three to five participants every year. Each one of them came back with excellent impressions of the program. That is how our relationship started. Subsequently, I became a board member of CEEMAN.

Some time ago, I was asked to chair this conference. I have not been attending the board meetings of CEEMAN very regularly and I feel bad about that. When I heard this request, I felt I could not say no. That is why I am here now, chairing this session. Otherwise, I would have been sitting in the audience, dreaming like everybody else. But today I cannot dream. I have to take charge of this conference.

Some of you may find my presence here strange; I do not even look like you guys. I am from Singapore. Where is Singapore? What is Singapore? The best way for you to get an idea is to watch the Formula 1 race on Sunday. The reason that our government agreed to have that race is that the world will be watching it with Singapore as a backdrop. That is a historic and iconic event for my country.

Some of you probably know that Singapore is a very small nation. It is a city state. We are probably smaller than Tirana. For a long time Singapore was a British colony. Before it became independent, it was part of Malaysia. After we broke away, everybody thought we were too small to survive on our own and we would go down the drain. We did go through a bad time. The British military had a big presence in the country and they had to leave. The economy had been closely linked to the British military base and it looked then as if it was going to collapse.

But that did not happen. What is more, Singapore is today richer than the UK. Forty years after our independence, we are among the top 10 countries in the world's GDP (PPP) ranking. With hard work and good management, any country can do the same. If you read the *Financial Times*, you will know that the Singaporean government is actively involved in buying corporations around the world. It owns parts of Citibank, Bank of America, UBS, Barclay, and almost any large financial institution.

One of the interesting features of the East Asian economies is that the savings rate is very high. We work hard and we save a lot. On average we save 40 per cent of what we earn. Can you imagine how much wealth you can create in this way over 40 years? A lot.

Companies develop within the political and economic contexts of their countries and regions. Economic development cannot be decoupled from this fact. The way we run our companies in Asia is definitely very different from the way you run your companies here. It is also very different from the way American and British companies are managed.

All wonderful theories about management come from the Anglo-Saxon part of the world and are largely dominated by the US, which is the most important player in the world. Almost all business books, from marketing to finance and operations management, are either by American or British authors. The question is what happens when you borrow an idea from a large American company, such as General Electric or General Motors, and transfer it to the emerging economies. Will it really work? Can you make it relevant?

As I look at the title of this conference, it reminds me of a reality show. How real are reality shows? They are not necessarily very real. In my view, when we are talking about foreign management ideas, the basic question is how to adapt them to our reality. How can we inject them with relevance? This is one of the issues which we can probably spend the entire day on. We have a wonderful array of great speakers who are certainly going to make very interesting contributions to the day.

# Political and Economic Realities in South-East Europe



**Erhard Busek, Coordinator of the South-east European Cooperative Initiative (SECI) and Former Vice Chancellor of Austria**

I am going to speak about the political and economic reality in south-eastern Europe.

The first comment that I have to make is that the situation in this part of the world

is improving very much. This is not just my opinion. It is shared by many others, for example the recently retired president of the European Bank for Reconstruction and Development, Mr Lemiere.

He told me that the bank anticipates a rapid growth of the demand for financial products and services. I think that this is very important because the European Bank for Reconstruction and Development is a major economic engine, beside the European Investment Bank. It is not backed by national governments; therefore, it must watch its step carefully and make the right decisions. That bank believes that south-east Europe is increasingly an attractive place for business.

I think that the transition process in this part of the world has taught us that membership of NATO and the European Union can act as a carrot and stick for political and economic development. I think that the decision to accept Croatia and Albania in NATO is of great importance. Our Macedonian friends can tell us how sad it is not to be able to join up, whatever the reasons for that may be.

Although different countries develop at a different pace, I think that membership of the EU is eventually inevitable for all countries in this region. Fortunately, all south-east European countries have managed to catch the accession train. Some booked their seats well in advance, while others jumped aboard at the last minute and are still negotiating for a ticket with the conductor.

Nevertheless, they are all on board and the train is moving. It is running at the same speed for everybody though. There are delays at some border crossings and the paper work can be daunting. Sometimes, the inability of some south-east European parties to implement reform has the same effect as the inexplicable insistence of some railroad companies to change locomotives at the border. In that case, the whole accession process gets suspended for a while.

Croatia's progress is evident. It is negotiating successfully, opening and closing one chapter after another. The whole process may end in a year if nothing unexpected happens, such as another Georgian crisis.

The Former Yugoslav Republic of Macedonia is ready to start negotiations but because of the issue concerning its name it is unclear when that will happen.

Albania has concluded an association agreement and Montenegro is following in its steps. As for Serbia, we are all waiting for General Mladic to be delivered to The Hague. Generally speaking, the process is going in the right direction for the whole region. Many challenges remain however and I will dwell on them later.

The region's administrative ties with the EU are growing stronger every day. Economically, the situation is even better. The economic policies are boosting the confidence of investors and consumers alike. The macroeconomic figures look good. Most countries are expected to maintain annual GDP growth rates between five and seven per cent.

There are many member states that would be happy to have such rates but we have to keep in mind the fact that south-eastern Europe started from a very low base.

Most countries have also managed to contain inflation to single digits. More than two-thirds of the region's trade involves EU partners. Country credit ratings are improving. As a result, inflows of foreign direct investment will continue to rise.

Anti-corruption measures are also improving and south-eastern Europe is climbing up in the Transparency International ratings. However, corruption is still present in the region. But we must be fair to the Balkans and admit that it does not have a monopoly on corruption. That it is a much broader phenomenon. Therefore, I do not approve of this habit of blaming only the Balkans for what is common practice also in other parts of the world.

The uneven distribution of foreign direct investment inflows presents the countries in this region with a clear challenge. Continuing a successful EU accession process is vital now that the privatization process is more or less over. Attracting greenfield investment is the key to maintaining the momentum.

South-eastern Europe has adopted a flat-tax policy. As a result of their competition for investment, the countries in this region have an income tax of about 10 per cent. It remains to be seen how this will work because building an enterprise is still not a very easy endeavor. The first step may be easy but then, if you have to deal with local decision makers, it can be more complicated.

South-eastern Europe needs to attract investment that will provide capital, technology, and management know-how in order to stimulate economic growth and provide jobs. The implementation of the region's collective strategy depends on several regional cooperation processes.

The first one is the Energy Community Treaty signed between the countries of the region and the EU. This is a stronger instrument than the energy policy within the Union. They have provided a Secretariat and they have a common strategy. However, it depends on Russian gas and oil supplies.

The second one is the European Aviation Agreement. The regional airline system is sometimes a problem. If you come from outside the region, you have to go through a hub such as Vienna. It is extremely difficult for example to go from Belgrade to Bucharest. You may have to go by car to Timisoara and then catch a flight. There is money and plans for trans-European corridors but the implementation is not always easy because it takes a lot of work on the ground.

We have good cooperation in order to improve the region's growth through the newly established South-Eastern Europe Investment Committee. A substantially revised Central and Eastern European Free Trade Agreement recently entered into force. I think that this will be the first step toward a common market.

In some cases, these treaties mean that south-eastern Europe is in effect part of the EU internal market, at least in some specific areas, even before its actual membership. This provides investors with a clear legal basis for investment decisions. In the case of CEFTA, an agreement has been reached to simplify and harmonize trade relations, and bring them in line with EU and World Trade Organization principles. This should provide a more familiar background for business decisions.

A highly interesting feature of the recent progress in regional cooperation is the fact that the region's countries have been moving into the driver's seat. There is now a Regional Cooperation Council. The former Stability Pact was mainly driven by the EU and the US, which means that we told the region what to do.

This new council now should decide what the region has to do. Historically, the decisions concerning the Balkans were made in London, Paris, Berlin, Vienna, and Moscow, and the region had to obey. However, now the region is in charge of itself. This is a learning process and it is not easy. The ownership of the region's political processes is a crucial political development for

south-eastern Europe and I hope that it will learn how to steer it as quickly as possible.

Concerning the enlargement, I do not think that it is up to the region's countries how it will develop. It depends more on the fate of the Lisbon Treaty. There is such a thing as enlargement fatigue as well, and a lot of attention is focused on the relationship with Russia. This also has an impact on the situation in the region.

You should not conclude that I am looking at this region through rose-tinted spectacles. I am fully aware that there are considerable political and economic challenges. This means that the bright future of the Balkans is not yet 100 per cent guaranteed.

The most pressing issue is to resolve the Kosovo situation swiftly and amicably. The current conditions create considerable uncertainty for Kosovo, Serbia, and the entire region, as well as the EU and beyond. The handling of this situation will be a serious test for the nascent democracy of the region and for the EU. This is a test that nobody can afford to fail.

Kosovo is different from the rest of the region because it has a high birthrate. I understand that 70 per cent of its population is under 30 years of age. This is a very explosive situation. There is no way all these young people can be easily employed. As a result, there is a lot of emigration out of the country. Half a year ago, the Swiss foreign minister told me that Kosovo is a Swiss problem. I asked him why. He told me that 100,000 Kosovo Albanians are in Switzerland officially and there are another 200,000 who are unofficial residents. These people are vitally important to Kosovo because the country is highly dependent on remittances.

The other countries in the region have a very low birth rate. Because of that, and due to emigration, it is estimated that by 2020 Bulgaria will have lost one-third of its population. Without any doubt, this is a very dangerous situation. Hopefully, there will be various ways to solve it.

Kosovo is involved in all the regional treaties. We cannot let it be a black hole on the map. It is crucially important to the stability of the region.

One of the serious problems of the region is the energy situation. All these countries rely on Russian gas supplies. There are all sorts of nice-sounding names of energy projects but the truth is that there is not enough gas. Russia simply cannot provide all the gas that it has promised. It is putting a lot of pressure on Turkmenistan because a lot of gas is coming through that country.

Iran is also a key player in this situation because the Nabucco pipeline is supposed to run across its territory. Naturally, the US is not in favor of such an arrangement. You can see the global context of this difficult situation. The Georgian crisis is also very important for the welfare of the Balkans, generally speaking.

Years ago, I learned the expression "non-technical losses" that was coined by the World Bank. I was told that it means that a high percentage of customers are not paying for the energy that they are consuming. In Albania, the rate has fallen from 70 per cent to 30 per cent but this is still a high figure. I do not want to put my finger on Albania alone because the situation is similar across the region. It has to do with how the energy companies are organized.

I should also mention the unemployment level, which certainly differs from one country to another. For example, in the region around Timisoara, in Romania, labor is scarce because they have some 140 Italian companies. In other parts of Romania, however, they have a high unemployment rate. It is similar in Serbia. There is very little joblessness in Belgrade and Vojvodina but go to the south, in Kragujevac for example, and you will find a lot of unemployed people.

Another problem is the huge brain drain. One of the main questions for the future is whether it is possible to boost research and science in the region. The governments of the Balkans have concentrated on various things other than education and health. I have the impression that sometimes the ministries for these two areas are the last ones to be distributed among the winners of the parliamentary elections because they are deemed to be the least important. This is a very problematic situation and it will take a long time to change it.

Justice and home affairs is also a huge problem. I think you can easily change the minister of justice but not the judges. Dealing with this problem will take a long time, perhaps generations.

Let me now focus on the general political situation. On the positive side, the national elections are fair. As for the local elections, I have some doubts because the old-boy networks are still in place. The names of the parties change but the actors are often the same.

The current problem of Bulgaria with the EU is coming out of this situation because there are people there who are excellent in corruption but they are not excellent in doing the work on the ground. You can have a great list of projects but the important thing is how you implement them.

One of the pressing needs of the region is to have more people trained in management, at good schools like IEDC. Those who go to schools in the West do not normally return because they find highly paid jobs. This is an important issue although the EU is not doing anything about it.

Speaking once again of positive developments, the multilateral cooperation across the region has improved very much. There are even defense conferences that are attended by generals whose job is to be prepared to kill the troops of their counterparts. Still, they have no problem sitting and talking together and that is a positive development.

If multilateral relations have improved a lot, bilateral ones still involve problems and the list is very long. Examples are the dispute between Slovenia and Croatia concerning the bay of Koper or the one between Greece and the Republic of Macedonia about the name Macedonia and the origin of Alexander the Great. Another example is the controversy surrounding the nature of the language of the Republic of Macedonia - is it Macedonian or Bulgarian?

So, is the glass half full or half empty? I would say that it is a little more than half full. We must admit that the investments that other European countries have made in this region are a great success story.

# CEO Panel: Business Realities in South-East Europe



**Andrej Vizjak, Managing Director,  
AT Kearney Eastern Europe,  
Slovenia/Germany**

We agreed that each member of this panel will talk a little about his country. This will be followed by an introduction of his company. We are all owners of our companies.

The first speaker is Iztok Seljak. He has an MBA as well as an MSc degree from

IEDC-Bled School of Management. His company was privatized in 1994 when it had annual revenues of €24 million. Last year its sales reached 10 times that number. This is a great example of entrepreneurship. Iztok demonstrates that it is not so important in how many business sectors you operate. What is more important is to be a leader in your field.

The second panelist is Pandeli Garo. He gave me several business cards but I think that the best way to describe him is as an investor in regional businesses, such as various services, energy, construction, telecommunication, and more. He also manages the largest advertising company in Albania. Like Iztok, he has studied at IEDC.

The third panelist is Svetozar Janevski. Just like Pandeli, he is an entrepreneur in many different businesses. He owns a brewery, a McDonald's restaurant, and several hotels in the Republic of Macedonia and outside its boundaries.

I am the fourth panelist. I am also associated with the IEDC. I employ 40 of its graduates and in that sense I have something like an alumni club.

My company - AT Kearney - was established in Chicago in 1926. It is one of the oldest consulting companies in the world and it is now growing very fast in Central and Eastern Europe. It employs some 3,000 consultants in 50 legal entities in 35 countries.

There are major differences between the countries in Central and Eastern Europe. For example, Slovenia is the richest of all with a GDP per person of about \$23,000 in 2007. This is significantly higher than the region's average. However, all countries in the region, despite the size of their economies, have one thing in common: a very fast-growing GDP per person.

All these economies are currently growing annually at 10 per cent or more in dollar terms. Over the last seven years, they have achieved a compound growth rate of 25 per cent. Last year, Central and Eastern Europe accounted for five per cent of global GDP and 15 per cent of European GDP.

This exceptional growth rate exceeds that of East Asian tigers such as Singapore. However, we are not saving that much. Nevertheless, we are accumulating wealth. This creates wonderful investment opportunities in the region. The Central and Eastern European branch of AT Kearney already has the company's fifth-largest revenue in the world and has surpassed the Scandinavian branch in that respect.



This shows how quickly business can develop in our region. We are obviously driving an economic Ferrari; we just have to drive it reasonably.

The problem of our economy is that we are facing global consolidation across industries and we cannot participate in that process for the simple reason that we do not have the billions of dollars that are required.

As a result, we are not an active agent of the ongoing acquisitions but a target. One possible strategy for us in this situation is to focus on marketing niches and try to excel in them. That is one way to achieve success despite the presence of the mighty multinationals.

I would like to propose a four-step algorithm that you can use in order to achieve that.

The first step is called "position your scale profile". If you think you can be the General Electric of this region, you should think again because that is impossible. You would have to grow 1,000 per cent a year to achieve that. Instead, you have to have a realistic appraisal of what can be a long-term vision for you considering your scale profile.

The next step is called "benchmark your growth profile". We discovered that companies growing slower than 12 per cent a year are not strong enough and will soon become an acquisition target.

Our third piece of advice is "review your growth direction". Finding a local niche is fine but that is not enough. You have to find international niches as well. The reason for this is that all markets are opening and protectionism disappearing. Fortunately, Slovene companies were, generally speaking, prepared for this. Otherwise, the country's membership of the European Union would have resulted in their being swallowed by large foreign corporations. You also need "unique growth capabilities" and "appropriate growth paths". The latter can be organic but it should also involve acquisition. Many companies in our region are beginning to pursue this strategy in order to snap up the lucrative niches that others had previously occupied.

The last step is called "adapt your organization". As entrepreneurs, we are managing various types of businesses centrally and that puts us in a better position than companies that are too decentralized.

The steps that I have mentioned can be combined in various ways. Some work, whereas others do not. Our theory has strong empirical support based on cases from all over Central and Eastern Europe.

In the US, the business that we are in is dominated by McKinsey. An interesting question is why AT Kearney is a market leader in our region. The reason is that we have adapted to the market.

When I applied to McKinsey for a job 20 years ago they told me that it was nice that I had studied in Ljubljana but I needed an MBA from INSEAD if I wanted to join them. Now, if you are in our region, it takes you about three years to raise the money for that, followed by two years of study. You lose five years in this way. Moreover, McKinsey does not have a good presence in Slovenia. They had only one partner - Peter Kraljic - who retired and nobody came after him.

I thought that good people can be trained. We started a partnership with the IEDC and today we have two partners of AT Kearney that hold MBA degrees from the Bled School of Management. Across Eastern Europe, we have 12 senior partners and they are all local nationals. None of them have worked outside their own country. It was AT Kearney that gave them global knowledge.

I think I would rather hire a good graduate of a good local school than somebody from a top-notch school like INSEAD, who is unlikely to return to Eastern Europe. Those people can get jobs in London; therefore you are unlikely to get them to work in a place like Moscow. This philosophy makes AT Kearney unique. We trust the local education system. AT Kearney made me managing director although I have never studied in the American system.

Another very important advantage of local education is networking. The IEDC Alumni Club is an invaluable institution for that purpose. That is where we can find suppliers and customers and form partnerships.

Thus, apart from the knowledge and skills that you can obtain from a local business school, there are additional benefits as well. There is a lot to learn from the Anglo-Saxon system but you build your competitive advantage locally.



**Izlok Seljak, President of Management Board, Hidria, Slovenia**

At Hidria, we strive to improve the quality of life in two areas. One of these is in-door air quality - heating, ventilation, and air-conditioning of the buildings. This is very important for our health, creativity, and productivity.

The second area is better sustainable mobility. We provide breakthrough solutions in the automotive industry. We cover 15 per cent of the global demand for electronically-supported diesel cold-start systems. Ten years ago, our annual revenues amounted to €20 million. At present, we have reached €250 million.

We have nine plants in Slovenia, one in Bosnia, one in Germany, and one in the US. We have been recognized by the Slovene public as one of the 10 most innovative companies, whereas AT Kearney has ranked us among the top four. Last year we won the award of the Slovene Chamber of Commerce for the best innovation of the year.

Hidria Klima, a part of our indoor well-being division, has equipped British Petroleum, the Strasbourg parliament buildings, and the five largest towers in Moscow. We have become a regional leader in southeastern Europe. Our next goal now is to achieve the same position in Central and Eastern Europe where the most intensive growth is occurring.

We are expanding in Bulgaria and Romania by means of acquisitions and we are going to build a plant in Tula, south of Moscow. It will be a €10 million investment. Our goal is to provide solutions that will be net providers of energy rather than being net users.

In the automotive field, we are one of the three largest companies in the world in our niche. The other two are Japanese and German. We are now set to take a leading position by providing breakthrough innovations for the emission norms that the European Union is going to enforce. The value of these solutions will exceed 10 times what they are worth now. Thus, we are going to expand the value of our niche from €300 million to €3 billion. We are also creating new solutions for electrical vehicles.

As for my role, I will continue to be the front-line positive dreamer who translates ideas into very concrete and structured projects. One of our main challenges is that we are in the middle of a third industrial revolution. It will result in technologies that are free of carbon dioxide. This will completely change the landscape of our industries.

Of course, the main challenge involves the people who are going to achieve that. For that purpose, we need to obtain and retain the best talent. At present, we are putting a lot of emphasis on that.

The two areas in which we are active account for 30 per cent of the world's GDP. Indoor heating accounts for the consumption of 45 per cent of the fossil fuels that are being used across the world today. Mobility - i.e. transportation - adds another 15 per cent. Together, this amounts to 60 per cent of all carbon dioxide emissions.

We now face a huge technology restructuring in the next 10 or 15 years. We have moved from trying to understand what the future will be like to trying to draft a plan that will shape this future. We are proactively developing solutions for the next five to 10 years. Our company has invested €20 million in state-of-the-art laboratories to support this development. If we do not act now, we will not be in business a decade from now.

Most importantly, we have developed Hidria Academy, where we take some 50 young managers each year for three one-week modules and prepare them for the leadership challenges of the future. We have a scholarship program supporting 223 university students. We need more mechanical engineers as well as experts in the field of electronics and we expect them to join our company in the next three to four years.

We have 60 MBA, MSc and PhD holders but are planning to double that number in three to five years. We are trying to be innovative in order to challenge people to go in that direction and we invest in children from the age of 12.

They come to our facilities and we go to schools and discuss green energy. In this way, they begin to see their professional challenge for the future. You should not be surprised if you are walking through our facilities and see a group of kids from a kindergarten.

We do this because it is part of our social responsibility. We want the children to see where their parents work and get excited about what they see. In that way, they will start dreaming of what the world will look like 20 to 30 years down the road. They are the ones that will define the future and we invest in them to do that together with us.

I would say that our key challenge is to understand what kind of solutions and supporting technologies will be needed to cope with the challenges of the future. That is what will enable us to be part of that future. The most important agents are the people because they are the ones who will come up with the right solutions.

**Pandeli Garo, Managing Partner, DDB Worldwide Communication Group, Albania**

I started my business career in advertising and continued by setting up a company that is responsible for the distribution of Vodafone in Albania. By now, it is Vodafone's largest partner. Because we are in a small country, we cannot dream of becoming very large. Therefore, we have adopted a different strategy. We diversify our activities in different areas. We are active in construction and construction materials, telecommunications systems, energy, and so on.

Since I am among distinguished management educators here, I would like to say a few words about the area in which you are experts. As businessmen, we have to deal with the government and we can expect three types of action: good, bad, or no action at all. The last one is the best option for us. The worst thing that you can hear from the government is that it is "here to help".

However, the academic system does not have the same options as the government. It must do only good deeds. If business is the engine of a country's economy, the people are the fuel and the government is the driver. You are the oilmen of the economy, you distinguished members of academia produce that fuel.

You cannot produce bad fuel. It will explode the whole car. It makes no sense to have a good engine running on bad fuel driven by bad or a drunk driver. If the government is not friendly to business, it can weaken the economy for years. If the academic institutions do not do their job well, the consequences can be felt for generations.

My experience at the Bled school was wonderful. Besides, I have met a lot of people through that institution. Fortunately, the schools of this region are producing good managers and I would like to thank you for that.



The other speakers on this panel talked about their international endeavors. My situation is different. First of all, there are still a lot of economic opportunities in Albania and they need to be seized before going international. We are still pioneers. The next 10 years will be crucial for the country's development. For the time being however, we have to be in sync with the current situation. It is unrealistic to try to be far ahead.

The demand for managers in Albania is larger than the supply. In 2000, when I visited the US for the first time, companies would go to campuses in order to recruit graduates. Now it is the other way around. In Albania, we are still in the old American phase. We are looking for people who can manage independently. This type of manager is still hard to come by.



**Svetozar Janevski, Chairman of the Board, Tikveš Winery, Macedonia**

There are three of us on this panel who share the same problems: a small and inefficient market, a lack of good political leadership, and many corrupt ministers.

I started my career more than 30 years ago, working at a brewery. I became general manager of it and I bought it during the privatization process. After

that, I was involved with the McDonald's chain in the Republic of Macedonia. In 1998, we sold 51 per cent to Heineken and Coca Cola. In 2001, we bought 66 per cent of a hotel chain and a shopping mall. In 2002, we acquired the biggest winery in the region. In 2006, we bought McDonald's Bulgaria. After that, I started a real estate adventure and that is my biggest challenge.

When I began to work at the brewery, we had some typical socialist syndromes: overstaffing, poor service, and low quality. The workforce had to be reduced from 1,000 to 420. Fortunately, we achieved that without any problems. Nowadays, the brewery is a leader in terms of profitability in former Yugoslavia and one of the best companies of its kind in the region.

The winery business presented a different challenge. It had been the spoiled child of the socialist regime because it had been heavily subsidized and sponsored by the government. When we took over it, we had three tough years. But the restructuring has been successful and today we are a leader in terms of quality and sales across the former Yugoslav countries. We do not have a presence in Slovenia yet but we are planning to penetrate that market as well.

# Management Education in Emerging Markets: What Is the Same, What Is Different?

**Derek Abell, Professor Emeritus, ESMT – European School of Management and Technology, Germany**

I am going to echo the tone of the previous panel. There is a basic question that we have to answer: is management education the same all over the globe, including emerging markets, or is there something special in this part of the world because of its special needs and circumstances?

The previous panel did not talk much about education but the panelists did say that doing business was not the same everywhere. This should probably set the tone for what we have to do in management education. I can tell you my bottom line right from the start. I do not believe that education is universal.

First of all I would like to give a bit of contour to the question of emerging markets. This is a complicated landscape and I would like to describe some of its shapes. Second, I would like to talk about what parts of the educational mix can vary and what is a constant. At the end, I will tell you what I observe as actually happening and try to draw some conclusions concerning the gaps and what we need to do in order to close them. There are gaps and they are quite big but that is not necessarily a criticism because the problems can be seen as opportunities.

Let me start by putting some contours on the words "emerging markets".

First of all, there is a hierarchy of emergence. Even the so-called emerged markets, or developed countries, are in sharp transition. They are not standing still at all. They are making various transitions and one of the biggest ones in taking place in the US. People are rethinking the existing economic model and some even say that capitalism, as we know it, is kind of dead.

It is not a matter of catching up with some fixed target. The developed markets are also changing. Somebody used the term "rapidly developing emerging markets", which refers to the BRIC countries - Brazil, Russia, India, and China. They have had annual economic growth rates of 10 per cent or something close. It is quite clear to me that doing business in a very rapidly growing environment is not the same as working in a slow-growth environment. Curiously, the first may be easier.

Therefore, one of the questions that I would have right away is the following: when these rapidly growing environments slow down, those who are doing business in them will surely discover some of the difficulties of working in a very competitive mature market. What do we, management educators, need to do to prepare people for that?

So, we have the developed countries, the rapidly emerging countries, the less-rapidly emerging countries, as well as some that are quite stationary. I do not want to put all of Africa in the same bag but there are some parts of that continent that are not doing very well at all or are even going backwards. That is yet another problem. I cannot believe that if you are in some parts of southern Africa at the moment, such as Zimbabwe, what you have learned at Harvard Business School about IBM will help you much.

A second story for me would be the extent to which a market system has been adopted. It is not a one-to-one relationship with development. Again,

we have a scale, starting from those parts of the world that have adopted a market economy lock, stock, and barrel. By the way, the US used to be in that category but there are questions at present as to whether it can stay there. Has that country not gone too far in its embrace of free markets? Is it not time for it to pull back? A lot of people worry about that.

Somewhere along this scale there are regulated economies and social markets such as Germany and France. That is another variable. It means a high involvement of the government and a highly expensive social system that cannot be financed very effectively at the moment.

Then there are a lot of countries that have what is called "quasi market economies". I heard a very interesting speech by a Russian university rector in which he used this term. He has actually written a book on that. What he means is an economy that is half state-owned, half private. Obviously, if you are working in that kind of economy, the relationships that you need to develop are not entirely in the private sector. You see the huge difference right away. And, finally of course, we have the non-market economies.

What is interesting for a business practitioner is the question of how to make a transition from one of these stages to another. For example, Germany is in a transition from a semi market economy to a full market economy.

When I lived in Germany I watched the privatization of Deutsche Telecom and Deutsche Post, both of which are commodity-like industries. As you know, Deutsche Post acquired DHL and entered the logistics business.

If you want to understand something about operating in that kind of transition you had better know a lot about the commodities business. It is very specific. We write cases about the transition from a public or semi-public company to a private one. General marketing skills are not enough to understand this because it is very specific.

There is yet another dimension to this question of emerging economies. Emerging economies fall into three categories. The first one is resource-driven. The typical example is Russia, which has vast oil and gas reserves. The exploitation of these natural resources has led to a boom in construction that has generated development in other areas as well.

A second kind of emerging economy is cost-driven. In this case you essentially rely on low-cost labor. China used to be in this category but it is now making a transition toward the third type, which is a brain-driven economy. Russia will have to make that transition, too. If the price of gas falls, which now seems highly likely, it will have to be faster than anybody imagined. Various countries have done that before, for example Japan and Singapore.

We are also talking about local economies, where most of the business is taking place within the four walls of the country. There are also regional economies, as well as global economies. I have probably said enough to demonstrate the great variety of problems out there that business education should deal with. We cannot just talk about emerging or emerged because the picture is much more complex than that.

With all this as a background, let me turn toward education itself. Essentially, it always addresses one or more of three areas.

One is a universal, generic education. It can be in disciplines such as economics, marketing or finance. There are some universal ideas that you can more or less apply across the board.

But when it comes to strategy, which is very dependent on context, you had better have some specific knowledge. For example, if you are talking about strategy in the developed world, you should know something about the specifics of that region. General business education will not do it for you.

I will call this second part "latest global best practices and thinking". If you go around the business schools of the world, you will see that quite a bit of what is going on is in that category. Something like 80 per cent of all education in business schools is in these two categories - it is either about universal knowledge or about best global practices and thinking. And it is mostly Anglo-Saxon.

The third category is about local issues. There are three questions.

One is, for example, "How do we do business in Albania?" Probably, if we were educating managers for this region, this question should take a piece of the educational time.

The second question is how a company can get from where it is today to where it ought to be tomorrow. The problem here is how to get from A to B, not from A to Z. Managers here are worrying about how to change things so that they make some improvements on what they are doing today. But they have also to learn how to move their companies to tomorrow in the region where they are operating.

The third part is to have an eye on best global practice. There is room for that but we are probably giving it too much attention.

If we compare these three elements - universals, best global practices, and the problems of managing here today in the local environment - we would see that the first two account for 80 per cent of the whole mix. I do not know what the right numbers are. Should it be 30-30-30?

I have taught marketing and I have done quite a lot of teaching in this part of the world. I have found that you have to adapt what you teach. For example, what does segmentation mean in a resource-rich society that is not yet very competitive, such as Russia? Or what does it mean where everybody is fighting to squeeze the last cent out of the consumer? It is not one and the same thing.

We probably need to do some rebalancing of our curricula in order to become a bit less universal, quite a bit less global, and a lot more local. When I say "local", I also mean change: moving a company from A to B, and in some cases from A to Z, because this global story is coming up pretty fast.

Perhaps, this is not easily visible in Russia because Russian business is deceived by the resource-driven opportunity to make money rapidly. That is not very difficult. What is a lot more difficult is to sustain it. Russian businesses need to know how to get from A to B but also from A to Z. They also need to be able to adapt to the fast changes in the global economy.

I have asked myself in which parts of the educational system we need the most change. Obviously, corporate education needs to be much more specialized and localized. When I worked in Berlin, my school was deeply involved with corporate education and it was dealing with German companies. When they came to the school, they wanted to understand how to do specific things in their German context. If we did not understand the context of Lufthansa or Deutsche Post, we would not have been able to sell any programs. The biggest need for adaptation is wherever you are close to your corporate clients.

Executive education is the next, I would say, because executives are looking for practice. They want improvements with a visible impact. On the other hand, an MBA education can be more universal. These people are not going to go right out and put their knowledge to work. Therefore, a good MBA in Albania should not look too different from a good MBA in the US or somewhere in Western Europe. Those people will have a chance to apply their skills later. For the time being, they need mainly universals.

As for undergraduate education, generics are just fine. We want to give students some basic ideas that they will be able to use for a long time.

Another story would be the extent to which we teach the underlying disciplines of management or general management or leadership. Again, I think that this can be rather universal. Economics is economics, although the applications can be a little different.

However, if you are teaching general management you have to talk about specific things and get your feet on the ground. Certainly executives, but even MBAs, want to hear what a manager can do when he is facing specific problems. By definition, problems are located somewhere.

The more you go from the disciplines to general management and leadership issues, the more you have to go from generic theory to real practice. Actually, we then start teaching from the other end. The more we go toward general management, the more we teach theory by looking at problems. We come from problems to theory, not from theory to problems.

We have to turn this upside down. If we teach a universal theory of general management, it is not very believable. It has to be grounded in real things. The

difference is in the programs and the materials. The type of school you are in can also make a huge difference.

There are two types of schools at the two extremes. There are theoretically and academically oriented institutions at one end of the spectrum. There are practice-oriented institutions at the other. These are far fewer, probably not more than 10 per cent of the total number. I have been fortunate to be in those all of my life, so I know them better.

If you are in a practice-oriented institution, you cannot get away with teaching only universals. By definition, you have to ground it in some reality. If I decided to set up a practice-oriented school in a country like Albania, I would first write 50 business cases before I even started. That is the way to understand what is going on.

Are there any gaps? Yes, I think there are huge gaps. I have taught in Russia, Slovenia, and in most Central and Eastern European countries, and I have seen what is going on. As hard as we try, we are still largely teaching global and universal best practices. This is a big gap.

This is what we have been hearing at this conference, too. We have been told that the problems are specific but the education is not. This is not to say we do not need universals. However, the problem is that education that should be practice-oriented, such as corporate and executive education, is not specific enough.

Why is this so? Now we turn to the research story. You cannot teach anything if you have not directly experienced it and codified it. That means you have to do research. We do not have a codification yet for the things that can move a company in Albania from A to B.

We had a Deans and Directors Meeting yesterday called "Management Education Institution Building –Transition to Phase 2". We talked about business schools that move from the startup stage to stage two. We heard a lot of good ideas and I was thinking that what we need is a lot of good case material. We need research on the kind of problems that the schools in this part of the world are facing. If you study at Harvard Business School or Stanford, you will never find out what this transition is about.

The teaching gap is mirrored by, or caused by, a huge research gap. I am not talking just about cases. We need some kind of process that will help us understand what is going on in real terms, what is happening on the ground to firms and leaders, and the kinds of issues that they are facing. We do not have enough of that kind of material and codification to put in the classroom.

We have a case-writing competition at CEEMAN and are lucky if we get 10 to 15 cases each year from the whole area, including Russia. I was chairman of this activity for a few years and I can tell you that we were lucky if we got five good ones. This is a drop in the bucket. If we could accelerate this process of learning as well as teaching, the whole effort could be more effective.

The spread of knowledge in our field is top-down. It starts from the Anglo-Saxon part of the world, and particularly from the US, then it spreads out like a trickle-down cascade. I am convinced that it could go the other way. In other words, if we had this kind of knowledge and started teaching it, we might discover some real universal generics of leadership and management that have not originated in Boston. They can originate here or in any part of the world.

There is very little bottom-up research coming from the field to the center, the latter being essentially the Anglo-Saxon world and some parts of Western Europe. Quite patently, not all of the answers are to be found there.

If we talk about ethics and look at the current situation in financial services, we will see that it is largely a leadership breakdown. It is not a financial breakdown. It started from customers who were hoodwinked into buying products that they did not understand. The driving force behind this was the financial industry's lack of leadership.

I do not rely on consumers to bail us out of most problems in the world. I do not think this is going to happen because customers are customers. I do not rely on regulators to bail us out either. I think that leadership is the only way to solve this problem. Maybe there are some different examples of leadership here with respect to these issues, such as ethics and corruption, that could be



lessons to the rest of the world. We have to uncover these gems and give them airspace and communicate these ideas. We have not done that yet.

We talk proudly about some of the interesting innovations that we are doing in this part of the world but we have not codified them, communicated them, and claimed the territory. Nevertheless, I think we can do that.

We are in a new world now. The US is rethinking itself and so is Europe. Innovations can come from anywhere. It is not a race to catch up. We are not in a catch-up world anymore. We are in an invention world where an invention can come from any part. If we have something original, the job of an educational institution is to codify it and add value to it. This is true not only in this part of the world but everywhere. We have an opportunity to do something original but we have to work not only in teaching and changing our programs but also in what is behind that, which is research.

My other conclusion is much more general. Not everything is always new. The question that you should ask is "what is the same here and what is different". That is a good question about business education. If we assume that everything is the same across the world, we fall into a hole. If we believe that everything is different, we will reinvent some things unnecessarily.

The answer to "what is the same" is "a lot". But what is different? We have not asked ourselves this question enough.

# Management Education – a Personal View



Photo: Elizabeth Handy

## **Charles Handy, CBE, Independent writer and broadcaster, UK**

Forty-one years ago this month I returned from Massachusetts Institute of Technology (MIT), where I had spent a year as a Sloan Fellow. I was joining the faculty of the new London Business School (LBS) where the first MBA course in the UK had just started. LBS, along with Manchester Business School, was one of the very first

graduate schools of business in Europe. The MBA degree (although, at first, officially an MSc, degree of London University) had finally crossed the Atlantic.

It was an exciting time. We felt like pioneers, faced with the challenge of reforming British business, where management as a discipline had been taught only inside a few of the large international businesses. Unfortunately, looking back, I think we got a lot of it wrong.

The ten members of that early faculty had all had their business schooling in the US and that was the pattern that we introduced to Britain – a two-year, full-time classroom-based education built around case studies and lectures.

We never paused to reflect on the education, or “formation”, that was the tradition in other professions in the UK – for architects, lawyers, doctors or accountants, for example. Their tradition was a mix of classroom instruction combined with tutored apprenticeships in leading practices. I wonder now how we ever thought that management could be learned while sitting in a classroom.

I left after 10 years because I feared that, although the training we were providing was an excellent preparation for consultancy or even investment banking, it was doing nothing for management.

As Henry Mintzberg was later to say, we were training the wrong people in the wrong ways with the wrong consequences, turning out “trivial strategists” and desiccated number crunchers rather than people able to exercise craft and judgment. I had, I felt, presided over a process that produced mercenaries rather than missionaries.

I worry now about two other things. We were, I feel, seduced by our ultimate clients, the businesses that hired our students or sent us their executives for training. We rated them and their ways too highly. We saw our job more as transmitters than as challengers, charting and passing on best practice to the rest of the business world.

We did not sufficiently question or challenge that practice; instead we called the charting of it “research” although research in the sciences is about exploring the new rather than recording the past. So we ended up, for most of the time, looking backward not forward.

We were also seduced by the universities we attached ourselves to. We aspired to academic legitimacy and accepted unquestioningly the values and standards of academia. Our research, flawed though I think it was, was published in academic journals that few of our clients or students would ever see.

Our criteria for promotion were those of academia, based on academic publications and therefore excluding some of the best and most original teachers, many of whom came from industry or business.

Since we could not include any tutored practical experience we followed the American practice and accepted onto our courses only those who had five or more years of practical experience in organizations.

But this often meant that we failed to capture the best of a generation who were doing well enough after five years to be willing to sacrifice two full years of what they, by then, considered an unnecessary education.

Second best our students may have been but they were still sought after by recruiters who saw the school as having done a nice pre-selection service for them, irrespective of what they did while with us. In our early years there was therefore little pressure from our students or their subsequent employers to make any radical changes.

That is no longer the case. Since those early days the business schools in Europe, as elsewhere, have multiplied. The *Financial Times* has estimated that 500,000 MBAs will graduate with this coveted degree, 30,000 of them in China. In the UK alone there are now 120 business schools turning out 27,000 graduates a year.

We have come a long way in 40 years and the plethora of schools has brought more competition to the sector, more variety, more experimentation and more questioning by the clients. That has to be healthy.

I now think that there is an important distinction to be made between business education and management development. The various aspects and disciplines of business can be codified and taught. They do therefore belong in a university setting. To know them and understand them is a necessary condition of most executive roles.

I would go further and suggest that a business education is universally relevant for almost everyone, whether they intend to work in business or not. It is an admirable all-round preparation for the world and it is no surprise that the most popular undergraduate course in UK universities is business studies.

But a degree in business studies is not a qualification for management. A necessary condition, as logicians would point out, is not a sufficient condition. You need more.

I believe that management can be learned and developed but not taught. The learning comes principally from reflecting on one's experience, with the help of concepts and counseling from skilled facilitators, who may not necessarily be regular academics.

True learning, I believe, is experience understood in tranquility, to adapt Alexander Pope's description of poetry as emotion recollected in tranquility.

Is it too fanciful to think of great management theories as poetry in motion, or of management teachers as poets of a kind, capturing the essence of things in memorable concepts? I wonder.

I am therefore a supporter of executive programs, particularly if they are part-time, thus allowing the students to link their learning more closely to their practice.

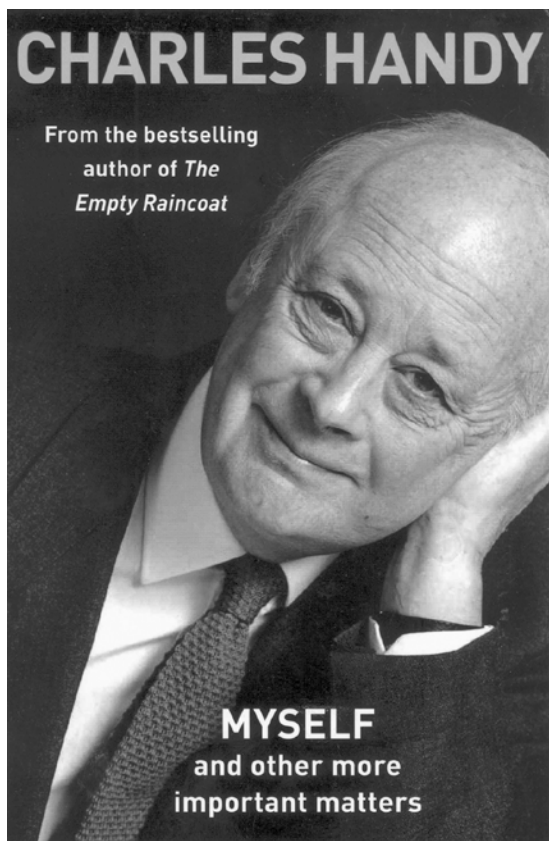
But there needs to be more attention to the poetry of management, to things like the values that people bring to their work, to the principles that infuse their organizations, or ought to, to their beliefs and ethical ideas, to purpose (over and above profitability which is another of those necessary but not sufficient conditions of success) and even, dare I suggest, to concepts such as love and beauty, which can be applied to cultures, places and products.

In the Drucker School at Claremont Graduate University in California, my wife, a photographer, and I led a short executive course using the concept of Still Lives, portraits of assemblies of six significant objects to represent one's priorities in life and work.

These portraits became the focus of very deep reflections on personal and organizational values, on what I think of as the poetry of management. The course concluded with a public exhibition of the portraits to which bosses and families were invited.

We believe that it added significantly to their educational experience and I would urge all management programs to experiment with alternative ways of reaching the underlying values of managers and their organizations because, without surfacing and sharing these things, the trust on which all management relies, will not exist.

*Charles Handy's books on the changing shape of work, life and organizations have sold millions around the world. He has been an oil executive, an economist, a professor at the London Business School, the Warden of St George's House, and the Chairman of the Royal Society of Arts. His latest book, *Myself and Other More Important Matters*, is a reflection on what he has learned from life.*



# Parallel Workshop Summaries: How Are Management Schools Dealing with Realities of Emerging Markets?

## Competitiveness and Innovation

**Krzysztof Obloj, Director, University of Warsaw, School of Management, International Management Center, Poland**

(Workshop co-moderator: Zsuzsanna Vincze, Post-doc researcher, Turku School of Economics, Finland)



Those of you who know me are aware of the fact that I do not make unnecessarily polite statements. I speak in a straightforward manner. Therefore, you can believe me when I say that we had a very interesting discussion.

We talked about innovation and competitiveness. Surprisingly, although the topic seems to be simple, we had different understandings of it. Some of us interpreted it as innovation and competition between business schools whereas others preferred to consider this issue in a broader context and think about what that implies for business schools.

We also struggled with an interesting dilemma. If we compete with each other as business schools that will naturally homogenize our business model and we will not be innovative. On the other hand, if we want to innovate, we might easily make mistakes and lose in this competitive world.

We arrived at three conclusions from our workshop.

First of all, we are optimistic. We are happy with our achievements because we have built pretty good business schools in Central and Eastern Europe that are quite competitive, at least in our region. Some of them have excellent reputations.

In a way, we are innovative on a global scale. Judging from our discussion, people are trying different approaches and are introducing innovation in their own niches. As a result of that, they have managed to displace well-established competitors in some particular markets or erect high barriers to entry.

Our second conclusion was that we should do our homework with respect to the alliances that we form. Some discussants emphasized that we should have a higher appreciation of the diversity of business schools across the world and look for partners that are particularly suited to our needs, markets, and resources. The world out there is very heterogeneous and we have a lot of work to do in order to identify the right alliances.

We also need to analyze and appreciate the specificity of our own market, define niches, provide customized offers, and leverage our specific competencies and skills. In this way, we can build barriers to the entry of global competitors into our own territory. We have to combine our Central and Eastern European ability to experiment with solid analysis.

Third, we talked a lot about the appreciation of the balance between technical, managerial skills, or the universal things that Derek Abell talked about this morning, and the more long-term soft skills, such as leadership, that Professor Handy alluded to.

Our conclusion was that such a balance is entirely feasible. It is perhaps in the leadership arena where we can be particularly innovative. We can regard yoga, arts, and other similar disciplines as vehicles that can be used to teach managers the right balance between technical and soft skills. If we get this right, it will be quite innovative.

## Entrepreneurship Development

### **Gazmend Haxhia, President, ACMS and ASG Group, Albania**

(Workshop co-moderator: Bern Beatty, Professor, Wake Forest University, US)

Our discussion group was very diverse. It included people from countries such as Kosovo, the US, Israel, Russia, Romania, Latvia, Estonia, Germany, and Albania.

What we all have in common in our group is that we all are entrepreneurs. Besides, all of us are connected to a business institute. Our discussions were very intense and interactive.

After a brief introduction, we decided to base our discussion on three main pillars. One was the question of whether entrepreneurship can be taught. The second was whether it is a way of life. The third was how we can inject more entrepreneurship into our daily lives.

We started out by discussing the difference between entrepreneurship and intrapreneurship. This took us quite some time. Then, we dwelled on the question of teaching entrepreneurship. We distinguished between three groups of approaches: generic, psychological, and behavioral.

However, we agreed that regardless of what we do, people cannot become entrepreneurs unless they have guts for it. If that condition is met, we can do something to develop them further. But even if they do not have what it takes, they can benefit from an exposure to the world of entrepreneurs, so that they understand its main characteristics.

Then we had a very interesting discussion and the conclusion was that management education should nurture rather than create entrepreneurs.

We all agreed that it is a very good thing to have entrepreneurship as a way of life. That means being more creative and inventive and using the right side of your brain more often.

It was mentioned that sometimes management education can be dangerous to entrepreneurs. It is good to have a demarcation line in order to know how much knowledge to give the entrepreneurs and where to stop so as not to stifle them.

Somebody said that entrepreneurs are never A students. They work for B students and are bought by C students.

We also discussed some of the differences between the developed and the developing countries. In our view, one of the differences is that the infrastructure of the former is much better developed. That means fewer barriers to entrepreneurship.

The question of whether the government is helping, which was asked previously, has a clear answer in a country like Albania - it is a resounding "no". This is too bad because developing countries need a supportive environment much more than developed ones. One of the things that are needed is appropriate legislation that would make entrepreneurship flourish.

Our final topic of discussion was what can be done so that we have more entrepreneurship in our daily lives. It was a very lively debate and we regret not having more time to continue it.

## Corporate Social Responsibility

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

(Workshop co-moderator: Nakiye Boyacigiller, Dean, Sabanci University, Faculty of Management, Turkey)

We started out with two very different presentations because Nakiye and I come from two very different backgrounds. Nakiye is the dean of the business school at Sabanci University in Turkey, whereas I am just a lowly faculty member. However, we both had some interesting ideas about the challenge of integrating corporate social responsibility into our business school curriculums.

We had a great variety of people bringing in their national and world perspectives to the discussion. One of the interesting issues that we discussed in some depth was the question of why good people do bad things.

We started with the premise that all of us are basically good. We are all decent human beings and we think we have the right values. If we ask people in this room if they are ethical, everybody will say yes. If we ask the same question of our students, almost all of them will certainly give us the same answer.

One of the challenges that we face in teaching corporate social responsibility is that we know that there are pressures that make people do bad things. That led to a discussion of the various things that we could do regarding the many challenges that we face.

One of the interesting ideas that came up was to take an old idea and resurface it. That was the idea of a system view of the world. Underneath the complexities of corporate social responsibility there is an interaction of different kinds of systems. We are talking about the business world, business schools, and our personal systems of family values.

There are also pressures from bodies that are outside of our system: the United Nations Global Compact and its principles of responsible management education. There was a feeling in our discussion group that this encouraged us to think seriously and creatively about how to integrate corporate social responsibility into what we do.

This morning we heard from Derek Abell about universals and the balance between them and local and regional contexts. There is no other topic in business that illustrates this better. There are some Global Compact principles that are universal, yet they constantly rub themselves like sandpaper against individual contexts.

We also had a lot of exciting discussions about the holistic approach that we need to take in business schools. It is good to have champions who are committed to this, both in terms of the courses that are taught and the curriculum. The issue of the holistic approach starts with the individual and then leads to our schools. We want our whole school to mimic and represent the core values that we have in terms of corporate social responsibility.

We had a very interesting example of a local business school that constructed buildings reflecting its corporate values and corporate social responsibility.

We also talked about individual ethics and how underneath it we need to create win-win situations or point out to students how to achieve such situations even in basic things like accounting. How do you have a win-win situation in accounting?

That builds on the idea that transactions are not the only thing that we have. We also need to consider the relationships that we build because they are the core of responsibility. That takes us back to stakeholders and the relationships with them. That is what we talked about in a nutshell.

## Partnerships and Alliances



**Irina Sennikova, Dean, Riga International School of Economics and Business Administration, Latvia**

We had a good discussion on partnership. Our workshop was attended by people from Hungary, Latvia, Russia, Austria, Germany, Albania, and the UK. We presented our schools and partnerships that we are involved in and we talked about the issues that we need to

address with respect to partnerships.

One of the questions we discussed is where we can look for partners. What forms of partnerships are we talking about? Only between universities or some other types as well? What should the size of the partnership be and what relationships should it involve? Should we look for regional or global partners?

Another important issue is the duration of the partnership. Is it going to be a relatively short project or a life-time commitment? Should we envisage an exit strategy? How can we ensure sustainability? Should we be inventive and come up with something new or should we copy established models? And of course, there is the vital question of who will pay for all of that.

These are the questions that were put forward. As you see, they are quite numerous; the list is rather extensive. I am not sure we managed to provide answers to all of them. Nevertheless, we did get some results. Zsuzsa is now going to present them.



**Zsuzsa Deli-Gray, Program Director, Groupe Essca, Hungary**

Our first conclusion was that no matter what kind of partnership we are talking about, or where it is taking place, we have to set a goal and keep it in mind all the time. This is essential because it helps you get focused and you know where you are going.

Also, we emphasized the importance of having a strategy, especially an international one. Without a good strategy it is impossible to decide what sort of partnership would be beneficial to your organization and what tasks we should be pursuing.

We also discussed the importance of competition. We all offer programs in English and other different languages. Does that mean that the importance of the universities in the US is diminishing? That question was discussed but no ultimate answer was found.

What does competition between universities mean? Would it result in mergers and acquisitions as in the case of business companies? Or should academic competition take place at a completely different level?



We also discussed the question of preparing and having an exit strategy. Suppose your partnership is satisfactory at the outset but later on it turns sour. Should we have a strategy to get out of it and, possibly, start a new one? Now, suppose you do not want the new partner to see the old one because they are not comparable. What do you do in that case?

The next issue we discussed was accreditation. In this case the answer was clear. Yes, we need international partnerships. We saw a vicious circle here: if you do not have an accreditation, it is hard to get partners. And if you have a partner, you need to get accredited.

Another question we talked about is the link between accreditation, partnerships, and other international relationships.

We found that accreditation and quality are not necessarily one and the same thing. The quality of the education that we provide to the students needs not be the same as what is required by the stipulations of accreditation.

Should partnerships be based on personal relationships or institutional objectives and interests? Our conclusion was that sometimes we have to give up our personal relationships and friendships for the sake of the institutional goals and mission.

Do we need to see the partnership as an investment? Should we calculate the opportunity costs? Or should we consider the broadening of our international contacts as something more than investment, for example a lifetime experience?

Our next question was the involvement of students, not only in the teaching process, which is normal, but also in the selection of the partners. Should we ask our students which universities we should form an alliance with? Or should this be a marketing issue?

We also discussed the issue of incentives. What incentives are needed to make the partnerships stronger? New forms of financing and cooperation? Or new forms of research?

Another interesting issue is publishing. Do publishers prefer books written in a partnership? The answer in this case is yes. Publications that are a result of some kind of collaboration are indeed preferred.

Finally, we discussed whether we need to have a lot of partners. Is that helpful for an accreditation process for instance? Does it help to demonstrate that you are very international?

Our final conclusion was that we have to meet again next year and further discuss some of the same issues because they turned out to be too complex for a single session.

# What Is the Place of Research in CEEMAN Schools?



**Jonathan Gosling, Director, Centre for Leadership Studies at the University of Exeter, UK**

In a fast-changing environment such as Central and Eastern Europe, academic research may be low on the list of urgent things to do. Each day brings new challenges and research is too often backward-looking, or narrowly focused on small-scale effects.

I remember interviews for a marketing professor in an internationally renowned business school in which the strongest candidate was recommended for her "original research into sub-branding of toothpaste". Methodologically sound and easily measurable as this might be, it is hardly going to help us to build a better, more prosperous, peaceful, and humanistic Europe.

The Humboldt ideals of a liberal education, each discipline rooted in a commitment to human progress through enquiry and critique, remains the ideal of higher education throughout Europe and academics are expected to be scholars (up to date in their fields) even if not doing primary research themselves.

Education for the professions – law, medicine, accountancy – has always been at the "training" end of a continuum, with literature and the arts at the other extreme, but nonetheless in very much the same experiential space: we continue to value lawyers who have at least mixed with philosophers and medics who shared their university debates with historians.

There is no reason why business schools should not fit in the same category: as integral members of a higher education community dedicated to increasing human knowledge and its application in civilized life.

But many business schools have grown up apart from universities; and even those that are nominally within universities seek more autonomy. This seems to be inevitable: young people aspiring to work in business and experienced managers returning for MBAs expect a level of focus and administrative service that is far ahead of expectations in most other university departments; the market is far more transparent, faculty more highly paid, and above all, tremendous value is placed in being up to date. It is hard to see traditional academic research thriving in this fast-moving, customer-responsive context, especially where revenues depend on faculty teaching as much as possible.

Yet we have to admit that great business schools are located in the heart (well, maybe the guts!) of some of the world's great universities, with faculty appointed and promoted on quite traditional criteria.

In some situations, at least, a business school's success is not antipathetic to full-on research. But there are alternative models: some of the most highly regarded business schools do virtually no original research, concentrating instead on general scholarship – ie staying up to date with both published research and cutting-edge practice in business and public sector organizations.

Both of these trajectories have their tensions and it would be too simple to characterize them as research producers on one hand and research consumers on the other. But this will do as a kind of shorthand, provided we remember that real insight into business, management, and organization derives from a much more complex mix of experience, reflection, and informed debate.

Research is an important input to the knowledge-creating process but not the only one. Using the results of research in teaching or case study analysis can be a fine way to produce new understanding and to inspire students to become creative managers.

But we are having this debate in CEEMAN because we suspect that being consumers of research somehow puts us at a disadvantage vis-à-vis the producers. We suspect that if we were more involved with primary research ourselves, we might benefit from:

- More relevant topics of research
- Findings and interpretations more sensitive to our circumstances
- Rigor and intellectual excitement of doing our own research
- A reputation as places where ideas are created, that will be attractive to students, corporate clients, and policy-makers
- The best faculty, who aspire to a personal reputation based on research, and expect the facilities and culture in which to succeed at it
- Alliances between schools could be built on joint research projects, strengthening regional business school infrastructures.

In short, these add up to a sense that some schools at least will need to do more research in order to secure a competitive position in an increasingly open and international market. Let us turn now to consider what can be done about it.

Most researchers start with their experience from PhD or early research training and say: "This is my method, and if I find a problem that I can apply it to, I will work on that problem".

A strength of this approach is that a researcher or an institution can build a reputation for a specific contribution, and we know that this can have very beneficial effects – it is better to be known for being good at something than mediocre at everything.

However, the issues facing businesses and governments are far too complex to be constrained by our research methods. We can't expect our stakeholders to ask only the questions that we know how to answer. So how can we build the capacity to address big issues?

I think this depends on a sense of academic identity. If we deal with big challenges presented to us by companies we must be able to sustain the weight of serious intellectual endeavor. Only then will we have a firm basis in society, and this is vital for the purpose of institution-building: we must do things that consultants cannot do.

For those of you who are deans and managers of business schools, this is a real challenge: to grow the scale of your businesses while affirming our academic identities. Only that identity will enable us to do serious research, deal with big problems, and build viable institutions across the region.

Of course the problems facing companies are changing all the time and we must be able to respond.

A metaphor for our institutions could be a large sailboat, catching the winds of change to make progress through society. Academic identity is like the weight of the keel, keeping the boat upright and stable: without it we would be mere rafts drifting on the current.

We must remember, too, that most research is started and finished by enthusiasts, many of whom prefer to work on their own and to seize opportunities as they arise – particularly in emerging markets where bright people hook on to some new companies where exciting innovations are happening.

They develop their research on their own and find some way to bring it into our institutions. We should encourage staff to approach their work with this attitude and to teach in this way too, inviting students to be disciplined

about their observations, critical in their analyses, and imaginative in their interpretations.

A researcher always on the lookout for evidence that contradicts received wisdom will be a better teacher, because he or she will be curious about students' insights, and perhaps less tied to the official teaching notes that accompany most case studies.

However, research based on the contacts and confidence of individual faculty members can be vulnerable in several ways. If a sponsoring company loses interest, or dislikes the findings, the whole project can collapse. Researchers need and deserve more institutional support from business schools.

Finally, research makes it possible to build alliances with other institutions for the purpose of long-term competitiveness. Joint research projects can make many things easier:

- a) One of the simplest and most informative research questions is "compare and contrast" the circumstances in two or more places
- b) Scarce research skills in particular methods or literatures can be leveraged across the region
- c) Faculty get to know each other better. The labor market for business academics is very fluid; people move around all the time and it is in our interest to create an open and well-informed market for good faculty. This is especially true in transitional economies.

How do we actually do research? And how do we find funding for it? How do we get paid?

I suspect there are huge opportunities across Europe to collaborate much more than we do. There is a lot of money but it is complicated to get it. If CEE-MAN could come up with some sort of structural assistance to develop collaborative research across Europe, it would be helpful and useful to all of us.

If we are to make a distinctive European contribution, I think it could be to take a more culturally aware approach to research. This is what I mean:

Business and management have been defined as social sciences, business school academics trained as social scientists, and we inquire into problems in a scientific way. Science is the dominating force.

The effect of this is that we are so careful about our methods that we sometimes lose sight of the scale of the problems we are addressing; or more usually, we select very small problems that suit our methods – like toothpaste sub-brands.

We need big-thinkers in business schools, people able to appreciate the context as well as the content of managing. Most importantly, we need researchers who can approach the moral, emotional, and political dilemmas of managing as well as the technical and analytical challenges.

In universities, there is the academic heritage of the humanities: linguistics, history, literature, philosophy, political science, and even some aspects of economics. They use various methods for careful, critical thinking that give us so much more understanding about what is happening in life.

Combining these approaches with participatory enquiry through "action research", for example, we can grow academic knowledge at the same time as helping companies and developing people. This is something that has not been developed enough across Europe, although it is quite strong in the UK and some other parts of the world.

# Chairman's Conclusions

## **Chin Tiong Tan, Deputy President, Singapore Management University**

We had a great time at this conference and a wonderful learning experience. We will probably continue to have long debates on the best way to develop management education in this part of the world and the question of whether it makes better sense to seek inspiration in local best practices or to adopt Western models.

Let us look 60 or 70 years back, before business schools existed. As you know, business schools are a fairly recent phenomenon. The University of Pennsylvania claims that it established the first business school in the world and Harvard makes the same claim. But how did managers learn the necessary skills and competencies before the advent of business schools?

I come from a business family. My father did not go to business school. He started his business in Singapore. An uncle of mine started a business in Indonesia. Another one set up business in Hong Kong. None of them had studied in business schools, yet all of them did rather well in business.

I am not sure how useful business education is but it certainly has added a new dimension to what education is all about. In the past people learned how to manage from experience. The son learned from the father and the father learned from the grandfather. The younger brothers who joined the business learned from the older brothers. There was a lot of coaching and mentorship.

Big corporations, such as General Motors and General Electric, have been around for a long time. How did they train their managers? They have always done a lot of in-house training. They hired talents from universities. You could be a history or literature graduate; that did not matter. If you were smart, you got recruited by the leading companies of the world. Then, after you entered the corporate world, you would get a lot of training. That is how know-how was passed from one generation to the next.

Then business schools came into the picture. They suddenly became very relevant and in particular on decisions as to who will get what jobs in a particular company. I would argue that back then, in the old days, business schools had a better model. They had to be a lot more practice-oriented. Some would even argue that this was not university-level education. Way back, business schools were looked down upon by universities. However, in terms of their fit within the business community, I would argue that they were in a better position than today's business schools.

Whenever a business school is set up in a university, there often is friction between the school and the other units, which are more scientific. This created pressure for business schools to boost and invent scientific methods.

Unfortunately, this has gone too far to the other extreme. Today all my colleagues are scientists. They know mathematics and they know a lot of social sciences. But they do not know business. Can they pick it up and learn it along the way? Sure. However, the emphasis is not there. They need to publish or perish. This is the real syndrome in the American system.

I kind of like the old British system. You work for an auditing firm and you practice as an accountant. You study along the way, take exams, and if you pass

them all, you become a chartered accountant. In the old days marketing was like that, too. There was chartered institute of marketing professional qualifications that people acquired during their marketing practice, taking exams along the way. Personnel management was also the same. All this involved a combination of professional certification and actual practice. There is some merit to this old system.

I was recently at the hotel school of Cornell, which is probably the best such institution in the world. I had an opportunity to talk to its dean and learn some interesting things. The school owns a hotel with 400 rooms. They also have a restaurant and a kitchen. The school curriculum involves practical management of the hotel, restaurant, and kitchen. This is a useful, practical, hands-on approach. As a result, the school's graduates are highly sought-after.

Can we use this approach in the business school domain? I do not know. Even at Cornell, if you walk across to the Graduate Business School, you will find some professors there looking down on the hotel school. This is what I call academic arrogance. They think that they are one notch above the hospitality management people because they are scientists. We have to change this mindset.

I think the business schools have done very well. They will continue to do well. Harvard, Wharton and MIT will be around for a long time. They will continue to generate cutting-edge universal knowledge. That is fine because we need to continue learning from the cutting-edge educators. Many of their faculty members are simply excellent. We can definitely learn from them.

But we must not blindly adopt everything they do. We need to adapt their methods to our own social and cultural environment, keeping in mind our own peculiarities. The last thing we want is blind adherence to Harvard, Wharton and MIT. In most cases that will not work.

Quite on the contrary, if we have the necessary resources we should innovate. There will always be things that are relevant to Asia or to this part of the world and they require innovation. However, that necessitates a tremendous amount of resources. Even research takes a lot of resources.

I think some of the limitations in this area can be overcome by creating institutional partnerships and alliances. We have to move forward together with new ideas and do new things.

At the end of the day, there will always be different business schools - small and big, innovative and less innovative. And we will continue to have debates on these issues for a long time.

Ladies and gentlemen, this has been a wonderful day. Thank you for your energy and your wonderful contributions.



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Published by  
CEEMAN - Central and East European  
Management Development Association  
Prešernova cesta 33, 4260 Bled, Slovenia  
[www.ceeman.org](http://www.ceeman.org)

Cover and section photos:  
Tirana in colors, courtesy of Edi Rama, Mayor of Tirana

Circulation: 500 copies



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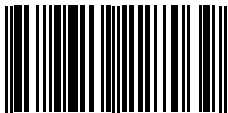
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ISBN-13: 978-961-92270-3-9



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