LEAD4SKILLS: Skilled Business Leaders for Skilled Europe

Management Development Needs

Cross Country Report

Lead4Skills

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Introduction

"We live in an ever faster changing society." This is a phrase that we very frequently hear and perhaps even feel. In our lifetime, we have witnessed vast social and technological changes. In the last century, Europe changed entire social, political and economic systems, and in the last three decades, super computers went from huge buildings to our pockets with almost all information humanity has ever created just a swipe of a finger away.

Individuals are now changing everything from places, occupations, values and sometimes, as it certainly holds true for the CEE countries, even political beliefs. Society and life have become so fluid, that some social scientists call our time the "liquid modernity" (Bauman, 2000, str. p.12).

If we call this modernization, we must also take in to account that this is in many ways a reflexive modernization where "social practices are constantly examined and reformed in the light of incoming information about those very practices, thus constitutively altering their character" (Giddens, 1990, str. 90).

We must not let education, an integral part of a modern society and the social context in which it is placed, go unexamined. Numerous changes create countless challenges and left unaddressed, these increase complexity, uncertainty and instability, and ultimately hamper progress. But challenges create opportunities. Education providers develop new, more relevant, educational offerings. These offerings can be updates in curriculum, implementation of new teaching and learning tools and materials, as well as development of relevant teaching skills, based on current business challenges and to the management and leadership development needs in companies.

The Lead4Skills project partnership, which combines 8 individual institutions from 7 different CEE countries (Croatia, Estonia, Hungary, Latvia, Lithuania, Poland and Slovenia), aims to provide higher education institutions (HEI) with a comprehensive set of insights, guidelines and materials. Our goal is to provide resources to develop more relevant and innovative management education offerings and study processes. These materials are based on the real needs of businesses and economies. As a result, the introduction of relevant management skills helps to reduce the mismatch across CEE countries and provides enterprises with better skilled employees. The benefits for the organization include decreasing their investments in new employee training and increasing their competitiveness on local, regional and international levels.

In this Cross country report we look closely at all seven countries participating in the research, their economic situation and management education features followed by a broader presentation of their specific research findings. Each country report also includes 3 short case studies in the appendix, which serve as detailed illustrations of various examples from specific countries. To conclude the report, we provide an overview chapter, which includes a synthesis of the results of research, key recommendations and conclusions. We also address broader implications of business challenges and management and leadership development needs across the sample of countries, to stimulate reduction of leadership and management skills mismatch across EU.

Socio-Political Background of Participating Countries

All seven countries in this study went through radical political and economic changes starting in the early 1990s. After the fall of the Berlin Wall, the Central and Eastern Europe landscape changed dramatically with former communist countries changing not only political and economic structures but cultural and educational ones as well. Despite significant struggles these seven countries have made a successful transition to democratic or mostly democratic governments and mostly free economic markets (Ekiert, 2012) (Heritage Foundation, 2018, str. Heritage) (Freedom House, 2018). All seven countries are members of the EU, six on them joining in 2004 and, finally, Croatia joining in 2013. Four of the countries are also members of the euro zone (European Union, 2018). All of the countries saw significant economic growth starting in the late 1990s, but most were hit hard by the 2008 financial crisis. Poland was the only one of the seven to not fall into recession, though its growth rate was almost flat (Plettgen & Davies, 2010). However, since then these seven countries have recovered, and today all are growing again, averaging a growth rate of 2.539% at the end of 2016, more than half a percent higher than the 2% for the EU average and slightly ahead of the 2.4% world average for 2016 (World Bank, 2018).

FocusEconomics.com does predict that Central and Eastern Europe as a whole will see a bit of a slowdown in 2018 from 2017 due primarily to a slowdown in major trading partners in the Eurozone and the wrap up of stimulus packages, though Poland and Slovenia are predicted to be exceptions to this rule (Bouzanis, 2018). All in all, the economic outlook for the countries in the study is very positive, inflation is very low, usually 1% or less, unemployment has fallen from very high rates during the recession and GNI per capita and average national income is growing year on year across the board. Finally, all the countries have reasonably good and falling GINI indexes indicating that their economies have relatively low inequality (Ekiert, 2012) (World Bank, 2018).

Politically, the countries in the study have shown significant improvement in the past decade towards more democratic societies. However, recent world events have seen some of the countries backslide away from democratic principles and values. In fact, Eastern Europe has seen the biggest “anti-democratic backlash… since (the) mid-90s”, with 19 out of the 29 countries in Central and Eastern Europe seeing declines in their democracy ratings (Hauser, 2018) (Freedom House, 2018). While the majority of the countries in this study are not cause for big concern, only two of the countries in the study have seen consistent improvement in their democracy scores in the past decade, Estonia and Latvia (Freedom House, 2018).

Hungary’s significant changes raise a red flag. On a scale of 1 to 7 (with seven being the least democratic), Hungary’s score has increased almost a point and a half since 2009 (from 2.29 to 3.71) (Freedom House, 2018). Hungary was reclassified at a semi-consolidated democracy in 2015 from a consolidated democracy. Since coming into power in 2014, the current government in Hungary has made certain moves that “more overtly resembled those of authoritarian regimes” (Freedom House, 2018). The other country in the study classified as a semi-consolidated democracy, Croatia, has made some attempts to improve, but has not made the progress that many had hoped they would under the new government elected in 2016 (Freedom House, 2018). For the most part, the countries in this study have made significant strides to democratic societies; however, if the trend towards less democratic and open societies continues in Europe and around the world it could become a significant concern.

In addition to significant economic and political changes in the CEE in the past few decades, socio-cultural changes have shaped the CEE and how it interacts with the rest of Europe. Socio-cultural changes in CEE also have shaped how business, governments and education institutions interact with the general population and with each other. What people expect from government, business, and HEIs is changing. While people in the new members of the EU (such as the seven countries in this study) have embraced some of the Western ideals, they have by no means embraced them all (Balazs, 2014). Part of that is the fact that CEE countries have not caught up with the Western members of the EU economically as the population would have liked, particularly since many in CEE countries equate material success with security. (Ekiert, 2012) (Balazs, 2014). This has created some frustration over democratic institutions and may explain some of the decline in democratic principles in the CEE (Balazs, 2014) (Freedom House, 2018).

Many of these issues discusses above shape the concerns that businesses have for managing in today's dynamic society. For example; companies from each country in this study expressed concerns over changing workforce dynamics, whether it be because of a shortage of qualified workers, mobility of said workers or changing attitudes towards the work environment. Tight labor markets are another reason behind the slowdown in the CEE region (Bouzanis, 2018). There are definitely continuing concerns over shrinking populations, low birth rates and net emigration rates impacting the workforce. Only Slovenia and Estonia are showing a growing population rate, but even then at a very small rate (less than 1%) (World Bank, 2018). Furthermore, because all the countries in this study are members of the EU, it is relatively easy for people to immigrate to other countries where the wages are often higher, which results in a type of brain drain in CEE (Bouzanis, 2018).

Management Education in Participating Countries

For CEE countries, the last two decades brought immense change in political, economic and social fields. But these changes can also clearly be seen in management education. Starting in the late 1980s and early 1990s, most CEE countries gained independence, went to democratic political systems and allowed for introduction of market economy.

Introduction of market economy was especially disruptive as it meant that certain development and changes were necessary for educational institutions and management education institutions especially in order for these institutions to better meet the needs of the market and of course, their students.

In certain cases, management education started to develop early on (Estonia in 1970s, Slovenia in 1980s). However, "Many managers and leaders did not have the knowledge and skills to adjust to these changes" (Purg & Braček Lalić, 2017, p. 7).

To help overcome these challenges, collaboration with American and Western European schools of management began, which helped CEE institutions gain teaching concepts and materials from visiting faculty. Management development institutions such as CEEMAN in 1993 were established to help develop management education in CEE countries, while being aware of and addressing the specifics of CEE countries (Purg & Braček Lalić, 2017. All this helped develop management education institutions, educational materials and faculty.

More recently, significant changes were also part of the Bologna reforms which CEE countries implemented in the last decade and brought the ECC system, degree structures, qualification frameworks, quality assurance mechanisms and modernized legislation.

Today, HEIs are facing similar kinds of challenges as the corporate world is experiencing. In addition to globalization, demographic trends, specificities of new social cohorts and frequent disruption, the most common denominator in terms of challenges for both HEIs and the corporate world is digitalization.

Country Reports Chapter

In the following chapter, we provide detailed country cases from all seven countries participating in this research. Each country case was developed based on common research guidelines that were developed for this specific research and include:

- Insights from personal interviews with at least 10 decision makers per country, focusing on current and future development needs in their companies (analyzed and documented with the help of Grounded Theory approach);
- Responses to online questionnaires with overview of the main features and trends regarding participation in training/educational programs that were conducted in respondent companies (aggregated and anonymized results by country, including preliminary quantitative analysis summary);
- Country profiles based on World Bank Data and summary of the main features and trends connected to the country's economy/current business challenges and management/leadership education, to better understand the context and background of the respective business environments.

Each individual country chapter includes socio-political and economical background and history of management in the specific country. This is followed by additional research findings and concludes with recommendations for each country. To provide the reader with more clarity, citations for each country report are provided at the end of each country chapter.

Management and Leadership Development Needs - the Case of Croatia

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Introduction

Croatia, the EU's newest member, must pick up the pace in installing reforms in order to catch up with other EU members. Continuous development of managers and leaders should be one of the cornerstones of this strategy. The main focus of our exploratory study was to understand the challenges of leadership development and management education, bearing in mind that Croatia is a country in transition. We analyzed the gaps between the needs and requirements of executives and human resource (HR) managers in terms of development and educational needs; identified the current as well as future obstacles; and identified opportunities for educational improvements. Lastly, we provided practical and strategic recommendations for employers, academia and policymakers to support improvements in management and leadership education.

In this report, we give an insight into the challenges of management education and leadership development needs in Croatia. We visited 10 companies and conducted interviews with 18 managers across different service and manufacturing industries to gain a deeper understanding of the issues facing Croatian management and HR departments. One of the main goals was to gain better understanding of how to bridge the gap between management education needs and what is currently offered by the Croatian educational system. One of our main findings relates to the challenges of the formal educational system, which does not adequately prepare graduates for their future careers. The current educational system also could benefit from teaching students to be more independent, self-assured and able to think more analytically and critically about the issues presented to them. These trends will change as the Croatian education system internationalizes further and becomes more open in order to follow the best global practices.

Croatia's Economic Overview

In July 2013, Croatia joined the EU following a decade-long accession process. Croatia experienced an abrupt slowdown of its economy since its independence in 1990s due to the Yugoslav war. The Croatian economy - while a part of the socialist federation of Yugoslavia - increased at an average rate of 5 percent per year, and in the last 22 years only 0.7 percent per year (Santini, Bebek, 2013). The stubbornly high youth unemployment rate, population decline, uneven regional development, and a challenging investment climate remain problems. The Croatian economy was badly affected by the financial crisis, which, together with the slow progress of economic reforms, resulted in six years of recession (2009-2016) and a cumulative decline in GDP of 12.5% (Global Tenders, 2016). Access to the European Union (EU) internal market helped connect part of the economy to global value chains, and tourism is experiencing a historic high. Yet these factors are not enough to deliver pre-crisis growth rates.

GDP is roughly 1% lower than in the pre-crisis period, and youth unemployment remains high at 33% (The World Bank, 2018). According to predictions by the International Monetary Fund (2017) and the European Commission (2017), the GDP should continue to grow by up to 2.9% in 2017 despite the troubles facing Croatia's largest private company, Agrokor.. Since 2012, the Croatian government has cut spending, raised additional revenues through more stringent tax collection and raised the already high value-added tax. Croatia's immediate economic challenges include restoring macroeconomic stability, fiscal consolidation and the modernization of public services, reducing the administrative burden to business, and eliminating corruption in the judicial system while promoting private sector productivity and competitiveness to export more, create high-value jobs, and sustainable growth. Although not as fast the EU would expect, Croatia has started its economic restructuring and due to that, public debt at the end of 2017 was 78 percent of GDP instead of 80 percent from previous year. In the last two years it has been reduced by 5.8 percentage points (Reuters, 2017). The initial numbers are showing that Croatia could have another record tourist season in 2018 and there are clear signals that the reduced tax burden should strengthen private consumption, which, together with stronger FDI and EU fund inflows, will support sustainable growth. Therefore, GDP growth is project around 3% (Simmonds, 2018). As a result, the unemployment rate is projected to decrease more mildly but will still fall below 10% by the end of 2018 (Trading Economics, 2018).

Development and Main Features of Management Education in Croatia

In the last 17 years, the higher education system in Croatia was restructured on the foundations of European higher education tradition, with special emphasis on the Bologna Process to assure the accession of Croatia into the European Union. The process of comprehensive reform was conducted and it included areas such as qualification frameworks, quality assurance mechanisms, European common credit system, degree structures, governance of the tertiary education system and the national strategy for higher education funding (University of Zagreb, 2017). It resulted in increased quality of the study programs and mobility, as well as recognition and reliability of qualifications obtained through the Croatian higher education system. It also provided better access to Croatian higher education institutions and to the Croatian labor market, and easier mobility to people studying abroad. The improvements also increased the number of highly qualified experts of different degrees (Agency for Science and Higher Education (ASHE), 2017). In 2017, the Croatian higher education system offered 192 educational programs in the field of economics, 131 of which were directly or indirectly connected to the field of management at public and private faculties and polytechnics including undergraduate, graduate, integrated, postgraduate, doctoral and professional specialist graduate programs.

The Study on Managers' Educational Needs

The qualitative study we conducted was aimed at understanding the challenges of the companies operating in Croatia today, as well as local leadership and management educational needs. For the purposes of the study, we interviewed 18 managers from a wide range of companies that represent the Croatian economy in the best possible way. In addition, 10 companies covering the service and manufacturing sector were chosen. These were large companies, except for two innovation-based start-ups. Over the period of four months in 2017, we interviewed nine board members and nine HR managers coming from the insurance industry, the manufacturing industry (electrical equipment and pharmaceuticals), food and beverage industry, hotel industry, and the clothing and footwear industry. Among those 10 companies, there were some which were founded in the period before 1990 (when Croatia was still part of socialist Yugoslavia) and some that were founded after 1990. As can be seen in Table 1, which describes our sample, there were also state-owned companies or partially state-owned companies due to the fact that both make up a significant share of the Croatian economy and have a particular set of problems pertaining to their socialist legacy. The Croatian government has a minority ownership in 383 companies and majority ownership in 32 companies.

We analyzed the interview data using grounded theory approach (Corbin & Strauss, 2008). In this process, we constructed five major codes as follows: company challenges; management and leadership development needs; addressing company challenges and needs; relations and the missing link between corporate and educational institutions; and the evaluation of development programs.

Company Characteristics	Total Number of
Company Foundation	
Founded before 1990	7
Founded after 1990	3
Company Orientation	
Product Based	7
Service Based	3
Type of Ownership	
Privately-Owned Companies	5
Partially State-Owned	3
State-Owned Companies	2
Company Size	
Small-Size Companies	1
Medium-Size Companies	2
Large-Size Companies	7

Table 1: Companies' profiles

Research Findings

Many unique, personal and contextual factors contribute to one's ability to lead and, while there are many factors at play that one can't control, the quality and capabilities of leadership have a significant impact on the desired outcomes (Elkington et al, 2017). The companies we covered in the study have diverse developmental and organizational challenges in relation to maturity of the organization, industry, and company size. Older companies had more challenges with the generation gap. IT companies shared their struggles with finding skilled workers as many skilled IT workers leave Croatia, and Croatia's restrictive immigration policy does not allow for immigrant labor to easily enter the country. This is now a problem for industry and the entire economy, as IT is recognized as a sector with the largest multiplier effect on the country's GDP (Vu, 2005).

Old and large companies have challenges related to restructuring, corporate culture and the legacy of strong unions, which in some cases hinder the companies' development. Strategic change of the organizational identity of these companies is unfortunately not something these companies manage strategically (Kostera & Wicha, 1995). Older companies, which have existed since socialism, and especially state-owned companies, struggle with the traditional ways of doing business, which is seen as a developmental obstacle among the young managers of those companies, mostly hindering competitiveness. Further, state-owned and partially state owned companies are often labeled as unethical because of several corruption scandals, and that fact also presents a challenge when hiring new young talent.

Generation gap has been recognized as a strong obstacle to developing healthy organization dynamics. The younger generations ask for more benefits and more flexibility, and there is a clash in putting together the needs and wants of diverse generation groups.

The fact that many young people are leaving the country, and causing brain drain is a challenge for companies when hiring new employees. Even though mobility within the EU has been beneficial for individuals who leave to find better paid jobs, local companies struggle with a lack of skilled labor. Further, the lack of skilled workers is recognized as a flaw of the Croatian education system. Managers say they have to educate their cadre again and again, no matter which university their new employees attended.

Manufacturing organizations face challenges in developing soft skills with their employees as the technical universities did not require classes in interpersonal and group communication, business writing, and oral presentation skills to their students. Some companies, in an effort to increase competitiveness, introduced international management. But those companies also reported struggling with the parochial mindset of local employees whose lack of English proficiency makes it difficult to work with international colleagues.

Generally, companies in Central and Eastern Europe invest a lower percentage of their annual wage costs in development programs compared to their Western European counterparts

(Morley et al., 2015). Management development in the cases we observed was largely done through in-house training programs. Companies which struggle with transition to the market economy and restructuring also struggled with providing education and development to their employees. The majority of companies expressed the need for more soft skill training. Companies with strong hierarchies need to go through the process of unlearning before they can relearn, in order to cope with the dynamic environment of business.

There is a substantive gap between the corporate world and what the educational institutions offer. Thus, most companies have their own in-house training programs where they educate new employees, and continue to train and upgrade the skills of long-term employees. Occasionally, companies hire business schools and consultancies for in-house training. Generally, companies see educational institutions as too old-fashioned. The information academics provide is usually theoretical knowledge which many organizations see as unnecessary. They need and want the practical soft skills training so that employees can effectively do their jobs. Further, they report that recently graduated students have very little to no practical experience. They feel the educational institutions do not recognize the market needs in terms of content and teaching methods.

The majority of companies develop programs custom-made to fit different management levels with a special focus on soft skills and assimilating organizational values and culture. Still, many struggle with measuring the success of those programs as they suggest it takes years to evaluate the results and quality of those programs. Though, some companies instituted key performance indicators such as finding new clients or any performance indicator which can be connected to the development program. Many expressed doubts over MBA programs for the companies who enroll their managers, since the benefit seems to be more on the individual level for the person enrolled in the MBA. Overall, interviewed managers stated the desire for a new set of educational methods which will help develop thinking heuristics of dualities, perspective taking, and guidance for clear decision making processes.

The last finding relates to Croatia’s lack of a coherent state policy on developing strategic sectors and industries and improving an educational system to go with it. Education policy on the national level is not consistent; there is a lack of employees in certain fields which leads to the country’s lack of competitiveness. Companies have called for increasing quotas for certain programs, but the government has been slow to react.

Recommendations and Conclusion

Regarding the generation gap and challenges, there is a lot of research pointing to the benefits of diversity (Salahuddin, 2010). This issue brings diverse priorities to companies, which may result in more diverse solutions and thoughtful educational policies. Regarding the learning and development, new kinds of learning and communication are needed because the present absorptive capacity of organizations is subpar. Still this new learning is not trusted to be done through traditional educational institutions, but rather through in-house company trainings. Hence, business schools should listen more carefully to what the business world is asking from them; develop STEM(EA) programs with more soft skills education, more practical knowledge and skills to think critically, analytically, and in problem-solving ways. The government should develop policies, in coherence with what the business and research community says, with the goal of creating more competitive advantages and supporting prosperous industries. The business community should be more proactive in asking for changes in the formal education system and challenge the academia in Croatia to be more competitive and increase its position in the world rankings, to be more rigorous and ask more from its students so they are well prepared for big workloads which require analytical skills later on in the workplaces.

As a society, we seem to be shifting from a reality focused on problem solving and planning aimed at reducing uncertainty, to a world where progress is made by actively engaging with agility, requiring ever higher levels of management flexibility. VUCA is an acronym that stands for Volatile, Uncertain, Complex and Ambiguous context where managers and leaders have to make decisions (Johansen, 2012). This terminology is resonating with an increasing number of political, economic, social, environmental and technological factors that are shaping our present (and future). If we have to prepare students for the VUCA future, we have to realize that the education needs of the 21st century put serious challenges before us. It is impossible to solve problems of 21st century, with teaching methods of 20th century and educational institutions of 19th century. We need different methods of transferring knowledge that increase learners' engagement.

The 21st century is a century of constant change, and the educational practices that focused on the transfer of static knowledge are no long relevant. This push practice is based on adaptation and reaction, which is not enough for the VUCA world. The environment is changing faster than the speed that can be passed on to students. During most of the 20th century, learning was based on accepting skills and transmitting information or "learning about." At the end of the last century, the methods by which we continuously learn are increasingly evolving. These new methods simulate the context within which knowledge is perceived, but also redefine the position from which an individual makes a decision, and solves a problem.

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Management and Leadership Development Needs - the Case of Estonia

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Introduction

Management and leadership development priorities in Estonia are driven by the need to increase productivity and international competitiveness in a situation where salary costs are increasing, and Estonian business and public organizations have to compete for a young and internationally mobile labor force with employers in neighboring Nordic countries. For many years, the Estonian advantage has been its balanced state budget and simple taxation system that encourages reinvesting retained earnings.

In order to move from the role of subcontractors to developers of innovative products for export, Estonian companies, universities and state agencies have to cooperate in developing management and leadership education that will support creativity, innovation and change towards more knowledge-intensive business initiatives.

Estonia faces the challenge of speeding up its GDP growth and increasing productivity in order to improve the living standard of its population and decrease the numbers of young talented people emigrating to the Nordic countries. Anticipating the continuing of the present business practice versus addressing internal or external change pressures are among the most crucial issues when studying the management and leadership development agenda in Estonia where many business units still operate as low-cost subcontractors for transnational corporations.

Economic Situation and Management Education Features

Estonia is a small open economy and its economic situation depends heavily on economic trends in Nordic exports markets such as Sweden and Finland During the years 2013–2015, Estonian total GDP growth was 1.4%, 2.8% and 1.4% respectively. The 2015 increase in GDP was even lower than the Eurozone's average GDP growth of 2.0%. (Eurostat, 2016). The Estonian Entrepreneurship Growth Strategy 2014–2020 sets the general goal of attaining 80% of average EU productivity. The strategy highlights the challenge of aligning the competencies of labor resources and the needs of the labor market (Ministry of Economic Affairs and Communications, 2013).

In 2016, Estonian GDP growth was 1.7% (Statistics Estonia, 2017) but according to Statistics Estonia (2018a), in 2017 the gross domestic product (GDP) of Estonia increased 4.9% compared to 2016. In the 4th quarter of 2017, the Estonian economy grew by 5.0% compared to the 4th quarter of 2016. Information and communication technology and construction contributed more than other sectors to recent GDP growth. Many Estonian enterprises produce products outsourced to them by foreign companies. The competitiveness of Estonian enterprises as subcontractors may diminish as a result of losing the cost advantage. In 2017, the average monthly gross wages and salaries were 1,221 euros. Compared to 2016, the average monthly gross wages and salaries increased 6.5%. (Statistics Estonia, 2018b)

Since the year 2000, Estonia has been applying a relatively simple taxation system, where reinvested profit is not taxed, and progressive income taxation was not applied. Starting from 2017, differentiated tax free component personal income up to 500 € per month was introduced but in the income range of 14 400 to 25 200 euros, the basic exemption decreases to zero. Recent changes have made Estonian taxation system more complicated than before.

Strategic leaders in Estonian organizations have to find more sustainable business growth opportunities, compete for attracting qualified labor force and therefore need to identify new change directions for economic development based on knowledge and competence factors.

Estonian management education already started to develop in the 1970s in the Soviet command economy context (Alas & Aarna, 2016). The Tallinn Polytechnic Institute was the first in the Soviet Union to organize conferences on organization and management. The Estonian Management Institute cooperated intensively with LIFIM and other Finnish management development and consulting centers at the end of the 80s and the beginning of the 90s. During the transition to the market economy, the Estonian Management Institute became a spin-off platform for several management and business development organizations now based on private capital. Professor Madis Habakuk founded the largest private business school in the Baltic countries, the Estonian Business School (EBS). At present EBS is the only private business education organization in Estonia that has university status. In 2011, the Estonian Business School established its branch in Helsinki and at present offers both bachelor and master's degree programs there for Finnish and international students, where, among other topics, students learn about the Estonian change management experience. During the recent decade, Erasmus lecturer exchange and CEEMAN conferences have facilitated cross-border knowledge sharing among faculty members. The Erasmus student exchange program has enabled team projects where international student teams search for information and generate ideas for Estonian enterprises interested in export development (Elenurm, 2015).

Research Findings

Lead4Skills research in Estonia has delivered valuable knowledge for understanding change trends and challenges in the external business environment and inside Estonian organizations that influence the management and leadership development agenda and priorities. Semi-structured interviews conducted in 16 organizations and survey results of 60 respondents resulted in the following main research findings.

The general opinion of the managers interviewed for this study was that educational institutions and business organizations should enhance cooperation in order to improve the analytical and practical skills of graduates. The popularity of the vocational education is too low among young people. This leads to a shortage of qualified labor.

The interview results explain some links between the perceptions of business challenges and management development priorities that reflect organization-specific development context differences. Organization and HR development priorities depend on the social system perspective of development efforts versus the focus of these efforts on measurable financial outcomes (Martin, 2016). Answers to the question ‘What are the main challenges for your company currently and in the future?’ confirm that among the top managers and human resource management professionals interviewed, the demographic situation on the labor market is a source of management problems. Understanding the priorities of new generations entering the labor market are most often a central challenge for HR management in enterprises. The other main challenges include renewing business models as a result of changes in the environment and technology and enterprise management improvement needs.

There are however more specific challenges that are not the same for all organizations involved in the interviews or in the survey. Among the respondents, there were representatives of retailers and electronics assembly plants, where the main challenge was to attract young people to routine jobs. Coaching and development priorities in such organizations were linked to improving the image of the organization as a good employer for young people and introducing quality management practices that support the empowerment and job enrichment of the employees. One leadership challenge is increased staff turnover after having provided development programs; employees find jobs that are more rewarding in other Estonian organizations or even outside Estonia. Representatives of some knowledge-based companies stressed that the main challenge for their leaders was to attract and retain professional staff and talent for key business positions.

In some established business fields, the main business model related challenge was retaining the established position as local market leader. In business fields that are influenced by the changing regulatory or technological environment, the respondents anticipated a declining or changing market, for instance, in selling alcoholic beverages, taking into consideration Estonia's higher excise taxes compared to its southern neighbor Latvia. Some business leaders see challenges more in the local or regional context; others monitor global technological trends.

Management challenges in general terms were related to people skills but more detailed descriptions represented diverse issues: from team creation and retaining enthusiasm, the manager's role as the developer of the team to reconcile divergent views among owners and to overcome client service gaps. Restructuring organizations and processes, sales growth and efficient management of salary costs were also seen as major challenges for managers. Among future trends that have implications for HR development, investments in new logistical infrastructures and IT solutions were stressed especially in wholesale and retail sectors but also in food production. Technology-related management education needs were presented in a more proactive framework; for instance, using e-commerce to expand markets and applying new technologies to offer additional services to clients. The challenges of adapting business models were linked to cooperation with similar enterprises from other European countries and adapting products to international markets.

Results of interviewing CEOs and managers responsible for human resources demonstrated that development topics related to marketing and the respondents as priority development areas in their organizations. Respondents most often stressed development related to sales activities and training in the field of computers or IT. Among development areas said to never be used, three interview respondents pointed out change management, design thinking and entrepreneurship/intrapreneurship. Five respondents explained that foreign languages, corporate finances, human resources, strategy and leadership have been among the less popular development areas in their organizations.

Results of the survey involved a broader sample than the interviews. People skills development were considered important by 63.2% of the respondents and is the most popular development area both in private and public organizations. Two more development areas have been chosen by the majority of the respondents – communication, and computers and IT. The Estonian survey results indicate that there is a trend towards using development programs to integrate the human aspect, technology mainly represented by IT skills, and topics related to positioning the organization in the changing business environment and market. However, change management as a special topic is not among the 13 most popular development areas.

Recommendations and Conclusions

Management and leadership development in Estonian organizations could be more inclusive by involving different professional groups to change processes. Management and leadership development activities should not be limited to managers but involve all groups of employees that can contribute to organizational changes. Management education organizations in small open economies can assist leaders in cross-border networking efforts to better involve all levels of the organizational hierarchy and professional groups in change management programs. The human resource development model should take into consideration that corporate social responsibility, ethics and sustainability broaden the objectives of development efforts.

Management and leadership development needs differ in Estonian organizations depending on the business sector, the labor force situation, technological changes and competition challenges both in Estonia and internationally. Management education institutions should improve development analysis skills of their master's and doctoral students in order to assist organizations in customizing their in-house development programs and linking it to knowledge sharing during interactive university courses.

In order to increase the popularity and practical impact of change management courses, this development field should be more integrated with preparing and implementing new IT systems and other technological innovations. This assumes the coordination of the technological development and HR development strategies. The right timing of development events enables inclusive problem solving and learning by doing in real change management processes.

Universities, management educators and consultants have to understand the changing business landscape and the interpretations of management and leadership development challenges for top managers and professionals directly in charge of defining and following the HR development priorities of companies in different business sectors.

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Management and Leadership Development Needs - the Case of Hungary

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Introduction

Since the political changes of the early 1990s the Hungarian economy and society went through a systemic transition, but still, some of the structural problems of the post-socialist period could not be resolved. After the crisis of 2008 and 2009 the economy stagnated and the result of it was a massive workforce migration to Western Europe. As a consequence of this migration and other governmental interventions. Hungarian companies nowadays experience high levels of workforce fluctuation. There is a lack of skilled and highly educated workforce and companies face an increasing difficulty to motivate and retain young talents. As part of the unorthodox governmental interventions, we can see shrinkage in state financing in higher education, especially in business education.

These external trends are setting the context to our study of leadership and management development needs analysis. 17 in-depth interviews were conducted with senior executive managers and HR managers in 2016 and first half of 2017. The three main categories of interviews are large companies, SSCs and family businesses. The interviewees are mainly our former university students – from executive MBA or HR Business Partner programs. We interviewed both HR managers and top executives from most companies of the sample. We focused on those companies, which chose proactive or even pre-active business strategy – trying to control their internal and external environment – , committed to hire employees from top business schools and send top management successors on educational programs. Thus our research is not giving a general picture of Hungarian companies and their challenges.

Economic Situation and Management Education Features in Hungary

During the years 1989-1990, Hungary began the transition from a centrally planned economy to a market economy and from a communist one-party political system to a multiparty democracy (Harindranath, 2008). The transition to a market economy based on private ownership in Hungary happened gradually after the collapse of socialism through economic reforms (Adam, 1995); however, this process was not without costs. Among the social costs of the transformation was the increase of unemployment. For instance, in 1990 the unemployment rate in Hungary was 1.7%, whereas in 1992 the unemployment rate jumped to 12.3% (Adam, 1995). Altogether, the economic activity rate increased slightly between 1997 and 2011 from 52.8 % to 55.4 %.

The main industries in Hungary are automotive, electronics, pharmaceuticals and medical technology, ICT, and food industry (Eugo Hungary, 2017). The Hungarian ICT (Information and Communications Technology) market has been growing fast, accounting for 18.5% of the total ICT sector in CEE (Harindranath, 2008). However, Harindranath (2008) identified 'human potential' shortages as a potential major bottleneck for the future development of the information sector.

In 2014 and 2015, Hungary adopted several national strategies aimed at improving the quality of the country's education, such as a new lifelong learning strategy, however Hungary's education and training system still faces major challenges (Education and Training Monitor 2015). The economic crisis affected Hungary heavily, resulting in a decrease of public funding for education in 2011 and 2012 (Education Policy Outlook Hungary, OECD 2015). The general government expenditure as a proportion of the total government expenditure on education has shrunk from 11.2% in 2010 to 9.5% in 2013, compared to the EU average of 10.3% (Eurostat, General government expenditure by function, COFOG database). According to the OECD Education Policy Outlook of Hungary (November 2015) the teaching workforce is aging, thus priorities include attracting a younger teaching workforce and improving pedagogical practices and teacher training.

The overall challenges in Hungary from 2016 are worsening innovation performance and the growing shadow economy (ICEG European Center report, 2016). The main strengths of business efficiency in Hungary are compensation levels, working hours and female labor force, while the main weaknesses are attitudes toward globalization, flexibility and adaptability, competent senior managers, brain drain, skilled labor and worker motivation.

Bachelor and master programs in business administration could reach the previous levels of economies of scale only with both state financed and self-or company-financed participants, and the boundaries have become somewhat blurred. Because of labor market conditions after the financial crisis, the employability of students has gained increasing importance and consequently an increasing proportion of students with state financing decided to work during master level studies. This tendency was already present in evening or weekend programs with fee-based education and labor market competition has accelerated this tendency for state-financed programs as well. Also there is an increasing reliance on market fee-based postgraduate programs, so the system of management education became mixed in terms of its financing.

In another current research project, (supported by the Foundation for Future' Jobs) we have studied the factors that support or hinder working while studying at the university, based on an online survey (Takács et al. 2017). This research has indicated that in 2016 nearly 70% of the above (partly state-financed) master programs' students have worked 27 hours per week on average. Taking into account the total number of these master programs, this figure is covering almost the entire management succession needs of all major employers in and around Budapest and nearby industrial areas in Hungary.

Research Findings

The exploratory study is based on interviews in companies from FMCG sector; department stores; relatively large local companies; international shared service centers, operated in Hungary, and there were some local SMEs with family ownership. Our analysis will concentrate on the similar trends and tendencies.

The interviews were following similar logic. First, we talked about business challenges in terms of environmental conditions and changes, then we asked questions about how the company's organization and culture is trying to cope with these changes in terms of internal developmental processes (on-, and off-the-job training, management development, talent management, cultural change programs etc.). Finally, we investigated the biggest knowledge gaps: what are the expectations toward business schools and master programs in the wider field of business administration and what are the consequences for management development and education.

It was a common experience across our interviews in different sectors that the economy is still recovering from the financial crisis and this sluggish process combined with inherited cultural characteristics of the society: pessimism, negativism, high reliance on relationships, individualism, high power distance and low uncertainty avoidance (Bakacsi et. al. 2002) create unique challenges for business organizations. Therefore, the starting topics were almost in every interview: slower growth rates, lower profitability and risk aversion, caution in innovation, dependence on a (highly uncertain) institutional environment.

Another mentioned challenge was that the migration of the workforce accelerated; companies now face higher fluctuation rates and increasing labor shortages in many occupations (engineers, software developers, there is a “new brain-drain” to more developed countries). Retaining employees is a new challenge in many sectors.

As a further consequence of the financial crisis, there were frequent comments made on new forms of centralization (in both multinational companies (MNEs), and government) that exacerbated difficulties in decision-making and running businesses efficiently.

It is also a common sentiment that the world is changing fast and the Hungarian consumer is no longer much different from the world. Basically, the challenge companies are facing is how to address and reach the ever-changing consumer in a most efficient, appropriate and engaging way. This connectedness might also mean that consumers are becoming over-dependent on virtual reality. There is an emerging interdependence, consumers and buyers have more power as they can more easily get information, compare, connect, get advice, share their view, and that makes them less dependent on virtual reality.

Generational differences in the workplace is also a phenomenon that companies have to face nowadays. We already know that the configuration of organizations is flatter today (Taródy, 2012) and consequently it leads to more conflicts when members of different generations have to work together (Zubány 2008). This topic came up in talking about current challenges and there was an agreement among our interviewees that innovative products or services are usually produced by heterogeneous actors, that also mean bigger risks of having worse than normal results, but the process is usually much more inspiring.

VUCA is an acronym often used to describe or reflect on the volatility, uncertainty, complexity and ambiguity of general conditions and situations (Abidi and Joshi, 2015). How these challenges are addressed by companies, depends on their size, structure and culture, and financial possibilities, but we could find in common that some degree of flexibility and characteristics, that favor innovation were part of the answers in many interviews, e.g. connectedness to consumers and shoppers seemed to be part of the solution to volatility in many cases:

Some of the SSCs have also discovered that for longer time horizon they will need to build a higher value adding culture, based on innovation. The relative low wage position of Budapest (as a basis of labor arbitrage strategy) is quickly dissolving, so long-term competitive advantage should be based on being ahead of other centers in terms of performance, customer experience and employer satisfaction.

Local training companies provide specialized training programs in order to prepare managers for coaching and mentoring roles and HR Business Partners for internal consultants, or Financial Controllers to be able to diagnose organizational and human components of financial deviations from plans. Instead of only controlling through financial reports, future leaders have to bring to the surface deeper causes of symptoms. Cooperation of top management with HR and Controlling, the two main supporting functions of larger organizations, seems to be very critical.

Bigger scale change management programs are provided by local / global OD consultants, based upon their independent measures of employee engagement, network analysis (e.g. opinion leaders and communication channels), or measurements of organizational culture.

Larger organizations usually design company training/education programs reflecting the specific needs of each management level: different training programs for different levels and employee profiles. The most accepted system for evaluating internal training programs is general performance appraisal for middle managers combined with a competency system that can be assessed by 360-degree feedback on a regular basis. Some companies have even developed continuous feedback applications, to track the frequency and content of feedback given to each other, but these kinds of systems are rare, so companies frequently rely on external experts' opinions, like AC/DC assessments or other instruments of competency testing.

In SMEs, the main challenge is at this moment of time (20-25 years after the political changes) is to find the successors of the founders' generation, who are now close to retirement age and/or burnout. Here executive level MBA programs play a key role. SSC's strategy is to develop team leaders in order to decrease fluctuation or run mentoring programs. The development of future leaders is on-going, autonomous process, but its effectiveness depends on incoming talents. Some companies have already discovered that early retention and attracting potential future leaders is worth the effort, and it has to be earlier than in previous times. As the current regulations also prefer student work (cheap labor cost) and more flexible in terms of headcounts, bigger companies offer extensive trainee programs for MSc level students. The main goal of companies is to attract many and offer conditions that retain the best, depending on the possibilities emerging during the apprenticeship period. There is also a well-functioning career management system needed at higher levels in the organization, in order to offer jobs for the best trainees at the company.

In addition, many interviewees mentioned the possibility of stronger cooperation between companies and educational institutions (a system of co-education).

Conclusions and Recommendations

The role of universities is to create and pass on knowledge. Business education as part of higher education should follow a special logic in their management of knowledge. Giving practical knowledge, thinking and tools are important factors, but critical thinking, knowing theories like sustainability, social responsibility, emancipatory treatment of people are also relevant theoretical frameworks which should help broaden the range of vision, which can be a basis for practical questions.

In order to connect universities and business, there should be a dialogue between teachers, students and employers, sharing experiences, best practices. As overlapping structures with traditional specialized departments, research centers that follow an interdisciplinary logic should also be established.

Being aware of investing in master's students as an employer is also important, as most companies – mainly family businesses – are struggling with finding the right successor. On the other hand, business schools should raise their awareness about the added value they create, define their roles, and help students find theirs too by coaching, mentoring, and career path planning.

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Management and Leadership Development Needs - the Case of Latvia

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Introduction

Latvia as a 'new' European country has experienced both remarkable economic growth and severe economic decline since it started its transformation process in 1991. It is a country where "social, economic and political change is occurring constantly and is experienced at the level of daily life of businesses and the wider citizenry" (working definition of dynamic societies adopted by CEEMAN). This means that it falls into the category of dynamic societies. Recent global economic trends, recurring economic and political crises, technological development, emerging disruptive business models, uncertainty, instability and unpredictability confront businesses with challenges not known or experienced before and cause the management of companies to search for solutions which would ensure the sustainable development of their organizations.

The report presents the results of the study of management and leadership development needs in Latvia, which was conducted within the frame of a bigger research project on dynamically changing societies managed and coordinated by CEEMAN. The research aimed to gain insight into the current business challenges companies are facing and to explore management and leadership development needs required to address these challenges. Understanding the challenges and development needs will allow business and management schools to respond by providing a relevant educational offering which would help companies develop the knowledge, skills and competencies necessary to address the new realities.

The research in Latvia was conducted from March 2016 to March 2017, attempting to understand current and future business challenges of Latvian companies and the needs for management and leadership development to meet the challenges. It also tried to identify the missing link between the needs of the companies and the relevance of the business and management education offering. The data was gathered through 21 qualitative interviews conducted at 11 companies as well as through 37 responses to the online questionnaire. The companies represented all sectors of the Latvian economy.

Economic Situation and Management Education Features in Latvia

Latvia is a small open economy that went through the shift from a socialist to capitalist economy starting in 1991, becoming a full member of the European Union in 2004, joining the Eurozone in 2014 and becoming a member of the OECD in 2016. It is a country located at the Baltic Sea having a territory of 64,589 squire kilometers and population of 1,97 million people. Latvian GDP is 27,68 bln US$ representing 0,04 percent of the world economy. GDP per capita is 14,118.06 US$ and during last five years, the country has demonstrated a stable annual growth of 3,7%. With the growth of the economy, unemployment has been steadily decreasing, reaching 8.5% at the end of 2017.

Latvia is ranked 40th in the IMD World Competitiveness Report (2017) indicating skilled workforce, high education level, cost competitiveness, dynamism of the economy and open and positive attitudes as the top five key attractiveness indicators. It is within top 20 countries in terms of doing business, positioned in the 14th place. Doing Business 2017 found that Latvia had implemented substantive improvements in the local regulatory framework in the areas of access to credit information and making tax payment less complicated, thus narrowing the gap between local practices and best global practices (World Bank, 2016). On the negative side, Latvia scores quite high (57 points out of 100) on the 2016 Corruption Perceptions Index (Trading Economics, 2016). Informal activities in the Latvian economy remain widespread and amount to more than 20% of GDP.

Latvia is placed among very high human development countries and is ranked 44th. Latvia's gross national income per capita increased by about 44.2% between 1990 and 2015 (UNDP, 2016). Both minimum and average wages and salaries have also been growing in recent years reaching respectively 431.74 USD (370 EUR) and 1001.62 US$ or 859 EUR in 2016. Wage growth is largely driven by skills shortages, due to emigration, which remains high. According to OECD Labor Survey (OECD, 2016) during the last 25 years the population of Latvia has contracted by 25% and depopulation poses significant risk for further economic development.

Currently a significant amount of management education takes place within the system of higher education, which fully follows Bologna principles. However, the specific trait of Latvian education is the fact that it is a binary system, meaning that there are two tracks of degree programs - professional and academic and the graduates of professional programs can proceed with studies on an academic track and vice versa. Having two tracks of degree programs, unlike in many other countries, makes it possible to have MBA programs as part of the master's studies provision.

Formal management education, which is strictly regulated, is provided by 19 higher educational institutions (further referred to as HEIs) and the variety of programs is very broad and ranges from general business management to numerous specialized programs focusing on certain management functions. The total number of management programs at all levels of higher education in 2016/17 was 149, which is rather high for a country as small as Latvia. Informal management education, in turn, is unregulated and takes place both within universities - which offer a variety of executive training courses - as well as outside the formal educational system. There are plenty of training and consulting companies operating in the informal management education market offering a broad range of short-term programs for companies and individuals.

Overall, the Latvian workforce is considered to be well educated. About a third of the economically active population has tertiary education. Attainment of secondary education is also high; 80% of the working age cohort has at least secondary education. However, as participation in lifelong learning is rather low, a large part of the working-age population is missing the skills to become more productive.

Research Findings

Results of the research demonstrate that the challenges faced by companies can be divided into two groups – external and internal. Challenges provided by external environment relate to economic and political instability and uncertainty, technological challenges and demographic challenges. There is a universal agreement that the range of change is constantly increasing making external business environment very dynamic. The skills of people lag behind the rate of change and are not sufficient to meet organizational needs. Additionally, the regulatory environment seems to be very uncertain, as decisions made by the Parliament are often unpredictable. This causes companies to worry about financial stability and competitiveness, aggravated by the uncertainty of accessibility to EU funding in the coming years.

The business environment is very much affected by new technologies coming onto the market, which lead to changes in consumer behavior, as well. Although technological development is a positive phenomenon, it frequently leads to the erosion of existing business models. Companies are not flexible enough and are not ready to integrate technologies into their processes or product offering.

Considering the fact that during last 25 years Latvia has lost 25% of its population, the demographic situation presents a significant challenge for Latvian companies. They complain about not having a sufficient pool of candidates for certain jobs and believe that the number of talented people is limited in the country. This is especially relevant for the IT sector, as regardless of the high salaries offered in the market, it is difficult to find employees with relevant technological competencies.

Internal challenges are also rather complex and relate to lack of long-term planning and strategic perspective, transformational issues and human resources problems. It appears that short-term thinking prevails at organizations. The lack of strategic focus, absence of a long-term perspective and the ability to plan ahead in an environment of uncertainty, is a big challenge. Additionally, diversification of business and reorientation of business activities from a lost Russian market to Western Europe and Asia are recognized as the keys to competitiveness, and require special managerial attention.

Considering the fact that many companies over the years have grown from start-ups or small companies to large organizations, they face challenges related to the internal processes. The process of formalization and establishing rules and procedures is very slow, thus decreasing efficiency. Managing growth seems to be an issue, which also raises the question of communication, making sure that people understand things similarly. Additionally, organizational structures often provide a challenge, because of being rather hierarchical, they do not correspond to the nature of modern organizations. Moreover, logistical issues, the ability to work with suppliers, managing the supply chain – i.e. increasing productivity, which is lower than in other European countries – constitute a significant challenge for Latvian companies. IT sector companies see a challenge in the gap between the professional IT knowledge of their employees and their understanding of business processes.

Challenges related to HR are the most numerous. It is a big challenge to get employees with the required set of skills, competencies and attitudes. However, retaining them, keeping them engaged and motivated, is an even bigger issue. Managers often feel that despite a company's effort to invest in salary increases, equipment, premises and infrastructure, employees do not appreciate it and are unresponsive.

Many companies see a challenge in integrating and retaining employees of younger generations. A lack of social skills, different working patterns, attitudes towards life, and shorter attention spans pose additional challenges for companies. Employers consider them to have poor communication and problem-solving skills.

Management and leadership development needs are directly related to the challenges companies face. The most frequently provided company training relate to people skills, project management and customer service. The research clearly shows that leadership skills are currently the most important and will remain so in the future. During interviews CEOs and HR managers emphasized that leadership is required at all managerial levels; however, it has to be differentiated. Top management requires more training and development in strategic thinking and needs more coaching skills, whereas middle managers require more specialized training, i.e. in digital and e-commerce skills, and their feedback-giving abilities should be strengthened. They should be taught to manage and delegate, rather than doing things that could be given to their subordinates.

IT sector companies, facing a gap between professional IT knowledge and understanding business processes, require customer-oriented training and development for IT professionals. Developing the customer perspective, the ability to conduct a cost-benefit analysis, and the ability to analyze business processes and company performance are emphasized as the top development priorities. According to the CEOs interviewed, human interaction skills for IT professionals and establishment of expert and manager teams would make IT companies more competitive.

Research also gave some insight into the missing link between the corporate world and education institutions. The need for integrating theory with practice and a lack of practical experience provided at HEIs were common threads running through all interviews conducted. The schools are criticized for being too academic and not proactive enough in establishing contacts with business. HEIs place too much emphasis on fact acquisition and should focus more on problem solving, critical analysis, argumentation, teamwork, and personal development. Moreover, companies criticize business schools and universities for providing graduates with the wrong expectations and wrong motivation. However, companies are critical of themselves in this respect as well. They say that they have to communicate more and start cooperating more closely with HEIs, providing guest lectures and master classes during which they can identify potential candidates for their job openings.

Conclusions and Recommendations

As the research showed, university centers of management or business schools are the least commonly used training providers. We suggest that Universities and business schools should more actively engage in executive education and should break the stereotype of only being associated with degree education and being too academic. Business schools and universities should form close, unconventional ties with businesses, where communication and cooperation goes both ways. Schools should foster ties between academics and business professionals, let them exchange practical experience and theoretical and methodological approaches, share student supervision, etc. Teamwork, collaboration and adaptation skills are a must for graduates, and study programs must provide students with possibilities to practice those skills. Programs should focus more on people skills development as such skills are transferable and are valued in all job positions. The education system should foster the development of creativity, design and multi-thinking, embracing diversity of opinions and approaches. Analytical thinking and data analysis skills should be strengthened, as these are increasingly in demand in line with the development of IT and big data.

As digitalization is regarded as one of the major future challenges, HEIs should develop these skills through teaching them and using digital means as part of the learning methodology, thus helping students to internalize them. In order to fill the generation gap, HEIs and companies should introduce reverse mentoring and provide integrative training for senior employees and their younger coworkers, enriching the experience of both groups, which could be a symbiotic experience.

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Management and Leadership Development Needs - the Case of Lithuania

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Introduction

New managerial and leadership challenges present themselves as new opportunities for management development and at the same time require new knowledge, skills and competencies. This requires an understanding of leadership development needs. Thus, the authors completed research in order to explore leadership development needs in Lithuania. Research data was collected through the World Bank source, personal interviews with CEOs and HRMs (in total 34 in-depth interviews were performed) and online questionnaires which were filled out by 16 companies in Lithuania.

This paper starts with a description of the economic situation and management education in Lithuania, which is followed by description of the methodology and results of qualitative and quantitative research. It is finalized with recommendations and conclusions.

Economic Situation and Management education features in Lithuania

Lithuania is one of the three Baltic States with a decreasing population (from 3.6 million in 1990 to 2.8 million in 2017). The economy recovered somewhat after the crisis in 2013; however, economic indicators such as GDP, Foreign Direct Investment and Export of Goods and Services show the economic slowdown. OECD (2016) data show a large gap in income, which is mainly attributed to lagging productivity and lack of innovation capabilities. Innovation activities are hindered by the lack of finances, high skill mismatch and brain drain in Lithuania, OECD (2016). The key is business requires support from Academia to turn this situation around. For Lithuania to become competitive, the country needs to rethink its national educational system. Lithuanian National Development Plan 2014-2020 raises the need to modernize infrastructure of HEI institutions as well as to encourage new students to choose natural and technical sciences instead of social science. Although there is a particularly high number of study programs in management and business in Lithuania, the decreasing number of students suggests a necessity to reduce a number of management programs.

Research Findings

This chapter presents qualitative and quantitative research findings. Qualitative research data were analyzed by using grounded theory methodology.

The challenges indicated by CEO respondents can be grouped into external and internal factors. External challenges include unstable political and economic situations of neighboring countries, legal and socio-demographical changes, competition, intercultural differences and globalization in general.

Internal challenges include lack of business competencies and capabilities related to modern technologies and management innovations. Technical training is needed for modern technologies and business management systems, which are vital for efficient production and achievement of highest quality standards.

CEOs, in particular, feel psychological tension and burdens because of intense competition, unpredictable changes in political situations, and the lack of educated, workforce-ready employees.

Human resources management is mainly responsible for solving the above-mentioned challenges through the hiring and development of capable employees. To attract new employees, Lithuanian companies put tremendous effort into promoting the company’s image and reputation. They even focus on the candidates who are less preferred in the market.

Research shows that although CEOs and HR managers distinguish importance of trainings, the way of training employees differs. In some cases, they prefer inside company training, while in other cases, they would like to be extracted from their daily environment (e.g. workshops or conferences). Companies motivate employees through retraining. They develop specific traditions and organizational culture to ensure attractive conditions for training generation Z.

Some challenges are solved by such operational decisions like implementation of ISO and LEAN, investment into science and research.

Analysis of current and future Lithuanian organizations development needs shows that they overlap. There are four groups of development needs in Lithuanian organizations. First group is related with strategic financial goals and effectiveness in general (financial company prospect, markets and organizational development). Second group is linked to efficiency goals, for example, process improvement through new technologies or HRM development. Third group of needs is related to strengthening of strategic partnerships in the society with the aim to educate consumers. The fourth group of needs is related to strengthen connections and partnerships with higher education institutions to improve the preparation of talented potential employees. Speaking about partnerships with higher education institutions, companies allow students to undertake traineeships which opens opportunities for employment after it.

The study clearly indicated that the least developed individual competencies are foreign languages, IT, responsibility and communication skills.

The qualitative research findings are backed up by the quantitative research. Figure 1 shows the main training topics, which have been provided during the last five years among the surveyed Lithuanian organizations. These training sessions developed skills related to particular functions (quality management, project management, accounting and auditing, etc.).

During the past five years, most of the Lithuanian organizations gave priority for internal training programs, although, external training and tailor-made external programs were also popular. At the same time, formal education (e.g. Bachelor, MBA or PhD Programs) lost their attractiveness.

Human resource managers emphasize important preconditions for successful learning. These include the learner’s wish to grow and develop competencies, and the time and place st aside for learning. There is a request to train functional employees at the working place, while middle and top-level employees prefer learning by extracting a person from their daily environment. Finally, the learning/training price plays a huge role in Lithuania as well.

Figure 1. Main areas of the training and education.

Quantitative research data shows, that the most important criteria for the selection of training/education programs are the perceived quality of program content, the previous experience with the training provider, general awareness of the needs for the learning, reputation of the training provider and price. Charisma and experience of the trainer, training atmosphere and environment, training content and growing work results at the end are the criteria according to which HR managers describe training quality.

Conclusions and Recommendations

Research results show that there is a need for close partnership between businesses and management education institutions because of the intense fight for talents in the market. Business and HEIs should work together in order to align education and job market needs. There should be more attention paid to intergenerational topics and development of soft skills. In general, businesses find it difficult to work with different generations. The business environment is more generationally diverse now than at any other time in recent history. Thus, management education institutions should work with these diverse groups together in order to facilitate understanding, communication and flexibility. Business emphasizes the need to develop such students' skills as work ethic, responsible attitude, communication skills, emotional intelligence and other soft skills that are important for career success. All those changes should be implemented along with the relevant training content, convenient time and place, reasonable price, as well as, charisma tic and experienced trainer.

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Management and Leadership Development Needs - the Case of Poland

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Introduction

The aim of the study was to find out what are the challenges companies face concerning managerial and leadership development needs. The ongoing changes in business environment, which includes fluctuations in the economy, politics and demography, have a significant impact on the managerial development needs. In order to remain successful, companies are to develop their knowledge, skills and competencies with adjustment to the current situations. Scholars emphasize the importance of understanding managerial challenges when creating educational and training programs (Cornuel, 2007; Poor, 2012; Skuza, Scullion, & McDonnell, 2012). Higher education institutions (HEIs) as well as other entities offering educational trainings need to understand the ongoing situation in the business environment in order to adapt their offerings to the current development needs. Therefore, the main goal of the research was first, to identify current and future business challenges in Poland, and second, to find out what are the management and leadership development needs in this regard.

Basing on the semi-structured interviews conducted with 18 CEOs and HR managers from listed on Warsaw Stock Exchange companies, as well as survey conducted on 82 companies, we propose recommendations for the HEIs.

Economic Situation and Management Education in Poland

Poland is the largest economy in the CEE region, with steady increasing growth in the economy. Nonetheless, the country is facing challenges connected to the turbulence and uncertainty in many areas, including domestic and international politics, rapidly aging society and growing poverty rate (World Bank, 2016). Poland must address these challenges in the upcoming years. Whereas, the macroeconomic sector remains balanced, the country may struggle in the future with federal debt, which lingers at 50% of its GDP (World Bank, 2016). The government plans to continue and even increase the already expensive benefits connected to a family program 500+ (monetary benefits for every family with at least two children). Combine this with decreased pension age, and lowered taxes from SMEs, and it is clear that Poland's budget deficit will be a factor in the country's future economic forecast.

Higher education is one of the most dynamically developing areas in the country's society. Within the last 20 years, the sector has undergone significant institutional changes. Currently, Poland is forth in Europe in terms of enrolled students, with almost two million participants in 450 different institutions. Nonetheless, the number of students has significantly decreased since 2006, due to demographic changes. Thus HEI are faced with the development of new programs, which are not solely dedicated to young people, but rather to lifelong learning programs for older people. Moreover, HEIs are challenged to develop and offer such programs that reflect society's needs to become more attractive for local and international students.

Research Findings

As aforementioned, the study was based on the mixed-methods approach. The research was divided into two data collection stages. First stage involved quantitative data collection, 82 companies responded to online survey. Further, 18 semi structured interviews with CEO and HR managers in 10 listed companies was conducted.

Most respondents represented companies from the manufacturing, financial, and IT sectors. The majority of companies were privately owned, mature companies, having operated on the market for more than ten years. Analyzed companies were diversified in terms of sectors and activities, thus resulting in different development needs in the area of education. It should also be emphasized that the most of the analyzed companies were established during the transition time when the market in Poland was changing.

Results indicate that only 20% of respondents conduct educational trainings within universities, while there were more likely to use business schools and consulting companies. Moreover, it was found that companies prefer face-to-face programs rather than online, due to the development of soft skills. In most cases, companies implement education programs due to upcoming needs of departments or individuals, rather as a planned strategy or policy. Majority of managers indicate that the educational training are a result of department needs, strategic needs of the company or the personal interest of the employee. While the general HR policies as a reason for educational trainings, was indicated by only third of analyzed companies.

Thus, companies are rather flexible in engaging in educational programs, responding to the actual needs rather than sticking to upfront policies.

Results also indicate that companies are leaning into shorter, yet comprehensive programs that last for up to three days, so that employees learn practical skills that can be quickly implemented to the daily operations of the company. Whereas, as short programs can fill current gap, they cannot replace long-term programs dedicated to develop soft skills or strategic skills.

Most of the companies are willing to support the development of employees. Companies were ready to finance education in postgraduate programs and to take an active role in networking and community creation. Many of the companies also provide coaches to develop particular and desired skills and talents. Development programs are seen as an answer to arising problems rather than a top-down approach directed from HR department.

Companies throughout the interviews and surveys indicated that the major development need is connected with soft skills (i.e. communication, negotiation skills, time management, leadership). In the same time, development of "people skills" were perceived as those most difficult and time-consuming to acquire. However, it was emphasized that the soft skills significantly differ among groups of employees. For example, frontline staff needs the improvement in interpersonal and negotiation skills, as well all competences related to client contact. On the other hand, technical staff requires development in the project management skills, leadership and relationship building. Line managers, in turn, leadership skills, project management skills and industry knowledge. Middle-level managers should focus on leadership skills and industry knowledge. While top management could improve in strategic thinking competences, project management and change management. Thus, there is a growing need for customized programs while the "one size fits all" is seen as inefficient.

It was also emphasized that the demographic changes serve as a challenge within management and leadership. The younger generation looks at employment differently than the older generation. Managers believe that young people prioritize private life, as a result has difficulty assimilating easily into the hard-working culture, resulting in high employee turnover.

The demographic changes also lead to changes in how the companies look at more senior employees, considering them an important part of the human capital. Thus, companies develop programs dedicated to older generation of employees, in order to activate and maintain them, as mentors for the new, younger employees, as "they have great experience and we want them to share it".

On the other hand, both interviews and surveys indicated the growing deficit of skilled employees. Especially the skills connected with IT, digitalization, big data and new technology are sought for. Companies are aware of fast technological changes and try to respond and keep up to date, but they also try to foresee technological innovations and get ready for them.

Within the study, respondents also indicated the existing and missing link between the companies needs and HEIs offer. It was found that companies expect to engage in cooperation with the educational providers, whereas managers claimed that they are not aware of any ongoing collaboration between the two. In the same time, managers expect HEIs to be proactive in this regard and initiate the alliance.

On the other hand, managers suggest that the knowledge provided within traditional HEIs is rather theoretical and does not incorporate the practical requirements of companies.

Interestingly, the role of government was also emphasized by numerous respondents. Interviewees indicated that the government should work more closely with the HEIs in order to develop programs that are sought for on the market. Most of the interviewed managers emphasized that HEIs in Poland were unable to educate highly skilled IT specialists and programmers, leading to oversupply of humanists, which "flood the market". Whereas, in the same time, managers indicate that the soft skills are still underdeveloped among the employees. Thus, on one hand there is a lack of skilled employees, that are also developed in terms of people skills.

Recommendations and Conclusions

The demand for higher education at the undergraduate and graduate level is declining as negative demographic trends are becoming more persistent. At the same time, the market for specialized postgraduate and executive education is increasing (Dobija & Hałas, 2017). For that reason, the market for higher education is expected to be subject to pivotal changes (Koźmiński, 2016). It seems that in a longer perspective, only those institutions focusing on high quality education, innovation, and internationalization will have a chance to survive in the highly saturated Polish market.

Therefore, HEIs need to adjust to the changing needs of the companies, through increased cooperation Such relationships should not rely merely on hiring a few graduates, but should be a continuous process of internship offers, joint projects and the sharing of information. Cooperation will require both parties to organize student work and development mutually. Whereas, on the other hand, offering more practical programs and skills, that are sought for on the market. Therefore, in order to remain competitive, universities need to closely observe the market demands and adjust their educational programs accordingly.

On the other hand, due to diversified development needs, companies expect programs to be customized to their individuals needs, rather one size fits all approach. It may be connected with the shifting reason behind educational programs. Development programs are not a result of general policies any more, but rather a response to the upcoming needs.

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Management and Leadership Development Needs - The Case of Slovenia

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Introduction

Development needs in leadership and management are constantly changing and evolving and businesses and higher education institutions (HEIs) need to change with them. Today's global uncertainty has impacted every facet of life around the world, including Slovenia. Both businesses and HEIs constantly work to keep up with the changes and adjust as needed. Sometimes businesses in particular feel like they are just trying to keep up. As one telecom company executive put it, "What we need to do currently, is to transform those companies into companies that can have a sustainable business model in a completely unsustainable world." HEIs also struggle to keep up with the changes and develop curricula that meet the needs of business today. This study is designed to provide recommendations to try and fill that gap between business challenges and HEI educational offerings.

Slovenia was the first part of Yugoslavia to declare independence in June of 1991. Since then Slovenia has continued to grow and reach out to the international community, joining both the European Union and NATO in 2004, the Eurozone in 2007 and the OEDC in 2010 (BBC News, 2012) (OEDC, 2018). Due to its small size (population of just over 2 million and size of just over 20,200 square kilometers), most businesses in Slovenia engage in some form of international business (World Bank, 2018). Over 77 percent of Slovenia's GDP comes from exports of goods and services. This fact drove much of Slovenia's growth in the past 25 years (World Bank, 2018). Still Slovenian businesses face numerous challenges ranging from (1) uncertainty in the business environment; (2) changing demographics in both the workforce and the customer base; and (3) increasing digitalization and role of IT in business.

Economic Situation and Management Education in Slovenia

Slovenia, like much of central and eastern Europe, enjoyed steady growth in the 1990s and early 2000s. Slovenia's GDP grew on average 4.24 percent a year from 1996 until 2008. After the economic crisis in 2008 though, Slovenia had some sever economic setbacks. In 2009, the GDP shrank by 7.8 percent, and while it has started to slowly grow again, the second crisis in 2012, brought on, in part, by state run banks issuing risky loans, caused the GDP to shrink by another 2.7 percent (IMF, 2016) (World Bank, 2018). Despite these obstacles, Slovenia bounced back, and by 2017 Slovenia had an annual GDP growth rate of 5 percent, higher than much of the rest of Europe, and is expected to grow at the same level in 2018 (European Commission, 2018). In fact, Slovenia is predicted to be one of the fastest growing economies in Central and Eastern Europe in 2018 (Bouzanis, 2018). Slovenia's growth is expected to be driven by changes in the labor market and a mild uptick in private consumption in conjunction with low inflation (Focus Economics, 2018).

The recent election however, could create a certain level of uncertainty. Following the current trend in Europe towards increasing popularity of far-right parties, on June 3, 2018 Slovenes elected former Prime Minister Janez Jansa and his populist party with 25 percent of the vote with just over half the voting population turning out to vote. Jansa claimed to be the party that 'will put Slovenia first.' However, it is uncertain if Jansa will be able to form a government since most other party leaders have refused to form a coalition with him (Surk, 2018). Slovenia's main business forum is worried about the uncertainty from the election impacting the current boom in the economy. Already bond prices have been negatively affected (Novak, 2018).

Slovenia is a highly educated country, with 84 percent of students who finish secondary school going on to tertiary education, which equals almost half of the people in Slovenia between the ages of 19 and 24 attending university or technical school, higher than the most other countries in the EU (Republic of Slovenia, 2018) (Škrbec, 2018). Business is one of the more popular study subjects in Slovenia, more than a third of all tertiary students study business, law or social science (Škrbec, 2018). This is a significant change from thirty years ago. When Slovenia was part of Yugoslavia, the government championed 'self-management' discouraging management or business education. However, in the mid-1980s, some people saw the writing on the wall. In 1986, IEDC (International Education Development Center) was one of the first programs for management education established in Slovenia (then Yugoslavia) (Purg, 2018). Now, students can study management education in three public universities and 13 private schools. Although, not all of the private schools have traditional management programs, but just have specializations in areas such as logistics or cultural management (NAKVIS, 2018).

Research Findings

This study conducted under the auspices of Lead4Skills as part of an Erasmus grant provides valuable insight for both business and HEIs in Slovenia as to what the current challenges are, what is being done to address them and what still needs to be done. For this study, we interviewed fifteen CEOs and HRMs from eleven different companies in Slovenia. We drew the sample from a variety of industries ranging from IT to retail to manufacturing. The interviews took on average one hour, they were digitally recorded, transcribed and checked by a native English speaker. The transcribed interviews were then coded by two separate researchers using a well-established qualitative research methodology (Corbin & Strauss, 2015). The research findings can be divided into three primary groups: (1) current and future business challenges, (2) current and future development needs and (3) missing links between businesses and management education.

As mentioned earlier, the challenges faced by businesses in Slovenia can be grouped into three main categories: uncertainty in the business environment, changes in demographics and increasing role of digitalization / IT in business. In Slovenia, uncertainty occurs in many forms. While political and economic uncertainty have not been significant factors in Slovenia for the past 25 years (Fabbri, 2016), other forms of uncertainty are of concern for businesses. Increased pressures of globalization and increased competitive forces from within and outside of Slovenia are challenges frequently brought up by CEOs during the interviews. In certain industries, such as retail, competition from other parts of Europe and the rest of the world is a challenge they are facing on a daily basis. The interviewees also see the changing business environment to be a growing concern, from changes in industries as a whole, to changes in processes, to changes in customer relations and how they interact with the businesses. Many executives in Slovenia see the changing business environment as the impetus to change corporate culture away from traditional state-run company culture to one that is more in line with today's business environment. However, they are frequently fighting resistance from their own workforces. Nevertheless, they realize that if they do not work to transform the corporate culture they will have trouble dealing with the changing markets not only in Sloveni,a but around CEE and beyond.

Part of the challenge businesses face when attempting to change corporate culture is the changing demographics of the workforce in Slovenia. Similar to many places in the CEE, there is a gap between the older workforce from Generation X, who grew up under the communist system and Generations Y and Z, who did not. The different generations have different expectations in the workplace which can make it difficult to recruit, motivate and retain talent. The business executives interviewed particularly cited the difficulty in addressing the needs of recent graduates, who are part of generations Y and Z and have different expectations for their careers. The other issue mentioned frequently in the interviews was the lack of mobility of the workforce in Slovenia, which is contrary to many of the other countries in the study. While other countries find that younger workers are leaving their respective countries to find better jobs, companies in Slovenia find it difficult to encourage workers to relocate to where the jobs are, particularly if they live in favorable parts of the country, such as Ljubljana or the coast. Finally, executives interviewed for the study mentioned that recent graduates often lacked practical and/or soft skills that they desire in their workforce. In other words, they felt the recent graduates have good technical skills but lack understanding of business processes and how the system works.

Finally, the increasing use of digitalization and IT in business today is a growing concern for businesses in Slovenia from two different angles. Digitalization is changing how businesses interact with customers, from banks where their customers increasingly interact with them only online, to retail industries whose customers are increasingly expecting more online options over the brick and mortar ones. Digitalization is also shaping how businesses interact with the business environment as a whole. Manufacturing firms, for example, are recognizing that technology and digitalization are going to require them to rethink their business models. Even industries that have been IT focused from the beginning are realizing that digitalization is allowing new competitors easy access to their markets, thus forcing them into increasingly competitive situations that drive down profit margins.

Current and future development needs for companies in Slovenia reflect the businesses challenges and can be categorized into to two different groups, soft/ practical skills and specialized skills. Executives are particularly concerned with the lack of soft skills in their employee. They indicate that universities do a very good job training students in technical subjects, but neglect other aspects of business. Executives say that skills, such as communication, teambuilding, sales, and negotiations, which are critical when dealing with people, are sorely lacking. Several companies made special note that it was difficult to hire good sales people. Other areas where executives saw management development that should be fulfilled by HEIs is the critical areas of decision making, problem solving and project management. Several HR managers pointed to the fact that recent graduates have trouble with decision making skills and have trouble taking responsibility for their decisions. These are skills that HR managers believe can and should be better developed while students are still in their university programs. For middle and upper management, executives see a need for development in leadership development and strategic thinking.

With regards to specialized skills, companies did focus on IT skills, particularly with regard to digitalization. However, they see this development need more for existing employees needing to keep up with the changes in business today. Along the same lines, executives participating in the study see a need for specialized training with relevant skills for today's ever changing environment. In essence, they see a need for employees to be training for the new jobs in their industry that did not exist even a few years ago and learning more advanced IT and digitalization skills.

The number one missing link business executives have identified between business and HEIs is the lack of cooperation between the two entities. Businesses believe that HEIs are often out of touch with market needs. Companies say that HEIs should do a better job of shaping their curricula to what businesses need today and in the future. When asked about specific topics that executives in Slovenia feel are missing in today's university education systems, the focus was decidedly on soft skills. Many executives note that universities provide a very good education on the technical skills within each field of study, but that they do not offer the students much outside their field of study. Issues such as career development, decision making, entrepreneurship skills, creation of new knowledge and other soft skills the executives felt are critical to their businesses, are often ignored. As one executive noted, in her industry employees are required to have certain degrees to sell their products, and the new hires knew their fields very well, but do not know how to sell.

Finally, executives in Slovenia say that HEIs do not do a good job of connecting theory to practice. While they confirm HEIs do a good job teaching the important theoretical underpinnings of their respective fields to their students, they are not doing enough to bridge the theoretical to practical applications in business. Without this bridge of relevance, the students are unprepared for the realities of the business world.

Recommendations and Conclusions

Several strong recommendations for both business and HEIs came out of the results of this study. The primary result for both parties was to strengthen the communication and cooperation between the HEIs and businesses. In specific, in order to better connect theory with practice, we recommend that business work with HEIs to establish better internship programs and work/study programs. In Slovenia, as several executives in the study note, internships tend to be handled on a company by company basis. If business and HEIs work more closely, they could establish a centralized system within the HEI for internships. Further, to help facilitate the development of internship programs, businesses could work with HEIs to bring real life business problems into the classroom. We also recommend that in order to ensure that HEIs are better meeting market needs, that business work more closely with HEIs to develop curricula that will meet development needs now and into the future.

For HEIs specifically we recommend that universities build more practical skills into the curriculum. This includes modules on people skills, communication, problem solving, critical thinking, decision making and negotiations. These humanistic and emotional intelligence skills would go a long way to meeting many of the development needs of companies in Slovenia. While adding new separate courses to the curriculum might be problematic, these skills could be built into existing courses with the use on practical applications of the theory, such as live case studies working with local businesses. Finally, we recommend that HEIs particularly offering master's programs build more sector specific knowledge, particularly in into their executive training.

For businesses, in addition to the aforementioned cooperation with HEIs, we recommend that they adjust in-company training to meet the needs of the current employees and monitor and adjust said training to meet changing business challenges within the company. In addition, we strongly encourage businesses to work with HEIs to develop live cases, internships and work/study programs which will help students connect the theories to business practice in a real and tangible way. Finally, we recommend that businesses provide management and leadership training to every level of management in the company, in order to develop future executives earlier in their career. Business should not wait until someone is promoted to a leadership position to train them on how to be a leader.

In conclusion, this study offers some valuable insights into the current business environment in Slovenia. Current business challenges focus primarily on the rapidly changing business environment in Slovenia and around the world and how it impacts day to day operations in business and how businesses will function in the future. Companies see specific current and future needs tied closely with the business challenges today, which includes training people to be ready for future business evolution, as well. Finally, many of the missing links perceived by business executives can be connected to the traditional lack of cooperation between HEIs and business. Therefore, we recommend that increasing cooperation between businesses and their local HEIs will not only address many of these missing links, but will help businesses deal with the fluid modernity they are currently facing in the world today.

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Cross Country Report

In the following chapter, we provide an overview or a synthesis of individual country reports. We identify country specifics and look for common challenges, which reflect the situation in the CEE region and sometimes even on a broader European level or globally. We identify and highlight key issues and challenges in business environment as well as management and leadership development needs and practices to date, and identify gaps which need to be addressed.

Business Challenges

While some challenges have a direct relationship to political and economic transitions that these countries have faced in their recent past, other challenges clearly show direct links to technological, demographical and social changes happening on the global level today.

There is a long list of business challenges that our respondents identify, and these can mostly be condensed into four groups of key challenges: (1) Uncertainty, (2) Demographic changes, (3) Changing Customer needs and wants, and (4) Digitalization. It is important to note that these challenges are almost always intertwined, which increases the overall impact.

It is indeed important to note that change has become a constant of modern society, but for CEE countries included in our research, this holds especially true. In the last two decades, they have truly witnessed monumental changes on essentially all societal levels. Coupled with the recent economic crises which had a significant impact on growth for most of CEE countries, it comes as no surprise that (1) uncertainty is perceived as one of the greatest challenges in all these countries and by managers from all types of industries. This uncertainty derives from a diverse mixture of variables such as challenging workforce demographics, inability to develop sufficiently skilled workforce, generational gap, political uncertainty, local and EU legislative issues, rapidly changing markets, etc. An interesting type of uncertainty is also uncertainty about the future. Managers realize that customer and market trends, as well as the economic climate, are constantly changing, but being able to sufficiently interpret the whole socio-economic environment and predict these changes is something many managers so not feel they are competent to do. At least not adequately enough. All these factors when combined, have a wide societal impact, which of course includes impacts on both business and educational sectors, as well. The increasing number of change factors and the rate of change are described well by an interviewee from Estonia:

"In the economy and in business the most important thing is to adapt to the changing situation. These changes that earlier might have happened over a period of five to ten years, today happen in two years or even as little as half a year. For instance consumption trends but also changing prices and taxation rates that are outside our direct influence". –Estonia

While it is true that (2) Demographic changes often also relate to uncertainty, we must take them as a separate challenge. Main reason for this is that unlike the economy or sometimes even technologies which are often prone to disruption and sudden changes and are thus hard to predict, demographic changes happen slowly and are often fairly easily tracked and quantifiable. But although they are fairly easily predicted, they still have an immense impact throughout the whole social spectrum.

In essence, changing demographics are a global trend, so it comes as no surprise that respondents in all participating countries reported changing demographics as a business challenge for developing a strong and capable workforce. Aging population with longer working-years means that younger and older generations come into more direct contact and interaction with each other at the workplace which brings the generational gap – widely reported by the respondents.

Demographical changes also bring new generations with new values and lifestyles, having a direct impact on the working environment, or as one respondent gives an example:

"The younger managers that are now coming into positions, they're quite different from the old ones…example with an old manager, they shook hands, it was done. Now, the communication is different, the dynamics are different."-Slovenia

Younger generations are also more flexible and mobile. They are aware of their opportunities and are much more eager to pursue their ambitions than previous generations did, which results in higher migration rates.

"I can use any of those guy [graduates] in a junior position and when they would start earning money for me they just pack their things and go to Germany for ten times of the money." -Hungary

"in Poland we start to lack young people (...) they are moving to Germany or Great Britain." -Poland

People are mobile within their countries and migrate internally, following opportunities, often moving more than once when changing their workplaces. But there are exceptions to this, especially apparent in Slovenia, where for instance *"people who live on the coast are not prepared to move or just get a job in Ljubljana."* Changing demographics, as interpreted by the respondents, sometimes also result in problems finding the right people for the job.

New generations also bring (3) changing customers with different expectations. But it is not only consumer habits of the younger generations that have changed, all consumer habits and expectations are in flux. For CEE countries participating in the research, the market economy principles that began to appear in the 1990s resulted immediately in greater choices of products and services. For example, after the changes to the political and economic systems of most CEE countries, shelves became flooded with different products and private services sprang up to meet the demand of the populace. This rapid change in the marketplace had a dramatic impact on how customers viewed issues such as customer service. Prior to the fall of Communism, customers had no choice. Now, if a customer is not satisfied, he or she can take her buying power elsewhere, including online.

Technological advancements, especially digital technologies, have brought the biggest changes in the last decade. Consumers have become much more informed and have higher expectations. This means that coupled with almost infinite choice, consumer have become extremely price conscious and much less loyal to brands. The impact of this is most widely reported by retailers which for them, means much lower profit margins.

"Strategic question in Slovenia is mainly related to the change of consumer behavior. The fact is Slovenia is a very competitive market, consumers are becoming non-loyal, very opportunistic, and the pressure on the margin is very high. Margins are decreasing as a result of higher investments in promotion and advertising plus lower prices in terms of the price level." (Slovenia)

The challenge of (4) Digitalization is also something reported through all participating CEE countries. Along with issues related to the changing workforce demographics, digitalization is the most frequently reported challenge. With digitalization, change and innovation happens at unprecedented rates and companies that are not able to follow the trends are left behind, while those that manage to breakthrough, become important innovators. The influence of digitalization is so vast that even companies with analogue products and services others need, must adjust or even transform.

In addition to offering immense potential for various optimizations, access and analysis of big data has provides competitive insights for businesses. However, keeping all the data safe is a challenge unto itself. As one of participants of our public event on digitalization noted, data protection is the most important issue of a modern digital company.

With digitalization, new companies are emerging that upgrade current products and services and offer completely new products and services, as well. An interesting phenomenon are companies that are taking advantage of infrastructure of the old companies in such a way that these companies do not have a way to profit from this.

A good example are the so called *"OTT, Over the Top companies, Skype, Viber, WhatsApp, Facebook. So, the majority of the written messages already are going through those channels, completely for free, working on our infrastructure." –Slovenia*

With companies not knowing exactly how to adjust, interesting transformations can take place as was the case for one of the traditional telecom companies participating in the research that has decided to slowly venture in to other industries.

In addition to the challenges digitalization is imposing from outside, there are also important internal challenges pushing from within the companies. Digitalization brings not only technological changes, but also organizational changes which run far deeper than appointing a person or a department to be responsible for this field. It is definitely much more than simply changing from pen to screen.

Importantly, companies can set holistic digital strategies and develop needed organizational structures, but without buy-in from employees who see the benefits and are willing to change, the new initiatives often stall. Without strategic communications and transparent information from senior managers, any change to operations and processes are usually seen as a threat to employees. Learning how to initiate change strategies that stick is something that companies and educational institutions will definitely need to address together.

We would also like to add an interesting observation that the topics of sustainability, corporate social responsibility (CSR) and business ethics did not emerge at the interviews we have conducted. Besides one manager mentioning the difficulties of forming sustainable business models in an unsustainable world, research respondents did not mention these topics when discussing challenges and missing links. However, the situation was quite different at the conferences we have organized.

At our first conference on best practices in management education which we held in Riga, sustainability and ethics were two of the most reoccurring topics when we were running a recap and conference evaluation session. At the conference on digitalization in management education, ethics and CSR were important topics again. For this reason, we have organized an additional conference on sustainable innovation. While it is true that most participants were representatives from companies interested in CSR, it was still surprising to see that 55% of participants stated that CSR can provide significant competitive advantage, 45% agreed with that statement partially, while no one was against it. 75% of participants also agreed that sustainability for companies represents more than just ensuring compliance.

Current and Future Development Needs

There is much common ground in companies across all seven countries when it comes to their current and future development needs and what they need from HEIs. Companies know they need people with excellent communication skills, but they also know that the true drivers of business are technological advances in digitalization and artificial intelligence. As one company in Lithuania put it: *"...it is very important to follow what will be the rising need for new technologies..."* and "*…to replace old technologies with new ones as soon as possible*".

The need for specialized or relevant skills was mentioned just as frequently as IT/digitalization skills by companies in their interviews. Because of the rapidly changing environment driven by technology and digitalization, companies are seeing the need for people that are trained in these new fields that digitalization has created. However, the training for many of these common development needs seemed to be targeted to current employees rather than future ones. As one respondent indicated: "*The Company has created its own school in order to prepare particular specialists…*", "*…the company "grows" their own employees*." A Croatian company made this clear by saying, "*Managers and supervisors are those who need most education in order to broaden their horizons; employees older than 45-50 should be educated on the necessity of change and adaption in today's' business world in order to stay competitive in the labor market.*"

Finally, leadership development was mentioned by companies from six of the seven countries. This is particularly relevant to the changing workforce dynamics mentioned by companies in every country in this study. Leaders need to have the skills to manage the changing technologies and the skills to manage the challenges relate related to the new workforce dynamics. One HR manager from Hungary phrased it this way: *"We put more focus on the leadership team, how to run organizations… basically we are talking about change management, we are talking about leadership, how to run good quality, development discussion, and so on [...] coaching is the preferred leadership intervention."*

Though mentioned less frequently, strategic thinking and business management are also development needs that companies see as important. This aligns with the idea that companies want employees that are able to see the big picture. As one HR manager in Estonia suggested: *"Teamwork should be developed. To see the enterprise as the whole and not only its image. To see the process from the start to the end."*

A company in Lithuania also said that training was important in order "…*that employees would have all* [organizational] *values…"* and "…*to create value for the company, for the organization and stakeholders."*

The need for soft or practical skills were mentioned, just not as frequently as the ones mentioned above. The need to develop people skills for instance was mentioned by companies in five out of the seven countries. Companies frequently lamented that people skills such as communication, negotiation, sales and other customer oriented skills were lacking not only in their current employees but in new graduates, as well. As one Slovene manager said: *"I think that our current challenge is to have motivated and engaged people with technical knowledge and soft skills. I think that this is really important and that people we employ have a lot of technical knowledge, but not so soft skills, like communication, negotiation skills, team work experience and so on*."

There were several development needs related to people skills that were regularly mentioned. One of the business challenges mentioned in the interviews was the changing face of the customer. That fact that customer needs are changing is driving companies to train their employees to be more customer focused. So companies in multiple countries in this study mentioned the need for skills such as teambuilding, communication, sales and negotiations and sales in order to have employees that are able to build value for the customers. Even companies that did not see themselves as traditional sales or retail organizations still saw customer service as important. The CEO of an IT company in Estonia saw this need: *"In order to be competitive, more added value should be offered to the client. We have to develop in our work those activities that increase our value creation capability in order to better satisfy the client's needs."*

One of the reasons that soft skills were not mentioned as often as a development need is because "soft skills" are difficult to define and measure. When asked what she meant by soft skills, one HR manager in Slovenia said the following: *"for new employees I think it is really important to have soft skills, more knowledge about finances, communication, and teamwork."* Later in the interview, she listed multiple soft skills she feels new employees need to develop including, *"emotional intelligence, team building, communication, organizational behavior, creativity and innovation, negotiation, conflict management, business ethics, time management, foreign cultures, motivation."* This can make development in soft skills difficult to quantify and measure what exactly is needed.

Part of the challenge faced by companies is how to address the needed changes and who should be doing it. One company from Latvia clarified this dilemma well: *"There is a gut feeling that we need change, but we do not have yet an understanding what exactly might be needed. We are looking for some good practical examples, but there is very little comparative analysis of organizational design."*

There is an assumption by businesses that the development needs should not only be addressed by the companies but also by the HEIs. Companies cannot do it all by themselves and they need HEIs to be partners with them. One HR manger from Lithuania stated: "*Graduates have not had enough practice, their knowledge is rather theoretical…There should be far more close cooperation between universities, colleges and business."*

Missing Links between Business and Education

"You are saying that there are weak links between business and the university, have you showed any? Because first there have to be any links. So that there can be weak ones."- Poland

The most common 'missing link' between business and HEIs is that for the most part there is no link to start with. Companies in every country in this study lamented that there is little to no cooperation between HEIs and local businesses. However, for the most part interviewees did not have many suggestions as to how to change that. There does seem however, to be an assumption that it is the responsibility of the HEIs to initiate this relationship. As one company in Poland stated: *"[there is] no initiative from universities to make the move and connect with business, to engage in cooperation with business."*

One HR manager from Lithuania offered some suggestions while at the same time noting the lack of collaboration. "*There is no collaboration initiative from higher education institutions, even though it would be unbelievably useful for both sides....*" That person recommended collaboration via "*...invitation and integration of business representatives in schools and to engage business representatives in the activities of universities*." At the same time, companies can "*...invite people from academia to participate in their production meetings*."

While this HR manager did offer suggestions for both HEIs and businesses, overwhelmingly the push was for HEIs to take the lead in developing these links. *"Universities should step on a higher level in the future, as we already have a gap in the present. The majority of future jobs will be done by software or robots, high value adding jobs will be identified and low value, administrative tasks will be performed by machines. What we need are complex-thinking employees. Education should not prepare people who are able to do what a typing monkey can do (like simple accounting tasks, data entry ... etc.)" Hungary*

Other common missing link comments addressed some of the issues brought up in the areas of business challenges and development needs--teaching practical or soft skills and integrating theory and practice. The majority opinion was that HEIs did not do enough to promote these areas of learning. One interviewee from Lithuania put it very bluntly: "*Universities' infrastructure is out of date*." One CEO from Estonia also said this: *"But I think there's a bit of a gap between university education and how it relates to the business world."* An executive from Latvia further emphasized the lack of practical experience in the classroom: *"Educational institutions should know issues in corporations. Trainings sometimes are difficult when delivered by purely academic trainers based on theory only. Our employees always question the suitability of theories. Trainers should have eaten the salt of business."*

Finally, other commonly mentioned missing links relate to career development, creating new knowledge and teaching decision making. A Slovene executive offered these suggestions: *"Programs on taking responsibility for decisions, accepting change, willingness to be flexible and thinking outside the box.*" One executive in Croatia believed that this process should start long before the student enters an HEI. "*Starting from elementary school up to higher education we need to develop communication skills, assertiveness and independence….The ideal institution would be the one that teaches students how to think and incorporate new knowledge and develop their own potential".*

To accomplish these goals business leaders feel that HEIs should develop new teaching methodologies and not stick to how things have always been done. As one executive from Slovenia said: *"Professors telling me something that happened 20 years ago with some company, and I don't want to see Apple case, General Motor case anymore on my table. I would like to see something that is connected to some sort of transformation of the business."*

One suggestion that was made by businesses in several countries was to develop internship programs to enable students to gain real world practical experience while still in university. The problem is that many places to not have such programs in place. As one HR manager from Slovenia stated: *"The practical summer jobs, the fellowships, the internships, this culture is not developed here."* An executive from Hungary stressed the same point: *"It would be also helpful, if we would manage to work closer together and invite more internship opportunities so that they [students] could start learning what the real life is, whilst still at the university [...] and it helps."*

For the most part the discussion into the missing links focused on what HEIs could do for the businesses, by connecting theory to practice and teaching more soft or practical skills. But the interviewees were also quick to recognize that there needs to be a stronger link between HEIs and local businesses to help ensure that current and future employees are prepared to deal with the liquid modernity in which we currently exist.

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Appendix: Short Cases Collection

Short Cases from Croatia

Dalekovod – Corporate Social Responsibility in an Engineering, Manufacturing and Construction Group

As corporate social responsibility (CSR) became one of the standard business practices in the contemporary business, the establishment of the CSR strategy is a crucial component of a company's competiveness and something that should be led by the firm itself. It should include policies and procedures which integrate social, environmental, ethical, human rights or consumer concerns into business operations and core strategy. For companies, the overall aim should be to achieve a positive impact on society as a whole while maximizing the creation of shared value for the owners of the business, its employees, shareholders and stakeholders1.

Dalekovod was founded in 1949 with production, construction and erection of transmission lines, switchgears and substations as its core business. Over the years, the company employed young experts and constantly invested in their training, as well as adopted new technologies and tools, which in the end resulted in extending the scope of their activities. In over 65 years of existence, Dalekovod grew into a group of sophisticated privately-owned companies operating worldwide, which offer high quality products and services aligned with ISO9001 (continual improvement of product quality and process management), ISO14001 (care for the environment) and OHSAS 18001 (improving health and occupational safety) standards. Their business includes: (1) electrical power utility (eg. 0.4 to 1000kV transmission line), (2) sub-stations of all types and voltage levels (up to 500kV), (3) air, underground and marine cables (rated up to 110kV), (4) telecommunications utilities, (5) all types of networks and antennas, (6) production of suspension and jointing equipment for all types of transmission lines and substations (between 0.4 and 500kV), (7) development and construction of all metal parts for roadways (especially for road lighting, protective fencing and traffic signalization), (8) tunnel lighting and traffic management and (9) electrification of railway and tramway lines in cities.

[1] https://www.financierworldwide.com/the-importance-of-corporate-social-responsibility/#.W82AHXsza70

Further, they are focused on the value creation in business for its operations and responsible behavior in society which complies with the interest of the wider community and requirements related to environmental protection. In accordance to their development strategy as a socially responsible group, they are also active in corporate philanthropy through sponsoring humanitarian activities, science and education, culture and art, sport, sustainable development and health.

The utmost attention is devoted to the two aspects of social responsibility:

1. *Human and workers' rights and ensuring a safe working environment*

Dalekovod employs around 1500 people and recognizes their competence and reliability to be the greatest asset, therefore constantly invests in human resources and promotes the professional potential of its employees. They use a program for the additional training of employees, as well as the opportunity for learning and prequalification regardless of employees' age. Employee training and development is conducted by the Human Resources Department. The quality, frequency and timing of the education have a significant impact on the sustainability and competitiveness of the company, therefore the program is adapted to the company's requirements and is becoming increasingly complex, because it includes required qualifications for the current job. It is divided into several forms of education like IT, foreign languages (regarding the needs on specific market), certification exams and a specter of training – professional seminars, programs for managers, undergraduate and graduate study program and PhD program.

In their operations, they follow internationally prescribed human and civil rights and protect dignity and reputation of every employee. Discrimination and harassment due to their sex, race, religion, national or political orientation, physical disabilities, age, family status, personal characteristics and convictions is not allowed. Equal salaries for equal work principles are applied in the entire organization and the freedom of association and collective negotiations are recognized. The Collective Agreement extends beyond legal rights and above average in the specific industrial sector. All forms of forced or child labor are eliminated and working conditions are constantly improving (testing and inspecting working environment, testing and inspecting machinery and devices, and other activities regarding work safety, training and insurance from consequences of safety risks, specific work practices, injuries at work, etc.). Also, according to the Occupational Safety Act, a certain number of workers is qualified to administer first aid (one on fifty employees).

2. *Environmental protection*

In its operations, Dalekovod continuously resolves the issues related to the environmental protection, initiates actions with the goal of promoting responsible relationship towards the environment, and encourage development and adoption of environmentally acceptable technology. It has one of the best established and applicable systems in Croatia. In applying

ISO 14001 standard, continual control and monitoring are performed related to energy consumption and its rational use, pollutants in the air and water, reducing and adequately managing industrial waste and reusing it wherever possible, as well as using ecologically acceptable technologies and processes.

These two aspects combined with quality end products make the basis for the sustainable development of the group, integrating the unavoidable relationship between the desire for economic growth and the desire for a healthy organization internal and external environment. However, whether it will be enough to maintain a successful business in the contemporary business conditions remains to be seen.

About Kraš: Emergence of New Competitions

Kraš' history began in 1911 when the Union factory in Zagreb started working as the first industrial chocolate maker in South-East Europe. In 1923, also in Zagreb, Bizjak started its production of biscuits, cookies and wafers and in 1950, Union, Bizjak and other smaller confectionery producers from Zagreb joined to form a company operating under the name Josip Kraš. Josip Kraš was an anti-fascist fighter and prominent leader of the former trade union movement.

Today Kraš is the leading Croatian manufacturer of chocolate, candy, crackers and wafers, and is also the largest confectionery producer in South East Europe. Kraš is one of the few companies that is not a multinational corporation and has almost all kinds of confectionery products in its assortment. It is one of the top ten companies in the domestic food industry with its annual production exceeding 33,000 tons of confectionery products.

Kraš' development plans are export-oriented, with an emphasis on strengthening the leading position in the markets of the region where it already operates through its own commercial subsidiaries. Even though Kraš is currently the market leader in Croatia, due to the market liberalization after entering the EU and thus the increase in the number of foreign competitors, its position has gotten much more vulnerable. As a result, Kraš' marketing activities have intensified with a focus on competitive differentiation through brands dating all the way back to the 30s. The aim of this differentiation strategy is both to increase market share as well as customer loyalty and retention. Kraš has extremely developed sectors of strategic marketing and R&D which helped build Kraš' strong market position through continuous investment in technology and new product development.

Kraš is focused on providing its employees with personal growth and career development opportunities through the process of lifelong learning. This all started in the late 1990s, when Kraš developed and implemented one of the first projects for education and development of the company's management which evolved into what is currently known as Kraš Academy. At Kraš Academy employees have the opportunity to adopt new knowledge and develop skills to increase their efficiency and be up to date with current changes and trends happening worldwide. Employee creativity and innovation are highly encouraged and adequately rewarded.

Kraš also pays great attention to the ESOP program (Employee Stock Ownership Plan) which was first implemented in 2001 with the main goal of the program being protection against unwanted, hostile takeovers. Nowadays, ESOP leads to a synergy in management-employee relations in Kraš and encourages employee participation with the aim of achieving better business results and preserving the ownership structure.

FIVE – closing the gap between needs and wants

"We employ the insecure people! It's not a joke, it's a job offer!" was the opening sentence of the job advertisement claimed by Viktor Marohnić, founder and one of the co-owners of the FIVE agency, on their company's Facebook page. On the one hand that was a rather unusual publication, on the other hand, it represented a big gap between competences that educational institutions offer and characteristics employers seek for their new employees. While a couple of years ago, having a university degree was enough to get a job, nowadays employers look for more than just a university diploma. "We are looking for right attitude. We are looking for employees who are curious, constantly improving their skills and who are quick learners." said Luka Abrus, other co-owner of the FIVE, and continues: "While business market is improving rapidly and economy is growing, educational institutions are lagging behind and they are not following the market needs at the same speed." The following case study represents the FIVE agency and its management decisions while dealing with problems of finding the right people to improve their business model.

FIVE is a mobile design and development agency that is privately owned by Viktor Marohnić and Luka Abrus. After they left Microsoft in 2007, they both wanted to bring technology and people closer together by building award-winning digital products that generate returns for their clients, and they succeeded. Ten years later, they employ 140 IT experts in their offices in New York, USA and throughout Croatia. Besides delivering value to their clients, this year they expect more than 50 million kunas (around 6.75 million Euros) of revenue.

Besides offering the world-class products, FIVE offers competitive position analysis, well-elaborated growth strategy, world-class design, client orientated development, quality assurance, customer service and support to their clients, some of them being major brands such as Rosetta Stone, Marriott International, Penguin Random House, Napster and Choice Hotels. They owe their success to the quality of their work and relationship they build with their clients. They not only build successful products that evolve their client's business, but they cooperate in everything that follows: they set the growth strategy, deliver the product, and continually track, analyze and optimize all the funnels. Finally, it all comes down to app revenue, and FIVE also relentlessly optimizes engagement and retention for their clients.

Since they have 100% turned to export and almost exclusively to their US clients, they are battling on the most competitive of all world's digital battlefields and that is not easy for a Croatian company. However, they say it is more difficult to create a company focused on the domestic market that is exceptionally small and at the same time overwhelmed by obsolete IT companies that hold most of the market, which also explains their decision to work on US market.

To be able to deliver the best value for money products and services to their clients, they need employees with a certain mindset, set of skills and expertise. So, what they were referring to in their Facebook job advertisement, was that they were looking for employees who are not overconfident in their decisions, who reconsider their knowledge, always question premises and do not think that they know everything, in short, the ones who are constantly curious. A person who is full of oneself and over-confident in his/hers decisions immediately gets a "red flag" at FIVE's selection process. It's been in FIVE's culture for years to raise employees to be modest and never arrogant. FIVE tends to create awareness that their client knows much more about their business model than they do, and they always have to learn a lot in order to understand client's problems and their value package.

Whenever major changes are taking place, such as the industrial revolution, labor market disturbances arise. ITC with constant innovation is actually constantly creating a revolution, and the labor market fails to respond to its needs. Therefore, in FIVE they are well aware that it is necessary to react immediately. However, despite their continues search for new employees and attractive compensation packages they offer, they always lack good people. "There is no such thing as enough human talent. We are always short on that account, knowing that we do owe everything to our employees.", said Luka Abrus. They are mostly hiring skilled engineers and designers, but as well as most Croatian companies in ICT sector, they are also facing the problem of migrations of employees to mainly Germany, Ireland and Scandinavian countries. In FIVE they are aware that it is not just a matter of earnings because generally excellent people who are very well paid and are having interesting jobs are also leaving the country. One of the reasons is that these people are looking for challenges and there are more opportunities for self-development abroad, the second problem is that they are usually having young families and their husbands or wives cannot find satisfying jobs in Croatia and they are often the ones who initiate a departure.

After reading the case, please check FIVE website on: https://five.agency

Estonian National Opera: Diversity and Planning – Is This Mission Impossible?

How to manage diversity? We have all heard how diversity makes us richer and everybody can benefit from it. What about the uncertainty it creates? Both high level of uncertainty and diversity are factors affecting most of the arts organizations. And still organizations like Estonian National Opera (ESTONIA) are filled with people full of motivation, inspiration and innovation. What is their magic trick to solve their daily “mission impossible”?

Introduction

Estonian National Opera is like a little state – it takes care of itself and feeds ones and others hunger for artistic miracles – consisting of wood workshop, guesthouse, catering, etc. There are many “theatre-families” on the staff list that spend most of their time in theatre, with their children growing up in theatre magic. This is in a way symbolic, since raising new generations (of both audience and personnel) is always one of the priorities for the theatre. However, there is at least one big difference compared to the Republic of Estonia – opera theatre is very diverse in sense of nationalities represented, while Estonia as a national state is rather anti-tolerant and in political rhetoric seems not to benefit from diversity. However, not just the number of different nationalities represented is tremendous in ESTONIA. Also educational, professional and age backgrounds of artistic staff involved are very different. In that sense, the tensions in ESTONIA could be compared to Babylonian mess. This leads us to the question: does the diversity in art organization create a mess or on the contrary, differences complement each other and form a perfect whole?

Specifics of creative personnel

People working in theatre are considered to be more immediate and passionate than in a typical business organization. “It is never boring in our theatre,” HR manager Kärt Kinnas says. Most of the staff are very dedicated and work with passion which is wonderful of course. On the other hand, burn-outs are very common in the artistic world. One way to avoid that is rotation. Once per year, there is a day of “changing jobs” in ESTONIA. This gives for instance a marketing person possibility to decorate the stage while ballerina can practice writing marketing texts for social media. This kind of activities are not just fighting against the routine on individual level, they also help to improve the working processes collectively. A person in a new role is expected to suggest innovative ideas for improving the job, and those ideas will always be at least considered if not implemented.

Personnel policy

Even though for filling-in some artistic positions sometimes head-hunting or word of mouth method is used, many candidates worldwide apply. As a result, 27% of artistic positions are filled with professionals from outside the Republic of Estonia. The administrative staff is recruited from open job market and consist mainly of local people. The service positions are filled mainly with arts students. Often people employed for technical positions do not have all necessary qualifications and on-site training is offered. For instance, traineeship in the Color Workshop lasts for approximately two years as it is a very specific job and no educational institution worldwide prepares that kinds of specialists. Cooperation with universities plays an important role as it contributes directly to raising the new generation of staff. HR department always tries to find trainers with "special angle", who understand the arts world. Some examples of trainings regularly provided for the staff include languages, technical workshops, team building, first aid, security and service culture. As Kinnas says, "We are very proud of our educational project". Even though yearly staff turnover is about 10%, it is mainly caused by the fact that most of the contracts are fixed-term.

Managerial challenges

Broadly said, in the theatre there are over 20 different business sectors working together. It could be seen as a breakdown of the whole society. The managers need to be there for each and everybody, take care and protect everybody's rights however different they are, and constantly stick to the joint goal. This requires a lot of efforts and profound planning on every possible level. Diversity at workplace is a highly valuable and at the same time a very complicated issue. Kärt Kinnas stresses that one also has to take into account that the new generation thinks and works completely differently. For many young people employed in ESTONIA, it is their first working place ever. Some artists are very young, coming directly from ballet schools. Surprisingly there are only four people working in the personnel department that have to handle all the staff issues. One more daily challenge is the cultural background of the artistic staff who they come from 19 countries (including Japan, Russia, Belorussia, etc) and all of them need to be adapted to Estonian society both in broader and narrower sense. No external integration training fulfills their needs. Thus, partly also integration issues lie on the shoulders of HR department and direct supervisors.

Motivation and organizational culture

There is a well-developed motivation system taking into account the needs of very diverse staff. The list of benefits is long, just to give some examples: 49 days annual leave for artistic personnel, each season beginning with recognition of good work, bonus in case a child is born, school graduated or getting married, etc. Training is also seen as a bonus: 2-3 times each year a local or external coach is training the personnel on specific needs-based issues. Also, variety of joint events contribute to the staff motivation. It is not just about the event itself but the cooperation before, during and after it. For instance, for the Theatre Fair, the whole staff is contributing and the HR department is responsible for the flea market. In order to keep the traditions alive, on the theatre birthday current and previous workers of ESTONIA meet in an open atmosphere behind a cup of coffee and this way the ties between the generations are tightened. HR manager stresses how important it is to keep the history alive, as there are 600 ESTONIA “alumni”. In order to be aware of current trends in the field, study visits to other theatres worldwide are regularly organized. This is a good way for team building but it also helps the managers understand what kind of competences are needed internally.

Planning and analyzing

National Opera Act regulates the priorities and sets the indicators for ESTONIA. Internal Arts Council is involved in setting the repertory for 2-3 years. When planning, both financial arguments and “artistic quality” have to be taken into account. As an interesting argument, also external invitations to foreign countries for guest performances are related to long-term planning.

HR manager stresses that the working culture in ESTONIA is very open and there is no fear, thus everybody can express themselves freely. Therefore, also feedback-system is kept as informal as possible. Everybody is expected to say openly what they think – this expectation is grounded in “good-by interviews” with leaving staff.

Dreaming for a moment

The financial resources available in ESTONIA are quite limited even though the theatre is state-owned and acting based on a National Opera Act. HR manager states, that if everything would be possible, she would focus on five following areas: invest more into working environment, raise the salaries up to competitive level, recruit more people (in order to avoid burn-out), open an in-house childcare and somehow create more space for everything (as also the venue as such is literally very limited).

Technological solution to bring some system to the chaos

The management of ESTONIA is very proud that ESTONIA is, technology-wise, coping very well. "With initiative of Aivar Mäe and constant suggestions of our personnel, we have developed our own electronic working plan system," Mrs Kinnas says. It has proven to be successful and other Estonian theatres use it now as well. The system connects the tasks with payrolls, etc. Thus, it links the resources with events.

Possible discussion questions

Here you can find some questions applicable to foster the discussion among the BA students. The focus of the discussion could be either on diversity management, strategic management, organizational culture, personnel policy, diversity at workplace or any other management related topic. The following questions are suggested by the author:

- *Indicate the challenges of the existing diversity strategies – what could be changed in order to acquire higher level of effectiveness in the organization?*
- *SWOT analysis of the personnel policy*
- *SWOT analysis of the strategic planning*
- *Suggest additional cost-effective solutions to solve the existing challenges and shortcomings*

Strategic Choices of an Aviation Company

The last flight of the national airline Estonian Air landed at Tallinn Airport, its home airport, on 7 November 2015 at 17:30. It had been 24 years from the first flight of the airline.

The company was established in 1991 by the Estonian government with aircrafts acquired from the defunct local Aeroflot Division. The flag carrier airline of Estonia had offered flight connections to the biggest centers of Europe with the purpose to facilitate the development of Estonian economy and enlarge the travel options of people.

Environmental threats in an aviation industry

The local airlines like Estonian Air operate on thin ice with regard to economic efficiency. Open and tight competition and the impact of other environmental factors have forced many national and local airlines out of the market. It was already in September 2007 when the recent ex-President of Estonian Air published a newspaper article where he asked a question: “How long are we able to fly under the brand name of Estonian Air?”

By the time the newspaper article was published, the aviation industry was exiting the cycle of crisis that had started on 11 September 2001. The events that took place on that day had sparked worldwide crisis in the aviation industry. On the other hand, factors such as the rise in salaries due to the pressure of trade unions, relaxation of the market conditions and end of state subsidies, had already created enough prerequisites for the crisis. By 2007, the aviation industry managed to get out of the crisis but had lost billions of dollars, whereas tens of airlines had gone bankrupt.

Yet, the aviation industry has constantly faced endangering factors. The next crisis, which was luckily shorter, was related to the explosive rise in fuel prices in the end of 2007. The second half of the following year saw a notable reduction in fuel prices, but the worldwide financial- and economic crises lowered demand significantly. In the spring of 2010, the volcanic ash cloud from Iceland shortly messed up all the European air traffic.

Estonian Air was one of the few local airlines that managed to make profit during the global crisis in 2001-2005. The President of Estonian Air in 2002-2005 said that the company managed to be profitable due to its ability to re-orientate quickly in the changing environment. "We carried out a lot of different reforms, cut back on catering, which caused dissatisfaction among many clients, especially public servants who did not have to pay for their flight themselves. These measures worked out very well during the first years and we made a record profit in 2003."

Emergence of problems in Estonian Air

In 2006, Estonian Air made an unexpectedly high loss. One reason for it was considered to be the rise of a Latvian aviation company Air Baltic, who had probably managed to use better the options of “open skies” in the aviation industry after joining the European Union. It is claimed that Estonian Air was unable to make use of the opportunities provided by the accession to the European Union and was trapped in the more complicated competition conditions that were effective within the European Union. The situation also became worse due to the increasing competition from low cost aviation companies such as EasyJet.

The author thinks that a probable answer to the question of sustainability of the airline, which was presented in the article, lies within the following essential strategic issues to be worked out by the leadership of the airline.

- The first issue is whether to offer a cheap and competitive service and thus increase the chances for survival or ask for a higher airfare, offer more diverse service and risk to dilute competitiveness.
- The second major issue is related to the number of destinations and frequency of flights to those destinations. Is it better to fly with a limited number of aircraft in tight market conditions to more destinations and less frequently trying to make the home airport a small hub or rather to fly to fewer destinations more frequently, offering good opportunities to change flights at European hubs? What should be the relation of direct flights vs those that require to change planes?
- The third key issue is related to the fleet. Is it reasonable to use bigger or smaller aircraft? The answer depends on a solution to the second issue outlined above.

Smaller local airlines are only able to survive when equipped with sufficient resources to create economies of scale. In that case, success depends on the relative size of the airline, the number of established flight destinations, the frequency of flights and mutually beneficial collaboration within alliances. The conclusion with regard to the Baltic countries could be that there is enough room for only one airline. This means that there is no room for Estonian Air beside Air Baltic. Air Baltic had clearly started to increase the number of its aircrafts and destinations already in 2005, when Estonian Air made its last profit. The business model of Air Baltic became more like a hybrid model that involved services of a low cost airline and a classical airline combined. The majority holding of the airline has been owned by the State of Latvia.

Some experts say that Estonian Air could have been saved by transforming it into a low cost airline or selling the majority holding to SAS after the appearance of “open skies” opportunities (after the accession of Estonia to the European Union), whereas SAS was extremely interested in doing so in the middle of the last decade. But the years 2006-2009 resulted in constantly increasing losses and by the end of 2010 it had become evident that the investors of Estonian Air, including the majority holder SAS, refused to cover such losses. In order to avoid bankruptcy, the strategic decision of the State of Estonia, as a minority stakeholder, was to save Estonian Air and purchase the holdings of other stakeholders worth 18 million euros in 2010. From now on, the strategic decisions with regard to the issues mentioned above were in the hands of local decision-makers. SAS retained 10% of the shares and the State of Estonia held 90% of the shares. Estonian Air had lost its strategic investor and partner.

In spite of great hopes the fall of the company

The Supervisory Board of the company decided to support the development ideas of the new Chairman of the Management Board, recruited from Air Baltic in spring 2011. The community of local highly ambitious politicians expressed great interest in the new plans. The Chairman of the Supervisory Board said, "The only chance to avoid disappearance is to increase the number of aircrafts. We do not need to set up a new Air Baltic, but we need to fly to more destinations."

This statement was a brief of the new strategic direction defended in front of the owner in the autumn of the same year. The issue of cutting costs was abandoned, whereas the main focus was still placed on the classical business model that emphasized the comfort of customers and quality of service. It was planned to make Tallinn Airport a hub like Helsinki and Stockholm. The competitive advantage of Tallinn was considered to be the high quality of air services at a lower price. The new Chairman of the Board expressed his point of view as follows: "The airline must remain classical and stand out with its comfort and quality."

The State of Estonia contributed additional 30 million euros to the implementation of the strategy. The strategy also relied on the fact that the expansion strategy of Air Baltic had been a success. Was it possible to copy in Estonia? The longer perspective of the strategy also included trans-continental flights and purchase of new bigger planes.

A big loss in 2011 was considered inevitable but tolerable, whereas it would help to implement the strategic aims. In the second half of 2012, it became evident that the management had been unable to succeed with the strategy with the money contributed by the owner. The year finished with a huge loss. Banks refused to finance the plan of expansion, whereas the ratio of equity to share capital indicated a danger of bankruptcy. The strategic ideas of the Supervisory and

Management Board were considered unrealistic and unmanageable by the owner. The Chairman of the Management Board was made redundant and the planning and control of the company was vested in the new Supervisory Board. In the end of 2012, a new Chairman of the Management Board was appointed, a Swede with a lot of experience in the management of several aviation companies.

The main task of the new Board was to exit from the plan of expansion, reduce the number of destinations and other operation costs. In order to continue essential flight connections, the State, as an owner, had to plough more loan money in the company.

Despite the implementation of the reduction strategy and reorganization, the activity of the company in the last three years resulted in significant losses.

In 2015, the European Council decided that the investments in the company by the State to save the company were against the principles of fair competition and thus against the rules effective in the aviation industry. A decision was made that the aviation company had to return 85 million euros to the State. As this appeared impossible, the company was declared bankrupt in November 2015.

Potential discussion questions

1. What would be the opportunities for airlines like Estonian Air to survive? Was such development of Estonian Air inevitable, or could the company have been able to continue operations, in the event the owner, the Supervisory Board and the management had made better decisions?

2. What should have been the strategic choices of the owner of Estonian Air and the management in 2011, after the loss of the strategic investor (SAS), with regard to the issues outlined in the article by the ex-President of the company?

3. How would you comment on a statement that the State is not a good owner in aviation business, based on the example of Estonian Air and Air Baltic?

TEBO – startup for supporting online knowledge sharing of educators

After reading the case, please check Tebo website https://www.opiveeb.ee/?lang=en#about and try to answer bolded questions in the case.

Founder of Tebo Tõnis Kusmin (*https://ee.linkedin.com/in/toniskusmin*) during his high school studies scored 100% in math exam (top 0.1% among Estonian high school students) and had gained experience in producing learning videos. When discussing videos and opportunities to change teaching practices at school with teachers, Tõnis understood that teachers have heavy workload and limited time to create, search or compile new study materials and instruction tools for their subjects. An average teacher has to prepare for conducting 20 lessons per week, 600 lessons per year.

Teachers across a country teach the same subjects but enthusiastic teachers create their own content for lessons in addition to basic textbooks. Estonian teachers tend to spend seven hours per week preparing for classes. Teachers that want to make their classes interesting for pupils, are creative to search new online materials from YouTube and other internet sources and eager to create their own materials.

After graduating from high school, Tõnis Kusmin set up a non-profit organization in 2014. His aim was to create an online tool that allows teachers to tap into the creativity of other teachers and share their own teaching materials. The online tool was called Õpiveeb ("Learning web" in Estonian). Already at this stage of non-profit organization, Õpiveeb managed to engage 3,000 teachers to use free of charge version and five schools were ready to pay for services.

Õpiveeb is not such an easy word to write and pronounce in other languages, so "Tebo" was introduced as the new brand name when international promotion of the concept started. Tebo provides teachers a community for collaboration where they can manage, create and publish interactive learning content (slides, videos, interactive tests and exercises) and share it instantly with their students from the Tebo online platform (*https://www.opiveeb.ee/?lang=en*). The interactive exercises can be solved in Tebo from any smart device. The teacher can track student progress and see the results in Tebo. Letting Tebo grade some papers or tests and being able to use other teachers' content lets the teacher create lessons quicker and make them more engaging for the learners.

Although the non-profit organization was operational for creating the prototype of the platform and for receiving some financial support, it was clear that in order to use the whole potential of the idea, business thinking and entrepreneurial business development are needed. The prototype had some gaps that complicated onboarding large number of users. In 2015, the limited liability company Tebo OÜ was created and Tõnis Kusmin was fully devoted to this start-up. Their vision was not to limit activities to supporting online knowledge sharing but to build a business model where teachers active in uploading materials considered as great content, are recognized by teachers that use their contribution and it is available to teachers and learners in other schools. Such active and creative recognition should also enhance their income when many teachers download their materials. TEBO's ambition is to become the personal virtual assistant for teachers and to increase their income.

Creating digital marketplace for education content – culture and change readiness matter

Tebo is a SaaS-enabled marketplace for education content. This marketplace helps teachers to share presentation slides, worksheets, videos, exercises, quizzes and several type of interactive learning tools. IN 2015, Tebo moved rapidly to the situation where about 3,000 teachers at their home market Estonia became regular users of the platform. Five schools started regular payment for Tebo services. Tebo used several arguments for promoting their solution.

How does Tebo help teachers?

- Saves teachers' time
- Makes finding study materials quick and easy
- Enables to create and send interactive tests, quizzes, worksheets to students
- Corrects tests and homework automatically
- Makes teacher's life more comfortable
- Enables a teacher to manage all the study materials in one place
- Enables to have an overview of the progress of the entire class
- Makes classes more fun and interactive
- Enables teachers to earn extra money

Free version offers 30 free learning items form other teachers and basic features such as collecting learning content and sharing it with students. Premium version assumes 9€ monthly payment per teacher and allows to use unlimited number of teaching items from other teachers and premium features such as quizzes, exercises, tests and worksheets.

There are three main types of teachers that are potential beneficiaries of Tebo:

1) teachers who send homework via internet;

2) teachers who use a data projector in the classroom for slides and videos;

3) teachers who use tablets with students in the classes.

Today Tebo team is dealing with early adopters. All teachers can use Tebo. However, this service is built for the rapidly growing market - the teachers using tablets in classrooms.

In Estonia, attitudes towards internet use and online transactions are generally positive. Estonian politicians have promoted the image of e-state, where nearly all transactions between citizens and state would be possible to conduct online, including tax declarations and voting in general and local elections. The Republic of Estonia is the first country to offer e-Residency - a transnational digital identity available to anyone in the world interested in administering a location-independent business online. e-Residency additionally enables secure and convenient digital services that facilitate credibility and trust online (https://e-estonia.com/component/e-residency/).

When Tebo team approached Estonian teachers, they were in principle not against sharing their knowledge by using online tools but they were selective in sharing their knowledge and sometimes did not have clear priorities what to share and what not to share. Their barrier was mainly lack of time to learn about different IT tools and to use several platforms. Users can collect all teaching materials in one place – documents, presentations, videos, games, links and create new quizzes, cloze test, test and more. Although Tebo's vision was to integrate existing tools, some teachers were used to their own personal tools for sharing online content with their students. Tebo made sharing materials with other teachers very comfortable and gave to teachers easy choice what to share and what to keep only for their own use.

Business angels also recognized Tebo enthusiasm. They managed to raise 160,000€ investments for business development and in 2014, Tebo was selected among TOP4 Estonian early stage startups by top business angels representing Estonian Business Angels Association (https://topstartups.ee). In 2016, Tebo's team found an interesting international business development opportunity quite far from Estonia. They managed to apply to a business incubator in Chile. They received 26,000 € from the incubator in order to develop and apply their concept. That meant becoming residents of this country for six months. They developed Tebo software and tried to market their product in Chile as this could be entrance to the huge Spanish-speaking market. Two thousand teachers in Chile and Argentina tried their platform for free but it was really difficult to sell the premium version and to engage school administration in these countries. There were cultural differences and it was difficult to convert registered users to regular and active users. A challenge was to find local partners whose work culture would match Tebo start-up enthusiasm. After six months, Tebo team was back in Estonia and concluded that for the time being, Estonia is still their main market.

In May 2017, the number of teachers using Tebo tools had increased to 9,000 and they represented 50 schools. By spring 2017, Tebo's team had signed up 33% of Estonian teachers and validated the business model of selling to Estonian schools. Their monthly sales revenue at the Estonian market was however still marginal, less than 3,000 € per month, as the fees were quite modest and Estonian teachers were not used to paying themselves in order to upgrade to the premium version. Despite limited revenues, Tebo started sharing their revenues with teachers whose uploaded teaching materials were most widely used by their colleagues. About 100 teachers have earned some money. Although sums are so far modest, the vision is that after some time Tebo revenues shared with active teachers will increase and help top 10 teachers generate additional monthly income equal to salaries paid to them by their schools. The business model in Estonia assumes that more schools would pay for using Tebo platform and Tebo will share 35% of revenue with teachers whose content is most actively used. It would work well if more Estonian high school teachers would become active users of Tebo platform and at least half of the schools would pay for the services.

How to manage such educational innovation in order to make it sustainable, taking into consideration heavy workload and sometimes skeptical attitude of education institutions? Average age of teachers has tendency to raise as young people are not so eager to choose the high school teacher profession.

Tebo in 2017 and further development opportunities

Tebo's founder Tõnis Kusmin is now 32 years old. He acts as CEO of this start-up and is personally focused on product development, marketing, finding new team members and financing opportunities. At present, it takes all his time resources. Having studied business at the University of Tartu, Estonian Business School, and Universidad Europea de Madrid, he has had the same approach as Bill Gates – entrepreneurial business development has priority over receiving a formal diploma. He has been really active in learning by doing. In addition to Tebo development, he has worked in the US in a door-to-door sales job. In Estonia, he built a sales team from scratch to 13 people, all that by the age of 22. Then he built sales teams for companies and started two small businesses (personal finance and coffee machine sales).

There are altogether seven team members. Among them Kaia Tammekänd (35) is also dealing with marketing and customer acquisition. Her educational background is psychology and customer service. Kateriina Puusepp performs sales function and has earlier worked as a teacher. Former educational technologist of the Tallinn University Krista Eskla has customer training and support function. Aaron Uurmann and Erkki Põld are software developers.

Over two years, the team wrote over 200,000 lines of code to develop Tebo. In order to be part of the education ecosystem, team members regularly participate in conferences of educators, where they are visible and can promote Tebo but they have limited time and resources to go to management training courses. They however read lot of information about new trends in their field from various online sources. Conversations with investors and mentors have also contributed to learning. The entrepreneur does not have good experience of engaging university student teams or offering internship to students in Tebo's business development process. He feels that students are not responsible enough and do not take "learning by doing" projects seriously. Time is a critical factor and devoting time to instructing people who do not really contribute means losing action focus. People can be trusted when they are fully devoted to the start-up and do not share their time between project and other university studies. It is not easy to find team members that understand education but are also business-minded and know something about technology. People that join the team also have to learn during the business development process.

What do you recommend to start-up teams as Tebo for further self-development, for developing their competencies in the field of teamwork and management? How could they co-operate with universities?

In spring 2017, TEBO had 50 schools that paid for their services in Estonia. About 50% of Estonian teachers were their registered users. Tebo started to think about next options of scaling up through global expansion. Their ambition is now to enter USA and UK markets. There are 3.5 million teachers in the US. The classical textbook industry in the US is still large, but the market is changing. Thirty percent of US schools already use tablets and it's going to double in the next four years. They need more digital interactive content. It is not enough to ask students to download PDF files. More online interaction and feedback is needed and Tebo is able to offer such tools. Instant feedback on mobile app quizzes and similar tools are part of their portfolio. The snowball effect takes off: more teachers make and share online content and it pulls in more teachers. This growing network of supply and demand (like YouTube has achieved with videos) will create a market entry barrier for potential competitors. USA and UK are indeed crowded markets, where enthusiastic educators already have communities of practice and are used to online networking. Maybe soon Tebo would have to register their company in the USA, but product development work will still continue in Estonia as this is more cost efficient. Tebo's key people however hope that they can convince teachers in these countries about superb features of their offer. Tebo is not just a platform for sharing files, there are several interactive tools. They count on readiness of USA teachers to pay themselves for premium versions of online platforms that they need, even if school administration is not eager to embrace Tebo solution. Tebo can focus directly on teachers**.**

Is this assumption right? Can the Estonian e-state image be used to support Tebo as an Estonian start-up attempting to enter advanced markets of USA and UK or should they hide their origin? What sales arguments would work for educators and their managers in these countries?

Tebo hopes to promote their platform in USA via:

- schools (the addresses and emails are public)
- direct massive email campaigns (lists of teacher emails can be scraped)
- teacher organizations (with massive number of members and emails available)
- social media that cluster around certain school subjects and groups
- highly targeted ads (in Facebook, LinkedIn, etc., targeted by profession)
- search engine optimization (SEOs search for specific keywords for lesson content in their subject)

What promotion tools would you add? What can go wrong when entering US and UK markets?

We have discussed with the Tebo entrepreneur if their knowledge-sharing logic and online platform could be adapted also for business schools and management trainer**s**. But the entrepreneur is skeptical about such strategic development direction. He pointed out that there is less match between subjects and module of programs offered by different universities compared to high schools. At universities, academics want to differentiate their courses as much as possible from their colleagues even at the same university. They are focused on competing for academic career and executive training opportunities by protecting and even hiding their intellectual property. That means limited readiness for knowledge sharing.

Do you agree with these pessimistic views about knowledge sharing at universities and action learning in co-operation with business school students? How to encourage on all levels of education inter-organization learning community development and online cross-border knowledge sharing? How to control and manage situations where educators upload and share educational content that is not their own creation and violates rights of the real authors?

A Global FMCG Company's Needs of Skilled Employees in Hungary

This case was written with the intention to provide educational material for class discussion through publication. The authors have disguised names and other recognizable information to protect confidentiality. The case study investigates labor market needs with the aim of providing insights for management education offerings based on real businesses' needs for highly skilled employees in business administration and management. The case study presents the main challenges of an FMCG (fast moving consumer goods) company in Hungary regarding management skills mismatch. The company is working in the FMCG sector globally. The interviews were done with the company's CEO and the HRM team in Hungary, in April 2016.

The context

The economic crisis of 2008-2010 and local government's reactions to it have induced a massive workforce migration to Western Europe in the beginning of the 2010s. Combined with the past years' economic progress, the lack of skilled and highly educated workforce in Hungary has become more and more tangible. Moreover, companies in Hungary face an increasing difficulty to attract, motivate and retain young talents. According to the ICEG European Center report (2016), some of the main challenges and weaknesses of business efficiency in Hungary from 2016 are shadow economy, youth unemployment, attitudes toward globalization, flexibility and adaptability, incompetent senior managers, brain drain, skilled labor and low levels of worker motivation. In 2014 and 2015, Hungary launched several initiatives for improving the quality of the country's education, such as a new lifelong learning strategy, however the education and training system in Hungary still faces major challenges (Education and Training Monitor 2015. European Commission http://ec.europa.eu).

Employer value proposition

THE COMPANY puts great emphasis on sustainability and invests extensively in employee and leadership development programs by focusing on issues such as career planning, communication, participation and commitment, and talent management. THE COMPANY uses a developmental method like sending its employees abroad for establishing and reinforcing the same visions, competencies and values on a global level. The training programs within the company are provided by internal experts, i.e. leaders (middle and top management professionals) training their colleagues. There is a joint responsibility in the organization for young talents. The members of the leadership team are acting as mentors for the high-potential employees. There is also a cross-functional support opportunity. For instance, to a potential junior person in marketing a mentor from the customer development is being assigned.

Skills employees need

The internal trainings in the company are structured according to managerial levels, thus there are different training programs for different levels and employee profiles. The current functional skills needed for the operational teams are: advanced negotiation, joint business planning, and shopper agenda. For the higher levels, leadership and general management skills are needed such as: working together, coaching, change management, people management, having tough conversations, giving and receiving feedback, joint workshops, joint strategy creation, group and individual coaching. The number of trainings on leadership topics are increasing, however the company focuses mostly on the board, much less so on lower levels. HRM is focusing on talents in the whole region, for example there is a Central-Eastern-European initiative to keep team management trainings for them.

According to the opinion of the company's senior HR Business Partner, fresh university graduates coming from Marketing, HR and Management programs usually meet the company's expectations. However, matters connected to general strategy and sales are more problematic. Those who apply for trainee positions are not aware who the customers are and how distribution works. Thus, according to the opinion of the company's CEO and HR generalist, the cooperation of the employer and the university is extremely important in order for their students (and THE COMPANY's future workforce) to gain practical experience during the studies. Moreover, professional knowledge is becoming rather devalued – according to the opinion of the HR Business Partner, hence personal skills, attitudes and experience are getting more important than theoretical knowledge. Most of all self-knowledge, teamwork and self-consciousness are among the key personal characteristics the young labor force lacks.

In addition, it is very hard to find skilled employees for plants and factories, compared to 10-15 years ago. People at the countryside change workplace easily because of higher compensation, thus the workforce in factories is diluted, it's hard to preserve cultural values and work morale, and this has a strong negative effect on the company's brand as an employer. Another issue is that the number of expat assignments has decreased due to decreasing profit rates in the region. Hence the company doesn't send people abroad because it's too costly.

A local multi's approach to attracting talents

The company has a policy for employing MSc students during their studies. It is a deliberate choice of the company to have many interns and trainees. The company's HR describes this practice as a win-win situation for both the interns and the company. For the students, working while studying is important because it enables them to learn and gain practical experience. For the company, it's a good opportunity to get to know the potential employees so their employment later will not be so much of a risk. Moreover, student work supplements the company's resources and it is a cheaper option. The company tries to employ students for longer terms (9 to 12 months), thus freeing their leaders from arranging trainings all the time. The students profit from it by gaining experience and can use company material for their thesis work.

The company collaborates with the university in the MSc students selection and asks teachers to recommend the trainee positions to the students and organize classes based on project work at the company. It is also typical that the current trainees recommend classmates and acquaintances. The students doing their practice project classes in the company make another excellent pool, because the recruiters can see their work and skills. Therefore, THE COMPANY's practice aims to find a balance between the employers' expectations, considerations of higher educational institutions and employee (Generation Y) needs. It is important that the trainee system fits into a clear company brand strategy and a supportive organizational culture.

However, the main challenge is that the sector does not belong to the most significantly growing and most profitable sectors from an investor and employee point of view. Adaptability to change is a big question. The limited opportunities for innovation may not bring enough inspiration for some of the new generations … but there are some environmental and diversity concerns that might be challenging enough.

Challenges of Sports Store Hungary Regarding the New Generations

The first Sports Store was opened in 1967 in France. Presently it has stores in 37 countries and will shortly open in four more. In Hungary, XY appeared in 2005 with its first warehouse and has opened 20 more stores country-wide since then.

The HR leader of Sports Store Hungary takes part in the life of the company from the beginning. He started as a shop assistant, as every freshly hired co-worker, and shortly became a junior manager. He has spent one year at the parent company in France and returned home into the HR manager position.

“Currently I cannot really go deep into strategic issues, because I lead the expansion of five warehouses, but I have a good insight into everyday issues… We do not separate the theoretical, strategic and operative tasks for different persons, like elsewhere.” He recalls on the origins of the company: “The founder was working for Auchan and was friend of the general manager. He had an idea to do something similar as Auchan only in another field, preferably in books. He made a little survey and the outcomes showed that book-business will not be that successful, and although he had nothing to do with sports, that field seemed much better. Most of all, he wanted a place where employees can accomplish themselves and make their own decisions.”

Sports Store manufactures and sells sports equipment and clothing worldwide. The mission of Sports Store is “to make the pleasure and benefits of sport accessible to all people”. Ever since the beginning, the company’s number one goal is to popularize sports through offering quality products at affordable price. Furthermore, it pays distinctive attention to bring closer and introduce sports to as many people as possible. To this end, every warehouse creates its interior in a manner to be fit for testing the sports equipment on-site. Beside its privately manufactured products, XY retails the non-recent-generation products of international sport brands which are rather affordable. XY offers equipment and clothing for almost 70 sports.

Current challenges

Sports Store Hungary was awarded the “Workplace of the Year Award” (by Aon Hewitt) in 2015 for the under-1000-employees category, and in 2016 for the over-1000-employees category. According to the leader of the Hungarian subsidiary, their biggest challenge in the future is that the ways of purchasing and consuming are changing. “Every commercial company tries to adapt, so are we. We need people who are able to react swiftly and innovate, who are modern and fresh. We have to surround ourselves with this kind of people and this is a great HR challenge. It’s a question if we can attract and keep these people, especially along with the unpopularity of the trading business. The masterminds, great and fresh brains do not usually come to store-chains…”

The role of HRM

XY Hungary is currently working on a three-year strategic project. The present strategic aim is to inspire 90% of the Hungarian population to do some kind of sport. XY has created seven strategic pillars for its employees to reach that goal:

1. Joyful team & innovative company culture
2. Satisfied customers
3. Best selection
4. Adaptive communication
5. Effective operation
6. Satisfied shareholders
7. Sustainable development

The first point (joyful team & innovative company culture) falls under the scope of HRM. Employees can join the work of pillars from any part and level of the company. This pillar has three main workgroups: "The development workgroup which includes trainings; the openness workgroup in which we are thinking about company culture and hiring matters; and there is a salary and appreciation workgroup, where we look at HRM activities from the perspective of the financial and moral appreciation. In all three groups we handle many practical and theoretical matters."

Sports Store globally operates as a matrix organization, where one dimension consists of the pillars, and the other of the warehouses. The support functions such as HR, finance, IT etc. belong to the headquarters of Sports Store.

The flattening of the organization is in progress, the goal is to reach "holacracy". The theory of holacracy proposes that the employees are organized around tasks and projects, rather than positions and functions. The current build-up of the organization is driven by aims, actions and projects. This is a dynamically working, flexible company structure, where they emphasize independence and responsibility. The employees are practically their own bosses and are motivated (financially and non-financially) to reach the common organizational goals. "The organization is flattening, more decisions are spread, less centralized. Practically this is a 40-years principle, but now the CEO is pushing it even more, so hierarchical levels almost disappeared. We have transformed the operation of the Hungarian company in this manner as well, but as I said this is a 40-year plan, so it's not much of a change like red hat one day and no hat on the next".

Along with this philosophy, the HR manager underlined the role of inclusion, for which they are sending members of the organization for trainings. The current structure of the HR function: "two generalists, one salary and another training specialist plus the HR manager. Within the function there are no separate thinker/strategist and doer roles."

HR tasks have a distinctive role in the life of the organization. As we saw before, they are one of the seven strategic pillars and management knows that strategic changes must be supported by HR's own processes.

Hiring system

With a small exception, everyone starts at the bottom as a shop assistant and can step forward, even very swiftly. The selection system works accordingly. To be hired as a shop assistant, a high-school degree and minimal language skills are needed. Further aspects are ambition and good communication skills. We are looking for humane people who can and will solve problems, and the ability to take responsibility is also important because of the organizational structure. Furthermore, love for sports is a basic expectation.

Recruitment is based primarily on internal recommendation, and generally this fills the positions. Besides that, they are using some job-search websites. If a middle manager's position cannot be filled from the inside, they advertise it. The selection system is absolutely standard. After the submission of a CV, every applicant is interviewed by phone. Those presenting basic communication skills on the phone are almost every time called in for a personal interview. The interviews happen continuously, one of the four HR managers is arranging them. Other expected standards are connected to the character of the company, so sportsmanship, dynamic personality and attitude to work are important. Furthermore, basic knowledge about different sports is a must. The organization endeavors to give instant feedback about the results of each and every recruitment procedure. The feedback contains an explanation which is supportive and encouraging even in case of rejections. The interviews happen in a friendly and direct manner, intending to create a supportive atmosphere. There is special attention drawn to the legal compliance of the interview questions.

Consequently, the composition of the organization is really homogenous. "We are working in retail, we are Hungarians from the middle-class, generally and metaphorically better destined. I reckon that this drives the thinking in a common direction, which is a good one. It's a strength to have a homogenous team, but I personally rather believe in the ingenious products coming from heterogeneous actions, because even if there is a great risk of occasional low performance, it is much more exciting."

The average age in the organization is 27, so most of the current employees are generation Y. The attraction of the young in the labor market is a general difficulty. "Generation Y is not much of a difference, but I see much change in Z. The frames they live within and the way they would like to work is different, it means less accustomed ways and less respect for existing results. I feel in my guts about this generation that there is less respect for the traditional ways and successes of the past; there is less intention to keep the existing boundaries. They'd rather do something new, more inspiring, more comfortable or cool." HR knows that they need to react to the current labor market trends and to the needs of the newest generation in order to reduce fluctuation and retain talents.

"We need to adapt for this. I really like to do it, because I see much inspiration in it, but it is not easy. For example, right now we have a global procedure about flexible work in the office. I lead the internal planning process about how to accept it. I hope this will be of great help for attracting talents who won't come to a stone office, or don't like to work from Monday to Friday, but are much more talented than me and must have brought in here."

The company is engaged in changing processes, structures and systems both locally and globally. They realized that they need to develop and harmonize both the hard and soft parts of the organization. Now their main challenge is to change HRM systems and their culture in a way which makes them attractive to both Generation Z candidates and to current employees.

Students' Perspective on Work-Life-Learning Balance

This case has a reversed logic, looking at current trends on the labor market from students' perspectives. According to a recent research in Hungary, 70% of the students of top universities' Business Administration master programs have at least a part-time job, the average working time is 27 hours per week, 25% of all working students work full time. The motivation from the students' side to continue their studies after the bachelor level comes from state financing and the higher prestige of these programs, plus practical experience. Apart from a small minority, students do not value the free time offered by the university student status, and they also face the increasing pressure from employers to gain substantial work experience during their MSc years. As a consequence, time will be the scarcest resource for those students, who try to combine the advantages of both working and studying.

Personal time is decreasing drastically, relationships concentrate on colleagues and fellow students, past friends and hobbies disappear, so they experience work-life and work-learning conflicts in parallel. Tensions grow because of the uncertainty whether employers will really appreciate the added value of this difficult period or they only want to take advantage of the cheap labor force.

Students who could solve these conflicts relatively successfully, have identified the flexibility of the workplace, their own time management skills as the most critical factors, appreciating also the university programs' supportive solutions in terms of time arrangements and teaching methodology. For finding mutually enriching solutions to this challenge, students' focus was on their own efforts and negotiation skills, and they talk about joint responsibility of employers, MSc programs and themselves to work out advantageous scenarios.

The situation

A five-student group of the SSC (Strategic Case Competition) course[1] is having a preparation meeting 2.5 months before the "ISB-Ivey Global Case Competition" tendered by the Richard Ivey School of Business. It's the fall of 2017, early November. The group meets in the University's corridor at 6pm Wednesday evening, because two of them still have seminars at 7:10pm. However, they had to skip them a couple of times recently because they did not finish the meetings on time.

They started the teamwork at the beginning of the year with great expectations which was confirmed by the feedbacks, but in the last two weeks they have lost their leading position among other groups. It means that they are not likely to represent the University at the case competition is Canada. Though when they started the course, they deliberately chose complementary team members in terms of personality, professional field, working style and way of thinking. Beside the theoretical knowledge, it was important to have that kind of practical approach, which was given by the extracurricular work experience by most of the teammates.

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[1] Students solve business case studies in English during this course in writing and prepare with presentations during several weeks, and they get feedback and evaluation from experts. Groups with the best results can represent the university on high ranking international business case solving competitions.

ORSI, whose major is marketing, is currently working at her second workplace. She deliberately did not take more than 30 hours a week. She left her first job because of the exhaustion from the 40-45 hours work, which was really well paid, but gave no chance for further professional improvement, and almost costed her the relationship with his boyfriend.

PETER works as a consultant of corporate finance at a small financial advisory company. He assembles business assessment models and plays water polo in his free time.

ZOLI works 20 hours per week as a logistics trainee in the warehouse of a multinational organization. He found this part-time job by accident at the spring job fair and started to work in summer, after the exams. As he learned several new systems, he was likely to spend more than 20 hours at the firm, but for now he started feeling the downsides of this practice.

FERI is in accountancy and has a theoretical way of thinking. Earlier he wrote a paper for a scientific competition and now he is thinking of joining the PhD program, but has not committed himself to the academic career yet. He chose the case competition subject because he can use both his analytic skills and knowledge and practical approach.

SOFI is major is management and leadership, and although she already chose a specialization, she started wondering about another specialization and to attend its courses, which made the current semester very challenging for her. The change started by getting an active role in the internal OD-project of a large domestic company, which seems more and more exciting for her.

We are on one of the case-solving meetings. Only three out of five team members are present: Feri, Zoli and Orsi. The meeting should have started almost half an hour ago and the mood is really tense. Peter has called earlier that he has to finish a model to be sent to his colleague promptly for a presentation tomorrow in Skopje. Unfortunately, important objections arose about the previous version, which only came up that afternoon. He was really in a hurry but intended not to do an incorrect job once again and had some problems to fix yet. Sofi is unavailable on her mobile phone and has not even sent a text message about her attendance of the meeting.

This is not the first meeting of this kind this month. Zoli could not attend also the previous meeting. He eventually came late but was not familiar with a case of 25 pages. Only Orsi has a relatively blameless record.

The task

After reading about further details of students‘ background at work and in their respective MSc programs, the task of the team is to help each other to negotiate feasible solutions with their employers and teachers, and also make some new agreements about how to better handle their work-life-learning conflicts in the future.

Short Cases from Latvia

The New Brand: Circle K

“Circle K Latvia” Ltd, previously “Statoil Fuel & Retail Latvia”, is a leading fuel retailer with more than 100 years of experience in the sector with a retail network in the Scandinavian countries, Baltic States, Poland and Russia.

From January 2012, “Statoil Fuel & Retail Latvia” is Alimentation Couche-Tard subsidiary, and is part of more than 8,100 gas stations and 70,000 retail networks, serving more than 30 million visitors worldwide every week.

Alimentation Couche-Tard Inc. is a leading Canadian convenience shopping segment retailer and biggest convenience shopping mall operator in the United States. In Europe, it is the leader in fuel retailing and convenience shopping.

The issue: new brand

In April 2016, “Statoil Fuel & Retail Latvia” Ltd legal name was changed to “Circle K Latvia” Ltd. The company is at an early stage of the process of change and the brand change is the first step, which will continue for a couple of years as “Circle K” plans to become a global brand. The “Circle K” brand combines shopping, people, products, and services. The new slogan “Let's make it easy” does not mean that now everything will be taken lightly and thoughtlessly. This message indicates that the company cares about its customers` time, offering goods and services all in one place.

The personality of the brand “Circle K”: if the brand should be compiled in three words, they would be: easy, convenient, effective.

The mission of the brand “Circle K”: DNA - ACT with PRIDE.

PEOPLE - People make us stand out from our competitors. We take interest in our customers and connect with them to create long-lasting relationships every chance we get.

RESULTS - Results matter. Our stores and stations are our livelihood. The customer experience we deliver is what generates value for our stakeholders.

IMPROVEMENT - Improvement drives us. We continuously seek to improve our processes and performance, working in teams to learn from each other and from the best.

DEVELOPMENT - Development is always looking ahead. We are hungry for growth, developing our business customer-by-customer, store-by-store and nation-by nation.

ENTREPRENEURSHIP - Entrepreneurship means that we challenge ourselves every day to think like customers and act like owners.

“Couche-Tard” president and CEO Brian Hannasch says, “Creation of one global brand will make us stronger, we will strengthen the company's culture and will make our customers lives easier. One of the reasons why we bought “Statoil Fuel & Retail” was intended to strengthen our position in Europe and establish a common basis for further growth in the region. To achieve this objective, it is easier with a single global brand.”

The results are directly dependent on the interaction between managers and employees, their personalities, motivation and work skills. “Circle K Latvia” is a socially responsible company where the staff is the highest value. The company's activities are based on concern about the environment, health, and safety. In this regard, the company takes on the responsibility of the public and defines itself as a socially responsible value-driven business. Equally important is not only goods offered and their quality, but also the customer service and its added value. “Circle K Latvia” is committed to reducing the negative impact on the environment, ensuring the sustainable operation of the company's internal environment, controlling suppliers’ activities so that the environmentally friendly solutions are considered in the production process of the selected assortment of goods. For example, the company is trying to engage and develop the employees to have a positive impact on customers, creating “win-win” principles of cooperation with society.

Particularly, the company created a sustainable social responsibility principle based on the view that employees are the basis and therefore, strengthens the “Circle K Latvia” employer image, ensuring the active and transparent communications with the public, as well as considering the business goals, “Circle K Latvia” management team together would provide and maintain the high standards in four areas: Market, Workplace, Society and Environment.

With this fundamental transformation – the change of the brand and organizational culture – a significant question arises, how to ensure successful communication in this time of change? The second important task is to create an appropriate psychological climate, so this change would be successful.

Questions for discussion

1. *How to ensure successful communication in this time of change?*
2. *How to create an appropriate psychological climate to make this change as successful as possible?*

Redesigning the e-Commerce Store at SIA "Forever Young"

SIA "Forever Young"[1] is a company working in Latvia in the field of professional skincare. It develops, clinically tests, produces and distributes skincare treatments aimed specifically at skin problems like acne, scars, hyper pigmentation and others. Its unique selling proposition is the use of micro-needling technology along with advanced cosmeceutical solutions containing large doses of active ingredients. The technology is adapted for home use, making it affordable, compared to procedures at clinics, and unique on the market. The company has no factual stores and sells only on e-commerce basis. Currently it operates in eight countries and plans to expand to 18 countries during the next year. Such a major expansion is only possible if a new e-commerce platform is used.

In this light, the CEO of the company came up with a change initiative designed to improve the performance of the whole company, optimize workflow and, most importantly, boost sales. The big idea was to switch the whole business from one e-commerce platform to another and completely redesign the online store. The prospected results of this change, as described by the CEO, were terrific for each employee of the company. For example, for managers it meant a simple and automated report system, for marketing – easy content Search Engine Optimization (SEO) and standardized marketing instruments. A glorious perspective, although none of the departments knew about such plans prior to the announcement and none of the managers made any analysis of suitability of the new platform for the needs of the company. The plan was set in stone once announced, with no space for questions, doubts and disagreements. As of now, the change is still in process, with delays, and the CEO and other colleagues are wondering why.

[1] The name of the company has been changed

BALTA – Lifecycle Transition from Decline to Growth

BALTA, Latvian non-life insurance company, recognized as the new service and product innovator, owned by one of the 20 biggest insurance groups in the world - RSA group, in 2008 started losing its leading positions in the market. It started slowly to lose its market share and one of the most important performance indicators was signaling of the growing imbalance of the turnover and the level of costs. Moreover, it experienced huge drops in sales and reported financial losses in the years 2011 and 2012. Unfavorable external market environment and decline of the whole insurance industry in Latvia affected all industry players, but BALTA performed worse than others. The year 2013 was to become a turning point in the development of the company bringing it to the growth cycle again.

To achieve this, in 2012 BALTA introduced a big change program, the main objective of which was to become capable of quick and efficient responding to market changes and to customer needs. The structure of the organization was reviewed with the goal of streamlining and simplifying internal processes. The program also included the reduction of staff by 6%. The new development strategy was introduced, setting the ambitious goal to reach 25% of market share in non-life insurance in Latvia by 2016. The strategy was based on three pillars: “Think Customer”, “One Team” and “Desire to Win”. The purpose of “Think Customer” was to ensure such quality standards of customer service and development of solutions that the customer would feel like a winner when cooperating with the Company. The purpose of “One Team” was to create an inspiring environment for teamwork and for rewarding it. And the purpose of “Desire to Win” was to carry out activities in the targeted market areas with a view of outperforming other market players in terms of profitability and growth.

As the company’s CEO was transferred to lead another, bigger region of the group, his position was undertaken by interim CEO Kestutis Serpytis, who was leading Lithuanian operations of RSA group and who was named as the TOP executive in Lithuania in 2013. Having more than 30 years of experience in insurance industry and being the CEO of Lithuanian insurance company for more than 21 years, he came a real change leader for BALTA. Main focus under his leadership became boosting sales and cutting costs by redesigning the processes and eliminating unnecessary bureaucracy. The whole range of systemic initiatives, involving all areas of company activities were implemented to boost performance and build a result-oriented culture. Below is a quick review of the main initiatives that were implemented during 2013:

- Accomplished project of customer self-service portal;

- New sales managers of different regions of BALTA joined the team;
- 12 talents of BALTA received the training developing and strengthening their leadership and management skills;
- New products and innovative services were introduced;
- Reorganization in corporate sales department took place, the department was restructured and processes were redesigned to increase the effectiveness of human resources;
- New health and accident product manager joined BALTA;
- New members joined the board of BALTA;
- Internal IT support department was created;
- New intranet system including every BALTA employee was introduced;
- New concept of BALTA branch and car design was developed;
- Social network profiles in Twitter, Facebook, draugiem.lv were introduced;
- BALTA management immediately (in one day) made a strategic decision to offer jobs and take most of the best sales people from the competing company which operations were stopped by regulating authorities;
- New coaches joined BALTA to develop the sales people;
- New branches were open;
- New reward system and motivational program was introduced.

Taking into account that 2013 was the year of preparation of transition from national currency to euro, which required a lot of efforts from the company side, BALTA demonstrated impressive work moving towards the achievement of the main strategic goal, returning to the growth cycle and strengthening its leading positions in the market. Results reported for 2013 demonstrated the annual growth of 12%, which was the highest in the industry for that year. BALTA made a significant step towards decreasing its losses and improved its financial results. In February 2014, Kestutis Serpytis stepped down as an interim Chairman of the board handing the company to the permanent CEO. In July 2014, Balta was acquired by PZU group – the largest general insurer in Central and Eastern Europe founded in the early 19th century, based in Poland and operating in five countries. BALTA continues its operations and maintains its leading position as the largest non-life insurance market in terms of gross premium written in Latvia.

Management of Intergenerational Issues in a Lithuanian Company

Daina, the Head of HR, was experiencing mixed feelings after the conversation with CEO. Algirdas, the CEO, who is typically a calm person, was furious this time: “What is wrong with the youth? Who do they think they are? They come without experience but show huge ambitions. They don’t know how to do the job and want to be CEOs the next day. They have no responsibility. Remember Tomas who was hired in Marketing department last month. He quit in a week claiming that the job is boring, his supervisor did not praise him enough and the colleagues didn’t invite him to go for a lunch together.” Daina just nodded her head.

Algirdas continued, “Let’s take that other person. What’s his name? The one who was selected for the position of Junior Engineer. He just didn’t come to the job.”

Daina remembered this case. When she called, this young person simply explained that he had changed his mind and decided to spend half a year hitchhiking in South America.

Daina could agree with the majority of features Algirdas has mentioned. The young generation was a headache in the company for quite a while. CEO as well as the rest of management constantly made claims about the attitude and expectations of the youngsters. Daina knows that Millenials are often called “arrogant narcissists” (Simon Sinek). They are not scared to ask uncomfortable questions: what is my salary, when do I get bonuses, what are the benefits, when will I be promoted, when will I become a director, what are the development opportunities, what do you do to make fun at work, etc.

However, they had no choice but recruit and hire those “irresponsible and arrogant” people. The demographic situation in the country is scary. A lot of young people emigrate and the remaining ones don’t want to choose “unpopular” professions, including engineering. Daina has calculated that the majority of their engineers will be retired in 10 years. They desperately need a new replacement. And the company must change its management practices to attract the young candidates.

Daina remembers when she came to the company 10 years ago. There was no HR department. The administrator was responsible for paperwork of hiring and firing employees and the accountant took care of remuneration. No other HR practices were established. Daina did quite a lot of work in developing the HR function. She has established the system of training and development; introduced performance appraisal and talent management practices. She has earned the respect and was invited to participate in strategic meetings. She was able to change the perception of HR department from administrative to the role of a strategic partner.

On the other hand, Daina also sees much space for further improvement, especially considering high requirement of the Millennials.

Family-Held Brewery Development in a Distant Region

The Brewery is a family-held company which history began many generations ago. The secrets of beer making have been passed from generation to generation. Officially, it was established in 1990 after collapse of Soviet Union. Since 1991, the brewery has modernized the facilities, expanded the assortment and production. It is the largest local capital brewery in Lithuania. Their beer is exported to the USA, Poland, Latvia, Estonia, China and Canada. The owners of the brewery reveal that it is not merely a business, but a mission to preserve beer-brewing traditions of small region in Lithuania.

The owner of brewery is worried about the decrease of inhabitants in Lithuania. This fact fosters export activities of the brewery, as decrease of inhabitants shrinks local market tremendously.

“We should strengthen our sales department, as the future without exports is impossible. We feel a triple pressure. Decrease of inhabitants shrinks the market, increases competition and reduce profit. At the same time, there is a pressure for higher salaries as the competition for an employee also increases. Moreover, we are located in a small region, distant from main cities of Lithuania, and we lose young people who do not return to the region after their studies in the city.” By acknowledging current situation in the market, the owner discusses several development scenarios.

International Expansion of a Sports Club

This company was established in 2004 as a family business. They developed sport business activities as well as real estate development activities. However, the financial crisis of 2008 hit the real estate business hard. Thus, investment fund was attracted in 2011 for the long-term real estate rent with the aim to develop and expand sports business to be sold later. A new CEO was invited to implement this.

“My task is to ensure growth and financial viability of the business and to prepare it for the sale,” explained the new CEO. “It means I have to develop viable business model and to expand it geographically. At the beginning, during the first year and a half, we developed viable business model. Currently we started to expand it into the different regions of Lithuania. Also, we entered Latvia and Estonia. When I entered the position, we had eight sport clubs and operated only in Lithuania. After four years, we operate in three Baltic states and we own 19 sport clubs. My main challenges are to select professional team, to develop proper tasks and priorities, and to let them work,” laughs the CEO.

CEO also expressed the worry about risks of fast-growing company management. During the last year, company doubled in size and expanded to new markets. It was a challenge for some people, as working in different cultural environments requires specific knowledge and skills. Some employees did not overcome these challenges and had to leave organization.

Up to now, it was geographical expansion. Now a new activity started to expand the number of clients from 40,000 to 80,000 during the next three years.

“It means we have to convince people to start doing sports even if they haven’t done it before. How to do it? What kind of means to use? Do we have to adapt the means to different cultures of the Baltic countries? How different cultures will impact effectiveness and efficiency of those means? How to ensure engagement of expanded personnel?” rises the questions the CEO.

Elex: Measuring and Monitoring Value

John has been concerned. Elex, a medium-sized company producing electronic components located in a small town in central Poland, had an excellent position in the industry and seemed to work well. Despite this, after many years of rapid growth, market share, profits and stock prices began to decline.

As the main owner, John did not feel the immediate need to improve the existing situation, yet his partners began to press more and more to do something about it and wanted to discuss these issues at the next meeting of shareholders, to be held in a month. John was aware that the company will need additional capital injection in the near future to modernize some of the equipment and processes. John was worried that if the value of the business does not increase significantly, he would not be able to raise new capital without losing control over his company. At the same time, he felt that the competitive advantage of the company does not come from the physical resources of the company, but from the cooperation with customers and know-how and innovative technology used in the company. Partners insisted on an internal report that would allow them to see what resources the company has at its disposal.

Recently John attended a conference where the speakers showed applications of various models used in companies to monitor value of the business. Those models were not only showing information about tangible assets of the firm but also showed important immaterial assets like clients, technology, business processes. John thought maybe it would be worth creating a similar report for his company. This would give additional information to the other owners, but also, perhaps, could be used in the discussion with potential new investors when he decides to get new funding.

Basic information about the company

The electronic components industry is highly capital-intensive, requiring large investments in the most modern machines and devices. Continuous technological change and ever-smaller life cycles of products characterize this industry as well. Despite the high growth observed in the industry, significant competition between players causes continuous erosion of prices of new products.

Elex designed and produced a range of special-purpose components. These products were sold through a global customer base that mainly focused on original equipment manufacturers who used components produced by Elex in their products and systems. The strategy adopted by Elex was as follows: to be a market leader in selected technologically advanced market niches. Such markets usually have high profit margins and medium to small production sizes.

Elex has grown significantly over the last few years and gained a dominant position in the market, taking over 50-70% of the market in the sale of several of its products. This was possible thanks to high quality products including several real stars, although Elex customer service was historically below the industry average. However, in the last three years, the company's growth was below the market growth and both market share and profit margins decreased. The main reason for the decrease in market share seems to be the growing competition of small companies, which focus on very small niche markets.

Marketing strategy and customer service

In response to the threatened position on the market, Elex has implemented an ambitious quality improvement program aimed at improving customer satisfaction. The results were impressive and undoubtedly helped to reduce the erosion in market share. For example, timely execution of tasks increased from 62% to 88% in three years, while at the same time the delivery time decreased from a three-month average in the industry to one and 45 days.

Customer satisfaction surveys carried out by an external company showed that 92% of customers were very satisfied or satisfied with the service they received at Elex.

Production strategy

Despite the fact that the production processes of Elex were not the best in the industry, they managed to increase the efficiency of these processes, mainly due to investments in human resources. The internal quality ratio (products that meet quality standards / products made) improved from 55% to 80%. The external indicator (products that meet the quality requirements provided to customers) approached almost 100%. A significant part of these changes was related to the quality improvement program, which caused changes in attitudes and increased employee involvement and the use of quality circles. Internal research indicated that the company's employees are highly motivated, therefore the employee turnover ratio as well as absenteeism of employees is low.

Research and development

The Elex strategy was to be a pioneer in the most sophisticated and demanding segment of the market. The strategy was to attract the best of the best engineers and researchers on the market.

The basic challenge in research and development was the continuous technological development and decreasing life cycle of products. Expenses for research amounted to 15% of sales, which was above the industry average.

Possible discussion questions

1. *Suggest to John the best approach to creating a report in such a short period.*
2. *Can the report be used to assess the value of the business assuming that Elex is currently a private company? Can any estimated character make sense?*
3. *Could this report be useful when seeking extra financing? What kind of information could venture capitalist could look for in such reports?*

The students will have an opportunity which reporting model they would like to use. Most of them would be expected to suggest the Balanced Scorecard approach; however, the report on intellectual capital or any kind of integrated report could be a possible option.

The case provides also an opportunity to discuss the motivation for developing such a report and the usefulness of the information provided from a perspective of internal and external users.

The Case of a Healthcare Company

Public health care in Poland struggles with perceived poor quality of medical service and customer service, which provides opportunity for private companies to enter the market. Within upcoming years, a major risk factor for private companies will be connected with legislation changes, underrepresentation of skilled workforce as well as aging population, which public institutions are not yet prepared for. The following case is to present the private company working within the difficult market of healthcare in Poland.

Company was established in 1993 by its current CEO and shareholder, and since 2011 it is listed on the Warsaw Stock Exchange. Currently it runs 20 institutions in six major cities in the country, serving 450,000 customers out of which 150,000 are contract clients. Due to the character of the industry, company has a clear division between its administration employees (600) and medical staff (2,000). The latter include doctors, nurses and other medical staff, which are working on a basis of contracts not full employment. On the other side, there are 600 fully employed administrative workers comprised of higher, middle and lower management as well as customer service and call center. Due to highly different HR and management challenges that arise between administrative and medical personnel, company strongly distinguishes between the two.

Company portrays itself as "an enterprise that creates working conditions for its partners [medical personnel]" and from various angles this approach is convenient for the company (no need for full employment, limited responsibility for the patient), while in the perspective of maintaining employee loyalty or creating strong organizational culture it is rather a challenge. Additionally, an intensifying challenge becomes recruiting new, young medical staff, as besides formal education, an employee is required to have at least 10 years of practical experience and be able to work independently. The issue of decreasing number of specialists is the problem throughout the industry. With only 231 practicing physicians per 100,000 inhabitants, Poland lags behind the EU standards (Eurostat, 2016, http://ec.europa.eu/eurostat/statistics-explained/index.php/Healthcare_personnel_statistics_-_physicians). Moreover, majority of physicians are of considerate age, while medical universities admissions are low. Connected with growing interest in moving to Western Europe searching for job opportunities, it leads to significant shortages of qualified personnel. While maintaining existing personnel and attracting new hires is certainly seen as a challenge in the future, current management's main challenge is to train and inculcate certain behaviors in the relationship with the patients: a degree of sensitivity and care on one hand[1], building own personal brand on another, as well as trustworthiness and reliability.

In the case of administrative personnel, lack of leadership skills on various levels of management, soft skills as well as analytical and strategic competences was stressed. Personal branding skills were also underlined in the context of self-consciousness and lack of awareness of "how the way I look, speak, where I go or not go, may influence my authority".

Aforementioned challenges within the company are addressed through extensive coaching and mentoring programs. Due to significant degree of employee rotation, connected with "a high

[1] While preparing following case, company was struggling with unfavorable press connected with insensitive treatment of patients by one of the physicians.

share of young women employed", company has incorporated principles of Knowledge Management (KM) within the teams. Thus, leaders are obliged to "lead the team in such a way that members know what each are doing and can replace one another", with support of Intranet, internal newsletters and Social networking platforms. As part of KM and preserving skills within the company, internal recruiting and promotions are preferred, rather than hiring from the outside.

Despite the fact that company has two distinct types of employees (or as company prefers, partners), which are to perform different type of work, still there are certain similar challenges between the two, connected with the development of soft skills and building authority, which is indifferent to what public institutions in country are struggling with.

Orange – the Leading Provider of Telecom Services in Poland

As stated on the Orange Poland website, the management of the company would like to perceive Orange brand as preferred one across the country.

Currently Orange is a provider of mobile and stationary telecom services, internet access and TV. Additionally they provide ICT services, data transfer, infrastructure construction, providing energy and financial services. Nowadays Orange has the biggest technical infrastructure to provide services for the key products.

The company aim is to democratize the digital revolution. To help people to understand how the technology works and how it can help in daily business or private life.

History flavor

Orange Poland is a company which was transformed from national telecom provider to a modern company of the 21st century.

Its history goes back to 1947 when Polska Poczta, Telegraf i Telefon was established. In 1991, the company was reconstructed to Telekomunikacja Polska and Poczta Polska. Telekomunikacja offered all services regarding the telecom while Poczta Polska stayed with all postal services. After seven years, Telekomunikacja Polska was privatized and in 2000 the France Telecom became the strategic shareholder of the company. In the next years, the company introduced new products such as satellite TV.

Since 2012, Orange became the main brand of the company. It has three subsidiary companies: Tp Teltech (infrastructure), Telefony Podlaskie, Exploris (trainings), and Orange Foundation. At the end of 2016, Orange had 16 million clients of mobile phone, 3.9 million stationary phones and 2 million individual clients of internet. The income was 11,5 million PLN.

Challenges

Main current challenges the company faces are connected with:

- Client satisfaction in context of digital revolution
- Giving a value to the customer – be a partner in the process
- Investment in infrastructure - update to the changes
- Employees – build an advantage in people competences

Regarding the future, the management of the company underline that due the fast changing environment it quite difficult to prepare long time strategy. The challenge for Orange Poland is how to accompany its clients in digital revolution process. The company has to answer the question what kind of additional services have to be introduced to make this transformation easy going for final customer.

The company would also like to work on new competences of its employees such as building bigger awareness of the digital revolution features, consequences in contradiction to client expectations, how the company can meet these expectations, how to build customer experience. To develop and move forward, the company invests in optic fiber infrastructure and in intellectual capital to build the company value on the market.

Questions to be considered

To gather more information, please look at the new strategy of Orange at http://orange-ir.pl/sites/default/files/Strategy_presentation_201700904_website_0.pdf and results center of the company: http://orange-ir.pl/results-center/results, and try to answer the following questions:

- *What kind of additional services can be introduced?*
- *What kind of additional areas should be explored?*
- *What kind of competences can enhance the Orange employee?*

Sustainable Business Model in an Unsustainable World

Telecoms had a very prosperous time and lived very well on their infrastructure for decades, growing extremely fast in the last twenty years, which was mainly a result of providing internet, mobile connections, and mobile phones.

It was no different for Telekom Slovenije, the first Slovenian fixed line provider and in 1991 it founded its sister company Mobitel, the first Slovenian mobile network provider. In 1996, it used its fixed line network to become Slovenia's first commercial internet provider. It always held a strong market position in its fields, expanding fast and in mid 2000s, Slovenia was one of the most "connected" countries in the world.

If we look at the numbers and facts, it is hard not to be optimistic about telecom companies.

From 1995 when around 1% of population was using internet, in 2017 more than 80% were connected. Similarly, in Slovenia the only place you could connect to internet in the early 1990s was at the National Science Institute while in 2016, 78% of people had connection. Telecom customers are often locked into a long-term plan and many have high levels of loyalty to their carriers, which provides a very stable base.

At the same time, the Internet traffic has experienced dramatic growth in the last 20 years. In 1992, the global Internet networks carried approximately 100 gigabytes of traffic per day. In 2002, the global Internet traffic amounted to 100 gigabytes per second (GBps) and in 2016 it reached more than 20,000 GBps (Cisco VNI, 2017)

Doesn't all this suggest that the industry will continue to prosper for quite some time? Then why would Telekom, a company very much a part of this success story, be establishing a business transformation office? And why would a man with a proven track record of successful business changes in various companies be brought in as a new board member in 2016?

Well, to a large extent, telecom companies do not seem to have succeeded in their efforts to monetize the rapidly increasing flood of data running through their networks. In Europe, the average revenue per user has dropped by 6% in the last five years with a similar story elsewhere. Telecom companies' ability to reinvest in network upgrades and digital advances, which are happening ever faster and the shorter amortization periods, has been severely constrained.

In a matter of speaking, telecom companies are facing their first invasion from the outside world. Relations that perhaps seemed symbiotic are now becoming apparently parasitic. Over-the-top (OTT) is becoming a problem. Using the infrastructure telecom companies invested in, companies like Viber and WhatsApp are now covering more than 80% of all messaging traffic and Skype processes more than a third of all international calls. As a result, PwC estimates a large decrease in basic communication service revenues with drop-offs of 30 percent in SMS messaging, 20 percent in international voice, and 15 percent in roaming.

If we look at the US, the telecom companies' share of total industry revenues has already fallen below 50%, with the rest going to mobile services such as Facebook's smartphone apps, which make money through ads.

On the other hand, video now counts for more than 73% of global IP traffic and with 26% of compound annual growth rate this means it will grow threefold from 2016 to 2020, but most of the revenue goes to companies offering streaming services.

It is clearly a time for change and Telecom Slovenije is realizing this. They started by reducing the number of employees. In the last two years, more than 600 employees were fired. At the same time, they put a lot more money into performance management scheme, on development for their existing employees.

They reduced their costs, tried lowering their prices to keep off the competition, tried focusing on their most profitable services, and they are even moving in to neighboring sector by developing new services and trekking in to new paths by acquiring other companies from the financial sector.

But are these long term solutions? How does a copper-wired company develop a sustainable business model in an unstable wireless world?

The Case of an Automotive Company: New Mobility Paradigms

Although there was hardly a car to be found on Slovenian roads in 1955, a company in a small remote town of Tolmin had a vision and was bold enough to start manufacturing plugs for automobiles. First glow plugs for diesel engines were manufactured in the early 1970s, followed by flywheel magnetos for small petrol engines a few years later. In the early 1960s, Hidria launched the production and assembly of central heating installations, water distribution installations and air conditioning, and first engines for hermetic compressors were exported from Idrija to the United States in the 1980s. In the second half of the 1990s, Spodnja Idrija started manufacturing laminations for the automotive industry and later also aluminum components.

Hidria’s key companies joined into a corporation over the last twenty years, after the establishment of the parent company Hidria. After the privatization, total restructuring and merger of key companies, Hidria has grown into a corporation of 1,800 employees across several companies in Slovenia and abroad. It is one of the leading European corporations in fields of integral solutions for heating, ventilation and air-conditioning of buildings and components for HVAC systems, and many of Hidria’s automotive products like innovative car engine solutions and vehicle steering systems are incorporated in the automobiles of the leading European trademarks.

Transportation of people and goods creates somewhere between 15 and 20 percent of greenhouse gas emissions, while an average car creates approximately 300g of CO_2 emissions per travelled kilometer, which is certainly not sustainable and will need to change while Hidria will have to find its place within this change. The speed of conversion is affected by many different factors like state subventions, access to the city centers only by electrical and non-emission vehicles, easily available and free parking places for electrical vehicles and European emission standards which significantly redefine transportation emissions every four years.

To lead all this, a fast pace of technological development is needed - to support the change while being economically viable at the same time. An interesting example of this are batteries, the capacity of which is expected to double every three years, while the prices should decrease by half at the same time. With rapid technological development supported by government plans on national and international levels to start banning internal combustion engines in the next couple of decades and eventually only allow sales of electric cars, big changes lie ahead.

New technologies can have a disruptive and even catastrophic effect on seemingly successful companies. Let us only look at large camera and film companies that dominated the photography market less than two decades ago and have quickly gone extinct with the emergence of digital cameras.

Companies dealing with internal combustion engines might soon go extinct if they do not transform their businesses or even better, to find a place of innovation with the emerging technologies.

The Case of a Medical Company: Soft Skills for a Rough World

We look at a case of a particular healthcare company, but because of the specific national legislation in Slovenia and other European countries, the issue is applicable to other companies involved in medicine production and sales.

The pharmaceutical company is in a rather interesting position. Because of Slovenia's national legislation, if they want to send people out in the field to promote medicines to physicians, they need to have bioscience education. They have to be either medical doctors, pharmacists, biochemists, biologists or veterinarians, and that is more or less it. While these people are usually experts in their field, unfortunately, they are often seriously lacking understanding of business, politics, sales and soft skills in general. On the other hand, the market is becoming ever more demanding and requires even higher level of skills and knowledge. While in the past they would be selling the medicine to physicians who were the decision makers, today the target audience is mainly the ministry and other big governmental institutions. This means that it is not about selling a specific drug to a person anymore, but about selling a whole portfolio to an institution, which makes things even more complicated.

The company recognizes this as one of its most important challenges and has dedicated significant resources and different approaches towards solving the issue. When new employees are hired, they try hard to identify and provide training for missing skills and competences. They assess their current competencies, identify the gaps, and then offer either formal face-to-face training, eLearning, books, or whatever other kind of education the new employee would need according to the assessment. Occasionally they also sponsor participation in MBA programs to key talents, which they identify. As a method, they often find most effective encouraging mentorship between the experienced and new employees.

The company has even invested resources into developing online courses and mobile apps specifically for their employees.

As all steps described here demand significant resources and expert knowledge, the company recognizes that it would be much better if the educational system would be able to better prepare their students and provide them with broader knowledge that will be needed for their jobs. They recognize that the students move somewhat out of their main educational field when they start working for them, but even if they would stay within their profession, a broader perspective and more focus on soft skills could still prove beneficial, both for the student and their future employers.