

# Management education in Eastern Europe: 'fore and after

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## Executive Overview

**People of the Commonwealth of Independent States are well educated. Managers at all levels of business and government hold the equivalent of an American Master's degree in their academic specialization. Management is not a specialization there, nor a profession, but rather a function. Continuing education is legislated into the business and economic sectors, even into joint ventures. A vast array of schools and programs are organized into a sophisticated infrastructure of management education. Eastern Europeans are proud of these achievements and are moving rapidly to modernize and expand them further.**

**Many of their cultural and societal values clash with ours, however. For instance, the U.S. educational system is based on a liberal arts philosophy. While those of Eastern Europeans and Germans follow Humboldt's philosophy of specialization beginning at a very early age and continuing on through the workplace. Therefore, our management concepts must be adapted to fit their work culture and environment to be successfully transplanted. In addition, Western European cultures are closer to those of Eastern Europe making their management much easier to adapt. A competitive advantage is thus available in cornering a share of the potentially lucrative markets.**

**Eastern Europeans, however, are asking for American management assistance through joint cooperative efforts. By working together, the Eastern Europeans believe that we can restructure their economies. It would seem advantageous for us to return the compliment.**

**A knowledge of how their managers have been educated, as outlined here, offers a first step toward a common understanding. Perhaps it will eventually help raise the level and character of our aid to other parts of the world.**

## In My View

The world continues to watch with fascination as new business frontiers open in Eastern Europe and the Commonwealth of Independent States. American and other foreign companies scurry to capture a share of potentially huge consumer markets. The alliance boom has begun—from marketing and technology exchanges to joint ventures and cross-shareholding.

The United States is not yet a major player in the game, however. Political and financial uncertainties, both here and abroad, and unfamiliarity with different societal and cultural values have made U.S. firms reluctant to jump in. This lack of understanding and knowledge of the people is evidenced by many American managers' and consultants' failure to realize, first, as noted by Gerald Corrigan, president of the Federal Reserve Bank of New York, that Eastern European managers are among the most highly educated in the world. They have a minimum of an American Master's degree and are educated in the management of their specific function in their chosen sector, albeit in a different economic system.

### **An Excellent Management Education Infrastructure**

Surprising as it may seem, there is an excellent management education infrastructure already in place and operating with facilities, administrative staff, and top-quality faculty. The amount of management education per manager is estimated to be greater in Eastern Europe than in the United States or any other Western country with the possible exception of The Netherlands. Managers are acquainted with management principles—too many of which are useless for their outdated factories and technologies.

Too many American consultants and managers are failing in their efforts in Eastern Europe by misjudging Europeans' educational attainments and by ignorance of their life styles, ways of learning, management and teaching methods, and cultural values. Offering kindergarten management education, as an outrageous example, leads to resentment that does not lie buried.

Eastern Europeans want Western managers, consultants, and academicians to join them as cooperative partners in restructuring and rebuilding their economies. In response, Western Europeans already have hundreds, probably thousands, of Eastern managers studying in their management schools and serving internships in their factories and business offices. Eastern management schools, of which there are so many, are admitting expatriate managers who are working in their countries. This provides a mutual exposure to cultural values and an opportunity to participate in building the future of Europe and, thus, of the world.

Eastern European governments have been working at strengthening management and management education for four decades. They even have rules on the subject.

### **The Rules**

*All managers at all levels must hold a university degree. Exceptions are permitted only for extreme or unusual circumstances, such as in Outer Siberia. In the countries of Eastern Europe, West Germany, and others which follow the Humboldt philosophy of education, a university course is of five years' duration and the diploma granted is equivalent to an American Master's degree.*

*All managers at all levels must be educated in management. Even those in top ministry levels, such as a deputy to an American cabinet member, are required to attend special schools designed for them.*

*No manager may be promoted without first being educated for the higher position.*

*All managers must be "re-qualified" every three to five years with at least one to six months' education. In Poland some retraining is required annually.*

*In Romania it is the obligation of every organization and enterprise, including government and unions, to organize and operate programs in training and development if they are not otherwise available. This is similar to rulings in France and Great Britain.*

*All programs in management of more than one month's duration are required to include a work project or internship which occupies a minimum of one-sixth of the curriculum.*

*All participants in a management program are required to be graded by the school faculty and by the student's immediate superior in his job. This is done on a pass/fail basis.*

Think what such rulings would do to the business and management schools in the United States!

### **Cultural Differences**

For American educators as well as business people, the vastly different societal and cultural values will present hurdles.

### **Believing that all Eastern Europe needs is American-style management is a myth**

Management everywhere is culturally based. Very little can be transferred from one society to another without first being adapted to the new society's culture. In the mid-60s, Western Europeans found that American-style management which they had been so diligently copying did not work in their societies. Consequently, each Western European country developed its own philosophy, rules, methods, and way to teach and use management knowledge.

Believing that all Eastern Europe needs is American-style management is a myth. It is probably the last kind of management that could be directly transferred without careful adaptation. From complete government control to free-wheeling capitalism is a very great leap.

Western Europe, with somewhat similar cultures is more closely related to those in Eastern Europe. The teaching methods used in Western Europe—where work projects and internships are heavily employed and cases are considered "simulation" and used for illustration rather than for teaching as in the U.S.—are more pertinent. Further, both Eastern and Western Europeans employ "Action Learning" as a method of instruction, yet to be fully understood in the U.S.<sup>1</sup> The only U.S. organization which currently recommends and promotes internships and work projects as a learning tool is U.S. Information Agency (USIA), which is responsible for part of our government effort to aid Eastern Europe.

Nonetheless American management educators at all levels can certainly serve in a variety of ways. Coordinating partners are needed to adapt free market management principles and techniques to Eastern Europe's many cultures. The schools need to be equipped for modern teaching: administrative staff need to be taught budgeting, purchasing, bookkeeping, accounting, and money handling; faculty need economic retraining.

### **The Communist Programs in Management Education**

Management education in Eastern Europe differs fundamentally from that in the West in that management by itself is not considered a profession. As Andrei N. Bykov, a top-ranking member of the State Committee for Science and Technology said, "The Soviet manager has grown up as a scientist or engineer, not as a professional manager who can go from industry to industry as in the West."

In the last two decades, however, management education has undergone a 180 degree turn. Program direction was shifted from the inefficient Ministries of Education to two top-level schools. The schools set up by the Politburos, planned and directed all management development. The Ministries of Education were allowed only operational control of second and lower-level schools.

The principal subjects taught in those earlier pre-1970 days were "scientific management," that is, work studies, time and motion studies, and so on. Today, a whole spectrum of management subjects, including the behavioral sciences which constitute or are involved in 60 or more percent of all management teachings, are taught.

After discovering that "scientific management" could not increase efficiency to the extent needed to compete with Western countries' productivity, Eastern Europeans

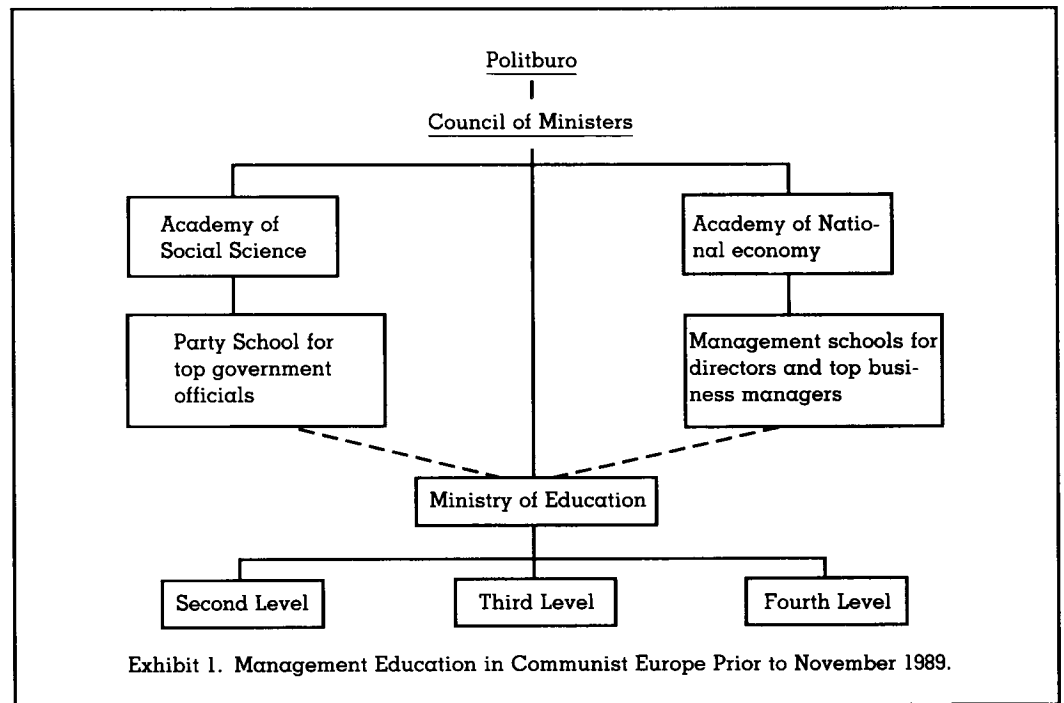
began concentrating on the organization of work: re-designing plant layouts, automating processes, installing computers, employing JIT inventory control, quality control, and other modern techniques. With a serious shortage of practicing managers skilled in such techniques, management faculty were sent into the field to act as consultants and were paid as entrepreneurs (i.e., in addition to their regular teaching salary). They worked both inside Eastern Europe and outside in developing countries where they successfully competed with higher-priced Western consultants. Thus, contrary to Communist dogma, there unofficially came to be a technological elite with entrepreneurial skills and ambitions.

Generalizing about management development in the various Eastern European countries is difficult. The former USSR led the way but actual teaching programs and methods varied greatly among countries, regions, and even cities. For instance, programs in Estonia, Latvia, and Lithuania, which have long histories of literacy and higher education, are considered by some American experts to be superior to those offered in Moscow of which the Soviets were justifiably proud. (This may not be a fair judgment in view of the differing sociological concepts of management mentioned earlier.) In Poland, the highly theoretical method of teaching management at the Catholic University in Lublin cannot be compared with the quantitative approach at the University of Lvov.

As in all areas of Communist life, there are ranks and categories in management education. These may change, but only over time.

*Top Level*

At the top level, there were two schools. The Party School, administered by the Academy of Social Sciences, trained participants for work in or with the government (see Exhibit 1). The other, under the Academy of National Economy, trained students for the business and economic sectors. Both served as models for all other management schools and sources of teachers. Both reported directly to their Politburo.



Unlike the American division of public and private sectors, the Communists divided participants more pragmatically: the Party School in the old USSR, for example, included not only top ministry officials, ambassadors, presidents, and officials of the fifteen republics but also university rectors and directors of the media. The National Economy schools included top representatives of business and industry such as directors of LBOs (large business organizations which resemble major corporations in the West, usually an association of two or more enterprises employing at least 20,000 workers) bank directors, top scientists and engineers, and government officials. Participants at both schools were selected by the Council of Ministers from nominations by enterprises and ministries. The highest-ranking faculty were employed at both schools and leaders from all sectors of society and the best foreign experts were used as guest speakers.

At the Moscow Party School, there were twenty-five to thirty participants per class and programs lasted from one month to two years. The programs given at night usually lasted three months. All programs included the required internship or work project and subsequent grading of participants' work. Total enrollment was nearing 4000 per annum as of November 1989. Presumably these schools no longer exist even though the need for education in public administration is greater than ever.

Many of the schools under the Academy of National Economy, however, are not only alive but flourishing. Programs are continually updated to teach Western-style economics and management. But under whose auspices is not known.

At this top level in the former USSR there are six Inter-Industrial Institutes: The Management Institute in the Plekhanov Institute, (reported to be the finest management school in the entire region), the St. Petersburg University of Finance and Economics, the St. Petersburg University of Engineering and Economics, the Minsk Institute of National Economy, the Donesk Institute of National Economy, and the Higher School of Economics in Moscow. These schools also have branches in the major cities. Accounting, finance, planning, marketing, and management programs run from one day to two years. All known delivery systems are employed.

Teaching methods, in addition to those known to Americans, included open and distance learning, which are well-known and frequently used in Western Europe; the latter is beginning to be used in the U.S. All teaching, of course, is Eastern European style. The St. Petersburg Institute of Finance and Economics had two separate faculties, one for each subject area.

The top economic schools in the other Communist countries included the Institute of Public Administration and Management in Warsaw, the Prague School of Economics, the School for Social Management in Sofia, Humboldt University in (East) Berlin, the National Management Centre in Budapest, and the Stefan Gheorghiu Academy near Bucharest.

#### *Second Level*

The purpose of these management schools, under the Ministries' of Education's jurisdiction, was to "re-qualify" directors and senior managers of small and medium-size enterprises and department heads of LBOs by upgrading their knowledge and skills. Public administrators of equal rank who interacted with these managers were also participants. Admission was by examination.

Today the schools are highly competitive and admission is eagerly sought, especially for those that offer popular programs such as: the University of Warsaw's two-year part-time Advanced Management program which focuses on foreign trade; the University of Leningrad's (now St. Petersburg's) nine-month



full-time program on the Psychology of Leadership; and CEPECA's (The Center for Management Development in State Enterprises and Administration, part of the Stefan Gheorghiu Academy in Romania) one-year residential program in the training of Managers for Computer Centers. Since all participants hold the equivalent of a U.S. Master's degree, presentation of a dissertation after graduation from one of these second-level programs qualifies for a doctoral degree (not in management but in each participant's field of specialization).

Top managers from foreign joint ventures are also admitted. For example, the Italians had about 100 joint ventures in the former USSR. Some of the top managers from the new USSR-FIAT automobile plant at Yelabaga are attending classes. Although the courses are taught in Russian, simultaneous translation is provided in Italian. A cooperative effort between the Academy of National Economy and Sogea University in Genoa is making this possible. It was planned that managers from other foreign joint ventures would be admitted to these programs.

Originally, most of the programs were free to the participants, their employers underwriting the expenses. Costs were reasonable. Before perestroika, at the St. Petersburg (Leningrad) Institute of Finance and Economics, tuition was 1500 rubles, about \$2200. In some schools, such as CEPECA, the University of Lvov, and the Academy of Economics in Krakov, the employer paid the fee only if the participant passed the course. If not, the participant had to pay.

#### *Third Level*

The institutes and training schools for middle-level employees are the third level. They are similar to, perhaps patterned after, programs which large American corporations, such as IBM, GE, and GM, operate for their employees. For example, the ZIL automotive plant, which produces the "Russian Cadillacs" and their best trucks, has an excellent management school complete with its own dean and established curricula and teaching materials. Programs are provided for all levels of employees from foremen to division managers. Conversely, the huge billion dollar Kamaz truck factory—the largest in the world—was constructed in 1974 with no provision for training and development.

Many third-level programs are offered part-time, one day a week, one week every several months, or at random.

#### *Fourth Level*

The fourth level schools are designed for foremen, section managers, supervisors, and lower-level managers. Many are run by LBOs, smaller enterprises, and ministries below the national level. There were also the scientific societies, or what Americans know as professional societies, such as the Scientific Society of Engineers of the Ukraine or the Scientific Society of Polish Economists. They do not operate schools but merely organize programs for a day or an evening. It is at this level that the management school professors also act as entrepreneurs in doing the teaching.

The Chambers of Commerce also organize programs and seminars which are accredited and popular.<sup>2</sup> They are open to the public and are widely attended because Poland, for example, has a law that every person who is a manager (and a manager is anyone to whom someone else reports) must be trained and retrained every year. Managers are required to turn in certificates as proof of attendance which are used to determine an individual's bonus. Consequently, a rather lucrative black market in these certificates has developed.

#### **Faculty Qualifications**

What do faculty who teach these highly educated managers need to have achieved to rank as professors?

First, they must have been outstanding student scholars. They will have studied one of the five disciplines—science, engineering, medicine, law, or the social sciences, which are the only disciplines taught in the universities throughout all of Eastern Europe and Germany. Furthermore, management is not a discipline in that part of the world.

A university degree requires five years' study but many professors complete the full seven-year term to receive a Ph.D. before starting management courses which are specialized to the business or government function in which they will work or teach. The higher the level of school to which they are admitted, the higher they will eventually rank as professor.

Qualified management professors are required to continue to study and do in-depth research in management and their area of specialization. It is evident in their writings, conversations, and their school and personal libraries that they study Western and American management. They have access to many times more information about other countries' management than Americans do.<sup>3</sup> Research counts toward a Ph.D. and the Doctor Habilitation degree which is awarded throughout Germany, Eastern Europe, and other countries and is higher than a Ph.D. The Habilitation degree is an academic degree leading to full university professorship. It centers on original research exceeding by far the scope and level of scholarship required for a Ph.D. The average age at which this degree is earned is thirty nine. It is not awarded in the U.S.

East-West university affiliations have also been important in the education of Eastern European faculty. For example, the University of Lvov has been affiliated with the University of Illinois and the University of Birmingham in the U.K. for more than ten years. CEPECA has long been affiliated with MIT, NYU, and Rutgers.

The number of Eastern professors who study and conduct research on Western management as Visiting Scholars at American and Western universities is another important part of their education. In the U.S. alone there must be at least forty universities which have welcomed two or more scholars annually for many years. One outstanding example is Dr. Hab. Gavriil K. Popov who was sent to study at Harvard in the 1960s. He was later appointed to the Soviet Mission to the UN in New York; back home he became dean of the Faculty of Economics at Moscow State University and editor of the top Soviet economic journal, *VOPROSI EKONOMIKI*. Today he is a leading radical member of the Council of People's Deputies and former mayor of Moscow.

### **Current Events**

Eastern Europeans agree that they need and want *collaborative* help from the West in all areas of management and business. Of these, three hold highest priority: financial management, marketing management, and information services.

But no program or theory in financial management can become viable until new constitutions and corporate and business laws have been established. Since marketing is based on behavior, Western techniques will require drastic adaptation to be accepted in those societies. The top job for an Information system is strategic planning. For that, the system must encompass the whole of its organization. But most organizations there are still in formation. Time and political and economic stability are required in all three areas.

Maintaining and restructuring the management infrastructure is a more immediate need. The schools suffer from a serious lack of technological equipment. The administrative staff must be educated in the use of money, and faculty must be

re-educated. Not to make use of that which currently exists would overwhelm the already overburdened financial resources of the countries, as well as make for a shameful waste of human resources. But where to start?

Western European management educators and governments did not stop to ponder that question but took action immediately. As the Berlin Wall was falling, Helmut Kohl invited President Gorbachev to "let 4,000 managers come to Germany for training." The response was immediate and ever since Eastern managers have been flooding into German and Western European management schools to be taught free market economics and functional skills. An unknown number are attending American schools and an equally unknown number of American professors and graduate students are teaching there. The European Community, the International Labour Office, and the International Network for Management Development, are negotiating plans and agreements for further management development programs.

Bocconi, the Italian university, launched a joint venture for research in management with the State University of St. Petersburg. The list of collaborative efforts is growing almost daily.

As there has not been central control or a recording of these events as they occur, the following brief notes on eleven schools are given as examples of the trend within Eastern Europe.<sup>4</sup> The first four schools listed are locally developed private enterprises; the next three are newly adapted Western-style programs offered at old government schools; and the last four are new private schools set up by Westerners.

### **Locally Developed Private Schools**

#### *Higher Commercial Management School*

Independent and locally developed, this school in Moscow was founded by Vladimir Burenin, a former government foreign trade educator. It is already financially independent even though participants have to pay tuition in convertible money. Focus is entirely on foreign trade. Quality of equipment from bar to computer room is reported to be "second to none." It has written its own cases which are employed as Western Europeans do, not the American way. It is planning intercountry seminars with West Germany and Austria.

#### *Estonian Management Development Institute*

This private enterprise, founded by Professor Madis Habakuk, teaches international management under Canadian guidance. The program lasts ten months, the first two of which are spent in classes in Estonia, the next in classes in Canada and the remaining seven months in internships there. Owner seeks partnerships for internships in both directions with North American companies.

#### *Executive Training Center*

This independent school, established by the Slovene Chamber of Economy, is located in Kranj in northernmost Yugoslavia. It teaches Western European management and offers a European MBA program.<sup>5</sup> Faculty reported to be equal to that of INSEAD (in France); in fact, many INSEAD professors teach there. Dr. Danica Purg, its director, proclaims, "Like all Eastern European countries, we believe that management is not a profession, but a function."

#### *The International Business School*

This is a new school in Warsaw, locally established and independent. Dr. Andrzy Kosminski, the president, is former dean of Management Studies at the University of Warsaw with scholarly study and teaching experience in Texas universities. The program obviously focuses on international management.



### **Old Schools with New Programs**

#### *Institute of Social Management*

This old Bulgarian school has a new international management program which, it reports, is based on British company and U.S. corporate laws. Earlier the Bulgarian government arranged for two programs to be given at the school, one each by France and the U.K. They were rejected by the participants. Bulgarians prefer their own teaching methods and professors. A new program now offers a European MBA with extended internships. Plans to offer new exchange programs with the U.S., to be titled "Understanding the Business Environment," have been discussed. The exchange of professors and business people for short-term contracts is also planned. They believe that they must do this quickly with "a wealthy nation."

#### *The Universities of Lvov and Posnan*

Both these Polish universities have restructured their management programs with Canadian guidance to include adapted Western management.

### **New Western-Sponsored Schools**

#### *The International Management Center*

A new joint-venture school in Budapest was set up with Hungarian and North American capital. It is supported by a Canadian private-sector trust. Teaching is headed by University of Pittsburgh faculty, aided by faculties of six Canadian and U.S. universities. It reports it teaches straight unadapted American-style management. An American MBA degree is possible if participants continue in the program for five additional months in Pittsburgh at their own expense. First graduates were eagerly sought by American and Canadian subsidiaries in Hungary. Tuition for the Budapest part of the program was originally US \$10,000.

#### *Clemson University*

Clemson, situated in South Carolina, announced the establishment of an American MBA program in Moscow to open in 1992. To provide the necessary faculty, it formed a Consortium of Universities for International Business Studies with Florida State University, the University of Georgia, and Mississippi State University. Degree requirements will be identical to those at Clemson which call for two-year full-time study. Non-degree programs will also be offered. In addition to presenting straight, unadapted American-style management, the program is designed to encourage US-Commonwealth trade and abet cultural and academic exchanges. The program will be funded by Investment Services of Paris with money derived from business ventures in the former Soviet Union.

#### *IMI-Kiev Management Institute*

This Institute opened its doors in January 1990 as an educational nonprofit joint venture between IMI/Geneva/IMD Institute in Switzerland and the Institute of Economics of the Academy of Sciences of Ukraine. Its mission is two-fold: "to facilitate learning in management and technological innovation and to expand opportunities for trade and joint ventures." Its activities include (or will in time) short seminars, executive programs, a one-year post-experience European MBA, study trips abroad, workshops, and special conferences. The educational program will be self-financing, research will be funded from within and outside Ukraine. External support for its founding came from eight major international corporations, one private American foundation, and from its parent school, IMI/Geneva/IMD Institute.

#### *The Robert Maxwell International Management School*

This school, near Sofia, Bulgaria, was designed to teach "the finer points of capitalism." It comes complete with swimming pool, tennis courts, and easy access to nearby ski slopes.

## Conclusions

For generations, Americans have operated in a self-sufficient country remaining largely unaware of how people in the rest of the world live and think. Values, both cultural and societal, are so different that often we cannot even communicate. Now it is incumbent on Americans to face this problem. Our managers must realize that their way of thinking and doing business just do not work in Eastern Europe or any other part of the world. Our methods have to be adapted to other cultures and environments for transplanting.

This article reported on how Eastern Europeans are educated and learn. Their management education infrastructure is completely integrated; the curricula cover all areas of management. Specialization is the name of the game. To be promoted one must be educated for the next job. In programs and courses, participants are graded by both teachers and their superiors at work.

Nevertheless Eastern Europeans are asking for American management help. It is their hope that our societies can work together as partners in joint cooperation to restructure their economies. To deny them their rightful place or to offer aid below the level of their abilities or needs, as has occurred in Poland (even by the U.S.), would not only create resentment but also contribute to their political unrest.

Working with the Eastern Europeans would provide valuable and opportune lessons for Americans as they face an ever-rising level of international and global competition in world marketplaces.

## Endnotes

<sup>1</sup> See "Management Development by Action Learning," *Training and Management Journal*, March 1979.

<sup>2</sup> Chambers of Commerce (and Industry) throughout all of Europe are teaching organizations. In France, for example, they operate twenty-eight top management schools. They do not participate in political activities.

<sup>3</sup> A librarian at Columbia University

Graduate School of Business noted, "Americans are not interested in what is done in other countries."

<sup>4</sup> Recently the World Bank, the European Bank for Reconstruction and Development, and USAID have united to record and analyze future developments.

<sup>5</sup> For a description of a European MBA, see forthcoming "Not All MBAs are Created Equal."

## About the Authors

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