

The Current State and Future Direction of Business Schools in Central and Eastern Europe

Deans' Conference, December 2007, Budapest (Summary of Transcription)

Participants Titles and Background:

- **Paul Danos**, Dean of Tuck School of Business at Dartmouth
He has been at Tuck since 1995.
For twenty years before that he was at the University of Michigan as a professor and dean.
He has been on the Boards of AACSB and GMAC and also serves on several large corporate boards.
Tuck is the oldest of the MBA programs in America (107 years old), with 480 full-time students with 35% international and 33% women.
Tuck has 50 faculty all of whom have a Ph.D. and Tuck has a tenure system.
It is a private school with strong alumni support and no government support. 26 nationalities on campus.
Tuck has an extensive executive education program.
- **Santiago Iñiguez**, Dean of Instituto de Empresa Business School
He serves on the Board of *EFMD* Dean, the Global Foundation of Management, and on several boards of Spanish corporations.
Teaches Business Strategy.
Their school is an innovative school with full service (from Master's Degree up to Executive Education).
They have a solid faculty with over 120 full time professors most of them with a Ph.D. and also have associates (over 250).
On campus there are 73 different nationalities.
- **Andrei Volkov**, Dean of the Skolkovo School of Management
Representative of a young business school, in existence for one year and couple of months
No government involved.
Interested in seeing different models of financial support.
He is also an adviser for the Minister of the Science and Education in Russia
He is a member of the Board of RABE (Russian Association of Business Education).
He would like to understand here different approaches and models for business schools.
- **Paul Garrison**, Dean of Central European University Business School
Background: corporate side (Procter & Gamble, Coke).

Starting a Western MBA in Eastern Europe was very innovative in 1988 and the school was founded by George Soros.

They are a classic model right now (Finance, Marketing, HR).

The school is international with 27 countries represented.

We need to adapt within the next 20 years and understand what the needs in this region are from corporate and students' standpoint.

In this part of the world you have to take care about politics.

Nobody is teaching the ethical content, but standards in Hungary, in Romania, in Azerbaijan are very different.

Important to bring social sciences into business education, because the link between business and society is tight here, much tighter than in Western Europe and in the U.S.

- **Paul Marer**, Professor and Academic Director, Central European University Business School.
He lives in Hungary.
In 1987, George Soros said that he wanted to establish a Business School in a still communist world. The Business School is an integral part of the University. CEU is endowed by George Soros, but the Business School is not endowed at all, it is financially independent. School has a separate budget and a separate mission.
- **Danica Purg**, President, International Economic Development Council (IEDC) Bled School of Management
The school was one of the two first business schools in Central and Eastern Europe, and was established in 1985.
During this time they have had participants from 70 countries, and this year 82% of the participants are foreign participants.
In the beginning the Chamber of Commerce supported them, but after a few years Ms. Purg asked them to stop financing them. A private company was created with 27 company owners and is managed by Ms. Purg.
European Leadership Center was established by Ms. Purg six years ago with the aim of creating a business meeting place for researchers, professors of management, deans, politicians and unions to discuss some bigger issues of the European Union and Europe in general. Next year there should be a conference on future scenarios of Europe.
All the School is an Art Gallery, as in art there is inspiration for creativity and for responsible leadership development. So they teach the classic business courses, such as finance, marketing, etc., but they also have special modules on art and leadership.
She would like to see what could be done for more responsible leadership in the future.
- **Arpad von Lazar**, Instituto de Empresa Business School
Member of the Board of Instituto de Empresa and the Board of the CEU Business School.

He spent 30 years in Boston at The Fletcher School where his task was to create new programs, new ventures and new exposures to different parts of the world. IE Business School is an international organization, and it is getting into arts and humanities programs, as it is very important for businessmen. He has a big business background. One of his fields of interest is the institution building.

Topic 1: Public versus Private Business School in Central and Eastern Europe

Paul Danos:

What do you believe will be the future structure of business schools in Central Europe? Are the business schools going to be private schools or public? In Brazil there are many new private schools, also with MBA's. The public sector is not expanding; the market has been filled by private institutions. Is this a tendency in Eastern and Central Europe? Are there signs that public universities can do more creative, high quality business education?

Santiago Iñiguez: "Government should promote competition among schools."

The presence of the governance in the public institutions in Europe is huge. With the Bologna process we are facing a crossroads. I believe that the government should promote competition in the field of education. In some countries, such as Spain, the regional governments have the power to regulate the market, so they may over regulate this sector and limit innovation and creativity. Universities in Europe have not competed for 700 years, so we need to open the door. Private schools have a different business model in Europe and in America. In the US, private schools rely on endowments; in Europe tuition is more important.

Andrei Volkov: "Funding dictates going private."

In our environment, the tendency is that business schools are going to become private based. The business education industry is just 17 years old. The sector gets no money from the government because according to the law it is a postgraduate education. But some classic universities have established classic undergraduate degrees. Now government people are starting to understand that this industry has to be developed. There are approximately 50 MBA programs in Russia with 4-5000 people every year earning an MBA diploma, but it must be multiplied 5 or 6 times. That is why the government has decided to put money into this industry indirectly. There are business schools inside universities, like departments, so they are not operating independently. It is my opinion that business schools of this region (especially Russia)

will develop into independent institutions rather than government based institutions, and that regulations will be more flexible for MBA programs.

Even in university education, they get 50% of the money from tuition and not from the government.

Danica Purg: “Government accreditation of private schools is important.”

New business schools are established privately and then they try to get accreditation from the government. A big question is: how to get accreditation from the government and how to get a university diploma and stay independent? Our MBA program was accredited by the Ministry of Education. We got it approved and now we have faculty of postgraduate studies. Every seven years we have to give a report.

Paul Marer: “Every country is unique.”

One cannot speak about Central and Eastern Europe as a whole because each country is very different. For example in Hungary the government is regulating education in a much greater degree than is necessary. In order to grant a post graduate degree in Hungary, one has to be part of a university. CEU can only operate by having a special treaty between the U.S. and Hungary. Generally private schools are better in quality than the public ones, but their quality also varies. Universities have recognized the importance of business education; they recognized that if they create an MBA program, they can charge more than for any other postgraduate program. The tendency from the government is to over regulate now, however creating competition should be the role of the government.

Paul Garrison: “Private schools are the answer.”

I don't think public schools can do the job needed. Politics and business are very much involved in education. Government has to be focused on the country, while businesses have to be focused on the region. Private schools have the ability to move.

Arpad von Lazar: “There is no culture of corporate or alumni giving.”

The problem with state universities is the way they went into business education. We have an existing economics department, so therefore it will be the core of our business school.

The second question is about the financial resources: The state universities have obligation to the state, to the treasury and to the public. The private universities have a complicated challenge of getting support from businesses and alumni. The problem is if there is no culture of corporate giving or alumni giving.

Topic II: The Nature and Role of Faculty in the Business School of the Future

Paul Danos: Let's think of different models of faculty in different parts of the world. The classic model in the West is where the faculty teaches the classes and is also doing research. The average faculty at Tuck teaches 25% of his time and researches 75% of his time. The classic model involves faculty with Ph.D. Other models have one professor per area with several teaching aides or mostly part-time teachers with a few research faculty who are full-time. Where is the faculty role going in Central and Eastern Europe? Where will the research be coming from? Who's considered the top faculty? Will there be different groups (research – non-research)? How do you think this is going to work out?

Santiago Iñiguez: *“Don't forget teaching.”*

The role of a school is not only producing but also diffusing research. Universities are not just the reservoirs of knowledge, but also channels for effective communication of the knowledge. We must balance the research function and the teaching function. The future will be dominated by big institutions with large faculties and this concentration will lead to more research. But business schools have a different model in Europe than do the leading business schools in the U.S. If colleagues cannot understand some of the research, can we expect students to understand?

Andrei Volkov: *“The research model is our goal but it is difficult to achieve.”*

It is a combination of teaching, consulting and research that works. I hope that we can build the same model as the one in the U.S. We try to invite people from the industry. Lots of people from research and science institutions shifted to business 15 years ago, but now some executives and managers have decided to share their time with students. We have some practitioners who now want to do some research to summarize this knowledge with students. Business schools in my country are more professionally oriented rather than just pure research oriented.

Paul Marer: *“We must be practical.”*

One has to distinguish between what is desirable and what is likely to happen. We had to give an academic, strategic, and financial plan to our Board of Directors and we have had a huge debate among the faculty about which model should be pursued. Each faculty member should discuss what the proportions are that they want to devote to teaching, research and service. All of our faculty have to make a good contribution to teaching because we cannot afford to have researchers only. Also research depends on what kind of research. It has to be rooted in real world experience, not just abstractions. I agree with

Andrei that faculty members have to have analytical skills at the same time and know how to think about solving problems.

Andrei Volkov: “We must balance several objectives for faculty.”

The ideal model is 4 dimensions. People who are researching, teaching, consulting (have connection with business) and participating in school development.

Paul Garrison: “Academics and business people have different perspectives.”

Academics are always curious. They try to figure out how things work. Business guys are typically curious in a more narrow way in their jobs. They have to find a way to fix something under pressure.

Paul Danos: “Intellectual curiosity is the key.”

Individuals at companies are focused on their particular applications; researchers try to make generalizations. The tension between teaching what is and what will be is the key. A lot of people think that research keeps people intellectually curious on a more general level. It is an endless debate. Most people at Tuck believe that the research approach should be the approach we take, with a translation to the practical.

Danica Purg: “Teaching is at the heart of our mission.”

In the future there will be schools that are very much research oriented and some of them will be less. Part of our organization has a course for teaching teachers, with an emphasis on how to teach, and we also spend some time devoted to training faculty as a consultant, faculty as a researcher and faculty as an administrator. I do not see our school as a primarily devoted to research, because we are primarily an executive institution and people would not come if we did not have good teachers. You can have ten times better researchers, but if they are not good teachers it does not help in our mission. Bigger institutions have more resources for basic research, and the others will have more applied research.

Arpad von Lazar: “Students must be the focus.”

We were asked to set up 3 institutions in 3 different areas (Chile, Caribbean and Ethiopia) and we did it totally wrong. The government asked the Rockefeller Foundation to do this project, but from the beginning mistrusted these people. They had a product, but they could not communicate, they could not set it into practice.

What happened to the 3 institutions? All failed because they did not concentrate on what students need. Business school should be for the benefit of the students.

Danica Purg: “What can we afford?”

Most schools just cannot compete on the research side with the oldest and richest schools. We need to do both what our countries need and can afford.

Paul Danos: “Most schools need to invest more on student learning.”

There are thousands of business schools in America, but only the very top schools, maybe 50, can afford the classic research model. Most of the American schools make a mistake by putting too many resources into the research structure when they should be spending much more for student learning.

Joseph Pisturi (executive education at IE):

The change in the world is already faster than what we can capture in research. The other challenge that we are facing as researchers is that the change is discontinuous. The challenge for the business schools is how we can take whatever model we have and deal with these gaps and the discontinuous nature of challenge.

Topic III: Is work experience necessary for MBA students and what do we think about the length of the programs?

Santiago Iñiguez: “The MBA should require experience. The Masters of Management should not.”

The fastest growing segment of master’s program in Europe was expected to be the master’s of management segment. The key question is whether we call those programs master’s of management or MBAs. In Europe some of the leading schools do favor a more senior class for the MBA programs. It includes schools such as LBS, Oxford, Said, IMD and HEC to name but a few, as well as ourselves, where the average age for MBAs is 28 years old, so it means 5-years of work experience.

In the U.S. they are lowering the requirements in order to keep the GMAT scores high. Will it happen in Europe also? Will we see some institutions accepting people with no experience? What will some of the already established schools do in the future? Will some of the leading schools lower the requirements? In Europe the requirement is at least 2 years of work experience for calling a program an MBA. If the MBA changes, then the case method should also change because it is based on the experiences of the participants.

Paul Danos: “Is it fair to experienced students to mix in those with no experience?”

Everyone has to decide about accepting these young people and mixing them in with the experienced students. It is a great learning experience for them, but I think that Tuck will stick to a requirement of having experience so that all of our students can benefit and add to the learning at the same level.

Andrei Volkov: “In Russia, people want knowledge.”

In Russia, the case is different. For people who start business at 23 or 24, in 5 or 6 years they reach a level where they need to take a next step. They need a jump and that is why they decide to get an MBA. So they have experience and it is more of an executive program. Another point is that not many people decide to be out of the business world for a couple of years. That is why in the Russian environment the full-time MBA is rare. People want knowledge, communication skills, and new ideas for businesses. This is the whole tendency in Russian market. Business schools are business providers, not diploma providers. Diploma, accreditation and ranking are not very important.

Danica Purg: “Some executives need a flexible program.”

20 years ago we had the same situation. Everybody wanted to come for Sunday education. We had 67 programs per year, then we established a 5-week general management program. Then came the MBA program. Now, after 21 years, we again have the problem of people wanting shorter programs. So we established 15 years ago “the residence” MBA, and that is for people who do not have time, who are in top positions and they come for the modules when they have time; there is individual agenda for each person. We invite them to come to the school for 5 to 6 days and work with a mentor. We did not try to do this online because we feel it is better for students to work together.

Topic IV: The Future of Business Education

Paul Danos: What is the key to the future of business education?

Danica Purg: “Innovations.”

The future is in innovative programs, and I see the school as a business meeting point for researchers, government, business, etc. We also need learning, discussing, leadership roundtables with more attention to innovation and the methods of learning. I see more in creating a space for meetings, learning and for reflection. I see my school only in executive education.

Andrei Volkov: “Experimentation.”

We are going to establish a full-time MBA program, but it will be very small and very experiential. For me executive education is the

traditional stable education. MBA should be extreme and experimental.

Paul Marer: “Bologna opens the door to creative programs.”

For us, the Bologna process is very important. We have started to work on a Master of Business in Global Management, which will be for people without business experience (for those who are right out of undergraduate programs and for those who are from another type of master’s program). This is not to be confused with our MBA, which will remain for people with business experience. It is a good opportunity for us to be a full-service university. This kind of MBA program will rely more on incorporating not just traditional business subjects, but also social sciences, humanities, environmental issues. We have four business schools. Students can choose and get 2 degrees from 2 universities and then they have a different module for two weeks at different universities.

Paul Garrison: “Experiential learning.”

What the students really need is the kind of program that puts them somewhere in the world working on a real project.

Joseph Pisturi: “Leadership.”

Big corporations hire people out of undergraduate schools and may have an internal training model for them; they have a high potential category, a talent category. If you look at the organizational architecture of the leadership development in corporations, they are developing functional leaders, general managers, and at some point they are focusing on helping managers to become leaders.

Paul Danos: “Special tracks for experienced students.”

There are many ways the schools can handle experienced students. Some people have classes for those who do not take the basics, some people have those people teach the others in the basic class, and other people break the class into two.

Danica Purg: “Listen carefully to what students want.”

You have to listen to the customers and what they really need. 17 years ago, when we started with the MBA we saw many of our participants coming from Central and Eastern Europe. We brought the students the five best German companies and each day we had a full conversation with the whole management team. Then the situation changed. Students were taken to Sarajevo to do a project on how to develop winter tourism in Bosnia. Students said that it was the best experience ever, because they could explore something very special (with reflections about life, about the organization they were helping, and about purpose of life). Now we have 7-8 consortiums, and they are real

leadership developments that really change the participants. You have to listen to what people really need. I believe in putting students closely in touch with similar types of people with similar wishes and let them work together.

Paul Danos: “Students need more access to faculty expertise.”

Tuck is moving toward having students work directly with faculty in research and on their projects. It is not common in America as many schools separated top faculty from close relationships with students. Tuck will keep them very close, with many small classes.

Santiago Iñiguez: “Move toward a ‘full-services’ model.”

There will be two models: like Tuck, a very focused one and a “full-service” (comprehensive) model. In Europe some universities are developing this model so we are in the process of building up a full-service business school. One of the challenges is how to get to these programs that satisfy the different needs of customers, how we innovate, how we build up a worldwide faculty.

Andrei Volkov: “Entrepreneurship”

The key word in our school is entrepreneurship. To develop entrepreneurial skills of students, we need to be entrepreneurial ourselves. It means to develop an integrative, comprehensive approach and not just care about operations, marketing, finance or accounting. It means that the school has to have a political, social, and economic role in a country.

Paul Garrison: “Ethics.”

We cannot teach the students hundreds of political structures or social structures in the world, but we can teach to assess the ethical /political/social situation.

Danica Purg: “A holistic approach.”

We should stay non-traditional, executive-education focused with special attention to leadership development, innovation, and an international and holistic approach. I would like us to contribute to others. We should bring people together. We are now planning to have a Ph.D. that focuses on teaching, not only on research. The best schools should cooperate together to make a real mark. There are many countries in Central and Eastern Europe and we have many differences. But we have many things in common. We need to find ways to cooperate and get the most from each school for the common goal.

Arpad von Lazar: “We must try new models.”

Instituto has a real relevance in this part of the world. Our programs work well because we are mixing residential and new formats. We experiment in terms of the client and the product. We will introduce new programs to meet their needs.

Paul Danos: Thanks everybody for coming and sharing your different perspectives.