

# Developments In Business Simulation & Experiential Exercises, Volume 20, 1993

## Restructuring Management Education in Post-Communist Countries: How Western Experts Can Help

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### ABSTRACT

Post-communist nations will endure severe pressures as they shift from a command to a market economy. This paper focuses on challenges and barriers in transporting American management "know-how" to these countries. Based on the author's experiences in Eastern Europe, a model for economic reform is discussed and applied to management education reform. This paper discusses two models of successful programs currently underway in Poland, presents pitfalls to be avoided, and offers recommendations for those interested in developing similar programs.

### INTRODUCTION

There is a persistent belief among western management academics and consultants that management education and development is a uniquely American invention and, as such, we possess intellectual proprietorship as we transport our expertise around the world. Undoubtedly this is a controversial statement but it is grounded both in history and in success stories. After all, the U.S. higher education system did invent and export the American-made MBA, which has become the standard bearer of business education around the world.

This presentation focuses on the particular challenges and barriers in transporting American management know-how to post-communist countries and is based on the author's experiences in Poland, Hungary and Ukraine. More specifically, the paper discusses the process of economic reformation, which served to stimulate the systematic restructuring of management education in these nations. It describes two models of successfully implemented programs currently underway in Poland. Finally, it presents pitfalls to be avoided and offers recommendations for those interested in developing similar programs.

#### The Reform Process in Post-communist Economies

Since 1989 when the Berlin Wall fell, it has become fashionable to speculate about the chances of success or failure of economic reforms currently underway in post-communist countries. While it may be difficult, perhaps even impossible to predict success or failure rates accurately, a discussion of the reform process in communist economies may provide a general framework for analysis, understanding and generalization formulation.

While substantial literature on economic reforms in communist countries existed prior to the destruction of the Berlin Wall (Brus, 1979; Brzezinski, 1989; Goldman, 1987; Gomulka, 1986; Gregory and Stuart, 1986; Zielinski, 1973), a general typology of the economic reform process in communist-socialistic economies was developed by

Kozminski and Obloj (1989). The three types of change in their typology include: 1) innovative, 2) adaptive, and 3) regressive change. According to Kozminski and Obloj (1989), the economic reform process is cyclic in nature and generally each reform phase represents a significant turning point in former centrally planned economies.

The Kozminski-Obloj typology is used in this presentation as a conceptual framework, not only as a method to assist in understanding the economic reform process in post-communist countries from a historical perspective, but it is also applied to other contemporary reforms currently underway in these nations. The typology also may serve as a useful framework to assist in developing management education and development programs in post-communist countries that are responsive to economic reform. Within the context of this paper, economic reform refers specifically to economic restructuring, and, as such, is defined as changes where important modifications occur in the values, objectives, structures and rules of behavior of economic agents acting within the system (Kozminski & Obloj, 1989; Morgan, 1987). Table 1 presents characteristics of each reform phase across the following five variables: 1) expressed need for reform; 2) reform goal; 3) reform leader orientation; 4) pace of reform; and 5) predominant economic ideology. A historic example is given for each reform type.

Finally, Kozminski and Obloj (1989) contend that economic reform is cyclic in nature. In this cycle, innovation usually is followed by a period of stagnation. Stagnation then triggers adaptation, and adaptation in turn is followed by regression. After some time and concomitant decline, regression stimulates innovation, and the cycle begins anew. While it is not within the scope of this paper to provide a critical analysis of the cyclic nature of the economic reform process in post-communist countries, the Kozminski-Obloj model is used to assist in understanding other types of reform currently underway in these nations, including management education reform.

This discussion presents the notion that while economic reform in these nations may be entering a new reform cycle through innovative restructuring, the practice of management is being forced into an adaptive mode. Adaptation may be an appropriate immediate response. In the long term, however, management education will need to become more innovative and indigenous if these nations are to become fully integrated into the global economic community.

There are several factors supporting the notion that current management practices in post-communist countries are adaptive rather than innovative. First, in command economies practicing managers were administrators of

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TABLE 1 ANALYSIS OF ECONOMIC REFORM IN POST-COMMUNIST COUNTRIES

Variable	Types of Reform		
	Innovative	Adaptive	Regressive
Expressed Need for Reform	Redistribute power and information flow	Eliminate weakness and exploit opportunities to improve performance	Fear and insecurity of ruling elite
Reform Goal	Total reshaping of system "frame-breaking"	Fine-tune existing systems and reorder priorities	Reinforce and reglorify traditional systems and values
Reform Leader Orientation	Strong imaginative leaders	Internal experts and pragmatists who "make it work"	Lack of tolerance of deviant or innovative behaviors
Pace of Reform	Dramatic and swift overall	Incremental but preceded by resistance	Petrifies existing structures and minimizes leader turnover
Predominant Economic Ideology	Officially challenged by ambitious people	Basic principles not officially challenged but gradually played down or subverted	Reinforces monopoly of information and interpretation; blocks negative performance indicators
Historic	New Economic Plan of Lenin, 1921	Hungarian Uprising 1956	Polish October 1956

state property, rather than line specialists. As a result, managers surviving economic restructuring need first to "unlearn" old habits and behaviors, which were appropriate in the former command economy. In fact, in some post-communist countries (e.g. Poland) former "nomenaclatura" managers were forced to resign leaving little or no practical expertise in large enterprises.

Second, new managerial habits and attitudes to strengthen and promote the status of business management as a profession need to be inculcated into the new generation of demand economy managers. This, undoubtedly, will be a long-term undertaking as new attitudes often are more difficult to embrace than new behaviors.

Thirdly, western assistance notwithstanding, the current generation of post-communist managers and management educators were educated under the socialist system and it is now proving difficult for them to adjust to the dramatic, innovative and sometimes overwhelming economic reforms occurring at this time. As a result, former management education experiences have limited contemporary value. At best, during this transition phase from a command to a demand economy, managers as well as management educators may have to settle temporarily for embracing adaptive managerial behaviors. This obviously is a very anxiety-producing scenario. Management education in post-communist countries may best be described as sitting in the middle of a teeter-totter, with a command economy on the one side and a market economy on the other.

As indicated in Table 1, the primary objective of adaptive change is to eliminate major weaknesses of a former system while exploiting potential opportunities to improve its performance. This somewhat describes the internal state of management education today in post-communist countries. Documented success stories, however, are beginning to emerge where individual managers are overcoming weaknesses developed as a result of "managing" in state-owned enterprises, but they have not yet defined a unique post-communist management persona which will result in the eventual integration of post-communist economies into the global economy.

Finally, a brief exposition of management education as it emerged and existed historically within centrally planned economies additionally may serve to support the notion that management practice currently is being forced to adapt to more innovative economic reforms.

### Management Education in Centrally Planned Economies

Management education was a reality in post-communist countries under communism. While there were many variations among countries, management education typically occurred in three types of settings: 1) in engineering institutes within the polytechnical universities; 2) in various departments of the

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economics universities; and, 3) in management development centers associated with state ministries (Kozminski and Kwiatkowski, 1989; Kasperson and Kobrzynski, 1991; Kuklinski, 1991). These programs generally had four distinguishing characteristics: 1) knowledge was highly theoretical and mostly in the fields of management and organizational theory; 2) education was uniformly lacking in applied aspects of subjects such as accounting, finance, and marketing; 3) research and research applications were highly quantitative and relied on theoretical mathematical formulae to predict variables such as production costs, inventory turnover, and worker output, and often research had little relevance to market conditions; and 4) there was little emphasis on the human behavior side of managing, such as motivation, worker satisfaction, and consensus decision-making techniques (Kornwai, 1980). When management development centers were established, generally they were associated with and directed by state ministries. The primary function of these centers was to train high ranking bureaucrats who acted not as managers, but rather as state officials (Kwiatkowski, 1988).

While opportunities to apply management knowledge may have been limited, it nonetheless was a subject which had been taught in various settings for several decades and the subject matter was neither foreign nor new. Finally, formal management education generally aimed to serve the needs of state-owned enterprises, and formal education for entrepreneurship and small business development was non-existent.

### Designing Management Education and Development Programs

The programs described below were initiated in Poland and are in a process of being emulated in Hungary and Ukraine. The following will contain elements of program design, but more importantly, will provide the philosophy and rationale underlying the establishment of the programs as they relate to the economic reform process in post-communist countries.

#### Institute for Business Studies (IBS)

The IBS is a self-sustaining management education and professional development center. This program was initially funded by the Polish-American community in Connecticut and by a grant from the Rockefeller Brothers Fund and subsequently by the United States Agency for International Development. The purpose of the program was to establish at Wroclaw Technical University in the Silesian region of Poland an independent self-sustaining management development center. This program, however, grew out of a desire to "internationalize" business faculty and in response to the interests of the local Polish-American business community.

The program was designed as a three-year pilot project, and in February 1993, the third year will commence. The first year of the program was designed as a "train-the-trainers" program, where over two dozen faculty of various engineering institutes in the technical university were trained in contemporary western business theory, practice

and pedagogy. During the second year, a class of approximately 30 practicing managers, many of whom were graduates of the technical university, were recruited to participate in an eight-module management education certificate program. During the second-year program, selected faculty from the first-year program served as "apprentice" teachers who taught along with American faculty. The U.S. faculty taught approximately eighty percent of the program with the Polish faculty teaching the other twenty percent. During the third year, the reverse will occur; the U.S. faculty will teach approximately twenty percent of another class of practicing managers and the Polish faculty will teach eighty percent. A unique feature of this program involves Polish-American executives and entrepreneurs, who participate in the program as guest lecturers and serve as role models for emerging free enterprise managers and entrepreneurs.

### Program for Entrepreneurship Educators in Central Europe (PEECE)

This program transported to Warsaw University the highly successful Babson College Symposium for Entrepreneurship Educators. The Babson College symposium was established in 1985 and is designed to assist universities in establishing or enhancing entrepreneurship programs or curricula by developing the teaching skills of faculty "seeking professional renewal" and "real world" entrepreneurs interested in assuming academic roles in teaching entrepreneurship. In achieving these goals, the program brings together the unique talents of accomplished entrepreneurs and the academic expertise of university professors to their mutual benefit in growing a cadre of national and international entrepreneurship educators. In addition, this project brought together three institutions in a creative and mutually beneficial collaboration. Also, association with the highly acclaimed Babson program and prestige of Warsaw University served to enhance the developmental process of business faculty.

These experiences served to reinforce the belief that both management practice and management education in post-communist countries is in an adaptive mode rather than an innovative one. Even though both programs were innovative and were developed out of long-standing relationships between the U.S. and Polish universities, the Polish counterparts viewed these programs with suspicion and at times with resistance. Resistance is frequently not unfounded. Western providers sometimes exhibit an attitude that "we know what is good for them" and this often results in dysfunctional outcomes. Finally, we found that tensions frequently emerged between Western faculty and Polish faculty in their ability to apply management theory according to Western standards in order to meet the needs of managers in the emerging market economies. It must be remembered that both providers and recipients need to approach one another as intellectual equals where there is a mutual enrichment attitude.

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## Lessons Learned

The following recommendations are not meant as advice but merely as lessons learned from experience and hopefully will provide some insight and understanding for those who wish to develop and establish effective educational programs in post-communist countries.

1. Develop programs between partners with long-standing relationships. An eleventh hour search for a partner who will fit a project is not worth the time nor the energy expended to make the program work.
2. Friendship alone will not suffice. Both providers and recipients must be committed to program goals and outcomes, motivated by a concern for mutual benefits and gains, and willing to endure temporary setbacks and solve problems as they arise.
3. Involve the partner early in the process of needs identification, program development and methods for implementation and evaluation. Ideally, this should be completed before funding sources are identified and secured.
4. Initiate programs with a mutual enrichment attitude. That is, both parties become partners in the learning process and both experience considerable gains.
5. Develop programs that are practical, realistic, and achievable. This involves an understanding of both provider and recipient limitations and capacity.
6. Deliver programs in small "chunks." When possible, begin with pilot programs with frequent evaluations to enable early program evaluation and modifications.
7. Communicate frequently and with candor. There is no substitute for full, frequent, and open communication, including financial information. International electronic mail networks and facsimile are becoming commonplace and should be used frequently. Since candor involves risk and trust at the same time, one can understand the importance of long-standing relationships between partners.
8. Avoid "turnkey" programs. While this approach may alleviate some immediate reformation problems, in the long run turnkey approaches cannot seriously contribute to substantive improvements in the endogenous educational capabilities of post-communist countries. Such capabilities are indispensable for sustainable economic and educational reform.
9. Assist in developing cases and other educational tools built upon local examples.
10. Develop a future stake. That is, what happens to programs when external funding sources are expended, and what values will endure? Ideally, management education programs should result in permanent relationships with self-perpetuating programs such as faculty, student, and executive exchanges, continuing consulting relationships, collaborative research, and other joint activities.

## CONCLUSIONS

Economic and educational reform have been discussed herein as two distinct processes. In reality, however, they are quite intertwined. For example, is management education the foundation upon which economic transformation must be built, or will economic reform command practical yet rigorous management education programs? Obviously, a shortage of qualified managerial talent constitutes a significant barrier to economic reform. Yet, economic reform in post-communist countries is racing ahead despite a lack of managerial talent, not to mention other factors influencing the success or failure of economic reform, such as high unemployment, hyperinflation, political instability, and social unrest.

While economic and management education reform may be at different stages in the reform cycle in post-communist countries, both are systems "in the making," so to speak. During this transition period, western assistance and cooperation becomes an important building block and even may be indispensable. In sum, management education reform in post-communist countries will occur through a process of gradual regeneration and reeducation where results will be achieved both through meticulous planning and sometimes serendipitous events. The goal will be to create educational programs that are at the same time both innovative and responsive to reform. In the long term, as management education programs mature and take on distinctive features to fit local markets, western educational assistance programs will serve merely as sign posts along the way.

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