

Business Education in Post Soviet Countries

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Abstract

The presented article discusses the history of business education development in post Soviet countries. It is shown that, though much has been done in these countries to bring business education to international standards, still much has to be done

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Introduction

Before 1950 business education at American and European universities was rather fundamental and was viewed from a legal and economic perspective. At vocational schools, however, the applied approach was taken, with business skills being taught to all who wanted a career, for example in legal or administrative services. From 1950 to 1980 there was much experimentation at business schools, where multidisciplinary topics and methods of teaching evolved. Professors from psychology and sociology became members of the business faculty and a unique combination of thought emerged. From 1980 to 2000 content and process of business teaching was being analyzed through standards and benchmarking. Though the achieved standards still demonstrate sufficient variety, business education in the US, to be accredited, has to follow AACSB - Association to Advance Collegiate Schools of Business guidelines (Abercrombie, 1989 as cited in Rao and Rybina, n.d., p.4). Post-Soviet countries tend to follow the same path, however, quicker and taking into consideration their own existing knowledge and experience.

Economic education in the Soviet Union as the basis of the future business education

The Soviet system of education did not include any business education, as the very word “business” sounded inappropriate. As for economic knowledge, according to Elder (1998, par. 2), “University students took courses in political economy, while in secondary schools, the geography curriculum included descriptive treatments of economic features and institutions, and history courses featured ideologically based economic interpretations. “Economically literate” students were those who understood and accepted the economic roles of citizens and state as decreed by communist ideology”.

Plekhanov Russian Academy of Economics, located in Moscow, Russia, is a good example of how a more fundamental/economic approach was used in the Soviet period and how it has become more applied during Perestroika and Post-Soviet period. Although RAE has changed its name more than once the quality of education remained high throughout their history. Today the academy has the highest level of accreditation by the Ministry of Education and Science of Russia, and takes part in numerous

international university collaborations, such as the European University Association and The European Foundation for Management Development. Currently it is one of the best ranked universities in Russia and many of the University's programmes have been approved and certified by UNESCO. Today its main areas of study are Business, Economics and Finance. It has 14 departments (among them Department of Business Administration and International Business School), founded in 1992, with English as the tuition language, and over 13,000 students (including branches in Tashkent, Uzbekistan and Ulan-Bator, Mongolia). The university was one of the first in Russia to join the reforms of the doctoral and master's education within the Bologna process (Plekhanov, n.d.).

Perestroika period

In the period of Perestroika, business as one of directions of education, became not only possible, but also prestigious. Business – it was realized – was something that could help people live like in the West or at least survive during that difficult period. To catch up with the trend, Moscow International Higher Business School MIRBIS, for instance, was founded in 1988 by the agreement between the governments of the USSR and Italy. Its founders were Moscow Plekhanov Institute of National Economy, the most prestigious economic institution in the USSR, to be admitted to which one needed to belong to privileged layers of society, and Italian Association of Economic Research 'NOMIZMA'. Among the “God-fathers” was Mr. Romano Prodi, then the General Director of Economic Research Association 'NOMIZMA'. Generally, business faculties and schools opened in that period and later had to have a recognized western partner – otherwise it was not prestigious for the students to enroll, as people thought that simply the faculty of economics was renamed according to the fashion (which sometimes was really the case). Curricula of such faculties/schools were more trusted, if they were based on western ones and recognized by international organizations. For instance, the above MIRBIS in 2002 had its MBA program re-accredited for another 5-year period by the group of Program Quality Department of the Ministry of Education of Great Britain, big British Universities, including London Metropolitan University (Guildhall). Since 1988 over 18 thousand students graduated from MIRBIS executive and management development courses, BA, MA and MBA degree programmes and professional training courses

offered by MIRBIS (Moscow, n.d.).

Post-Soviet Period

In post-Soviet countries, becoming economically literate has not been simple for their citizens due to “no strong advocacy of economic literacy, resulting from weak or non-existing partnerships among nongovernmental organizations, the private sector, governments and academic institutions” (Elder,1998, par. 4). Aslund (1992), for instance, found that the demise of the Soviet command economy has left economics education in a shambles. He concluded that management training was blooming in the first stages of capitalism and would be a base for the renewal of economics education. Elder (1998, par.9) names Ukrainian Council for Economic Education as a relatively successful organization which brings together leaders from foundations, the private sector and an American NGO (the National Council for Economic Education - NCEE), to train Ukrainian teachers and trainers, translate and develop instructional materials and work with the ministry of education to include economics in the school curriculum. Also, according to her (Elder, 1998, par.11), “in the six years that the NCEE has collaborated on teacher training and exchange programs in post-Soviet societies, U.S. participants have observed a distinctly different approach to economic education than that which underlies the National Council's philosophy. The driving force behind much economic education in the transition countries appears to be skills for individual economic success, and instruction is closely linked to the development of business knowledge and skills”. Economics is not typically part of the school curriculum in post-communist countries. However, some countries that are faster in reforms try to offer schoolchildren some contemporary knowledge about economics according to international standards. In Georgia, for example, in the newly adopted national curricula in the courses of History and geography in the 5-8th grades direction of environment and economics is previewed (National Curriculum, 2008, p.139), Civil Education direction of economics is planned (9th, 11-12th grades), and there is such an elective discipline as Nature and Economics (Georgian, 2008, p.1). Anyway, freshman students in post Soviet countries certainly lack economic background, compared to their American counterparts. When economics is part of school curriculum, it is more likely to be applied, than to cover the fundamental economic

concepts and ways of thinking included in economics courses in the United States. Similarly, university economics courses are typically a hybrid of economics and business.

According to Mechitov and Moshkovich (2004, par. 7) due to narrow specialization of Soviet universities and institutes, in the period of Perestroika as far as business programs are concerned, all of these universities had their own business colleges (usually termed economic colleges) with substantially different programs. Besides, many separate large universities existed, specializing in business and economics, like the Moscow School of Economics, Statistics and Informatics, or the St. Petersburg Financial Academy. These schools prepared specialists with a broader background in business for the Ministry of Finance, the Central State Planning Committee, and other federal economic and financial institutions.

Not only organizational form, but also the contents of business education in Perestroika period and soon after the collapse of the USSR differed from American and European approaches. "On average, the size of a Russian general education component was almost two times smaller than in American schools, leaving more hours to the major components. College business programs have never included courses in communications, literature, or the natural sciences" (Mechitov and Moshkovich, 2004, par. 8). Teaching was theoretical and teacher-centered. "In the past, business programs in Russia rarely included classes on organizational behavior, labor relations, or human resource management. All these topics were covered in general management courses and had a highly ideological flavor" (Mechitov and Moshkovich, 2004, par. 9).

However, these business schools and faculties were rather efficient: they cost cheaper as they offered very few electives, no minors and a predetermined schedule of classes for each semester (due to logical arrangement, the courses were more understandable and logically interconnected). The education was very generalistic, however, this made it impossible to adjust class loads and schedules to suit individual students' needs. Enrollment in business schools - with the exception of a few Moscow universities that prepared specialists for the high echelons of the federal agencies - was not very high, but stably growing. The highest

demand existed in small business specialists. According to Mechitov and Moshkovich (2004, par.18), “since 1991, according to the classified ad sections of Russian newspapers and magazines were filled with business positions, with the highest compensation offered by accounting jobs”.

The process of globalization basically positively influences education, especially business education. The process of standardization is necessary in this sphere as, probably, nowhere else, as doing business on international scale presupposes some common knowledge, skills and attitudes. Most business education programs worldwide are developed to provide such mutual understanding. This, however, does not exclude the necessity of not only translating from English into native languages of course books, but also the creation of original educational materials with local examples which are more interesting for and better understood by local students.

Joining the Bologna process stimulated most Post Soviet countries to bring their curricula and credit system closer to international standards (Estonia, Latvia and Lithuania in 1999, Russia in 2003, Armenia, Azerbaijan, Georgia, Moldova and Ukraine in 2005). However, reforms go at different speed, some countries still sticking to their traditional systems of higher education.

Soon after opening private universities was permitted in Russia, the number of private business schools exceeded that of state schools and faculties. However, their majority is small, quality of tuition not so high (Kuzminov, 2003). The ones that are competitive are usually business schools, especially in Moscow, that were sponsored by famous economists and high-ranking politicians who actively used their influence to promote their schools and to get federal support. The most famous examples are the Moscow International University, organized by former Higher Education Minister G.Yagodin and former Moscow mayor G.Popov, and the Higher School of Economics, organized by former Minister of Economics E.Yasin (Mechitov and Moshkovich, 2004, par.23).

The problems of quality of business education in Russia as well as in other ex-Soviet republics dealt even not so much with equipment, libraries with contemporary books, etc. as teachers and course books, especially in national languages. The quickly done translations were few

and often of low quality. To prepare qualified teachers in such a short time was not easy. Importation of western professors and books, direct – without any modification according to local experience, laws and traditions – borrowing of curricula made business education expensive. Sending young specialists to western countries to receive – if not complete training than - at least retraining also cost a lot of money and took time. George Soros's Open Society Foundation, Ford Foundation, Eurasia Foundation, Fulbright Program, the U.S. Agency for International Development, and many other American and West European federal and non-profit organizations played a significant role in supporting Russian (and other post-Soviet) business education. To provide the quality control of business education the Russian Association of Business Education - RABE, the analogue of AACSB, was established in 1990, which is now playing an increasing role in developing standards for business education.

Many old business programs in economics, finance, accounting, and management information systems have been substantially updated; many new programs on management, marketing, banking, and international trade have been created. Being fully state-funded in the past, business education has become one of the most financially vibrant and, to a large extent, self-supporting sectors of Russian education. As Puffer noted, to a certain degree, business education has become one of the most successful businesses in Russia (Puffer, McCarthy & Elgar, 2000). It is analogous in other post-Soviet countries.

If in large countries like Russia the general tendency since the collapse of the USSR has been that large, even huge business schools and faculties (often state) have the best funding, and, correspondingly, educational equipment, teachers, partners, books and curricula, in smaller post Soviet countries like Georgia business education in state universities is less efficient and popular. Small and medium-sized private universities, that are joint ventures, are usually more successful.

According to Rao and Rybina (n.d.), the models that are currently being used in national and government funded universities to teach business education in Kazakhstan and other post-Soviet countries are similar to those that were used in the 1950's in America and Europe, however, this is beginning to change, as a consumer culture with access to

cable television begins to teach new generations of people in those countries about capitalism and materialism.

When, for instance, teaching of business was first introduced to Kazakhstani universities, some professors believed that business should be taught from an empirical perspective, in order to establish the discipline as more “serious” and “scientific” compared to others who wanted to take a more “applied” approach (Abercrombie, 1989 as cited by Rao and Rybina, n.d., p.2). Those professors who labeled themselves as empiricists, felt there was one Truth that we were on a journey to discover, thus their lectures were presented in a very authoritarian manner, with THE truth being told about how business should be done. However, those who labeled themselves phenomenologist, felt that there were many truths, and thus many ways of doing business, and their classes took a more exploratory approach to figure out what method was best used in business under which circumstance, and the way the class was taught was a more relaxed and exploratory environment, with many options to select from in completing assignments or other forms of assessment (Tidwell, 1999). These trends were also reflected in the type of research that was encouraged or discouraged at various Business Departments, some preferring a more empirical approach, while others preferred more phenomenological approach.

Teaching business in Kazakhstan and some countries of the region, besides the American and European models, takes into consideration the Chinese model of business education, as in many respects the countries are in a similar situation. In China, with the introduction of Special Economic Zones and joining the World Trade Organization, special programs of business education and research institutes were established, they actively sought collaboration with institutions around the world, trying to combine socialist economy with capitalist ones.

The Republic of Uzbekistan like other transition economies still is greatly under the influence of the former Soviet education system. It has taken some steps to revise the economics curricula and texts and to introduce business education. According to Wood, Sariqov and Gaydarov (2003), the country is also on the way of creating educational economics materials in their native tongue and training national teachers able to

deliver classes according to contemporary international requirements.

Business education in Georgia

As we have seen, the system of business education in the Soviet times trained professionals for a planned economy. As Georgia has transitioned to a market oriented economy after the fall of the Soviet Union, the country needed young, top business graduates to establish, lead, and manage businesses in the post Soviet era. Likewise in many former Soviet republics, business (mostly, small) made urgent having people with corresponding knowledge and diplomas, as the almost totally purely theoretical economic education, based on an economic theory that no longer was working, was not of much help. In economic jargon the situation could be described as a high demand for business education on the one side, with weak supply, on the other (Doghonadze & Papiashvili, 2009).

Most Georgian universities have realized that their mission was to provide flexible and market-oriented professionals. Some economic faculties opened business departments or groups, more than that, practically all universities – even ones that never before had economics faculties - opened business management faculties or groups, as this is the magic new name attracting young people and their parents. However, not all business schools and university faculties were able to get state accreditation. Besides, business faculties at state universities became less prestigious than at private universities due to better funding and more contemporary methods of teaching.

International Black Sea University, Tbilisi, for example, was founded in 1995, its founders were the Ministry of Education of Georgia, the Governors of Dusheti and the Turkish firms Mars and Çağlar. The largest and the most successful faculty at the university is that of Business management and Social Sciences (initially, specialities of Business Administration, Business Management and Industrial management were opened, to which later Finance and Banking was added). The faculty has already had more than 250 graduates at BA and MA level, the first batch of Ph.D. student is expected to defend by the end of 2009. Above 500 students are studying at this faculty at the moment (International, n.d.).

In 1998, Georgia State University (USA) in partnership with some

local universities (Tbilisi State University, Georgian Technical University and Tbilisi State Institute of Economic Relations) founded the Caucasus School of Business (CSB, now this school is one of the schools of Caucasus University). It was founded through American funding support (the Bureau of Education and Cultural Affairs of the Department of State and the Eurasia Foundation). Both at IBSU and CSB the language of instruction is English. CSB offers BBA, MBA, and Ph.D. degrees in Accounting, Finance, Management, Marketing, International Business, Healthcare Administration, Hospitality Management, and Human Resource Management. According to Fazlollahi (2007, par.5), the establishment of CSB significantly contributed to Georgia's transition from a Soviet era planned economy to a free market economy in that CSB:

1) has provided high quality business graduates for the fulfillment of human resource needs of various industrial and commercial organizations.

2) has conducted non-degree short-term training programs meeting the specific training needs of Georgian businesses. CSB has grown from a dozen students in 1998 to over 1100 in 2006. During that short time, it captured a large share of the BBA/MBA market and is financially self-sufficient.

The new system of higher education, which is part of the Bologna process, aims at integrating the Georgian higher education system into the European Higher Education Area and gives students the freedom to choose not only subjects but also Major and Minor academic programmes for their BA curriculum. By the time the reforms are fully implemented, students will be able to form their own, individual, educational programme according to their academic interests. Provided that they have the right to choose courses, they can refuse to be taught by under-qualified professors.

International organizations play a significant role in supporting the intellectual potential of Georgia. UNESCO, the Council of Europe with their special programmes, the Open Society –Georgia Foundation, the British Council, the German Academic Exchange Office (DAAD), the Konrad Adenauer Foundation and others help Georgian higher educational institutions to create satisfactory conditions for academic activity. They support students, as well as teachers and scholars, enabling them to

continue their education, teaching and research activities. Of course, first of all, these programs support Georgian educational institutions directly by additional funding, on the other hand, they help to bring the Georgian educational system closer to internationally accepted norms and standards.

The old Soviet infrastructure of adult training has been destroyed, but it has not yet been completely replaced with a new one. Unfortunately, for instance, in Georgia there is no tradition of lifelong learning. There are no laws regulating distance learning yet, which means that any certificates obtained in this way are not valid, which demotivates people from paid for distance leaning. Only free-of-charge distance learning is popular, as one gains knowledge but does not part with any money for such an non-measurable and ephemeral thing, as many people still believe.

Dynamics

In Mechitov and Moshkovich (2004) there is a table of business schools' rating, which we permitted ourselves to shorten.

Table 1. Business Schools' Ranking in Russia

Rank	University	Location (City)	Areas of Emphasis
1	Academy of National Economy	Moscow	economics, finance, management
2	Plekhanov Economic Academy	Moscow	accounting, finance
3	State Management University	Moscow	economics, management, business law
4	Federal Finance Academy	Moscow	Finance
5	Higher School of Economics	Moscow	Economics
6	St. Petersburg State Economics and Finance University	St. Petersburg	economics, finance
7	Moscow School of Economics, Statistics and Informatics	Moscow	economics, informatics

The rankings shown in Table 1 indicates that, despite recent changes, business higher education institutions, especially elite ones, continue to be concentrated in large cities with Moscow a clear leader. For Russia, with its great size and distances, such domination by any one city represents one of the reasons why economic growth in Russia is so uneven. Another conclusion Mechitov and Moshkovich (2004) makes is that Russian business programs are still overwhelmingly concentrated on classical economics and finance, at the expense of other business areas, including the much needed accounting, management, and marketing disciplines. Marketing represents the most difficult problem, as Russia was never active in promoting its products on foreign markets. Oil and natural gas, which represent the bulk of Russian exports in the last 20-30 years, as well as caviar and vodka, have not required much promotion to be successfully sold, and it appears that Russian business schools so far do not consider marketing to be on par with other business areas.

During the first decade after the liberalization, there was virtually unlimited demand for business degrees, which had become some of the most prestigious and highly paid (Dezhneva, 2002). Demand for business instructors in the second part of the 1990s was so high, that a majority of business professors lectured concurrently in several schools due to the extremely attractive offers they received. The enormous demand for business professionals was reflected by increased enrollment and graduation rates for business majors. As a result, according to the Russian Federal Statistical Bureau, the graduation of business majors almost tripled during the 90s from about 55,000 in 1990 to 140,000 in 2000 (Russian Higher Education Statistics, 2004). None of other academic areas experienced such growth: during the same period, graduation rates in natural sciences (36,000 and 38,000), education (41,000 and 43,000), and health care (25,000 and 23,000) remained essentially static. Unfortunately, we could find no fresh enough statistical information, but personal experience and sharing with colleagues from Post Soviet states shows that this huge demand has mainly been saturated, so that from now on the problem is not so much to provide specialists with higher education in business, but to provide high quality of business education.

In Georgia, for instance, for so many years there was no problem of filling in the quota at the numerous business faculties. This academic year,

however, under the influence of recession, the situation differs. Most of universities with business faculties were unable to use the quota completely (kviris palitra, 2009). This fact makes us think that supply of business specialists has reached saturation point, so in the future, to have enough students the business schools/faculties will have to offer a quality education at reasonable prices.

Abraham & Karns (2009) in the abstract to their article state that although businesses and business schools essentially agree on the competencies that identify successful managers and graduates, business schools do not emphasize these competencies in their curricula. It is not surprising that it is so in the Post Soviet countries where business education still lags behind the world tendencies.

However, things are certainly improving. The prestigious international business newspaper The Financial Times in 2006 rated the Stockholm School of economics in Riga the 12th best in Europe "The focus of business education is turning towards the east," says the London Business School MBA Programme Associate Dean, Julia Tyler (Riga, 2006). In 2008 The Financial Times rated the same school as 15th in Europe (European, 2008), but taking into consideration that this is the only business school from Post Soviet countries (totally 65 European business schools are ranked), this is certainly a great achievement.

From the table FT.com European Business school rankings 2008

Rank 2008	15
Rank 2007	13
Rank 2006	12
3 year average	13
Business school name	Stockholm School of Economics
Country	Sweden / Russia / Latvia
Full time MBA 2008	-
MBA salary today (\$)	-
MBA salary increase (%)	-
Executive MBA 2008	18
EMBA salary today (\$)	100,327
EMBA salary increase (%)	74
Masters in Management 2008	11
Masters in Management salary today (\$)	61,855
Open programme Executive Education 2008	20
Custom programmes – Executive Education 2008	4

Conclusions

Though much has been done in Post-Soviet countries to bring business education to international standards, still much has to be done. In order to maintain — and further develop and expand upon — the achieved strengths in the field of business education, and to avoid the above mentioned weaknesses and threats from further impeding our goals, possible solutions are to cooperate more intensively with our Western partners, to develop Business research more relevant to conditions of these countries, to renovate teaching methods, to develop a wise tuition fees policy, etc.

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