

Danica Purg · Alenka Braček Lalić
Jennifer A. Pope *Editors*

Business and Society

Making Management Education
Relevant for the 21st Century



Springer

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Foreword from the World of Management Education

The mission of leadership and management development institutions is to design and deliver relevant and excellent research and education. The question is therefore whether these institutions succeed in doing so. This study reveals how business leaders value the performance of leadership and management development institutions in their respective countries. It shows that, across all studied countries, there are common business needs in this field. However, these development needs nonetheless vary from country to country and are related to the size of the company and the scope of its activities, and above all, they depend on the social, cultural, and business environment of every company.

CEEMAN, the International Association for Management Development in Dynamic Societies, took the initiative to conduct this study. Its mission is to promote and accelerate leadership and management development, particularly in societies that are confronted with fast and often disruptive changes.

CEEMAN initially operated only in the countries of Central and Eastern Europe, but over the years, it has extended its activities to dynamic societies on all continents. The fact that CEEMAN puts an emphasis on studying the relevance of research and education for the local and regional environment distinguishes it from other associations. This particularity can also be seen in the aim, organization, and methodology of this study.

The information on development needs was gathered through in-depth interviews with important stakeholders: business leaders, managers, and human resource management experts in a substantial number of corporations. The exclusive information about these companies' specific needs concerning the typical business environment and markets was analyzed by using structured qualitative methodology. The outcomes were studied in the country chapters and placed in the larger context of information about the companies, which was gathered through an online questionnaire and country data taken from the World Bank and other databases. This makes it possible to understand the development needs from a broader and deeper perspective as well. The necessity and relevance of judging development needs is well-argued in the chapters of this book, for example by statements such as “the one-size-fits-all

training model is no longer suitable: companies are looking for tailor-made offers that suit their and their employees' needs" and "not all Western materials fit our circumstances."

In spite of the variety of used research methods and the large number of respondents, the authors of all chapters conclude that their results cannot be generalized. Nonetheless, due to the fact that all 11 research teams have come to similar conclusions, it is certainly true that this exploratory study gives us important insights into the current quality of existing leadership and management development programs in the participating countries, the development needs of companies, and the missing links between management education and the corporate world.

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Arnold Walravens

Foreword from the Corporate World

We are in the midst of a big paradigm shift, which is reshaping our economies and society as we know them. It is a shift from a carbon-based to a carbon-free economy and society of the near future. The assumptions of the industrial revolution of 200 years ago are just not sustainable any more. While this transition will not be completed overnight and, in some domains, this transition may well last until the year 2040, its speed will surprise us all, as green sustainable projects are already becoming a profitable mainstream as we speak.

Digitalization will speed up this transformation. Big data, the Internet, the connectivity of everybody and everything everywhere at all times, booming computing capacities, quickly developing artificial intelligence, and the capability to process enormous amounts of data in real time and change them into useful information with predictability algorithms will radically change our world as we know it today and within the next 10–15 years.

Based on all of that, we should not be afraid of that future. We need to realize and fully acknowledge what is going on and start running fast to not only catch up but to visualize that positive future, asking ourselves what we and our organizations can and should do to contribute in innovative ways in order to enable that very future. Then, we need to turn these dreams into concrete technology, product and business models, and road maps and start making all of it true. It is the only way to ensure that we will have a good place in the future by leading ourselves into it, by co-creating it.

We must digitalize our existing business models as quickly as possible. Simultaneously, we must start thinking of our next disruptive business model. It is not easy, as it is very much about creative destruction, about reinventing ourselves. This includes dismantling our present business model on our own and growing a new one before somebody else destroys it for us. Moreover, it involves the continuous rethinking of our business models as well as working together with start-ups (or, establishing new ones ourselves for this purpose). In some cases, they could be integrated into our current structure; they should not be destroyed but kept autonomous instead. This process also involves several skills that we, as big and complex

organizations, do not possess at the moment and that presents an opportunity for management education institutions.

In terms of new business models, the future is not about classical competition any more. It is about co-opetition, about very different stakeholders with diverse capabilities coming together in new ecosystems, which are able to address complex solutions for the future. We need to establish limitless, boundless cooperation between science, education, companies, non-governmental organizations, and the government.

On this path, we are looking for well-rounded managers, for the leaders of the future who will be able to holistically manage sustainability as such, in a technical-technological and socially responsible manner. It needs to include creating new interdisciplinary curricula and new programs at management education institutions.

This book addresses all of these and additional relevant issues as the cards are being reshuffled and distributed anew and as we, the countries in transition, have a one-time opportunity to quickly move from being followers in the old world to becoming the leaders of the new world.

Management Board of Hidria
Ljubljana, Slovenia

Iztok Seljak

Acknowledgments

On behalf of CEEMAN, the International Association for Management Development in Dynamic Societies, we would like to acknowledge and thank all researchers who contributed to the success of the exploratory study on Management and Leadership Development Needs in Dynamically Changing Societies and this book.

We would also like to extend our thanks to the companies that participated in this study. Their representatives generously took their time and allowed the researchers to explore and learn about their business challenges, the management and leadership development needs, and the missing links between the corporate world and management education in dynamic societies.

We are also very grateful to EQUAL and the EU program ERASMUS+ Strategic Partnership, which financially supported the study, and especially to IEDC Research Assistant Ms. Livija Marko-Wieser, Professor Ian Sutherland, CEEMAN Director Ms. Olga Veligurska, and Professor Drikus Kriek, who supported us in this exciting project. Special thanks go to Professor Arnold Walravens and Dr. Iztok Seljak for writing the forewords to this book.

We are grateful to each and every one of you.

Danica Purg
Alenka Braček Lalić
Jennifer A. Pope

Contents

Introduction and Research Methodology	1
Alenka Braček Lalić and Jennifer A. Pope	
A Cross-Country Study of Management and Leadership Development Needs in Dynamically Changing Societies	11
Danica Purg, Alenka Braček Lalić, and Jennifer A. Pope	
Management and Leadership Development Needs: The Case of Croatia	27
Mislav Ante Omazić, Tanja Slišković, Rebeka Danijela Vlahov, and Lara Jelenc	
Management and Leadership Development Needs: The Case of Estonia	47
Ruth Alas, Tiit Elenurm, Tõnu Kaarelson, Marge Sassi, and Maris Zernand-Vilson	
Management and Leadership Development Needs: The Case of Hungary	67
Sándor Takács, Natasha Gjorevska, and Barbara Meretei	
Management and Leadership Development Needs: The Case of Latvia	87
Irina Sennikova, Iveta Ludvīga, and Elina Dubinska	
Management and Leadership Development Needs: The Case of Lithuania	115
Erika Vaiginienė, Raimonda Alonderienė, Margarita Pilkienė, Lineta Ramonienė, Asta Savanevičienė, and Živilė Stankevičiūtė	
Management and Leadership Development Needs: The Case of Poland	137
Dorota Dobija, Anna Góraska, and Sylwia Hałas-Dej	

Management and Leadership Development Needs: The Case of Russia 159
Sergey Filonovich, Lev Tatarchenko, Liudmila Ruzhanskaya, and Liudmila Pliner

Management and Leadership Development Needs: The Case of Slovakia 177
Jaroslav Ďaďo, Gabriela Kormancová, Janka Tábovecká-Petrovičová, and Lenka Theodoulides

Management and Leadership Development Needs: The Case of Slovenia 203
Alenka Braček Lalić, Jennifer A. Pope, and Monika Kolb

Management and Leadership Development Needs: The Case of South Africa 229
M. Anastacia Mamabolo

Management and Leadership Development Needs: The Case of Ukraine 251
Iryna Tykhomyrova and Vadim Saveljev

About the Editors

Danica Purg is the President of IEDC-Bled School of Management, Slovenia, and the President of CEEMAN, the International Association for Management Development in Dynamic Societies, which brings together more than 220 management development institutions from 55 countries. She is also leading the European Leadership Centre (ELC).

After graduating from the Faculty of Political Sciences at the University in Ljubljana, Slovenia, she completed her PhD at the Faculty of Political Sciences, University of Belgrade, and extensively studied at Harvard Business School, IMD Lausanne, INSEAD Fontainebleau, Technological University Delft, London University, Sorbonne, and Kalamazoo College, Michigan.

Prof. Purg is Professor of leadership and effective management at IEDC-Bled School of Management. Her special field of interest is looking for inspirations for managers from art and other professions. In 2010, Prof. Purg received the 2010 International Educator of the Year Award by the Academy of International Business (AIB) for her outstanding achievements in international business education. In 2013, Prof. Danica Purg was Chair of the PRME (Principles of Responsible Management Education) Steering Committee, the initiative started by UN Global Compact. In July 2017, the Global UN PRME Forum awarded Prof. Purg for her pioneering work in establishing the UN PRME initiative. Prof. Purg was for 11 years the President of UN Global Compact Slovenia and is a member of several international advisory boards at management schools around the world, including the University of Stellenbosch Business School (South Africa), School of Management of Zhejiang University (Hangzhou, China), and ESSCA School of Management (France).

She is a frequent guest speaker at European and American universities and international conferences. She authored and co-authored several books and numerous articles on leadership issues. In 2004, she edited and jointly wrote the book *Leaders and Teams—The Winning Partnership* with professors Lynn Isabella, Pierre Casse, Paul Claudel, and Arnold Walravens. In 2013, Prof. Purg was the co-editor of the book *Hidden Champions in CEE and Turkey: Carving out a Global Niche* (Springer). In 2017, “Why Art in Management Education? Questioning

Meaning”—an article that she co-authored with Dr. Ian Sutherland—was published in the April issue of *Academy of Management Review*.

Prof. Purg is Doctor Honoris Causa of several international universities and holds two honorary professorship titles. The President of the Republic of Slovenia awarded her with the Honorary Order of Freedom for her contribution to management development in Slovenia and Central and Eastern Europe. Prof. Purg was named a business leader role model for young professionals by the American Chamber of Commerce. In January 2015, the Managers' Association of Slovenia conferred on her a Lifetime Achievement Award in the field of Management. In 2016, she received a Certificate of Lifetime Achievement in the field of CSR, Sustainability, Ethics and Governance for her “visionary work in the field of responsible management education in her home institution and around the world,” and in June 2017, she received the Robert L. Dilworth Award for Outstanding Achievement in the field of Executive Learning.

In 2015, a special chapter about her leadership journey was published in the book *Women and Leadership Around the World* by Information Age Publishing, USA, authored by Susan Madsen.

Alenka Braček Lalić is the Vice Dean for Research and Co-Director of the Executive MBA study program at IEDC-Bled School of Management, Postgraduate Studies. She is also heavily engaged with CEEMAN, the International Association for Management Development in Dynamic Societies, where she acts as the International Quality Accreditation (IQA) Director.

Dr. Braček Lalić holds a PhD and an MSc in the area of human resource management from the University of Ljubljana, Faculty of Social Sciences. Before joining IEDC-Bled School of Management, Postgraduate Studies and CEEMAN in September 2015, she was advisor to the Minister of Education of the Republic of Slovenia and senior advisor at the Slovenian Quality Assurance Agency for Higher Education, where she worked from 2011 to 2015. The preparation of her PhD thesis on “What are the impacts of internationalization of higher education on human resource management and the quality of higher education” was funded by the European Commission. While preparing her PhD thesis, she worked as a young researcher in the business sector (RR & CO. Knowledge Centre Ltd.; 2008–2011). She gained a lot of different perspectives regarding the internationalization of higher education while she was working as an assistant for international relations at the University of Ljubljana, Faculty of Administration (2004–2008).

She specializes in providing quality enhancement advisory services for management education institutions in emerging or recently emerged markets. In her position as the CEEMAN IQA Director, she has been part of accreditation procedures for management schools in Ukraine, Kazakhstan, Russia, Poland, Latvia, China, Malaysia, and South Africa. She has also been an external evaluation expert nominated by several institutions, such as the Centre of the Republic of Slovenia for Mobility and European Educational and Training Programs, the Ministry of Education of Montenegro, and the Academic Information Centre in Latvia. From December 2014 till September 2017, she acted as the Chair of the Council at the National Education

Institute of the Republic of Slovenia, and since October 2016, she has been a member of the EQUAL Board.

Besides professional engagements related to quality enhancement, Dr. Braček Lalić acts as the Vice Dean for Research and Co-Director of the Executive MBA study program at IEDC-Bled School of Management, Postgraduate Studies, where she has been active as a researcher. She is currently involved in several research projects and publications run by the school. Her research interests are linked to diverse topics, such as internationalization, organizational development, leadership in higher education, quality management, personal and professional development, innovation, and social responsibility.

Jennifer A. Pope is an Associate Professor of International Business and Marketing at Grand Valley State University (GVSU), where she has been a faculty member since 2003. She received her PhD in International Business and Marketing from the University of Texas–Pan American. She also has her MBA from the University of Texas–Pan American (1998), where she was awarded with the MBA student of the year award, and her BA in History and German from the College of Wooster (1991). Dr. Pope is a specialist in international marketing, international business relationships, management education, and sales and negotiations.

At GVSU Dr. Pope teaches multinational marketing, marketing negotiations, and sales at the graduate and undergraduate level. She has an active interest in international travel and teaching. She has traveled to over 35 countries, having lived in England, Germany, Taiwan, and Slovenia. She currently teaches at a Duale Hochschule (University of Cooperative Education) in Bad Mergentheim, Germany each spring and has taught in Taiwan, Mexico, France, Slovenia, and Bosnia and Herzegovina. She has taken GVSU students to the United Kingdom, China, Vietnam, Chile, Hong Kong, and South Korea and regularly advises students on studying abroad and international career opportunities.

Dr. Pope has written many articles in diverse areas, such as international business, non-profit marketing and outsourcing, logistics, and festival customer satisfaction. She has published in *The International Journal of Business Disciplines*, *The Journal of Transportation Management*, *The Journal of Small Business and Entrepreneurship*, *The Journal of Non-Profit and Public Sector Marketing*, *Journal of Teaching in International Business*, and *International Journal of Event and Festival Management*, among others. Dr. Pope's 2009 article in the *Journal of Non-Profit and Public Sector Marketing* is still one of the most read and cited articles in that journal, having been cited almost 150 times so far. Dr. Pope has also co-authored two chapters in internationally recognized books and one textbook.

During the 2016–2017 school year, Dr. Pope spent 11 months working as a Fulbright Scholar at IEDC-Bled School of Management, Postgraduate Studies and continues to work on projects through CEEMAN. She collaborates with a student in the IEDC PhD program. While at IEDC, Dr. Pope worked on several research projects through both IEDC and CEEMAN and taught executive seminars in sales and negotiations.

Introduction and Research Methodology



Alenka Braček Lalić and Jennifer A. Pope

1 Setting the Scene

The world has been changing drastically since the beginning of the twenty-first century. Globalization, technological progress, socio-economic, and environmental changes have been reshaping the social, economic and political contexts of national and regional economies within which new business models have been emerging. The emerging business-related issues create new managerial and leadership challenges, which require developing new knowledge, skills and attitudes, and the corporate world is now seeking new strategic responses to address all of these changes.

Higher education systems have a crucial role in addressing these challenges by providing outcomes relevant to the requirements and expectations of their stakeholders.

One of the main objectives of higher education is to provide its graduates with the skills needed to succeed in the labour market. This mission is especially important in the context of today's innovation driven, skills-based, globalised economies. It also corresponds to one of the main expectations of students, namely that they will be able to get a good job at the conclusion of their studies (OECD, 2017, p. 9).

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Besides the mission related to the transfer of knowledge (learning and teaching), higher education has two more other functions, namely “research, and engagement with the wider world, i.e. with industry, government and society (often referred to as the ‘third mission’ of higher education)” (OECD, 2017, p. 17). All three missions of higher education have to be pursued at the institutional level in order to make a change and desired impact at the local, national, regional and international level. The mission of higher education is not solely ‘producing’ graduates with learning outcomes relevant to the needs and expectations of the labor market, but also to the requirements of their respective environments in order to develop active citizens and leaders with the necessary abilities to enact the required changes in the business sector and in society at large.

To accomplish these missions, higher education institutions (HEIs) have to become change agents themselves and introduce a new model of higher education dedicated to providing educational offerings and research activities relevant to the requirements and challenges of their stakeholders and respective environments. Close collaboration with all stakeholders while pursuing the main mission of higher education is a crucial factor for making an impact. However, due to several performance measures set by national and international bodies (e.g. international rankings, national and international accreditation agencies), HEIs are nowadays more focused on research rather than pedagogical excellence, and even less so on their engagement with industry, government and society. Relevance should be one of the main principles of HEIs in order to realize the ‘third mission’ of higher education: their ‘service to society.’ This is especially important for management education institutions, whose mission is also developing managers and leaders who will have a significant influence on economic success and the well-being of society.

CEEMAN, the International Association for Management Development in Dynamic Societies (hereinafter CEEMAN), has been a pioneer in promoting relevant management education through different programs and activities since its establishment in 1993. Aiming to address the very changes that companies, management education institutions, HEIs and other relevant partners are experiencing in this century, CEEMAN initiated an exploratory study entitled Management and Leadership Development Needs in Dynamically Changing Societies in order to gain an insight into what new knowledge, skills and attitudes are required for the aforementioned actors in order to succeed in this new environment. Coordinated by CEEMAN and supported by several of its members, the study ran from January 2016 until December 2017.

2 The Objectives of the Exploratory Study

The main objective of the exploratory study was to achieve a better understanding of emerging business challenges as well as management and leadership development needs, and moreover, to determine what knowledge, skills and attitudes are required to address these needs with relevant educational and research offerings provided by

management education institutions. Another objective of the exploratory study and this book was to gain insights into the missing links between management education and the corporate world, and strengthening existing partnerships (or establishing new ones) between management education institutions and businesses that operate in dynamically changing societies. With this exploratory study, CEEMAN also aims at encouraging management education institutions to consider the identified requirements concerning management and leadership development, and adjust their education offerings and research activities (or, create new ones) accordingly. Moreover, the exploratory study and this book sought to emphasize that relevance is one of the main principles for which management education institutions should strive. It should be their goal to be change agents and bring about positive and lasting change in the labor market and society. In order to realize these aims, management education institutions have to introduce an institutional research data management system, through which they will systematically monitor the trends, understand who their stakeholders are, what their needs are, and anticipate future trends in the labor market and society. The results of the study also have implications for other HEIs, as the recommendations provided in this book could serve other study disciplines as well and represent a source of inspiration to start focusing on the ‘third mission’ of higher education, its ‘service to society.’

This exploratory study builds on the experience and expertise obtained in the CEEMAN research publication entitled *Assessing Management Training Needs at the Achieved Level of Transition* (Gudic, 2001), which was conducted between 1998 and 2001. The research effort was based on a survey of 852 managers and leaders from 158 companies in nine countries: Bulgaria, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovenia and Ukraine. Sponsored by the European Training Foundation (ETF), the survey provided numerous lessons and recommendations for businesses, providers of management development services and other learning partners. The survey results were published by the ETF as a series of nine country reports and a cross-country report on assessing management development needs at the achieved level of transition. CEEMAN integrated the respective lessons and recommendations of the survey in all its major programmes and activities, including those related to faculty development (IMTA¹ and others), the strengthening of business school leadership capabilities, enhancing operational excellence in management education, leadership development, and more. The survey findings have also served as a basis for the launch of CEEMAN ExEd Forums as well as a source of continuous inspiration for the thematic focus of various CEEMAN annual conferences, dean and director meetings, and other events.

While the global landscape has changed dramatically in the ensuing 17 years, CEEMAN decided to initiate the exploratory study *Management and Leadership Development Needs in Dynamically Changing Societies* in 2015 aimed at exploring, identifying and assessing management and leadership development needs by focusing on:

¹International Management Teachers Academy, one of the main CEEMAN programs that has been provided since 2000.

1. challenges faced by businesses (particularly with respect to management and leadership issues);
2. strategic responses that are being developed in response to those challenges;
3. the exploration, identification and assessment of management and leadership capabilities and gaps;
4. the exploration, identification and assessment of management and leadership development needs and how they may help address existing challenges;
5. a review of the prevailing management and leadership development approaches and practices;
6. a critical evaluation of the results achieved and impacts made;
7. recommendations for management education institutions.

3 Research Partners and Research Design

In December 2015, after creating a research design and developing a research protocol in order to synchronize research implementation across different research teams, CEEMAN approached its members with an invitation to participate in this exploratory study. Thirty-three management education institutions coming from 19 countries expressed an interest to be part of the exploratory study. The following research partners from 11 countries eventually implemented the exploratory study (Table 1).

Table 1 List of research partners

<p><i>1. Croatia</i> University of Zagreb, Faculty of Economics and Business (country coordinator) University of Rijeka, Faculty of Economics</p>	<p><i>7. Russia</i> National Research University, Higher School of Economics, Graduate Management School (country coordinator) Ural Federal University, Graduate School of Economics and Management</p>
<p><i>2. Estonia</i> Estonian Business School (country coordinator) Tallinn University of Technology</p>	<p><i>8. Slovakia</i> Matej Bel University, Faculty of Economics</p>
<p><i>3. Hungary</i> Corvinus University of Budapest, Corvinus Business School, Institute of Management</p>	<p><i>9. Slovenia</i> IEDC-Bled School of Management, Postgraduate Studies</p>
<p><i>4. Latvia</i> RISEBA University of Business, Arts and Technology</p>	<p><i>10. South Africa</i> University of Pretoria, Gordon Institute of Business Science</p>
<p><i>5. Lithuania</i> Vilnius University, Faculty of Economics (country coordinator) ISM University of Management and Economics Kaunas University of Technology</p>	<p><i>11. Ukraine</i> International Institute for Management (MIM Business School) (country coordinator) Kyiv Mohyla Business School Lviv Business School</p>
<p><i>6. Poland</i> Kozminski University</p>	

In order to synchronize the research implementation, all research partners signed confidentiality agreements with CEEMAN and followed the rigorous research design and research protocol² regarding data collection and quantitative and qualitative analysis. In countries where there were several research partners, one of the partners acted as a country coordinator. The main responsibilities of country coordinators were to coordinate research implementation within their respective countries according to the research protocol and ensure the consistency of the applied methodology, timely implementation, and the uniform analysis of the gathered data among research partners from their country. The exploratory study was conducted under the supervision of the leading researchers (the authors of this chapter).

4 Data Collection

According to the research protocol, the research partners selected a minimum of 10 companies per country using the following criteria (Table 2).

Once the list of selected companies was approved by the CEEMAN Research Committee, the research partners were instructed to collect the data based on the following four approaches:

1. Personal interviews with decision makers (one C-level executive and one person responsible for human resource (HR) management/learning/development) from each individual company with the intention to gain insights into the current and future business challenges and into the management and leadership development needs. The leading researchers prepared a Research Participant Agreement for the research participants to sign in order to safeguard the confidentiality and anonymity of the companies, and the usage of research findings for academic purposes only. The interviews followed semi-structured questions such as:

Table 2 Research protocol criteria for company selection

Inclusion criteria	Public or private companies, private/public partnerships regardless of the sector or size of the company
Exclusion criteria	The sample should not include: <ol style="list-style-type: none"> 1. NGOs 2. companies younger than 5 years

²The research design and research protocol were prepared by Dr. Alenka Braček Lalić and Dr. Ian Sutherland; due to his change of position, the latter was replaced by Dr. Jennifer Pope later on.

For C-level executives:

1. What are the main challenges for your company?
 - (a) Currently?
 - (b) In the future?
2. How is your company tackling these challenges?
3. How is your company preparing for these challenges?
4. What are your company's development needs?
 - (a) Currently?
 - (b) In the future?
 - (c) What are the most underdeveloped skills within your company? Why?
 - (d) Who needs to be educated the most in your company? Why?
5. What support are you prepared to provide to development in the foreseeable future?
6. What are the missing links between the corporate world and educational institutions in terms of education/development? What do you miss the most about educational offerings and educational institutions?
 - (a) What are your recommendations for educational institutions?
 - (b) How would you describe the ideal educational institution?

In addition, a few questions were added for persons responsible for HR management/learning/development:

7. What is the preferred pedagogical format (method of delivery) of training/education for your company? Why?
8. What are the qualities of good training/education? Why?
9. How have development/education programs been put to use in your company?
10. What are the impacts of development/education programs undertaken within/by your company?
11. Do you have a system for evaluating the efficiency of development/education programs? If so, describe.

Each interview lasted on average of 60–90 minutes and was digitally recorded for further analysis.

2. An online questionnaire was devised by CEEMAN in order to get an overview of the main features and trends regarding the participation in development/education programs that were conducted by the companies between 2011 and 2015. During the company visits, researchers encouraged the companies to complete the online questionnaire as well, which focused on the companies' profile and main features and trends regarding participation in previous development/education programs (in the last 5 years).
3. A modified online questionnaire was developed by CEEMAN in order to get data from a wider selection of companies with regard to development needs, programs and preferences for the same period (2011–2015). The leading researchers

provided the research partners with a link to the survey hosted by Qualtrics, and asked the partners to send it to their alumni or other relevant contact lists.

4. Collection of country data through the World Bank database and other international sources was done in order to provide a macro-economic picture of each country.

5 Research Methodology and Analysis

The exploratory study was designed to address three main questions:

1. What are the current and future business challenges in specific countries within dynamically changing societies?
2. What are the current and future management and leadership development needs in specific countries within dynamically changing societies?
3. What are the missing links between the corporate world and management education?

Qualitative analysis was employed in personal interviews with decision makers, where the research partners followed the Grounded Theory approach developed by Corbin & Strauss (2008). The interviews with decision makers in the selected companies were transcribed, documented and coded through a 'coding tree' covering open codes, axial codes, selective codes and categories, which eventually resulted in a narrative approach employed by the research partners. Following the research protocol, at least two people from each research partner team coded and analyzed the interviews for each country. A descriptive analysis was employed with the data from the online questionnaires. This descriptive analysis was used to complement and support the qualitative results.

In addition to analyzing the interviews and results retrieved through the online questionnaire, the country coordinators were required to gather country data connected to the type of government, land area, population and financial facts and figures for the previous 6 years (2011, 2012, 2013, 2014, 2015, and 2016) to provide a macro-economic picture of the country. These data provided a background and more context for the overall picture of the business challenges in each country.

6 Sample

In the qualitative analysis, 212 interviews with decision makers from 145 companies operating in 11 countries were included in the study; the majority of these companies also completed the online questionnaire. More than 450 respondents from other companies completed the modified online questionnaire. The companies that have taken part in this study are from many different industries, of various size, ownership structure, and have been operating for different lengths of time.

7 Limitations and Future Research

This exploratory study provides a significant insight into the business challenges and management and leadership development needs in dynamic societies. However, we must acknowledge that the study is not without limitations. Within each country, the limited number of interviews (on average 13 companies and 19 interviews) limits the generalizability of the findings. Despite the limited sample size, each of the research partners made a strong effort to ensure that their selection of companies provided a good overview of different industries, sizes, ages and ownership structures. Furthermore, not every country was able to gather enough quantitative data to add to the generalizability to their country study. There was significant variation in the number of modified online surveys gathered, ranging from none to over 130 surveys collected. Thus, not every country study was able to include results from the modified survey in their analysis.

The cross-country study, however—the combined sample size of 212 interviews and over 450 survey responses—does allow for increased generalizability of the results for the business challenges and development needs in dynamic societies, and provides several possibilities for future research opportunities. With the current data, the research partners could closely examine the business challenges and development needs for companies across Central and Eastern Europe and South Africa, and see if there are differences between industries and ownership structures. Future research could build on the findings of this study and explore what educational institutions are currently doing to meet the challenges faced by businesses and what they are planning for future curriculum changes.

Finally, due to the fact that the exploratory study focuses on the perception of challenges and management and leadership development needs of only one of the external stakeholders of higher education (the corporate world), further research that would strive to explore the expectations of other stakeholders (students, Alumni, public administration, educational institutions) is highly recommended.

8 Conclusions

The purpose of this book is to examine the business challenges and development needs of companies in dynamically changing societies and identify the missing links between development and educational programs and these needs. The deliverable of the study is to provide recommendations to companies and educational institutions on how to address these challenges and development needs. Given the rapid globalization, technological and demographic changes worldwide, businesses are facing new challenges all the time and need new methods of development and education to meet these challenges.

This exploratory study builds on an earlier study by CEEMAN, *Assessing Management Training Needs in Central and Eastern Europe*, and explores what

has changed in the last decade and a half (i.e. ever since the release of the mentioned publication). In that period, there has been another worldwide economic crisis and increasing globalization; countries have changed (or transitioned) from central to market economies and many other developments have changed the way in which businesses must operate and interact with society as a whole. The countries included in this exploratory study are classified as ‘dynamic’ and have experienced significant economic and social development in the last 25 years.

In conclusion, it should be noted that many of the countries included in this exploratory study found similar business challenges, development needs and missing links in education. This suggests that these issues are not unique to this part of the world, but could be generalized to much of the world today. As the world continues to become more globalized and connected, we will most likely find that companies, no matter where they are located, experience many of the same challenges as the companies included in this study and will look for similar ways to address their developmental needs.

9 Structure of the Book

The book starts with two forewords, one coming from the field of management education and the other one from the corporate world. It continues with the introductory chapter, in which the research methodology is elaborated. The introduction is followed by the cross-country study, which analyzes the similarities and differences across the countries included in the study. It focuses on business challenges, management and leadership development needs and the missing links between the corporate world and management education. The rest of the book comprises 11 chapters about the following countries: Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Russia, Slovakia, Slovenia, South Africa, and Ukraine. Each chapter introduces the reader to the economic situation in the specific country, the main features of management education, continues with the research findings and ends with the conclusions and limitations of their research.

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A Cross-Country Study of Management and Leadership Development Needs in Dynamically Changing Societies



Danica Purg, Alenka Braček Lalić, and Jennifer A. Pope

1 Introduction

Today's business environment is changing at an ever-increasing pace. This creates an atmosphere of volatility, uncertainty, complexity and ambiguity that businesses are struggling against in their effort to survive and grow. Like many companies in the world, those in Central and Eastern Europe (CEE) and South Africa face a lot of challenges of the same nature in this dynamic environment; a few of them, however, are unique to their country's particular situation. Challenges include political and economic uncertainty, increasing competition due to globalization, changing workforce dynamics, and changing customer wants and needs. In order to address these challenges, companies are recognizing that they have certain developmental needs and the necessity to determine how to meet these needs in the most efficient and effective way possible. One of the most complex developmental needs that companies anticipate is the need to change their culture and mindset. Companies have to be more flexible, agile, and willing to think more strategically. Companies also recognize that they have to develop their workforce and include more education for competencies in entrepreneurship, customer service, soft skills (e.g. communication, negotiation), and leadership.

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In this exploratory study, companies noted several missing links that, if addressed, could help with those developmental needs. They strongly believe that higher education institutions (HEIs) from different study disciplines (not only from management and business studies) and companies should develop stronger working relationships that would allow for the development of new knowledge and competencies needed in today's complex environment. The companies also see the need for HEIs to use more innovative teaching methodologies and expand beyond the traditional curriculum to address the needs of the uncertain marketplace.

The next section in this chapter looks at some of the political and economic factors that helped create the uncertain environment that businesses face today. The chapter looks also at the history of management education in CEE and South Africa. Thirdly, the chapter summarizes the research findings with regard to current business challenges, developmental needs, and missing links from the 11 countries included in this book. Finally, the authors offer several recommendations to educational institutions and businesses on how to address these issues.

2 Political and Economic Situation in CEE and South Africa

In the early 1990s all the countries included in this book experienced significant political and economic upheaval only to emerge as market economies with some form of democratic or semi-democratic government. Between 1989 and 1995, the landscape of Europe changed dramatically, starting with the fall of the Berlin Wall and ending with wars in former Yugoslavia. Not all countries took the same path, but all have worked to find their place in the international marketplace, mostly non-violently. Admittedly, there was some pessimism about these countries' capabilities to complete the needed reform; however, several countries within this study have "developed consolidated democratic systems, functioning market economies with extensive welfare policies and relatively low inequality" (Ekiert, 2012). Not all countries in CEE have reached their entire post-communism goal and several have had some setbacks, but none of them has retreated all the way back to where they were prior to 1990.

While CEE countries struggled to find their footing in a post-communist world, South Africa also struggled to re-establish itself on the world stage after years of isolation. In 1990, the South African government released Nelson Mandela from prison after 27 years and only a year later President De Klerk repealed apartheid and the move toward a more democratic and inclusive society really got underway. These actions led to the international community lifting sanctions, and inviting South Africa to re-join several international organizations, such as the United Nations General Assembly by 1994 (BBC News, 2018).

Despite or because of all the changes over the last few decades, economic and political instability and uncertainty over government regulations and legislation

remain a serious concern for businesses in these countries today. Companies from 8 out of the 11 countries included in this book considered the uncertainty in the political and economic landscape to be a major business challenge. Interestingly, it did not seem to matter where the country ranked on economic and political freedom indexes. For example, the countries in this study that listed economic uncertainty as one of the business challenges ranked from number 16 in the world on the Heritage Foundation's Index of Economic Freedom (The Heritage Foundation, 2017), all the way down to number 116 out of 186 countries included in the index.

One of the countries where companies did not list these issues as a business challenge is Estonia. Estonia is also the highest-ranked country among the 11 on the Heritage Foundation's Index of Economic Freedom at number six on the list, one step ahead of Canada. Interestingly, the other two countries that do not list either political or economic uncertainty as a concern, Croatia and Slovenia, were listed number 95 and 97 respectively (The Heritage Foundation, 2017). This suggests that the perception of instability is still prevalent in many dynamic societies, which may or may not reflect reality.

Another major concern for economic growth in CEE as well as South Africa is the changing demographics in the workforce. Companies in every country in the study mentioned concerns over the aging or shrinking workforce, changing generations or worker migration. The International Monetary Fund (IMF) backed up these concerns in a study done in May 2017, suggesting that the changing workforce will hinder economic growth in the region (IMF, 2017). While the IMF believes that growth in the region will be higher in 2017 than it was in 2016, "the convergence between Western and Central, Eastern, and Southeastern Europe is likely to take longer than previously thought" (IMF, 2017).

Despite the impact of the recent recessions, other world events and the trend in some of the countries to move back toward more autocratic governments (Ekiert, 2012), economies in most of the countries included in this book continue to grow, albeit at a slower rate than prior to the recession in 2008 (IMF, 2017). Only two of the countries show a negative 5-year trend for GDP (PPP) growth. The rest have growth rates ranging from 0.6% all the way up to 3.7% (The Heritage Foundation, 2017). While some of the growth rates may seem low, one still has to consider that all of these countries had to reinvent their economies and their societies over the last 25 (and more) years and deal with several worldwide crises at the same time. These countries truly are dynamic.

3 Main Features of Management Education in CEE and South Africa

In the early 1990s, the countries of CEE were confronted with several challenges of the recently introduced market economy. "Many managers and leaders did not have the knowledge and skills to adjust to these changes" (Purg & Braček Lalić, 2017,

p. 2). Private management development institutions found it necessary to develop management education programs as an influence and support to economic reforms. Traditional public universities quickly felt pressure to follow suit.

According to Abell (1998, p. 63), private management development institutions had two immediate advantages: they were necessarily forced to be practically oriented and relevant, since they had to meet the needs of their sponsors. They were able to be much more entrepreneurial in spirit and action than some of their university-based counterparts—where the shift towards practice-oriented teaching and research was (and still is) resisted by the more conservative ‘academic’ forces in the university system.

To stimulate the development of up-to-date management development programs, American and Western European management schools were invited to collaborate with the newly established management development institutions in CEE by sending visiting professors to these institutions and providing them with teaching and learning materials (Purg & Braček Lalić, 2017). In addition, several management development associations in CEE were established to address these challenges. The first association of management development institutions in CEE was the Russian Association of Business Education (RABE), established in 1990. The second was CEEMAN, the Central and Eastern European Management Development Association, established in 1993. Professor Danica Purg founded the association together with 13 deans of management development institutions from CEE due to the following rationales:

Few management schools in the West were focused on CEE management education. Most lacked an understanding of the real challenges facing the CEE countries;

International management development conferences were poorly attended by people from CEE, mainly due to financial constraints;

Western management schools and sponsoring institutions did not understand that in order to close the management gap there was a need for high-quality management education, requiring high-quality professors;

It was necessary for CEE management schools to take responsibility and the initiative for management development into their own hands and start working closely together in order to make progress (Purg & Braček Lalić, 2017, p. 6).

Over the last 25 years, CEEMAN has grown to more than 220 institutional, corporate, and individual members representing 55 countries from all continents. This also manifests itself in CEEMAN’s extended mission “not to limit itself to CEE, but to share its experience with members and spread its activities worldwide, with a focus on economies in transitions (also called dynamic societies)” (Purg & Braček Lalić, 2017, p. 7). In the light of this expanded mission, CEEMAN has changed its name to International Association for Management Development in Dynamic Societies, but kept the acronym CEEMAN for consistency.

One of the main flagship programs provided by CEEMAN since 2000, to overcome the bottleneck created by the lack of qualified and experienced faculty, case studies relevant for CEE, and joint research initiatives, has been the International Management Teachers Academy (IMTA). As of now (January 2018), 595 young faculty members from 51 countries have graduated from IMTA in various teaching

tracks: strategic management, marketing, finance, leadership and change management, and business and society.

By now, management education institutions have developed their own pool of qualified and experienced faculty, and have started creating teaching and learning materials relevant for CEE. The majority of them have become members of the European Higher Education Area, which has its own standards related to quality (Standards and Guidelines for Quality Assurance in the European Higher Education Area [ESG]). National regulatory bodies also have to be aligned with the ESG. In addition, South Africa has developed its own management education system regulated by the Council for Higher Education and the South African Qualifications Authority. Like some South African schools, several management education institutions from CEE have acquired international accreditation from different accreditation agencies, such as the Association to Advance Collegiate Schools of Business (AACSB), the European Quality Improvement System (EQUIS), the International Program Accreditation System (EPAS), the Association of MBAs (AMBA) and the CEEMAN International Quality Accreditation (CEEMAN IQA).

From the chapters contributed from different countries in CEE and South Africa we can observe that management education has gone through a transformation process in recent years initiated by internationalization processes (like the Bologna Process), financial crises, changing governmental quality measures, and rising expectations from different stakeholders (employers, students, graduates, governments, societies). Most of the countries that participated in this study have similar challenges, ranging from the demographic trends resulting in a declining number of students on one side and an increasing number of different management education providers on the other. The chapter about South Africa reports about serious challenges related to the protests against increasing fees for higher education.

Management education has also been exposed to similar challenges as the corporate world. For example, digitalization has had an important influence on the delivery of teaching and learning, new providers of education are entering the market, and learning is nowadays accessible through different e-channels. Furthermore, students nowadays are digital natives and have different expectations regarding learning and teaching approaches and values related to work. At the same time, HEIs are challenged by expectations of all stakeholders to be responsive to different disruptions and help the stakeholders with educational offerings that will be relevant to the needs of a specific society. It is also expected that management education will help and support companies in overcoming the socio-economic challenges of the twenty-first century. Being responsive to the market's needs and an ability to develop graduates with knowledge, skills, and attitudes (learning outcomes) relevant to the specifics of each society and required during a period of uncertainty have been identified as the main two priorities for management education across the countries in CEE and South Africa.

4 Cross-Country Research Findings

4.1 *What Are the Current and Future Business Challenges?*

Uncertainty, flexibility, complexity, and the need for change are the most common phrases heard during more than 200 in-depth interviews with CEOs and human resource (HR) directors in 11 countries. The upheaval and changes in CEE and South Africa in the past quarter-century have created an environment that has led to numerous business challenges for companies in these regions. Acknowledging and addressing these challenges is increasingly important for business survival today. The businesses interviewed for this study acknowledged that many of the challenges that they face have been created by the transition of the political and economic systems in their respective countries and the region as a whole, starting in the early 1990s.

All companies, regardless of the industry in which they operate, have indicated that uncertainty is currently the biggest challenge. It is due to diverse circumstances, ranging from demographic challenges, such as the aging population, low birth rates, difficulties addressing the generational gap, and difficulties developing the right workforce in business environments, to socio-economic challenges. These include migration, political instability, as well as changing local and European Union (EU) legislation on one side, and growing and changing markets, as well as increased competition on the other side. These factors have a severe influence on society and eventually on how the business sector works. As a Polish company noted,

the main challenge is to plan our actions in such a way that we survive despite unfavorable legislation changes.

For many of the interviewed companies, a primary challenge was the political and economic uncertainty present in today's global marketplace. Worldwide economic upheavals in the last decade have left many countries in the region in a state where they are still sorting out how to function in an increasingly global and often unstable world. This level of uncertainty leads to businesses hesitating about how to address their new challenges. Companies from Croatia, Hungary, Poland, Russia, South Africa, and Ukraine have put emphasis on demographic challenges, focusing on changes in the labor market and indicated that political uncertainty also has an impact on the business sector. Respondents from Slovenia and Estonia focused more on business challenges related to increased competition, connected to globalization, the technological revolution, and the changed needs and behaviors of their customers. Companies also mentioned the increasing ambiguity that they face with the changing market conditions. These concerns, along with the complexity of the competitive and global environment in which they must now operate, often makes it unclear for companies how they should move forward. This uncertainty is imbedded in the whole ecosystem of the business sector, and prevents the development of any long-term strategies, but requires a new mindset, which must be flexible and

agile enough to adjust to these new challenges very quickly. The South African authors noted:

The current challenges include agility, adaptability, customer centricity, economic challenges, business acumen, innovation, labor, profitability, and employee engagement.

The technological revolution is now in its fourth wave. Amid the current demographic trends and socio-economic challenges, it has had a severe impact on the business sector in several perspectives. Firstly, it has influenced the efficiency and optimization of business services and products. Secondly, it has increased access to all sorts of information, which allows Big Data analyses, and adjusting business services to the needs of customers. Thirdly, this allows for an individual and personalized approach. Finally, new competitors can now enter the market and disrupt business models, strategies, and the mindset of existing companies. This development has also had a significant impact on changing behaviors and the needs of current customers, which eventually also presents a business challenge and a disruption to existing business services and products. As noted by a Slovakian company:

We feel constant increasing pressure from competitors, especially big players, but we think that thanks to our innovativeness and creation of our own R&D department, we will be able to compete now and in the future.

Over the last quarter of a century, markets and economies in CEE underwent a significant transition as the political systems in that region changed. South Africa's market and economy also saw significant change as the country emerged from the isolation imposed by the rest of the world due to its practice of apartheid. Companies not only needed to contend with retaining market share in their home countries as companies from other parts of the world moved in, but also had to compete with self-same companies and others in the global marketplace as they moved abroad to make up for the shortfall in their home markets.

The business environment has also undergone significant changes in the last 25 years. Monopolies and state-owned enterprises are no longer the norm. Businesses that were state-owned in the past or continue to be state-owned now have to compete with companies from around the world. For example, in certain industries, such as technology and communication, companies have to contend not only with competition coming from anywhere in the world but also with disruptive companies that can replace their functions with something cheaper and more accessible for their customers. Companies can no longer follow the path that they had in previous times. This also applies to management education. Now they are forced to find a new path, which often requires them to change their corporate culture significantly and disrupt the status quo that their workforce had enjoyed.

Other business challenges uncovered by this exploratory study relate back to the uncertain environment as well. Many of the companies in the study emphasized various challenges related to the changing workforce dynamics. While the

challenges that they faced varied by country, companies in each country in the study had problems with the workforce. Because of increased uncertainty in the political and economic landscapes, as well as an increasing ease of mobility in the region, companies in many of the countries in this study found it difficult to recruit and retain the right talent. Employees are also affected by the uncertainty in their country. When given the chance to move to more stable environments, younger employees often choose that route rather than to stay and deal with the instability. On the other hand, companies in many of the countries in this study lamented that the employees that do choose to stay in their home countries are often unwilling to move even within the country for work, adding an additional challenge for the companies trying to hire the right talent.

The increasing globalization and complexity of the marketplace had led to another challenge for businesses in dynamic societies; changing customer wants and needs. As the marketplace becomes more global, so do the customers. Customers are no longer satisfied with whatever is available. They are more aware of the world around them and what products and services are available around the globe. Furthermore, customers are becoming less loyal to local manufacturers and retailers, but at the same time expecting a higher level of service. Increasing competition has also contributed to this phenomenon. Companies cannot afford to have many dissatisfied customers, since it is now very easy for these customers to find a substitute.

All companies included in the study have identified these characteristics and have pointed out the need for change and adjustment to this new environment. The new challenges need to be addressed by developing new business models, recruiting and retaining the best talents, forecasting what will happen in the future, and investing more in research and development (innovation), digitalization, and lean structures in order to cope with this uncertainty, complexity, and need for change. As noted by a Hungarian company:

This was quite a volatile market and the economy was not really doing well, and we remember quite a long period of recession. Over the last couple of years, we ... [have seen] the economy bouncing back, but I think that this story has made people quite risk averse. People are trying to avoid risk at all cost. They want to have a kind of certainty, security, [and] safety in their jobs.

4.2 What Are the Current and Future Management and Leadership Development Needs?

The uncertain and complex business environment has created a need for employees in CEE and South Africa to develop a new skill set and mindset. All companies included in this research have identified the need to be agile in order to cope with uncertainty and volatility related to the challenges concerning demographic trends, regulatory changes, political fluctuation, fierce competition, the changing needs and behaviors of their customers, new disruptors entering the market, and the

implications of the technological revolution. As noted by the representative of a Lithuanian company:

I fear only one thing: that the change will come faster than we have time to react.

The ability to be agile and to adjust quickly to the challenges has been identified as a common denominator during the interviews with CEOs and HR managers across 11 countries in CEE and South Africa. Agility, which has been identified as one of the most important traits of small and medium-sized businesses, has also become an important factor for large multinationals to stay ahead of different competitors and new disruptions, and to be relevant to the needs of their customers. To become an agile organization there is a need to change the mindset of all employees, from top management to technical staff. Furthermore, substantial efforts need to be invested in the corporate culture as well as in internal organizational structures and processes. The basic requirement to become agile is to have a growth-oriented mindset on an institutional level and on an individual level. Companies that have a growth-oriented mindset are flexible. They prioritize the development of their employees at all times, reinvent their organizational cultures, services, and business models continuously, and are innovative and creative. As noted by a Slovene company:

The first thing that makes people be more creative is change in the company culture . . . the biggest impact here is the role of the top managers.

The current and future management development needs, identified in this study, range from hard to soft skills. The CEOs and HR managers that participated in the study reported that cognitive flexibility to respond and act quickly, and being open to new opportunities were the most important mindsets needed nowadays by their employees to tackle the implications of the uncertain and complex business environment. As noted by a South African company:

It is about assisting the organization and the employees to understand that change is actually not bad.

Innovative and creative thinking was emphasized several times by the CEOs and HR managers as one of the traits of a growth-oriented mindset required to innovate and develop new business models and new products and services to stay competitive and survive in these uncertain times. Furthermore, companies included in the study have provided the research partners with a list of required skills by their employees that could be divided into two groups: hard and soft skills. Soft skills such as problem solving, communication, people skills, decision making, creativity, negotiation, building trust and relationships with stakeholders, leadership, and empowering or coaching were emphasized, whereas the following hard skills were identified during the research: information management and Big Data management, IT, sales, growth management, etc.

This skillset is very similar to the one proposed by the World Economic Forum (2016). According to the Future of Jobs Report of 2016 the following ten

skills would be needed by 2020 for businesses to thrive in the Fourth Industrial Revolution:

1. complex problem solving;
2. critical thinking;
3. creativity;
4. people management;
5. coordinating with others;
6. emotional intelligence;
7. judgment and decision making;
8. service orientation;
9. negotiation;
10. cognitive flexibility (World Economic Forum, 2016).

Many companies included in the study have also mentioned the need for managers and leaders to think strategically and in a visionary manner in order to forecast what will happen in the following 5 to 10 years. This is necessary for them to keep their companies relevant as well as to cope with the uncertainty and complexity related to the different challenges and the fierce competition. As noted by a South African company:

For me it is that . . . it is just being one step ahead of not just our competitors, but of the universe; just being in touch with what is happening.

The entrepreneurial set of attitudes characterized by openness, agility, flexibility, innovativeness and creative thinking has become very important for larger companies as well, especially because new competitors are challenging. These include startups, where experiments and innovative thinking are encouraged, and failures are allowed. Some companies have already started establishing lean structures to be more flexible. Others have started establishing spin-offs or collaborating with startups in order to get fresh innovative ideas and creativity that will help them to stay ahead of their competitors. Some have already established their own accelerators and invested a significant amount of money in research and development to tackle the current and future business challenges. As noted by a Slovakian company:

The development and implementation of new technologies must be accompanied by the development of the human factor.

Besides agility, the need for a diversified workforce came up during the interviews as one of the burning issues across all countries included in the research. Due to demographic trends, companies are facing the challenge of creating an environment where different generations will work together despite having different values and attitudes to a balance between work and life, and where employees coming from different cultures will have to work together. A majority of companies brought up generational gaps and issues related to the different values of different generations as one of the most burning challenges. Some of the respondents have been very critical of the values of Generation Y, but others have been very positive, pointing out that fresh and new ideas are coming from younger generations. The following

contradictory statements from a Lithuanian company on one side, and from a Croatian company on the other, highlight how many-sided this phenomenon is:

The younger generation is emotionally weak, sensitive, intolerant to difficulties . . . it is difficult for the director to understand the needs of the new generation.

They do absolutely everything with different communication methods . . . but we have a great challenge working with that type of people when they come. Even how to create an atmosphere in which they will feel comfortable in a company with an old heritage, that had been tied to the state and where our average age is over 40 years.

As the South African chapter describes, the business environment will also have to tackle this challenge by understanding the social and psychological traits of different generations and by creating an environment where different generations will learn from each other, sharing their knowledge and experience, and collaborating in a cohesive way.

One of the management and leadership development needs discussed is also related to the business challenges linked to the changing needs and behaviors of customers, the need for customer centricity, and an individual, personalized approach. The companies included in the research raised the concern that employees will have to enhance and further develop their skills, such as communication, sales, and negotiation to improve the relationships with their customers. Employees and management also need to understand that building trust between the company and the customer is crucial to business success today. Due to technological innovation related to digitalization and artificial intelligence, the need for IT skills and the abilities to analyze Big Data has become paramount. Improving these skill sets within the company will eventually help employees understand the needs of their customers and allow the tracking of customer behaviors so that companies can react with their services and products accordingly.

The interviews suggest that attracting and retaining the best talents is a challenge. Some of the respondents stated that it is a task for top management to learn how to motivate and empower the most promising employees. One of the skills required by top managers relates to coaching. Many companies included in this research stated that top managers will have to develop coaching skills in order to empower employees and make sure that the people with the highest potential will stay with them. Another approach is related to employer branding strategies. Some companies have already started investing a lot of effort in building their brand in order to be more attractive to younger generations which, according to several studies, look for a company that shares their values. They would like to work for an organization where their impact can be felt and their well-being is valued. As noted by a Croatian company, it is important to teach them “*how to develop the ability to first manage themselves before they are able to lead others.*”

Managers and supervisors are those who need most education in order to broaden their horizons; employees older than 45–50 should be educated on the necessity of change and adaption in today’s’ business world in order to stay competitive on the labor market.

It is hard to offer people security and a vision for the future; it is very hard to plan ahead for the changes coming in the upcoming five years . . . Therefore, I think leadership should be exercised on all levels of management engaging people in creating their own future.

4.3 The Missing Links Between Educational Institutions and Business

One of the common themes that emerged throughout the interviews was the need for businesses and HEIs to work together to help businesses meet their developmental needs in today's uncertain environment and to support employees to handle that uncertainty. Companies from all 11 countries saw this as an important step in meeting their needs, both now and in the future. Interestingly, most of the missing links that were commonly mentioned fell to the HEIs to address (with the cooperation of businesses, of course).

A part of the problem is that companies feel that HEIs do not realize what companies need, and therefore are not tailoring their curriculum to meeting those needs. Many companies feel that one of the reasons for this is that there is no common starting point from which businesses and universities can build these relationships. Companies are willing to work with HEIs to link in-company management development to university programs and build internship programs that will increase the practical applications for students in universities and graduation programs. However, the question is how much companies are willing to invest in education; not only for recently hired employees, but also for those that have been with the company for a longer time. As noted by a Lithuanian company, *“there is no collaboration initiative from higher education institutions, even though it would be unbelievably useful for both sides.”*

Companies do feel that it is predominantly the responsibility of HEIs to adjust the way they do things. Companies see traditional teaching methods as no longer relevant. They believe that there needs to be a greater integration of theory and practice; companies in 10 of the 11 countries specifically mentioned this. The feeling is that incorporating practice into the classroom would allow for the creation of new knowledge relevant to the new reality and allow students to gain practical knowledge needed to thrive in today's fast-changing environment. Companies in Estonia, Hungary, South Africa, and Russia discussed the need for introducing new teaching methodologies in the classroom as a way to increase creativity and integrate the practice with theory. As noted by a Lithuanian company:

The graduates have not had enough practice, their knowledge is rather theoretical . . . There should be much closer cooperation between universities, colleges and business.

In addition to introducing new teaching methodologies and integrating practice with theory, another common thread in the conversation was the need to introduce more business initiatives in the classroom with the help of companies in order to assist with the generation of new knowledge that companies are looking for.

Companies from countries such as Croatia, Estonia, and Slovakia consider this important and are willing to invest some of their own resources in the establishment of this missing link. Companies do see the importance of examining the ‘real world’ in the classroom, which involves working with the students on actual challenges that companies are facing, particularly at the graduate level. As noted by a Croatian company:

We have a strategic team, which consists of people from the university and our people . . . They follow the trends in the world, on a global level. Their task is to suggest strategic projects and form teams that work on that projects. We are financing them in order to keep up with the trends on the market.

Besides these big-picture missing links, companies regularly mentioned very specific things that they were looking for from HEIs. Many of these missing links relate very well back to the changes that businesses perceive important to cope with the uncertain and complex environment. Many businesses realize that a change in corporate culture is necessary to survive and thrive in this new environment. Companies feel that, to address this need, HEIs should provide instruction on more practical skills, such as decision making, creativity, and entrepreneurship. To reiterate: HEIs, and technical schools in particular, are focusing on technical skills to the detriment of other skills that employees need to be successful in the new environment.

One of the developmental needs that companies in many of the countries in this study considered crucial was for employees to be comfortable with both practical and soft skills. Companies in Croatia, Hungary, Latvia, Slovakia, and Slovenia saw this as a vital task that universities should take on. Traditional education systems are considered to be neglecting the softer areas, such as people skills, communication, and negotiation and sales in favor of more technical skills. This is particularly important as technically educated people move up to management positions. Slovene and Croatian companies were particularly vocal on this topic. As noted by a Croatian company:

It would be much better if only the whole education system would be based on people who know how to communicate, what is leadership all about, people who know how to lead other people and people who know how to be part of the company. Soft skills are certainly lacking in our education.

The globalized world created a lot of change and uncertainty that companies need to deal with in order to survive and thrive. Companies clearly recognize that the employee skill sets that worked before are no longer relevant in the current environment, and new employee and business needs must be addressed through education and employee development. Cooperation between HEIs and companies to address these missing links is one way for them to prepare for the current and future uncertainty.

5 Recommendations

Based on the business challenges faced by the corporate world and the missing links between educational institutions and businesses identified in this study, the authors of the respective country chapters listed several recommendations to overcome the missing links in their countries. Interestingly, the missing links between HEIs and the corporate world are almost the same across all CEE countries and South Africa. Therefore, the recommendations given by the interviewees and authors of the chapters included in this book are very similar and could be divided into two groups.

The first set of recommendations is for HEIs, and the second one is meant for the corporate world. In order to establish a dialogue or enhance the existing partnership between these two stakeholders, there is a need that both sides invest their efforts in mutual collaboration. In order to develop and empower students, graduates and employees need to be able to face different kinds of challenges, ranging from personal and professional to societal ones, and to make a difference in their society, which is needed. The changes required by the uncertain and complex business environment are heavily linked to the shift in mindsets that needs to be made by all stakeholders: the corporate world, HEIs, students, graduates, and employees. One of the aims of this book is to give some recommendations to both stakeholders for further consideration and to support this transformation.

The recommendations targeted at HEIs are the following:

1. **Development of educational offerings together with the corporate world**

HEIs should design and develop study programs together with the corporate world, or request the opinion of the corporate world when a new program is designed in order to assess whether it is relevant to their needs.

2. **Systematic monitoring of the market and society needs**

HEIs should establish institutional research activities through which they could systematically monitor the trends and needs of the market and society. Based on this information, they should respond to these needs with relevant educational offerings and scientific or applied studies.

3. **Educational programs should also include the development of practical and soft skills**

In their educational offerings, HEIs should strike the right balance between theory and practice, and concentrate on learning outcomes consisting of knowledge, skills, and competencies. Educational offerings should also include the topics relevant for tackling the challenges related to the uncertain and complex environment and the development of the skills and mindset needed for coping with the changes that lie ahead of their societies.

4. **Innovative teaching methodologies**

HEIs should introduce new innovative teaching methods with the support of new technology and focusing on students belonging to different generations, cultures, and the ones having different educational backgrounds. While designing and selecting teaching methodologies, they need to understand that there are different learning styles that need to be taken into consideration.

The recommendations retrieved from the interviews with CEOs and HR managers in some countries in CEE and in South Africa that should be considered by the corporate world are the following:

1. The corporate world should strengthen its dialogue with HEIs

There are several forms of strengthening the dialogue between the corporate world and HEIs, ranging from the joint development of appropriate curricula, the involvement of practitioners in the pedagogical process and educational offerings, developing internship programs, mobility, etc.

2. Management and leadership development activities should not be limited to managers, but should involve all groups of employees

Due to the continuously changing business and social environment, management and leadership development opportunities should not be limited only to top management, but should extend also to other levels. The change needed in the corporate culture influences a company’s whole ecosystem (top-down and bottom-up), therefore educational opportunities should be accessible to all positions in the company.

3. Management development courses should be strategically adjusted to the needs of companies

Courses offered by companies need to be aligned with the needs of employees and the society in which the companies operate. Therefore, corporate social responsibility, and ethics and sustainability should be an integrative part of management development offerings. Throughout the interviews, the researchers found out that a majority of companies does not measure or evaluate the effectiveness of educational programs. They do measure their quality, but do not evaluate whether said educational efforts have an impact on the productiveness or success of their companies.

4. Treat management development as an incentive and a loyalty builder

Companies should treat management development as an incentive and a loyalty builder between them and their employees. This could be one way to retain the best talents.

Table 1 Recommendations for strengthening the partnership between the corporate world and HEIs

The corporate world	HEIs
The corporate world should strengthen its dialogue with HEIs	Development of educational offerings together with the corporate world
Management and leadership development activities should not be limited to managers but should involve all groups of employees	Systematic monitoring of the market’s and society’s needs
Management development should be strategically adjusted to the needs of companies	Educational programs should also include the development of practical and soft skills
Treat management development as an incentive and a loyalty builder	Innovative teaching methodologies

To conclude, Table 1 presents four recommendations for each stakeholder in order to tackle the challenges of the twenty-first century successfully.

6 Conclusions

The uncertain and complex environment has led to significant changes in the market and the society in dynamic economies over the last quarter-century. Countries from the CEE region and South Africa are faced by such uncertainty due to demographic and socio-economic challenges, such as migration, political instability, and changing local and EU legislation on one side, and growing and changing markets, and increased competition on the other side. All these challenges have a significant influence on society and eventually on how the business sector works. This has created the need for a new skill set and mindset of employees working in CEE and in South Africa. The role of HEIs is to recognize these needs and challenges, and to be responsive to them by developing new educational offerings and implementing relevant research activities. Society as a whole is going through a process of transformation and HEIs have an important mission to serve and help society in this process. On the other side, the corporate world should understand that management and leadership development activities are of great significance in overcoming the current and future business challenges and that active collaboration with HEIs is essential.

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Management and Leadership Development Needs: The Case of Croatia



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1 Introduction

The main focus of this exploratory study was to understand the challenges of leadership development and management education in Croatia. We analyzed the gaps between the needs and requirements of executives and human resource (HR) managers in terms of development and educational needs; identified the current as well as future obstacles; and identified opportunities for educational improvements. Lastly, we provided practical and strategic recommendations for employers, academia and policymakers to support improvements in management and leadership education.

Despite a plethora of applications, technological improvements, different corporate initiatives and improving working conditions, one third of employees report that managing their personal and professional lives has become more difficult. Around the world, 50% of managers work more than 40 hours per week, and four in 10 say that the hours they make have increased in the last 5 years (Dishman, 2015).

However, the deepest problem is maybe in the roots. Professor P. F. Drucker once wrote that “as a rule, theory does not precede practice. Its role is to structure and codify already proven practice. Its role is to convert the isolated and ‘atypical’ from exception to ‘rule’ and ‘system’, and therefore into something that can be learned and taught and, above all, into something that can be generally applied” (Busi, 2013, pp. XI–XII). As a profession, management does not have a clear status.

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In this chapter, we will give an insight into the challenges of management education and leadership development needs in Croatia. We visited 10 companies and conducted interviews with 18 managers across different service and manufacturing industries to gain a deeper understanding of the issues facing Croatian management, HR departments and how to bridge the gap between management education needs and what is currently offered by the Croatian educational system.

One of our main findings relates to the challenges of the formal educational system, as it does not adequately prepare graduates for their future careers. Alongside with not offering enough practical work, the current educational system could benefit from teaching students to be more independent, self-assured and able to think more analytically and critically about the issues presented to them. These trends will hopefully change as the Croatian education system internationalizes further and becomes more open in order to follow the best global practices.

Organizations struggle with the generation gap, especially companies that are state-owned and those which have been operating for a long time and employ people that have not changed their jobs ever since they have started their careers. Furthermore, the opening of the European Union (EU) labor market has led to a significant brain drain of competent Croatian professionals. Manufacturing companies struggle with educating their managerial staff with soft skills because technical colleges do not offer a lot of leadership and management education and skills. Lastly, companies often organize in-house development programs and workshops, but rarely measure the quality and benefits of such projects, which we recommend should change.

2 Croatia's Economic Situation

During the socialist period, Croatia experienced rapid industrialization and the development of economically less developed and previously agricultural areas based on solidarity between the Yugoslav republics. The highest average growth rate was recorded from 1953 to 1963 when the Yugoslav economy was one of the most prosperous ones in Europe (Kaser, 1968). After being part of Yugoslavia for most of the twentieth century, Croatia regained independence in 1991. After the declaration of its independence, it took 4 years of sporadic, but often bitter fighting before the occupying Serbian armies left Croatia. The country joined the United Nations in 1992, the World Trade Organization in 2000, the North Atlantic Treaty Organization in 2009 and the EU in 2013 as its 28th member state.

Though still one of the wealthiest of the Yugoslav republics, Croatia's economy suffered badly during the war for independence (1991–1995). After the collapse of the socialist system, the economy underwent a transition to an open market system and the country's exports collapsed during the early 1990s. In addition, Croatia missed the early waves of investment in South East Europe. Between 2000 and 2007, Croatia's economic fortunes began to improve with moderate, but steady GDP growth between 4% and 6% led by a rebound in tourism and credit-driven consumer spending. Over the same period, inflation also remained high and the local currency,

the kuna, was stable. The Croatian kuna has used the euro as the basic currency used for compiling the exchange rate since its creation in 1994, and keeping the fluctuation of the kuna within a relatively stable range has been a long-held policy of the Croatian National Bank (see Table 1, Croatian National Bank [CNB], 2004).

Croatia experienced an abrupt slowdown of its economy since the worldwide crisis in 2008 and has yet to recover. Economic growth was stagnant or negative every year since 2009. The stubbornly high unemployment rate, uneven regional development, and a challenging investment climate remain problems. In addition to that, Croatia continues to face reduced foreign investment (Central Intelligence

Table 1 Facts and figures on Croatia and its economy

Official name	Republic of Croatia					
Type of government ^a	Unitary parliamentary constitutional republic					
	2011	2012	2013	2014	2015	2016
Population (million) ^b	4.281	4.268	4.256	4.238	4.204	4.171
GDP (current USD billions) ^b	62.236	56.485	57.769	57.080	48.676	50.425
GDP per capita (current USD) ^b	14,539	13,236	13,575	13,468	11,580	12,091
GDP per capita growth (%) ^b	-0.3	-2.2	-1.1	-0.5	1.6	2.9
Foreign Direct Investment, net inflows (% of GDP) ^b	2.3	2.6	1.6	6.9	0.3	n/a
Exports of goods and services (current USD billions) ^b	25.147	23.483	24.858	26.500	24.325	25.919
Exports of goods and services (% of GDP) ^b	40.4	41.6	43.0	46.4	50.0	51.4
Imports of goods and services (% of GDP) ^b	40.9	41.2	42.7	43.8	46.5	46.9
Corruption Perceptions Index: (rank/score) ^c	66	48	48	51	49	55
Competitiveness Index: (rank/score) ^d	76/4.08	81/4.04	75/4.13	77/4.13	77/4.07	74/4.15
Ease of Doing Business Index: (rank) ^c	80	88	89	39	39	43
Average salary (net USD) per month ^b	816.15	821.7	827.25	829.95	856.65	852.75
Minimum salary (net USD) per month ^f (EUR in parentheses)	430.54 (380)	430.54 (380)	456.67 (403)	433.57 (383)	463.52 (409)	477.36 (421)
Unemployment rate (ILO, persons above 15 years of age) ^a	n/a	15.9	17.3	17.3	16.3	13.1
GINI coefficient ^g	31.2	30.9	30.9	30.2	30.4	n/a
Human Development Index (score) ^h	0.815	0.817	0.820	0.823	0.827	n/a

^aCNB (2017)

^bWorld Bank (2017)

^cTransparency International (2016)

^dWorld Competitiveness Centre (2017)

^eTrading Economics (2017)

^fEurostat (2017a)

^gEurostat (2017b)

^hUnited Nations Development Programme (2016)

Agency, 2016) due to its complex and bureaucratic system, low transparency in public procedures, a rather high level of corruption and a lack of accountability in governing bodies, underperforming state enterprises, and its inefficient judicial system.

In July 2013, Croatia joined the EU following a decade-long accession process. This process has put increased pressure on the government to reduce Croatia's relatively high public debt. This triggered the EU's excessive deficit procedure for fiscal consolidation. The Croatian economy was badly affected by the financial crisis, which, together with the slow progress of economic reforms, resulted in 6 years of recession and a cumulative decline in GDP of 12.5%. Croatia formally emerged from the recession in 2015 but despite good recent results, its GDP is still roughly 9% lower than it was in the pre-crisis period. According to predictions by the International Monetary Fund (2017) and the European Commission (2017), the GDP should continue to grow by up to 2.9% in 2017 despite the troubles that Croatia's largest private company, Agrokor, is facing. Since 2012, the Croatian government has cut spending, raised additional revenues through more stringent tax collection and raised the already high value-added tax. Croatia's immediate economic challenges include restoring macroeconomic stability, fiscal consolidation, the modernization of public services, reducing the administrative burden to business and eliminating corruption in the judicial system while promoting private sector productivity and competitiveness to export more, create high-value jobs and sustainable growth. This will probably help reduce high public sector debt and also reduce barriers to private sector investments and productivity growth.

An equally important issue is the projected decline and aging of Croatia's population (Grizelj & Akrap, 2011). This presents significant risks to growth and higher living standards, as well as to the current pension system and fiscal sustainability. The Croatian government is slowly becoming aware that it needs to focus on investing in raising skills and promoting a healthy lifestyle to prepare Croatians for longer and more productive working lives while modernizing and rationalizing the social protection and health systems (Ministry of Social Policy and Youth of the Government of Croatia, 2015). The government has also sought to accelerate the privatization of non-strategic assets with mixed success.

The Croatian economic future looks to perform better than in the recent past (which was likely aided by a strengthening EU economy in general). Sustained economic growth is projected to boost employment growth, while the labor force will keep shrinking, although at a more moderate pace than in 2016 when it reached its peak. In 2017, the economy should broadly mirror last year's good economic performance. The initial numbers are showing that Croatia could have another record tourist season and there are clear signals that the reduced tax burden should underpin private consumption, which, together with stronger foreign direct investments and EU fund inflows, will support growth (Focus Economics, 2017). As a result, the unemployment rate is projected to decrease more mildly but will still fall below 10% by the end of 2018 (European Commission, 2017).

3 Main Features of Management Education in Croatia

In Croatia, while its war for independence was still ongoing (1991–1995), the higher education system was restructured on the foundations of European higher education tradition. Moreover, in the past few decades, the Croatian higher education system has been under an intense transformation process mostly initiated by an increased demand for tertiary education, as well as by introducing the Bologna Process in the period from 2001 to 2010 and its accession to the EU in 2013. The transformation of higher education was influenced by its fast growth, the opening of the region towards cooperation and interaction between European countries and the rest of the world, substantial discrepancies between the Croatian and the European educational system and the problem of Croatian graduates not being recognized by the European education system and labor market. In addition, there was the problem that the competences acquired through a long period of education were inappropriate for the needs of the labor market and social challenges (Lučin & Prijić Samaržija, 2011).

Further, to improve its higher education system, Croatia enacted a comprehensive reform including qualification frameworks, quality assurance mechanisms, the European common credit system, comparable degree structures and reforms in the government of the tertiary education system and the national strategy for higher education funding. For this purpose, the Bologna process appeared as the most convenient instrument for some of the most essential reforms such as increasing the competitiveness and quality of higher education inside the European Higher Educational Area (University of Zagreb, 2017). This was done by improving the quality of the study programs and increasing mobility as well as the recognition and reliability of Croatian higher education qualifications, by improving the access of people with foreign higher education qualifications to the Croatian labor market and ensuring equitable access to the Croatian higher education system (Agency for Science and Higher Education [ASHE], 2017a). In the period from 2015 to 2016, all public faculties of economics had a common project entitled ECONQUAL (Faculty of Economics-University of Rijeka, 2016) financed by the European Social Fund with the common goal to raise the quality of education in the field of economics. It was designed to prepare study programs (one qualification in each subfield of management, marketing, economics and finance) according to the Croatian and European Qualification Framework in line with market needs, and coordinating within all public higher education institutions (HEIs) in the field of economics and business.

Nowadays, universities, polytechnics, and colleges are mainly organized on the territorial principle (ASHE, 2016). University studies cover three levels: undergraduate, graduate and postgraduate studies. Polytechnics engage in carrying out higher education activities by organizing and conducting professional studies and can carry out professional, scientific and artistic activities in accordance with the Law on Scientific Activity and Higher Education and its Statute. Professional studies ensure an appropriate level of knowledge and skills that enable professional occupations to be taught and directly involved in the work process. Vocational education

includes short professional studies, undergraduate professional studies and specialist graduate professional studies (Ministry of Science and Education of the Republic of Croatia, 2017).

In 2017, HEIs offered 1400 different educational programs altogether, out of which 413 were in social sciences. Furthermore, 192 different programs were offered in the field of economics, 131 of which (68.22%) were directly or indirectly connected to the field of management (ASHE, 2017b). There are 17 state and private faculties of economics and business which provide management education where entire departments are dedicated to all aspects of this area. There are also polytechnics that are primarily oriented towards the management area (12 in total). These organizations offer 14 undergraduate university programs, 13 graduate university programs, one integrated undergraduate and graduate university program, 32 postgraduate programs, 10 postgraduate (doctoral) programs, 31 professional undergraduate programs and 30 professional specialist graduate programs in the field.

Taking all this into consideration, it can be expected that there is a good predisposition for the Croatian education system to prepare highly qualified experts of different degrees of expertise for career development, which means that they should have the capacity (knowledge and skills, but also attitude, value systems and character) to become a constructive part of modern society.

4 Research Methodology

The qualitative study we conducted was aimed at understanding the challenges of the companies operating in Croatia today, as well as local leadership and management educational needs. For the purposes of the study, we interviewed 18 managers from a wide range of companies that represent the Croatian economy in the best possible way. In addition, 10 companies which are covering the service and manufacturing sectors were chosen. These were large companies, except for two innovation-based startups. Over the period of 4 months in 2017, we interviewed nine board members and nine HR managers coming from the insurance industry, the manufacturing industry (electrical equipment and pharmaceuticals), food and beverage industry, hotel industry, and the clothing and footwear industry. Among those 10 companies, there were some which were founded in the period before 1990 (when Croatia was still part of socialist Yugoslavia) and some that were founded after 1990. As can be seen in Table 2, which describes our sample, there were also state-owned companies or partially state-owned companies due to the fact that both make up a significant share of the Croatian economy and have a particular set of problems pertaining to their socialist legacy. The Croatian government has a minority ownership in 400 companies and majority ownership in 32 companies (Restructuring and Sale Centre of the Republic of Croatia, 2017).

We analyzed the data by using the grounded theory approach (Corbin & Strauss, 2008), and constructed five major codes as follows: company challenges; management and leadership development needs; addressing company challenges and needs;

Table 2 Companies' profiles

Company characteristics	Total number of companies
<i>Company foundation</i>	
Founded before 1990	7
Founded after 1990	3
<i>Company orientation</i>	
Product based	7
Service based	3
<i>Type of ownership</i>	
Privately owned companies	5
Partially state-owned companies	3
State-owned companies	2
<i>Company size</i>	
Small-size companies	1
Medium-size companies	2
Large-size companies	7

relations and the missing link between corporate and educational institutions; and the evaluation of development programs.

The next chapter is organized around those codes of research and features quotes that adequately depict the situations and challenges Croatian companies are currently facing.

5 Research Findings

5.1 Company Challenges

The companies whose managers we surveyed have different organizational and developmental challenges depending on the size, age (maturity), and industry they belong to. Older companies struggle with the generation gap. Almost all of the interviewees talked about generation gap issues and the struggle of changing corporate culture. Managers from startup companies complained about lacking skilled IT workers in Croatia, and they saw a great problem in Croatia's immigration policy. That policy hinders the possibility of employing workers from countries outside of the EU. One HR manager of a startup company mentioned "*the problem with employing foreigners (especially engineers) given the fact that they have allowed a small quota on the state level only this year.*" This has been recognized as a significant problem in the Croatian IT industry since highly skilled Croatian IT professionals often leave the country ever since Croatia has joined the EU and look for work in higher paying Western European countries. This leaves the Croatian IT labor market in chronic need of highly skilled IT workers, and the restrictive immigration policy which is in place now serves as an obstacle and burden to the

development of a very important and lucrative economic sector, which is seen as one of the sectors with the highest multiplier effect on the GDP of a country (Vu, 2005).

Older and larger companies, the ones existing since the times of socialism, struggle with restructuring, changing the corporate culture and the socialist legacy of strong unions, which have proven to be challenging circumstances when it comes to productivity. Changing organizational identity of formerly socialist companies is a process that most companies do not manage strategically (Kostera & Wicha, 1995). Most of them are going through some sort of restructuring and have recently felt the need to become more flexible, especially after Croatia joined the EU in 2013.

Some of the struggles our respondents talked about include the generation gap—“*how to align two generations of employees: baby boomers and millennials*”—with illustrating quotes such as:

The problem is that it is harder to interest these younger people, harder to retain. They have less patience, there is a need for the usage of special retention methods; they have a lower loyalty rate and far greater flexibility. So here we find a generation gap; I'm what, born in 1981 and I have a serious problem understanding these young people. They do absolutely everything with different communication methods . . . but we have a great challenge working with that type of people when they come. Even how to create an atmosphere in which they will feel comfortable in a company with an old heritage that has been tied to the state and where our average age is over 40 years.

Literature has recognized the generation gap as an issue many organizations battle with, and there is now a lot of research focus trying to resolve and illuminate this issue (Gibson, Greenwood, & Murphy, 2009; Salahuddin, 2010; Wong, Gardner, Lang, & Coulon, 2008). Findings suggest that the best way to tackle the generation gap is to guide individuals by focusing on their individual characteristics rather than relying on generational stereotypes (Wong et al., 2008).

Exposure to the EU labor market and losing the best workers to EU companies which can offer better compensation packages were also brought up as a challenge in terms of “[*cop[ing] with the free labor market and greater flexibility of employees from a younger generation (employee retention).*” Furthermore, the failings of the country’s education system, which does not produce enough skilled workers for the Croatian industry needs, were also discussed:

I pay double for something I've already paid for through contribution, which is the role of the state to educate a cadre necessary for the economy. Now I have to educate them on my own cost, or partially covered by the HZZ [Croatian employment bureau], but . . . so to speak . . . we create our own holes and chop the branches we sit on.

State-owned companies and enterprises that have existed since socialist times have a traditional way of conducting business, and managers there point out that it is hard to introduce the changes necessary for staying competitive. Their employees are especially prone to maintaining the status quo and are hesitant to introduce novel practices in their work such as IT. A hotel manager complained:

People are scared of IT. In services, and even the reception managers they are afraid of [it], I don't know . . . Because we work with these agencies every year now, and they ask that we fill out an invoice . . . I really find that to be a problem.

Further, managers of partially state-owned companies have problems with the way their enterprises are perceived since they were involved in corruption scandals, as was the case with many state-owned companies: *“The perception by many employees is that it is still this other company than what we’d want it to be. Unfortunately, we’ve been involved in some scandals, and labeled by state ownership.”*

Manufacturing companies struggle with developing soft skills among their employees because technical universities do not offer such knowledge and competences to their students. While we discovered that those schools offer one course related to management skills, we argue there is a need for them to offer more content of this nature to their students. They are predominantly focused on offering theoretical technical knowledge:

The biggest focus is on us internally actually, on those soft skills because 90% of the people here are programmers and designers . . . and their technical development is not a problem at all because we have experienced people who are experts in their fields and who are already developing themselves considering those skills they need . . . but it is a greater challenge to develop their potentials in a sense that when you see someone who has potential to take on more complex stuff, to lead teams, to manage projects. . . how do you give him the support, tools, knowledge, skills so that he can really take it on with a sense of certainty . . . with ease.

Furthermore, we recognized an overall problem with the education system and generation gap in older companies and companies with predominantly older workers:

The fields at faculties, because even faculties don’t follow trends in fields of education and competency development of students. Apart from that, the generation gap adds to the problem—older generations were taught to approach work in a different way and a lot of time will be needed to introduce a new way of thinking and certain changes that are necessary.

Bringing in international management members has been recognized as a way of making companies and countries more competitive within the EU market (Litrell & Valentin, 2004). Companies that want to internationalize and want to attract the world’s best talent struggle with the localized mindset of Croatian employees, who might struggle with English, and are unprepared for working in an international environment. A manager from a food company illustrated this issue very well, saying: *“Yes, we want to be an international firm, but the employees’ mindset is still the local Croatian one and we have to make a major shift there.”*

5.2 Management and Leadership Development Needs

Previous research has shown that companies in Central and Eastern Europe invest 2–3% of their annual payroll costs in development programs (Morley, Slavic, Poór, & Berber, 2015). Furthermore, they provide their employees with 2–10 days of development programs per year, where employees that are more senior get more days of attending development programs than clerks or manual workers (Morley et al., 2015).

In our study, we found that the development needs of managers and company leaders are addressed mostly through in-house development programs and coaching. Most of the companies are aware of the need for constant work on developing skills and competences. However, not all are willing to invest in continuous education and development programs, especially not the ones that are struggling with the transitioning and restructuring of their business and maintaining market share.

Dealing with an older managerial socio-demographic, which has worked at a company since socialist times, is an issue that is repeatedly emphasized:

Managers and supervisors are those who need most education in order to broaden their horizons; employees older than 45–50 should be educated on the necessity of change and adaptation in today's business world in order to stay competitive on the labor market.

Companies recognize their managerial teams need education, especially in times of growth, for which the educational system did not prepare them:

The company exploded and grew progressively, we grew progressively due to our professional knowledge, but we weren't acquiring certain managerial competences, and neither did the education system prepare any of us in that way. I believe that gap is still significant today and that we should improve our managerial skills.

Another great experience comes from a company that designs its own education programs in accordance with managerial evaluations: “*Most of the management programs are derived from their annual evaluation interviews.*” Technical companies are especially focused on developing soft skills and coaching among employees:

After that, we'll be involved in something that we've recently launched . . . First and foremost, we are working on . . . interpersonal skills, relation-related knowledge, teamwork, our own emotional reaction because we've discovered that to be important in this phase.

In one pharmaceutical company, the manager we interviewed recognized insightfully that leadership is not just the privilege of top management; instead, it should be a task for employees at all levels in the company:

Leadership is now on several levels . . . We try to twist it in a way that it is someone from a specific profession and a highly profiled specialist and expert who becomes a leader and the whole company can rely on him, not depending on the hierarchy. . . It is hard to offer people security and vision for the future, it is very hard to plan ahead for the changes in a five-year period . . . Therefore, I think leadership should be exercised on all levels of management engaging people in creating their own future.

5.3 Addressing Company Challenges and Needs

In addressing organizational challenges and needs for staying competitive, some of the companies use innovative research methods to identify their best talents. One of such methods is sociometrical network analysis in order to find the best potential management candidates:

We have two . . . psychologists who do that, and then we agree all together with the directors and myself and then we have questions. Then they analyze, actually they sort the questions and we give them out to analyze. Especially regarding sociometry. Sociometry is a method through which you see the informal de facto channels of management. You have a boss, a board, this and that. Actually, from that sociometry it is visible where the communication flows. Because the communication sometimes doesn't flow according to the formal structure but according to the informal structure.

The HR manager of a company that is going through major restructuring offered a detailed description of a meticulously thought-out way to set up developmental goals for employees and evaluating them:

Take me as an example, I'll get on my computer and write my professional interests. I believe we need to develop contracting and negotiating skills . . . through two to three years I'd be able to take on that sort of work . . . After that, a manager receives it and does their evaluation, creates the person's review and puts someone in a category in which they see that employee through their potential and results and they create a development plan. They also create a 70-20-10% development plan because it is your main focus to develop leader skills in the next few years because if you develop those we might consider you for a leading position, a promotion or something. You'll develop leadership skills by participating in this project where you, by the transaction of knowledge and by learning from the mentor, will be assigned a project . . . I don't know, maybe even for that 10% it would be fine to go to a project leadership seminar. And every employee will receive feedback for progress. I don't know, 'you did this well, you could develop this a bit more in cooperation with your manager and in that way develop your career.' And everyone will be doing that as these talent reviews will get to that same management and board.

Companies are addressing their need for internationalization through hiring foreign workers and bringing in managers from abroad, but they are facing certain problems:

We have to make a major shift there and we are working on it in different ways and through this internship program, through bringing in foreign management. Occasional combinations that we're doing in order to shake up this mindset.

Another important point several managers emphasized is the concept of de-learning, a process which is important for companies which have a strongly rooted hierarchy. Nevertheless, changes in their environment force them to change from within to be able to develop in line with their environment:

So, that is some basic knowledge which we might need to first adopt from the outside, risk analysis, how some scenarios are made and, how they are adjusted. So, if you've already determined something, how do you adjust it continuously through time, so they can fall off in that way, those postulates, determinants—that's how we'll be.

5.4 Relations and the Missing Links Between Corporate and Educational Institutions

Previous research has shown high homogeneity among the demands and expectations that employers have of business graduates in four quite different EU countries (Andrews & Higson, 2008). Similarly, the Croatian sample of this study showed

several groupings of perspectives on relations between corporate and educational institutions. It became evident throughout the interviews that there is a gap between what the corporate world expects and what educational institutions can offer to them. The nature of the relation depends largely on the type of support expected from educational institutions. If perceiving educational institutions as the main source of human resources, interviewees pointed out legal regulations related to hiring people from abroad or quota enrollment at high school or higher education entry level. A lack of employees with competitive knowledge was notable in all cases. In this case, educational institutions are perceived as a pool of students where potential employees can be found.

If perceiving educational institutions as the main partner in development and education in the specific life-cycle stages of the company for a specific target group management level, it can be seen that all of the larger companies have developed their own institutional program (or, their own academy), which prepares newcomers for entry-level jobs at their organization. The second option is in-house development programs outsourced to consultancy and educational institutions like business schools.

One common approach to more systematic management education is through business schools and MBA programs. As illustrated by an interviewed manager: *“We are sending several people to different business schools every year; young manager programs, alumni events and in cooperation with them we have additional in-house programs.”*

We identified different degrees of cooperation between corporate and educational institutions. Firstly, there are occasional individual initiatives from both sides and the readiness to do a project together. Those are time-to-time activities such as study visits of a company, workshops, case studies, internships and occasional meetings. The main reason why this kind of cooperation is of interest to the company is that in this case, educational institutions serve as a pool of potential employees. Furthermore, occasional projects with students offer companies an insight into which students would be the most promising candidates upon graduation.

The second level of collaboration is during study programs in the form of study visits, workshops, or case studies. Middle-level cooperation involves organized and systematic cooperation on a continual basis in educational and development programs such as case study competitions organized every year: *“With a concrete project to cooperate with the educational institution, like we do with engineers . . . That cooperation is actually very fruitful for both parties.”*

The most advanced level of cooperation involves a way of collaboration which blurs the lines between corporations and educational institutions. Examples of such cooperation are illustrated with the following quotes:

We have a strategic team which consists of people from university and our people. . . They follow the trends in the world, on a global level. Their task is to suggest strategic projects and form teams that work on that projects. We are financing them in order to keep up with the trends on the market.

We have an agreement with school X and we work together on a development project. The school is doing research, we are financing it and our employees go and work on that project during their PhD studies at that same school. In this way we establish a sort of institute . . . and its research work is beneficial for the company.

When discussing what hinders cooperation, companies emphasized issues related to educational institutions such as many study programs being solely based on theoretical background when employers are desperately in need for more soft skills. As they illustrated:

It would be much better if the whole education system would be based on people who know how to communicate, what is leadership all about, people who know how to lead other people and people who know how to be part of the company. Soft skills are certainly lacking in our education . . . Schools do not follow trends and innovations in the field of education and developing student competencies.

Furthermore, they mentioned the lack of developing specific skill sets:

Starting from elementary school up to higher education, we need to develop communication skills, assertiveness and independence . . . The ideal institution would be the one that teaches students how to think and incorporate new knowledge and develop their own potential.

One of the most frequently mentioned issues was the fact that upon graduation, students have very little if any practical experience:

I think that what is really missing in our educational institutions is the fact that there is a lot of theory and students are not so much enrolled in the project from real life which can help them understand and learn. What we really treasure during job interviews is to see a person who worked hard at home, created his own electric bike and he showed us the product. That fact, at that moment, was the critical point for employing him . . . I think that Croatian students have a very small number of projects and intern in specific fields in comparison with students abroad . . . Our educational system is old-fashioned and there is a great deal of things for improvement . . . It is not students who should come to study visits, but rather their professors. Professors have to see the real company and not work on the artificial [theoretical] model.

Many respondents' comments were about the lack of flexibility in the offered study programs:

Educational institutions should pay more attention to the things that are going on in society and in the business world . . . They [educational institutions] do not recognize our needs . . . Higher education is not adjusting in accordance with market needs [both its content and methods of teaching] . . . High schools and higher education should change and adjust to the needs of the labor market and they should adjust their five methods of teaching.

Metaphorically speaking, students are studying the alphabet, but no one is learning the language. They are studying specific theories, but not how to use that alphabet to speak and write. In other words, HEIs are teaching elements and bits in strict controlled conditions, but students are expected to combine those elements, be able to speak, write a language and successfully communicate with others.

5.5 Evaluation of Development Programs

The predominant methods in development and educational programs at the companies we analyzed are workshops supported by lectures. Based on the adult learning theory, all new knowledge needs to be tested and implemented for the adult learner to acknowledge and adopt new methods (Knowles, 1984). New generations showed good results when it comes to learning by using experiential learning methods (“*Among the young generations, they are allowed to try to achieve something and give suggestions*”). The quality of good development programs or education is that it is interactive and informative (“*A lecture or workshop is good when it is interactive and informative. It should motivate attendees to comprehend, acknowledge and implement the content of the lecture*”).

Some large corporations formed their own development programs mostly for their apprentices and some of them are even trying to develop custom-tailored programs to fit the needs of their low, middle and top managers. Some of that education is in the field of soft skills, because they have recognized there is a lack of those in formal educational programs. Additionally, they shape employees towards their specific organizational culture, processes and values. As it was said in one of the companies: “*We have an internal development program every two years where we try to shape new generations of managers in accordance with our value system at all three levels of management.*”

For almost all organizations, progress is very difficult to measure after finishing development programs or any sort of education. Companies use formal methods like tracking attendance and the number of workshops and development programs that were carried out, but the real benefit is seen in the long run and reflected in the way employees collaborate and deliver results. In some companies, the result is measured by reaching new clients, achieving key performance indicators or any kind of indicator connected to work performance.

Listen, we follow the results of the management program. If 40 of them went for the course, after three years I look if they used that knowledge for promotion, were they managing a project, managing a department . . . I cannot track it differently . . . We tried with follow-up evaluations, but it did not work . . . You need a longer period of time in order to evaluate something that complex.

In general, managers support their employees’ ambition to enroll in MBA programs. The perceived value of MBA programs is positive, since “*it is important for young managers to discover what management means after all,*” but managers also expressed certain doubts about the value these types of programs have for the company:

I think that knowledge that is received with an MBA is still pretty theoretical. No matter if they use case studies and how they might seem realistic, I do not see examples of that type of knowledge used in the company, I do not feel the benefit. There is always a gap between theory and practice. I do not see how this experience is beneficial for the company. I still have the feeling that this is okay and we should support it, more like a personal motivational tool, but I do not see the real value for the company.

The results of this analysis are in line with previous research attempts to establish a better and more efficient alliance between practice and research. Wright, Paroutis, and Blettner (2013) researched how much strategic tools are understood as the cornerstones of business education, but are rarely utilized in practice. Their conclusion was that managers are not finding strategic tools to be practical in the way that teachers are expecting them to be. Managers expressed the need for new tools that will help them think in dualities, and look at issues from different angles; tools that will help with issues that are understood in multiple ways and that will provide guidance for a clear thought processes.

6 Implications and Recommendations

This study of the Croatian business sector revealed that macroeconomic factors are regarded as key drivers of the current state of affairs in Croatia. The lack of implementation of the strategy on education and science influences the issues facing the Croatian economy. This is related to the fact that there are no strategic industries being developed and there is a continuous lack of specialists in certain industries. This led to companies calling for an increase in the quotas of such specialization programs at universities, but higher education entry policies are still not flexible. National education and research policy development is lacking a clear focus and, therefore, there is a continuous lack of employees resulting in decreased competitiveness: *“Very soon, we will face a shortage of quality students ready to be recruited and ready to start working.”*

The current challenges of management are to offer supplementary programs, which will offer both the theoretical backgrounds needed as a solid base for certain professions, as well as practical experience supplemented by soft managerial skills. Some research (Wong et al., 2008) argues that the differences found between generations have marginal statistical significance, explaining that it is more about the differences in age and individual character rather than the differences between distinctive generations. Nevertheless, mainstream research is all about the challenges of generations X, Y and Z cooperating within the same company. Different mindsets, cultures, and management styles are a great challenge when it comes to generating results.

Concerning the fact that the large majority of respondents mentioned the challenge of generation gaps in the company, research (Salahuddin, 2010) says that generational differences bring different priorities to organizations. According to Salahuddin (2010) and Gibson et al. (2009), generation X is characterized by hard work, resistance to authority, and a feeling of having earned the right to be in charge. Generation X also stands for the independence and self-reliance its members earned as children; they tend to be suspicious and cynical, which impacts the relationship between employer and employee. On the other hand, generation Y—or millennials, as its members are frequently called—has the need for instant gratification, attention and feedback. Each generation brings their preferable leadership style to the table.

Graduate employability is determined by the value of hard business-related knowledge and skills; the importance of soft business-related skills and competences; and the need for prior work experience (Andrews & Higson, 2008). New types of learning, communicating and doing global business supported by new IT technology create a completely new business environment, in which changes occur more frequently than the absorption capacity of any company. As suggested by meta-analysis conducted by Hattie, Biggs, and Purdie (1996), the use of mnemonics, such as using imagery or linking items to be learned or associated with keywords, is highly effective for remembering procedures, formulas, facts, or lists. When faced with the need for understanding the content and ways how to apply something in a new context, more complex learning strategies are indicated. The meta-analysis shows that study skills development is more effective in improving attitudes than in improving study skills themselves. Moreover, the student will need to know what are the strategies for coping with the issue, and the conditional knowledge that empowers them: how, when and where to use this knowledge, and why.

Based on the current state of knowledge, the managers of the companies we studied expressed their doubts and lack of confidence when it comes to outsourcing education to education partners. They have very detailed and focused assessment needs and the ability to unlearn old knowledge, change mindsets, re-create a new corporate culture and learn how to adopt management models to fit their own needs. Generally, the trends are that companies need to learn how to learn on their own and create a company ecosystem which is adaptive and flexible in order for them to win and survive.

Upon conducting and analyzing the interviews, we devised recommendations for the academic community, the government and the business sector related to the development and support of the business community. We have come up with several recommendations for the academic community regarding what it can do to better fit the needs of the business world: among other things, it should listen more closely to the needs of the private sector on a regular basis. Engineering schools should introduce more classes that develop the soft skills of their students. Universities should establish platforms for students to enroll into internships during their studies in order for them to become problem solvers as well as to learn how to think critically and analytically.

The recommendations for government are centered around identifying professions which have a deficit of workforce and offering scholarships for students who study in those fields (such as hotel, gastronomy, or footwear), as well as identifying which vocational knowledge is important depending on the region where the industry in question is represented. Furthermore, government should listen more closely to the needs of the private sector and develop policies and programs together with the business community with the goal of expanding successful industries (and professions).

The recommendations for the business community are related to acting more proactively and striving for changes in the education system through curricular reform and encouraging universities to introduce internships. Furthermore, the business community could benefit from encouraging universities to start focusing

on improving their rankings research-wise and being more competitive and rigorous, as more highly ranked universities offer better quality graduates. Lastly, they should create room and space for joint collaboration with the academic community to ensure the most up-to-date educational content is offered.

7 Conclusions and Limitations

As a member of the EU, Croatia should prioritize EU directives in higher education and science. That means focusing on internationalization, independent funding, adaptive autonomy and student-centered learning processes. Our research findings indicate several positive trends concerning development in management education, with companies increasingly realizing the benefits of investing in the education of their workforce. However, the data still show that there is plenty of room for improvement.

We found that the most successful and most advanced companies face quite similar challenges when it comes to finding a sufficient level of competent human resources that would be fit for their development needs. One of the education obstacles is the number of students allowed to enter specific high schools and higher education study programs (especially in the fields of science, technology, engineering and mathematics). Environmental and industry regulations offer additional obstacles for enhancing their own competitiveness. At a certain point, a company's competitiveness started to depend on foreign human resources and outsourcing activities to foreign markets, which is still not recognized as a widespread issue in the Croatian public.

Our recommendations are directed toward a change of the relation paradigm between educational institutions and companies. We suggest a new type of relation between them by forming a co-creating learning community (Bovill, Cook-Sather, Felten, Millard, & Moore-Cherry, 2015). Both entities should reconsider the rigidity and strictness of the norms they represent and the roles they currently have in society. The bridge between them should be built on a more flexible and open relationship. This would imply more intensive dialogue towards a common goal: assisting people in becoming competent and reliable partners for companies and their own well-being. More specifically, this implies a discussion about the outcome of the curriculum, ways that companies and educational institutions can create synergy and new value in the form of open innovation.

Educational institutions are not recognized as employment agents for students putting them in connection with companies. Corporate social responsibility should be extended in the direction of creating new links and relations with study programs and students of their own priority and interest. An improved relation with educational institutions could be critical for many companies' competitive business models to give them an innovative edge for their future success.

Writing in the very first issue of *Harvard Business Review* in 1922, professor J. G. Callan from Harvard Business School claimed: "Business . . . may be thought

of as a profession and we may profitably spend a good deal of time on considering what is the best professional development for those who are to take important executive positions in the coming generation” (Barker, 2010, p. 54). In the end, the basic educational question remains unanswered: do students really need what they want and do students want what they really need? What remains open as well is who should answer that question. We hope that this study will be used as a strong foundation and reference tool on which future policies regarding developing organizational and management potential in the country can build.

This research was not based on a wide range of data and information, as we interviewed managers from not more than 10 companies. Nevertheless, it is a good start to provide practical recommendations for both businesses and educational institutions, along with specific activities highlighting success stories from companies with leading practices in promoting good and sustainable business models. Moreover, we should mention that the validity of our findings is somewhat diminished due to the fact that we managed to collect only eight responses to our quantitative online survey; this was not sufficient to conduct a statistically relevant analysis. Thus, the main limitation of our research is the small size of our sample, which hindered us from performing triangulation and validating our quantitative data with the qualitative results.

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Management and Leadership Development Needs: The Case of Estonia



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1 Introduction

Estonia faces the challenge of speeding up its GDP growth and increasing productivity in order to improve the living standard of its population. The second challenge is linked to the question on how to decrease the number of young talented people immigrating to the Nordic countries. Global competition and radical economic changes link national competitiveness to organizational learning processes and human resource (HR) development (Tregaskis & Heraty, 2012). Management and leadership development priorities in a small open economy are not only influenced by the aspirations of local decision makers, but also by changes in their international business environment and in many cases by power-sharing relations with foreign corporate headquarters. Gosling, Sutherland and Jones (2012) have given an extensive overview of leadership approaches and situations, including change-oriented leadership and continuity-based leadership. Anticipating the continuing of the present business practice versus addressing internal or external change pressures are among the most crucial issues when studying the management and leadership development agenda in Estonia, where many business units still operate as low-cost subcontractors for transnational corporations.

It is with deep sadness that we note Prof. Ruth Alas passed away on 23 January 2018.

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2 Estonia's Economic Situation

The Estonian government applied a financial austerity policy and managed to keep its state budget balanced during the global financial crisis. Recovery from the global financial crisis was quite rapid (7.9% per capita GDP growth in 2011, see Table 1). In recent years, Estonian GDP growth has, however, been lower, thereby reflecting the low GDP growth of Estonia's main export partners such as Finland, and may also indicate the challenges of moving from subcontracting-driven exports to exports that create more added value and from knowledge-based products and services. During the years 2013–2015, Estonian total GDP growth was 1.4%, 2.8% and 1.4% respectively. The 2015 increase in GDP was even lower than the Eurozone's average GDP growth of 2.0% (Eurostat, 2016). In 2016, GDP growth was 1.7% (Statistics Estonia, 2017). Many Estonian enterprises do not market their own branded products internationally. The competitiveness of Estonian enterprises as subcontractors may diminish as a result of increasing salary costs that are influenced by the possibility of commuting to work in Finland, where salaries are substantially higher. Estonia had relatively low unemployment (6.4%) among the working-age population in 2015 (Statistics Estonia, 2016a). Table 1 explains some change trends in the Estonian economy and society.

Estonia's Corruption Perceptions Index has been quite stable and is ranked the best among former command economies (Transparency International, 2016). The Estonian Human Development Index has increased in the period 2011–2015, but there are still inequalities between some rural areas versus cities, also with regard to the Gini Index. As a small open economy, Estonia faces the challenge of avoiding the medium income trap in its economic development and to move towards a more knowledge-based economy in a situation where the population is aging and the shortage of qualified labor is a potential problem for the managers of many organizations. Since the year 2000, Estonia has been applying a relatively simple taxation system, where reinvested profit is not taxed. Only dividends paid by companies are taxed (Sander, Teder, Viikmaa, & Kantsukov, 2014).

The average hourly labor costs per employee in Estonia were EUR 10.3 in 2015, which is substantially lower than in Sweden (EUR 37.4), but higher than in Latvia (EUR 7.1) or in Lithuania (EUR 6.8). In a situation where average salaries are increasing quite rapidly—salary rates increased by 6.0% in 2015 (Statistics Estonia, 2016b, p. 172–175)—Estonia, as a small open economy, can lose international competitiveness if business organizations are not able to increase the added value of their exports by moving from the role of subcontractors to developing their own innovative products for export. Leaders in Estonian organizations face the challenge of economic stagnation and therefore need to identify new change directions for economic development based on knowledge and competence factors.

Table 1 Estonia's economic situation

	Republic of Estonia						
Official name ^a	Unitary parliamentary republic						
Type of government ^b	42,339						
Land area (in km ²) ^a	1,311,998						
Population (2015) ^a	Facts and figures						
	2011	2012	2013	2014	2015	2016	
GDP (current USD billions) ^a	23,169	23,044	25,081	26,214	22,459		
GDP per capita (current USD) ^a	17,453.754	17,421.888	19,029.779	19,941.453	17,118.504		
GDP per capita growth (%) ^a	7.924450513	4.68131028	1.776751062	3.09293609	1.641148168		
Foreign direct investment, net inflows (% of GDP) ^a	4.827860	7.759293	4.304661	6.415944	(2.903073)		
Exports of goods and services (current USD millions) ^a	20,050.2	19,815.3	21,184.8	21,772.4	17,807.1		
Exports of goods and services (% of GDP) ^a	86.5	85.99	84.47	83.06	79.29		
Corruption Perceptions Index (rank/score) ^c	29/64	32/64	28/68	26/69	23/70	22/70	
Competitiveness Index (rank/score) ^d	33/68.26	31/66.95	36/64.42	30/64.38	31/73.55	31/73.55	
Ease of Doing Business Index (rank) ^e	24	22	21	16	11	12	
Average salary per month (net EUR) ^a	(672)	(706)	(757)	(799)	(859)		
Minimum salary (net USD per month) ^f (EUR in parentheses)	360.04 (278.02)	382.22 (290.00)	440.64 (320.00)	429.91 (355.00)	423.54 (390.00)	512.85 (430)	
GINI index ^g	31.9	32.5	32.9	35.6	34.8		
Human Development Index (rank/score) ^h	34/0.849	33/0.855	33/0.859	30/0.861			

Minimum salary—<http://ec.europa.eu/eurostat/gm/table.do?tab=table&init=1&language=en&pcode=tps00155&plugin=1>

Average salary from Statistics Estonia (in euros) <http://pub.stat.ee/px-web.2001/Dialog/Saveshow.asp>

Gini index for Estonia 2011–2012 World Bank <http://data.worldbank.org/indicator/SI.POV.GINI?view=map> 2011–32,7; 2012–33,2

Eurostat data 2011–2015 http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_d12#

Human development index 2011–2014 scores from http://hdr.undp.org/sites/default/files/hdr_2015_statistical_annex.pdf

^aWorld Bank website database

^b<https://valitsus.ee/en>

^cTransparency International.org

^d<http://www.imd.org/wcc>

^e<http://www.tradingeconomics.com/estonia/ease-of-doing-business> (adjusted WB rankings, based on 10 topics)

^fEurostat, ec.europa.eu/eurostat

^ghttp://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_d12#

^h<http://hdr.undp.org>

3 Main Features of Management Education in Estonia

Although Central and Eastern Europe (CEE) economies to some extent have similar development trajectories, distinctive features and development patterns (Alas & Vanhala, 2013; Kazlauskaitė et al., 2013; Poór et al., 2015) can characterize the national patterns pertaining to HR management. Despite the stagnation of the Soviet command economy, Estonian management education already started to develop in the 1970s (Alas & Aarna, 2016). Influences on this development came from the 2-year internship of professor Raul Üksvärav at the University of California in 1963–1964 and from the internships of professor Madis Habakuk in Poland and Jaak Leimann in Finland during the following decades. The Department of Management and Planning at the Tallinn Polytechnic Institute (now: Tallinn Technical University) was active in disseminating international management development ideas at conferences that involved participants from other republics of the Soviet Union. The Tallinn Polytechnic Institute was the first in the Soviet Union to organize conferences on organization and management (Klesment, 2009).

In 1978, the government of the Estonian Soviet Socialist Republic (SSR) founded a special organization for management development. It had a long Soviet-style name: the Qualification Improvement Institute of the Management Staff and Specialists of the National Economy of the Estonian SSR (hereinafter Estonian Management Institute). Already before Gorbachev's perestroika, some cooperation started with the main executive development center in Finland, the Finnish Institute of Management (LIFIM). The Estonian Management Institute cooperated intensively with LIFIM and other Finnish management development and consulting centers at the end of the 1980s and the beginning of the 1990s. The first step in preparing this cooperation was arranging a Soviet-Finnish joint workshop and exhibition on modern methods and tools in management development in 1982. Already in the 1970s and at the beginning of the 1980s, some organizations were looking for in-house development services in the field of strategy and management by objectives, in particular fishery collective farms and construction companies that were owned by collective farms and consumer cooperatives.

During the transition to a market economy, the Estonian Management Institute became a spin-off platform for several management and business development organizations. Professor Madis Habakuk founded the largest private business school in the Baltic countries, the Estonian Business School, in 1988. Madis Habakuk had earlier been the chair of management at the Estonian Management Institute.

An institution that was also actively involved in introducing new organization and management ideas was the Ministry of Light Industry of the Estonian SSR. In 1979, this ministry founded the Management System Design Bureau Mainor. This center played an essential role in preparing economic experiments for organizationally integrating production and retailing enterprises and increasing the autonomy of such concerns in the Soviet planning system. Mainor and the officials at the Ministry of Light Industry already managed to initiate an experiment offering opportunities to

create small state enterprises at the beginning of perestroika. These were in fact independent entrepreneurial spin-off companies formally founded by large state-owned enterprises. Mainor also introduced special development programs for preparing young managers for executive roles. As a result, Estonian management educators were quite well prepared for the collapse of the Soviet command economy (Elenurm, 2001).

When Estonia regained its independence in 1991, there were already many private management development companies that mainly offered short-term courses. As the first private business school, the Estonian Business School had the first-mover advantage compared to other private business schools that were founded later. The private business school had flexibility advantage compared to the economics departments of state-owned universities, which as institutions were not flexible enough to adapt to the market-economy context, even if individual faculty members were conceptually prepared to change the content of their courses. During the first decade of this century, several private business schools have merged and at present the Estonian Business School (with university status) and Mainor (applying for university status) are the main private management and entrepreneurship education providers competing but also cooperating with the state-funded management education offered by Tallinn University of Technology, Tartu University and Tallinn University. Curriculum development and instruction methods in private management education institutions have to be innovative and customer-focused in order to retain a competitive position since free management education is also available in neighboring Nordic countries.

The economic integration of Estonia with the Nordic countries during and after the 1990s, particularly after Estonia joined the European Union (EU), has increased the importance of the links between the management of development and export. A survey of export-related development needs in Estonian companies in 1998 deepened the understanding of development needs at that stage of economic transition, when international competitiveness and EU accession are becoming topical issues. Understanding the EU as the target market, conducting market research in the target market and identifying business partners were identified as the activities with the biggest gaps between importance ranking given to the competence area and assessment of the existing level of knowledge. Larger companies that had already accumulated export development experience (Elenurm, 2000, p. 129 & 132) were the ones that mainly considered general management and the strategic management of international operations. Bandelj and Purg (2006) have stressed the importance of networks in the development of private business schools. Both the Erasmus network and the CEEMAN network have had an important role in the internationalization of Estonian management education in recent decades. The Erasmus faculty exchange and CEEMAN conferences have facilitated cross-border knowledge sharing among faculty members. The Erasmus student exchange program has enabled team projects where international student teams search for information and generate ideas for Estonian enterprises interested in export development (Elenurm, 2015).

During the first decade of the twenty-first century, the international transfer of management ideas to Estonian managers through management education, management consultants and ‘management guru’ books was quite intensive, especially in management and leadership development fields such as the learning organization, quality management and balanced scorecard (Alas & Zernand-Vilson, 2012; Alas, Zernand-Vilson, & Vadi, 2012; Zernand-Vilson & Elenurm, 2010). During the global financial crisis, business process reengineering became more popular than ‘soft’ HR-focused management development approaches, but in recent years, many managers have become skeptical about globally promoted management ideas and try to develop their own tailor-made solutions that take the specific development needs of their organizations into consideration. At present, the transfer of management ideas from advanced market economies to Estonia is no longer a one-way street. In 2011, the Estonian Business School established a branch in Helsinki and at present offers both bachelor and master’s degree programs there for Finnish and international students, where, among other topics, students learn about the Estonian change management experience.

The Estonian Entrepreneurship Growth Strategy 2014–2020 sets the general goal of attaining 80% of average EU productivity. Four objectives for achieving this goal connect entrepreneurship development in Estonia to creating globally competitive business environments and the efficient production of products and services with high added value, to the entrepreneurial population and actively exporting and ambitious enterprises. The strategy highlights the challenge of aligning the competencies of labor resources and the needs of the labor market (Ministry of Economic Affairs and Communications, 2013). Productivity and higher added value depend on entrepreneurial initiative for discovering new business opportunities but also management competencies.

4 Research Methodology

CEEMAN research in Estonia has delivered valuable information that answers four key questions:

1. Which change trends and challenges in the external business environment and inside Estonian organizations shape the management and leadership development agenda?
2. What are the priorities of decision makers when planning and implementing HR development, including management and leadership development to address these challenges?
3. What expectations do managers have about cooperation between their organization and management education institutions?
4. What are the priorities, reasons and criteria for choosing between different management development options?

In order to answer these questions, a mixed-methods research design that consisted of three stages has been applied:

1. Semi-structured interviews (32 in total from 16 organizations)
2. Extended survey targeted at enterprises (11 respondents)
3. Survey targeted at a wide range of public and private organizations (60 respondents).

First, the researchers conducted semi-structured interviews in each organization with a management board member or C-level manager and with an HR management professional. The interviews were recorded and a qualitative analysis of the interview transcripts was conducted by applying the grounded theory approach (Corbin & Strauss, 2008). The interviewees’ answers were coded in order to move from open, axial and selective codes to the main categories that reflect the challenges perceived by the respondents and the prevailing management and leadership approaches that are seen as priorities for meeting these challenges. This content analysis process allowed the researchers to understand the deeper meaning of the information and to structure and relate the main issues revealed in the interviews.

The extended survey was distributed among four of the same organizations that were interviewed and seven other organizations—in total 11 large and medium-sized business organizations. The respondents represented the following sectors: electronics and electrical appliances production, metal products, wood and food processing, engineering, IT, logistics and transportation, wholesale and retail industries. This industry mix makes it possible to compare organizations involved in international subcontracting with businesses that are marketing their own final products, and to understand what differences trade, services and production have in the management development context. The respondents had to provide information about the areas in which development and education programs had been provided for their staff from 2011 to 2015 and to present the financial data justifying their development decisions and related costs.

The second online survey was targeted at 60 public and private organizations. The survey was addressed to HR and general managers. The organizations that participated in the survey have been described according to the types of ownership in Table 2. Sixty-three percent of the survey participants represented private business

Table 2 Ownership of organizations participating in the survey

	Frequency	Percent
Unidentified	1	1.7
Private	41	68.3
Public	9	15.0
Private/public partnership	3	5.0
Cooperative	2	3.3
Foundation	2	3.3
State	2	3.3
Total	60	100.0

organizations, state-owned companies, private-public partnerships, cooperative organizations and foundations also participated in the survey.

The questions within this survey were less specific about financial data and focused mainly on the development needs and priorities, and the reasons and criteria for choosing between different management and leadership development options.

5 Research Findings

Cunningham (2010) stated that knowledge about the complexity of the environment and the interconnectedness of challenges has had limited influence on the way organizational leaders are educated and developed. The focus on long-term challenges and on short-term solutions often assumes different combinations of skills, knowledge and values. Contributions in the field of management development from academic scholars is an issue of intense debate, where focus on facts, frameworks and theories are often compared with skills, values or critical thinking (Ross, Robinson, & Francis-Smythe, 2015). Among the interviewed managers, there were representatives of organizations that depend on technology development trends in complex high-tech environments. There were also organizations, where the main challenges relate to regional market trends. One sales director from such an organization stressed:

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

Some plant managers were directly influenced by new management approaches such as Lean Management, Coaching Kata or Gemba Walk, others took a more hands-on practitioner stance that avoids theory and management discourses.

It is very important to study opportunities for applying Coaching Kata. Top managers should start such initiatives in order to coach all team members to use these tools.—plant manager of a metal processing company

Benjamin and O'Reilly (2011) distinguish between procedural knowledge, which is how things are done, and declarative knowledge that helps to answer 'why?' questions. The right balance between procedural knowledge and skills versus challenging existing practices in organizations is influenced by the nature of changes, both in terms of the business environment and the need to reassess established strategy, as well as to change existing structures and established processes. Procedural knowledge may help managers to address routine problems, but at the same time become a barrier to long-term creative strategic thinking (Benjamin & O'Reilly, 2011) as a driver for leadership that would lead to a sustainable organization. When studying management development priorities in a changing society such as Estonia,

it is important to understand how decision makers perceive change trends and challenges in the external business environment and inside their organizations, and in which way their development priorities reflect these challenges.

The general opinion of the managers interviewed for this study was that educational institutions and business organizations should enhance cooperation in order to improve the analytical and practical skills of graduates:

But I think there's a bit of a gap between university education and how it relates to the business world. They are a little bit separate in my opinion. Maybe there could be more cooperation between companies and educational institutions. So, they can work in tandem with each other and also understand what is relevant for the business world.—foreign CEO from an Estonian subsidiary

Despite investments in the infrastructure of vocational education by the Estonian state, supported by EU funds, the popularity of these schools is too low among young people and leads to a shortage of qualified labor.

The reputation of vocational education is not very positive. The students that go there to study often do not become strong specialists—they go to vocational schools because they are not able to get into universities. We have sometimes discussed that Estonian society lacks strong opinion leaders dealing with this problem and talking about vocational education as a useful practical and technical education.—plant manager at an electrical equipment company

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

In order to be competitive, more added value should be offered to the client. In our work, we have to develop those activities that increase our value creation capability in order to better satisfy the client's needs.—CEO of an IT company

Two management problems relate to enterprise growth. One of them is the efficiency of the current activity and the other is adjusting our organizational structure to growth.—CEO of a software development venture

These general categories were derived from the interview results, however there are more specific challenges that are not the same for all organizations involved in the interviews or in the survey. Among the respondents, there were representatives of retailers and electronics assembly plants, where the main challenge was to attract

young people to routine jobs. Coaching and development priorities in such organizations were linked to improving the image of the organization as a good employer for young people and introducing quality management practices that support the empowerment and job enrichment of the employees. One leadership challenge is increased staff turnover after having provided development programs; employees find jobs that are more rewarding in other Estonian organizations or even outside Estonia.

At the same time, representatives of some knowledge-based companies stressed that the main challenge for their leaders was to attract and retain professional staff and talent for key business positions. In one case, low mobility and aging permanent staff were defined as the main future challenge:

The mobility of our staff is minimal—no fresh blood. New people are only hired if the enterprise grows. No variety, the same environment, the same people, the same thoughts. There are several departments where no new people have been hired for years.—member of the management board of a logistics company

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

Technological challenges were presented in a more proactive framework; for instance, using e-commerce to expand markets and applying new technologies to offer additional services to clients. The challenges of adapting business models were linked to cooperation with similar enterprises from other European countries and adapting products to international markets. The interview results correspond to the comparative research results of Morley, Poór, Heraty, Alas, and Poczowski (2016) on development programs in CEE countries, indicating that enterprises operating internationally record more extensive development practices.

Management challenges in general terms were related to people skills, but more detailed descriptions represented diverse issues: from team creation and retaining enthusiasm, the manager's role as the developer of the team to reconcile divergent views among owners and to overcome client service gaps. Restructuring organizations and processes, sales growth and efficient management of salary costs were also seen as major challenges for managers. Among future trends that have implications for HR development, investments in new logistical infrastructures and IT solutions were stressed especially in wholesale and retail sectors, but also in food production: "*New IT systems, the staff has to come along with all these innovations*" (personnel specialist in a food processing enterprise).

The development needs of organizations are related both to individual mastery and to teamwork competences. In addition to development programs, in order to develop the human capital of organizations, managers saw an environment that could support the recruitment of young talented and motivated staff as crucial. HR

managers search for the right balance between recruiting and developing new employees and developing existing staff. Development opportunities for employees were seen as tools for creating such an environment. Strategic development directions relate to adjusting business models, digitalization, and new products, services and sales development. However, the freedom to change business models was perceived in different ways depending on the status of the interviewee in cross-border management hierarchies. In one subsidiary of an international corporation, global knowledge sharing and cross-border staff rotation was stressed. The managers of one Estonian food processing company face the challenge of switching business development efforts from Estonia to neighboring countries. At the same time, the Estonian owners of a wood processing industry enterprise need HR management knowledge to set up foreign subsidiaries in export markets. When discussing management and leadership development as a tool to meet management challenges, HR managers explained the difficulties involved in long-term planning for their activities and related resources. Several development managers in Estonian subsidiaries stated that they are not able to predict the development budget allocated to the Estonian unit by their overseas headquarters:

We have already chosen the educator to continue the development program for managers but we have to wait for the budget approval.—HR manager of the Estonian subsidiary of an international IT company

Financial support is not clearly planned. We do not even have such a plan. When budgeting training expenses, the enterprise level was abandoned in 2016 in our corporation.—development manager of the Estonian branch of a large international retailer

The biggest differences between the survey participants were seen in the percentage of managers participating in development and how much is spent on development programs. The results can be found in Table 3. The majority of the organizations that specified their development costs in the first survey used less than 500 euros per participant in 2015.

Planning management development usually has a 1-year time horizon, and in many cases, the scope of the development program is linked to project support

Table 3 Development cost per participant

		Cost of development in 2015 (per participant)		
		Less than EUR 500	EUR 500–1000	EUR 3000–10,000
Development received by management in 2015 (%)	2	1	0	0
	15	0	1	0
	20	0	0	1
	85	1	0	0
	90	0	0	1
	100	4	0	0
	Total	6	1	2

from external stakeholders or decisions from the headquarters in cases where the respondents were from subsidiaries of international corporations. Several organizations were in the process of creating internal development centers. However, according to the second survey, only 25% of the participating organizations had functioning learning centers. Among those that had such centers, 66.7% were private businesses.

The majority of respondents indicated that sales, computer or IT are the most important development areas in their organizations. Among development areas said to never be used, three interview respondents pointed out change management, design thinking and entrepreneurship/intrapreneurship. Five respondents explained that foreign languages, corporate finances, human resources, strategy and leadership have been among the less popular development areas in their organizations.

As a result of the survey that involved a broader sample than the interviews, 13 favorite development areas were identified (Fig. 1). The respondents were offered a long list of possible development areas in the survey, asking which of them have been provided in the last 5 years. The percentage after the name of the development area indicates the percentage of organizations that have provided development to their employees in this area within the last 5 years.

Figure 1 indicates the development preferences of different types of organizations. However, no large differences exist concerning the development preferences of different types of organizations by ownership. Only two development areas—marketing and sales—were more popular among private business enterprises and

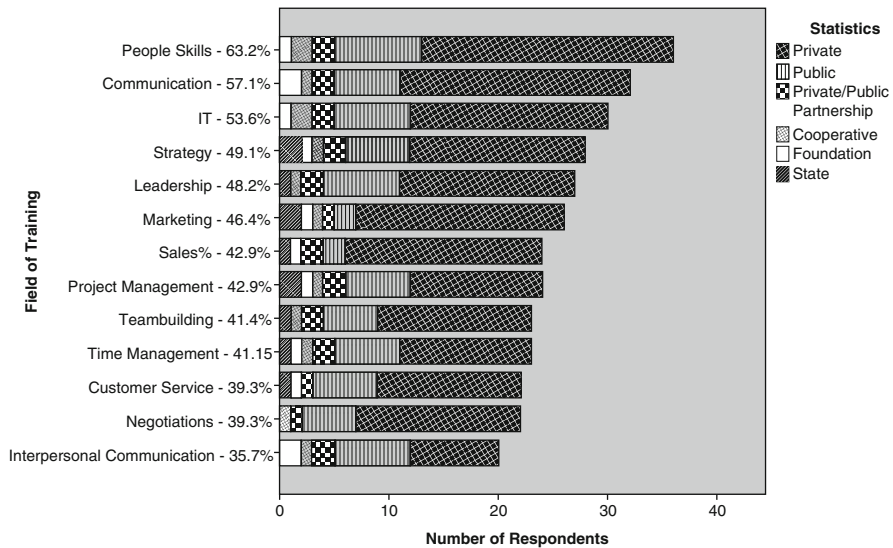


Fig. 1 Development preferences by types of organizations

less favored by other types of organizations. People skills development has been offered by 63.2% of the respondents and is the most popular development area both in private and public organizations. Two more development areas have been chosen by the majority of the respondents—communication, and computers and IT. The general conclusion could be that among the top 13 development fields out of 38 options, the majority are soft skills-oriented and general in nature, and provide the participants with skills applicable in different fields. Moreover, the focus on development that supports general management and leadership competencies is evident. Efforts are needed to align development efforts for individuals and organizational development directions. Total integration between the person and the organization is rare and especially challenging for young people (Hultman & Hultman, 2015). Friedman and Westring (2015) draw attention to empowering individuals to better integrate their work and life as a result of development activities. The Estonian survey results indicate that there is a trend towards using development programs to integrate the human aspect, technology mainly represented by IT skills, and topics related to positioning the organization in the changing business environment and market. However, change management as a special topic is not among the 13 most popular development areas.

Leadership development in the broader sense focuses on the development of collective leadership beliefs and practices in addition to individual development (Drath et al., 2008; Packard & Jones, 2015). In organizations that were involved in the Estonian survey, leadership and strategy have quite similar levels of popularity. These topics have been used by slightly less than half of the organizations. In several organizations, leadership issues are not linked to participation and empowerment at all organizational levels. That is also reflected in the way access to development is mainly limited to top management in some organizations.

The survey results also indicate why organizations send their employees to development programs, as can be seen in Fig. 2.

Surprisingly, the most favored reasons for sending employees to development programs (chosen by 57.9% of respondents) are both the needs of the department and the personal interest of the employees. However, in the private sector the personal interests and preferences of the employees are the most common reason. Surprisingly, the reward gained by attending the development program was the least chosen response. It seems that development opportunities are often offered as a bonus for the employees in order to support their professional and personal self-development, while links to long-term strategy or preparing the staff for organizational change are insufficiently integrated with the development needs analysis.

The interviewed managers considered development important for improving the motivation and performance of employees and for developing the whole organization. At the same time, the assessment of development results was not systematic and, in some organizations, not conducted at all. Only 28.3% of survey respondents indicated that an assessment system exists in their organization that addresses the impact of development programs. Based on the interviews and the diversity of

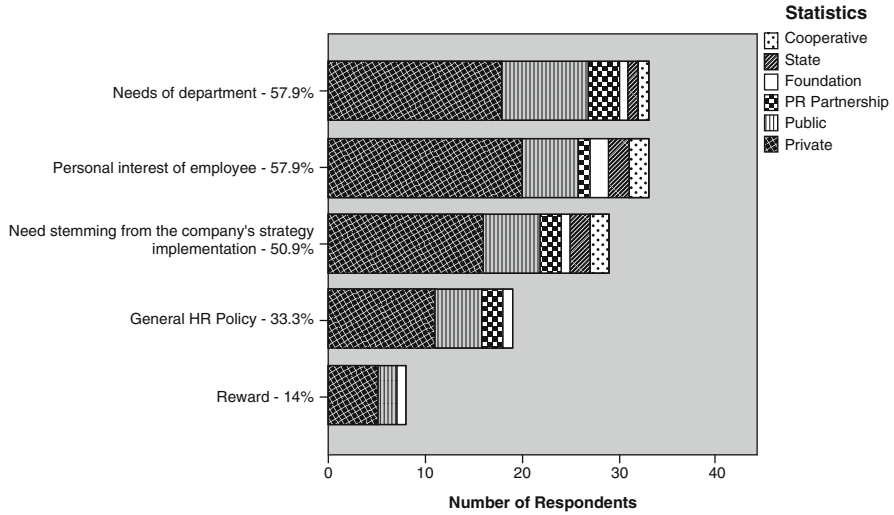


Fig. 2 Reasons for sending employees for development programs by types of organizations

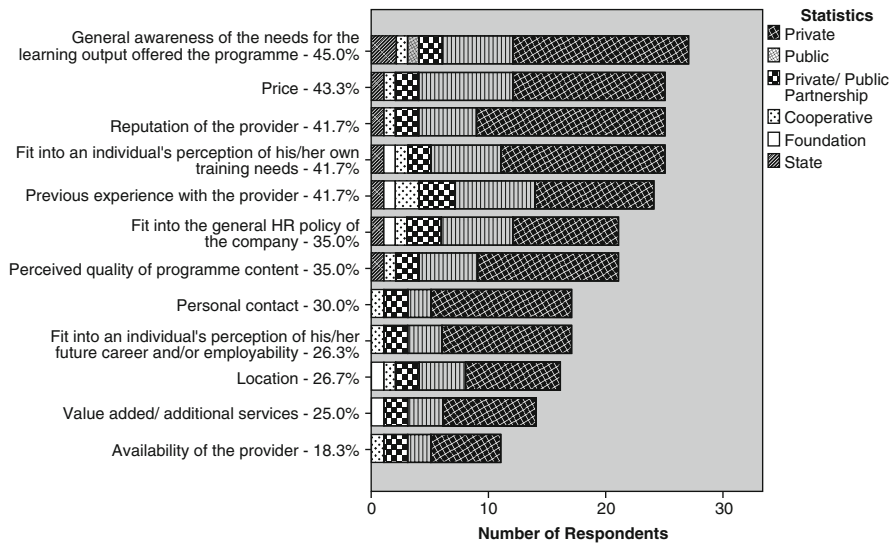


Fig. 3 Criteria regarding the selection of development programs

assessments given by the respondents, we can also conclude that a systematic approach to selecting development programs and service providers was missing (Fig. 3).

There was hardly any consensus in this domain, and none of the suggested options was chosen by a majority of the respondents. For business enterprises, the reputation of the program provider was the most favored criterion, while an affordable price was most important for respondents working in the public sector. Overall, the general awareness of the need for the learning output offered by the program was the most favored option by the survey participants.

Interviews with HR experts and management board members revealed three main approaches to identifying development priorities that are also useful for interpreting the survey results. The first approach is driven by education and development as a recruitment tool, especially for attracting young employees. This approach also sees development of middle-level managers as a priority in order to increase the motivation of employees and to limit staff mobility. Does this mean leadership development? Our conclusion is that differentiating between leadership and management development is quite vague in the answers of the interviewed managers, and this corresponds to earlier research by Carroll and Levy (2008). When applying the interpretations of leadership by Drath et al. (2008), Kotter (2012) and Roberts (2015) as taking leadership of the organization to the future through emancipation and commitment to collective interest, a 'yes' answer would depend on the power of HR professionals to apply development programs to increase the capability of the organization. This capability should enable to move to a more knowledge-based position compared to its present subcontractor role and the real involvement of interns in job enrichment as a development outcome.

The second approach treats development as a tool to support technology changes, especially by applying new IT solutions. This approach is clearly driven by a future vision, but the criteria for using the label 'leadership development' would depend on integrating technology application skills to people and change management competences when conducting development programs. The survey results indicate that change management has so far not been among the popular development areas even in those organizations where innovation challenges are acknowledged. In the last 5 years, only 26.8% of the organizations surveyed provided their employees with change management development.

The third approach positions development programs in the context of team building and organizational development that should strengthen joint values in the organization and can lead to new strategic moves and possibly reshape the identity of the whole organization. In organizations that favored the latter approach, the HR professionals and the board members expressed similar priorities in their interviews. Such an approach is a prerequisite for applying leadership development that could increase the sustainability of Estonian organizations through anticipating new challenges and learning through changes. *"Teamwork should be developed. To see the enterprise as a whole and not only its image; to see the process from the start to the end"* (personnel specialist in a food processing enterprise).

6 Recommendations

Holmberg, Larsson and Bäckström (2016) argue that the increasing complexity of contemporary organizations increase the role of leadership development programs that support intrapersonal leadership self-efficacy and interpersonal political skills, but also the health and well-being of participants. Roberts (2015) refers to the emancipatory nature of leadership development and points out that a narrow focus on management development through supervisory skills is different from leadership development for a larger organizational impact. Management and leadership development in Estonian organizations could be more inclusive by involving different professional groups. Management and leadership development activities should not be limited to managers but involve all groups of employees that can contribute to organizational changes.

Management development programs that apply a participative approach to identifying the organization's strategic change needs assume the active participation of real leaders both in in-house development programs, but also in knowledge-sharing opportunities with leaders from other organizations in order to create new networks and value chains inside Estonia and internationally. Management education organizations in small open economies can assist leaders in cross-border networking efforts to better involve all levels of the organizational hierarchy and professional groups in change management programs.

The HR development model should take into consideration that corporate social responsibility, ethics and sustainability broaden the objectives of development efforts (Ardichvili, 2013). When addressing management and leadership development challenges, an organization should be good for its members and stakeholders in the present situation, but also sustainable in the future when technology, markets or business models change.

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

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

Universities, management educators and consultants have to understand the changing business landscape and the interpretations of management and leadership

development challenges for top managers and professionals directly in charge of defining and following the HR development priorities of companies in different business sectors.

Academic management education and executive courses could focus more on the role of assessing development results as a tool for encouraging self-development of employees and planning further development activities, but also on linking the planning of development to anticipating organizational changes and setting the strategic development priorities of the whole organization.

7 Conclusions and Limitations

Changes in the business environment, new technology, competition and customer behavior trends influence organizational and HR development efforts in different ways, depending on the perceptions of related challenges by decision makers. Survey results indicate that people skills, communication and IT are the top three development areas that have been popular in recent years. More than 50% of organizations have offered some development for their staff in these areas. Strategy, leadership, marketing and sales follow these top three development areas. These development areas could, however, be treated in a more systematic way in the context of team building and organizational development.

This CEEMAN research contributes to understanding the priorities of leadership and management development in Estonian organizations. Our goal is to open up new cooperation opportunities between business organizations, educators, consultants and higher education institutions. The results of this research could serve as an input for curriculum development in business and management studies and for executive development courses.

One limitation of the present mixed-method study was that the number of organizations, with which two detailed interviews were conducted and background data from different sources was acquired, is limited. The broader sample of 60 organizations did not cover all the organizations with which interviews were conducted. Not all interviewed professionals were available for the quantitative survey. While the larger quantitative sample of 60 organizations does provide insights from a greater variety of businesses in Estonia, it is not fully representative of the Estonian economy.

Annex 1 Organizations Interviewed

Organizations	Industry	Additional information
1.	Retail	Nationwide 100% Estonian capital-based retail chain with 5000 employees
2.	IT	Local subsidiary of global IT company, 200 employees
3.	E-retail	Local subsidiary of Baltics-wide e-retail company
4.	Metal processing and electrical appliances	Local subsidiary of international corporation
5.	IT	Local capital based company with 70 employees
6.	IT	Local subsidiary with 300 employees. Belongs to an international corporation
7.	IT	Local IT company with 15 employees
8.	Logistics and transportation	International company with 200 employees
9.	IT	100% local capital-based IT company employing 60 people
10.	Logistics and transportation	State-owned company with 650 employees
11.	Retail	Baltics-wide retail chain with 2700 employees belonging to an international group
12.	Telecommunication equipment	Local subsidiary of global group
13.	Food processing and sales	Local capital-based company with 300 employees
14.	Distribution of electrical products and related services	Local subsidiary of international group with 70 employees
15.	Logistics and transportation	Local subsidiary of global group with 150 employees
16.	Wood processing	Privately owned producer of prefabricated timber frame houses with 110 employees

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Management and Leadership Development Needs: The Case of Hungary



Sándor Takács, Natasha Gjorevska, and Barbara Meretei

1 Introduction

The main purpose of this chapter is to determine current challenges and how to answer them, and identify trends and tendencies based on interviews with senior executive managers and human resource (HR) managers in 17 companies in Hungary. The interviews were conducted in 2016 and the first half of 2017. We had three main categories in our sample: large companies (local and multinational ones), shared services centers (SSCs) and family businesses. Our interviewees were mainly former students in the executive MBA or HR business partner programs, and their respective company partners (usually we interviewed both HR professionals and top executives from the same company). We directed our attention to innovatively and proactively thinking companies that try to control their external and internal environment in the long term, actively hire students from top business schools in Hungary and send their top management successors to educational programs. For example, the department store in our sample has won the award of the best employer or one of our FMCG companies was voted the best workplace for trainees in Hungary in recent years. Succession was an important issue in almost every family business organization in our sample (since the majority of current family businesses in Hungary was established after the political changes of the early 1990s) and there was some kind of organizational or cultural change program underway in almost every organization in our study. Therefore, we are aware that the organizational contexts in our study may not be typical in every Hungarian business organization at the moment, but they may have to face similar challenges in the future.

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This research is a blueprint for programs in educational institutions that are currently revising the program content and methodologies. We suggest using our methods for augmenting this dialogue and providing guidelines for conducting similar research at the level of particular subject areas and courses, based on varying company size and sectors.

2 Hungary's Economic Situation

Hungary is a country with a population of 9,844,686 and member of the Organization for Economic Cooperation and Development (OECD). Based on the World Development Indicators Database, Hungary is ranked 57th in terms of nominal GDP (World Bank, 2017a), meaning that it is classified as a high-income country with a high Human Development Index (HDI) (0.836 in 2015), which positions it at rank 43 among 188 countries (United Nations Development Programme [UNDP], 2016). This index value has increased by 18.9% between 1990 and 2015, based on HDI indicators such as life expectancy at birth, expected years of schooling, mean years of schooling and gross national income per capita. However, this is still below the average of 0.887 for OECD countries, and when discounted for inequality in the distribution across the population, the Hungarian HDI falls to 0.771.

During the years 1989 and 1990, Hungary began the transition from a centrally planned economy to a market economy and from a communist one-party political system to a multi-party democracy (Harindranath, 2008). The transition to a market economy based on private ownership in Hungary happened gradually after the collapse of socialism through economic reforms (Adam, 1995); however, this process was not without its costs. Among the social costs of the transformation was the increase of unemployment. For instance, in 1990 the unemployment rate in Hungary was 1.7%, whereas by 1992 the unemployment rate had jumped to 12.3% (Adam, 1995). Altogether, the economic activity rate increased slightly between 1997 and 2011 from 52.8 to 55.4%, leading to a situation in which Hungary had one of the lowest rates of economic activity within the European Union (EU; Ágh, 2013). Economic activity has rebounded since 2016 mainly due to public investment fueled by EU structural funds (OECD, 2017).

According to World Bank data (economic rankings benchmarked to June 2017), Hungary is ranked 48th (out of 190 economies) for the ease of doing business (World Bank, 2017b). The main industries in Hungary are automotive, electronics, pharmaceuticals and medical technology, ICT, and the food industry (EUGO, n.d.). The Hungarian ICT market has been growing fast, accounting for 18.5% of the total ICT sector in Central and Eastern Europe (CEE; Harindranath, 2008). However, Harindranath (2008) identified human potential shortages as a potential major bottleneck for the future development of the information sector.

In 2014 and 2015, Hungary adopted several national strategies aimed at improving the quality of the country's education, such as a new lifelong learning strategy, however Hungary's education and development system still faces major challenges

(European Commission, 2015). The economic crisis affected Hungary heavily, resulting in a decrease of public funding for education in 2011 and 2012 (OECD, 2015). The general government expenditure on education (as a percentage of GDP) remained at the 2012 level: 4.7% in 2013 (European Commission, 2015).

General government expenditure as part of total government expenditure on education has shrunk from 11.2% in 2010 to 9.5% in 2013, compared to the EU average of 10.3% (Eurostat, 2017). Hungary's investment in educational institutions (for education levels combined) is one of the lowest among OECD countries: 4.1% of GDP, compared to the OECD average of 5.3% (OECD, 2015). Hungary performed below the OECD average in the Programme for International Student Assessment (commonly referred to as PISA) in 2012 and faces challenges in improving its students' basic skills and offering quality and inclusive education for all (OECD, 2015). According to the OECD Education Policy Outlook of Hungary (OECD, 2015), the teaching workforce is aging, thus the priorities are attracting a younger teaching workforce and improving pedagogical practices and teacher education.

Some of the main challenges in Hungary from 2016 are the worsening innovation performance and a growing shadow economy (ICEG European Center, 2016). According to the ICEG European Center report, the main strengths of Hungary's economic performance are the export of goods, its cost-of-living index and tourism receipts, while the main weaknesses are the diversification and resilience of the economy, (low) employment, GDP per capita, and youth unemployment. In addition, the main strengths of business efficiency in Hungary are compensation levels, working hours and female labor force, while the main weaknesses are the attitude toward globalization, flexibility and adaptability, competent senior managers, brain drain as well as skilled labor and worker motivation. Table 1 summarizes Hungary's country profile.

3 Main Features of Management Education in Hungary

Management education is a very broad term, stretching from university bachelor and master's programs in business administration, executive MBAs and postgraduate programs, open courses and blended learning programs of consulting companies, to internal talent and top leadership development programs of business organizations. In this chapter, we will shortly summarize the brief history, main features and current challenges of management education in higher education institutions in Hungary since the economic and political transition.

The predecessor of Corvinus University of Budapest, Karl Marx University of Economics, was one of the first universities to have implemented new teaching materials and reform education in economic theories and various fields of business administration at the end of the 1980s. A two-tier system (3 years of general economics education and 2 years of specialization studies with a major and a minor) was introduced several years before the Bologna reforms and new teaching

Table 1 Hungary's country profile

Official name	Hungary									
Type of government ^a	Unitary parliamentary constitutional republic									
Land area (in km ²) ^b	90,530									
Population (2015) ^b	9,844,686									
	Facts and figures									
	2011	2012	2013	2014	2015	2016				
GDP (current USD billions) ^b	140.092	127.321	134.68	139.295	121.715					
GDP per capita (current USD) ^b	14,048.88	12,834.323	13,613.601	14,117.977	12,363.543					
GDP per capita growth (%) ^b	2.028	-1.093	2.399	4.328	3.376					
Foreign direct investment, net inflows (% of GDP) ^b	7.5	8.34	-2.801	9.043	-2.156					
Exports of goods and services (current USD billions) ^b	122.121	110.475	115.825	123.492	110.428					
Exports of goods and services (% of GDP) ^b	87.173	86.769	86	88.655	90.727					
Corruption Perceptions Index: (rank/score) ^c	54/46	46/55	54/47	54/47	50/51	57/48				
Competitiveness Index: (rank/score) ^d	51	52	50/52	48/63	48/63	46/62.65				
Ease of Doing Business Index (rank) ^e	901.7	825.6	899.7	922.9	804.3	850.3				
Average salary (net USD) per month ^b	305.76 (280)	351.10 (323)	364.14 (335)	371.75 (342)	361.97 (333)	382.94 (351)				
Minimum salary (net USD) per month ^f (EUR in parentheses)										
GINI coefficient ^g	26.9	27.2	28.3	28.6	28.2	28.2				
Human Development Index (rank/score) ^h	43/0.823	43/0.823	43/0.825	44/0.828	43/0.836					

^a<http://www.kormany.hu/en>^b<http://www.worldbank.org>^c<https://www.transparency.org>^d<http://www.imd.org/wcc>^e<http://www.tradingeconomics.com>^f<http://ec.europa.eu/eurostat>^ghttp://appsso.eurostat.ec.europa.eu/hui/show.do?dataset=ilc_d112^h<http://hdr.undp.org/en>

materials as well as teaching methods were introduced. In 1993, the Faculty of Business Administration established a doctoral program that had academic relations with many leading business schools based in Western Europe and the United States of America, contributing to high academic standards of the Hungarian management education system.

After the financial and credit crisis from 2008 to 2010 the Hungarian economy slowed down, and government policy was targeted at cutting back state expenditures. Higher education was also the target of restructuring and savings, so the state financing of master programs with the highest income possibilities after graduation (mainly business administration and law) were severely restricted. The number of students in higher education has been relatively stable between 2007 and 2014 (53,000 students per year on average), while the number of business and law students was around 21,000 before the economic crisis. Due to the withdrawal of financing this number has fallen to 15,000 in 2011 (KSH, 2011).

Certain programs were able to preserve a smaller proportion of state financing based on their unique qualifications. Different indicators such as the scientific reputation of the faculty and student results on scientific country-level competitions, the number of students applying to the programs and entry point levels were taken into consideration. Even at those universities where state-financed studies remained available, there was an increasing reliance on market fee-based postgraduate programs, so the system of management education became mixed in terms of its financing. Corvinus University of Budapest has one of the largest faculties in Hungary for business education and despite the external difficulties could preserve its Financial Times (2016) Ranking position.

Bachelor and master's programs in business administration could reach the previous levels of economies of scale only with both state-financed and self-, or company-financed participants, and the boundaries of these have become somewhat blurred. Due to the labor market conditions after the financial crisis, the employability of students has gained increasing importance and consequently an increasing proportion of students with state financing decided to work during their master-level studies. This tendency was already present in evening or weekend programs with fee-based education, and labor market competition has accelerated this tendency towards state-financed programs as well (Fottrell, 2013).

According to the statistics of the Hungarian Statistical Office (KSH, 2007, p. 20) only 11.1% of the population between ages 19 and 25 have declared that they have been working while studying in 2006; in 2010, this figure was 20.9%. In 2006, only 10.8% have worked all year on a regular basis (a third of them working only for the internship mandated by their respective study programs), while in 2010, the full-time working ratio has increased to 35.4% (KSH, 2011, p. 21) with a weekly average of 31.5–34 hours (including those doing their mandatory internships after their Bachelor of Arts programs).

As a consequence of the financial crisis and the subsequent governmental measures, the ratio of state-financed bachelor students working while studying was 26.7% in 2011 and 28.1% in 2012. The same figures for master's students in 2011 was 52.8 and 53.4% in 2012. The overlap between the subject of the master's program and the area in which students worked while studying (80%) was the highest among business administration program participants (Veroszta, 2012, 2013).

In another current research project (supported by the Foundation for Future Jobs), we have studied the factors that support or hinder working while studying at the university based on an online survey (Takács, Németh, Juhászné, & Toarniczky, 2017). This research has indicated that in 2016 nearly 70% of partly state-financed master's students have worked 27 hours per week on average. Taking into account the total number of these master's programs, this figure is covering almost the entire management succession needs of all major employers in and around Budapest and nearby industrial areas in Hungary. Rural universities or smaller business schools in Budapest (e.g. executive MBAs, and other function-specific programs, like HR or information technology management etc.) cover some of the additional management development needs. Outside of traditional education, needs are met with open programs by management consulting companies (e.g. Controlling Academy) and company-based programs (offered by organizational development consulting companies) or by internally developed company programs (e.g. finance for non-financials, human resources for non-HR professionals etc.) supported by internal and external trainers and coaches. The growing popularity of these 'homemade' programs has partly been the consequence of the increasing cost-consciousness after the financial crisis.

4 Research Methodology

This exploratory study was based on interviews with senior executive managers and HR managers in 17 companies in Hungary in 2016 and the first quarter of 2017. The majority of the companies involved were local subsidiaries of multinational companies in the fast-moving consumer goods (FMCG) sector; department stores; relatively large local companies; and international SSCs operating in Hungary. There were a few local small and medium-sized enterprises (SMEs) with family ownership as well. Our analysis will concentrate on the similar trends and tendencies, but occasionally we will also draw attention to the differences in the broader categories: multinationals, local companies, SSCs and family businesses.

The interviews followed a similar logic. First, we talked about business challenges related to the environment and changes in these circumstances, then we asked questions about how the company's organization and culture is trying to cope with these changes in terms of internal developmental processes (on- and off-the-job courses, management development, talent management, cultural change programs etc.). Finally, we investigated the biggest knowledge gaps: what are the expectations toward business schools and master programs in the wider field of business administration and what are the consequences for management development and education? The interviews lasted one to one and a half hours and followed a rough checklist of questions, but the conversations were flexible enough to offer space for company-specific issues. Our sample size (17 companies, 30 interviews) was too small for a quantitative study, so we concentrated on understanding emerging tendencies, similarities and differences that are worth noticing and sharing.

5 Current Challenges in Hungarian Companies

5.1 *Economic Conditions and Cultural Heritage: A Difficult Combination*

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

This was quite a volatile market and the economy was not really doing well and we remember quite a long period of recession. Over the last couple of years, we see the economy bouncing back, but I think that this history has made people quite risk averse. People are trying to avoid risk at all cost. They want to have a kind of certainty, security, safety in their jobs.—foreign CEO

Another consequence of the economic problems and open labor markets as well as some governmental regulations was that the migration of the workforce has accelerated; companies now face higher fluctuation rates and increasing labor shortages in many occupational fields (engineers, software developers, there is brain drain to more developed countries). Retaining employees is a new challenge in many sectors.

It is hard to find good people with really high skills . . . the experienced ones [go to] western countries because they make a lot more money. The workforce is low-level . . . I spoke to the College of Commerce, Catering and Tourism several months ago, and they said that 90% of the graduating students will go abroad. It's a big problem.—hotel manager

I can use any of those [graduates] in a junior position and when they start earning money for me, they just pack their things and go to Germany for ten times the money.—COO, software development

As a further consequence of the financial crisis, comments were frequently made on new forms of centralization (in both multinational enterprises (MNEs) and government) that exacerbated decision-making processes and running businesses efficiently. Companies extended the cycle of investment decisions; nowadays, periods of two or three years are not uncommon, since it turns out only years after a project's launch what type of procurement procedure will take effect. Product procurements frequently turn out at the very last minute.

I'm talking about the negative impacts of centralized procurement processes. Those decisions used to belong to local management but recently, they have been centralized, thus it has become much slower. Instead of local procurement, someone far away will decide about what is 'needed' here locally.—CEO of an SME delivering to MNEs

Centralization usually comes with dysfunctions and institutional costs:

Beside the pharmaceutical industry [analytical labs], there are new business fields for us, like soil testing and environment protection. In these areas, our clients can invest from EU tender money . . . In this field, the biggest problem is that people don't dare to make decisions, even if they are authorized to do so. A local department manager or lab director doesn't dare to decide!—CEO of an SME working on EU tenders

5.2 *The Connected World: Globalization—Digitalization*

It was also a common sentiment that the world is changing fast and that Hungarian consumers, in terms of their behavior, are no longer much different from Chinese or Brazilian ones, meaning that consumers now have many more opportunities. In this world, the challenge companies are facing is how to address and reach the ever-changing consumer in the most efficient, appropriate and engaging way.

The world is changing quite fast and although you may say, 'ah, you know, in Hungary you don't see it yet', those top trends of sustainability, or taking care of the environment, or some social concerns are actually coming, and we see that. Of course, Hungarians may still be choosy and picky in terms of which trends they want to adopt, but let's say a healthier living style: you see lots of younger people running, participating in all the sports events and so on . . . 10 to 15 years ago you wouldn't see that at all.—CEO of a company in the FMCG sector

This connectedness might also mean that consumers are becoming overly dependent on virtual reality. Compared to the information flow through traditional channels (radio, TV, magazines), the number of messages that are getting into the consumer's head through the internet is enormous and how companies manage this flow of information is a big challenge:

When you start seeing all these Instagram and Facebook posts, when everybody is enjoying their nice holidays, nice clothes or nice cars, nice entertainment and everything, it gives the impression that everybody is already living that beautiful type of expensive life. So, and then when you come out of that you say to yourself: 'I want to live a life not worse than that and I want to live [it] immediately.—CEO of a company in the FMCG sector

Connectedness might also mean that there is an emerging interdependence; consumers and buyers have more power as they can more easily get information, compare, connect, get advice, share their views. Also, the companies' communication with the consumer should be different from how they communicate to the buyer.

It is no longer the consumer who's choosing, it's the buyer who's choosing. And then working with the customers in a highly demanding environment, when it's all about 'we are not in charge and they are not in charge', so we need to find the mutual and beneficial ways of collaboration and cooperation.—CEO of a company in the FMCG sector

The online market is an opportunity for many businesses, but it can also be seen as a threat for others:

We have almost 40% market share in traditional sales, but it is different with non-traditional [sales]. On the one hand, it [non-traditional sales] is not strong in Hungary, and we aren't strong in it either. The online market . . . new entrants can come fast and can easily be good, because they don't need much for it. They don't need 30 valuable stone department stores for example. So the speed of the adaptation is a big question.—sales director in warehousing

5.3 Generational Differences and Diversity

In recent decades, workplace demographics have been changing significantly. One particular trend is an unprecedented shift in the composition of workforce populations with four generations coming to work side by side in many organizations (Fogg, 2009; Glass, 2007). According to HR managers, they are facing more challenges now because of this phenomenon (Soós, 2008). We already know that the configuration of organizations is flatter today (Taródy, 2012), which consequently leads to more conflicts when members of different generations have to work together (Zubány, 2008).

Most consulting firms (e.g. McKinsey, KPMG, E&Y, Deloitte, PwC) and market research companies have annual reports on generational changes and differences, which point out that it is a big issue in the corporate world as well. The main focus areas of this research are: work values, work attitude, and the behavior of generations Y and Z. These studies mainly examine big samples with quantitative methods, creating guidelines for HR experts and managers.

In a study on workers of Generation Y in France, Soulez and Soulez (2011) separated Generation Y-ers, frequently called millennials, into four groups based on their work values and attitudes: security seekers (12.3%), career-minded people (53.5%), balance seekers (28.6%) and easy-going people (5.6%). The biggest group (career-minded) has a strong desire to work for a prestigious company, in which they can climb the corporate ladder and earn high salaries, compared to balance seekers, who want more work-life balance and easy-goers, who prefer low-profile firms and informal environments. The challenge for businesses is how to attract and especially how to retain career-minded younger generations as well as how to create better cooperation with employees of older age.

We should collect those kinds of people around us, who can react fast, can innovate, are modern, fresh . . . everything needs creativity—if we want to do it right—so it isn't true that a stone store doesn't need creativity, but it needs faster reaction, fresher thinking. It's a big question whether we can attract and keep those kinds of people. Mainly because commerce is not so popular, so the big thinkers, the fresh don't come here . . . because of the salary and the subject of the work.—sales director of a department store chain

Changes in generations can go along with the modernization agenda of commerce:

Recruitment is hard in commerce, but it's harder because we don't know the new generation. To attract people who wouldn't come to a stone office, don't like working from Monday to Friday, but are much more talented than me. Somehow we should attract them.—HR manager of a department store chain

I see the new generation as totally different. I say that [generation] Y differs less, but I see a lot difference when it comes to generation Z, how they live and work seems different . . . so they don't like frames and established ways and don't respect past results . . . maybe people try to respect old people in the street, but they can rather respect performance. It seems to me that this new generation prefers doing something novel, inspiring, more comfortable or cool.—sales director of a department store chain

The topic of generational differences frequently came up in talking about current challenges and there was an agreement among our interviewees that innovative products or services are usually produced by heterogeneous actors. Such diversity also means bigger risks of having worse than normal results, but the process is usually much more inspiring:

We need to bring heterogeneity, which can be different profiles, different nations, different classes, sport—no sport . . . in a proper rate. The first question is the age group. It's an important thing in commerce. In [another shopping mall] the average age is 41. The average age here is 27. I think it's a good thing, but can we accept that a 50-year-old, or me, a 41-year-old . . . so when I ask my colleagues, who are good sportsmen, they say 'at most 38.' 40-year-old people are already too old. So can they imagine working with a 50-year-old? Can they see their values? Then I ask if you can work with a homosexual? Well, it's a big question . . . otherwise we do, but we don't know about it. And can we work with people from different religions, or different identities?—sales director of a sporting department store chain

5.4 Companies' Strategies to Cope with a VUCA World in Hungary

VUCA is an acronym often used to describe the volatility, uncertainty, complexity and ambiguity of general conditions and situations. The common usage of the term began in the 1990s; it has been subsequently used in emerging ideas in strategic leadership that apply to a wide range of organizations (Abidi & Joshi, 2015). In a VUCA organization, failure in itself is not a catastrophe, but failure to learn from failure definitely is. It is not enough to train leaders in core competencies without identifying the key factors that inhibit their use. Resilience and adaptability are vital in order to distinguish potential leaders from mediocre managers.

How these challenges are addressed by companies depends on their size, structure, culture and financial possibilities, but in many interviews it was said that they all need to have some degree of flexibility and characteristics that favor innovation.

Connectedness to consumers and shoppers seemed to be part of the solution to volatility in many cases:

So that's the beauty of being in the connected world . . . we are living in a volatile world: tomorrow we might be talking about completely opposite trends and what would we do about it? Nothing! Just if we know how to address consumers in a relevant way, if we know how to work with customers and shoppers, if our processes are agile and support the organization in a prompt way, then we are going to win even in a declining economy.—CEO of a company in the FMCG sector

Connectedness also means that organizational operation is flexible; structures are less rigid, hierarchies are becoming flatter and silos less divisive. Decision-making authorities are located at the lower part of the organization, where direct contacts with customers are an everyday reality. This means empowerment 'reloaded':

The organization is getting flatter and more decentralized. It's a 40-year-old philosophy at this company. The previous and present CEOs have been representing this and institutionalized some decisions, so hierarchy levels are fading. We transformed the Hungarian organization's operation as well. I have question marks [sic] if we can be sufficiently colorful, complex, ripe, creative about this new organizational structure, about the new role of the leader, and diversity. It's not that worrisome, but we have to develop a lot in this field.—sales director of a sporting department store chain

As structures and processes change, so should the role of top executives and middle managers. Companies need to introduce innovative changes in a planned, socially responsible way in order to avoid big shocks and crises.

We have a new CEO. He keeps online meetings in English when he answers questions. His first sentence was: I got a question about how much is my salary. It is EUR 27,400 plus shares. You might imagine that it was a shock for everyone, who 'only' has EUR 26,900 . . . And he went on to the next question. But it was the first time, when I felt that I should write a letter about another topic to him. And I did and he answered it. The past leader was also a good thinker, but I have never thought about writing to him.—HR director at a department store chain

In SSCs, where labor market competition is very strong, it is a part of employer branding strategy to build a high commitment organizational culture:

We do not have to poach young people, we are attractive, so they come. Our employer brand is strong in terms of our culture. I am not saying that we have an exceptional package, though it's competitive, but I rather say: we have culture, so if someone is leaving, it is quite often that he will come back after one or two months, especially from an American SSC with a 'working ourselves to death' culture. Here we have happiness, a game room, we are relaxed.—HR manager at an SSC

Some of the SSCs have also discovered that, for longer time horizons, they will need to build a high value-added culture based on innovation. The relative low-wage position of Budapest (as a basis of labor arbitrage strategy) is quickly dissolving, so long-term competitive advantage should be based on being ahead of other centers in terms of performance, customer experience and employer satisfaction. This high added value (which is worth to be paid more) can only be based on an innovative attitude. Silo mentality, where one employee does not have to know what happens

before or after them in the work process, would not be a good basis for developing better services.

In a third-level development cycle, which we are aiming at, the essence of things is that I know in what context I work, I see the relationships and I do connect, because in this mode whatever I do will be an innovation. There won't be so many mistakes, as I see the less efficient parts; it will be quicker, faster etc.—CEO at an SSC

5.5 Current and Future Management and Leadership Development Needs

Skills and competences needed in the new world are being smarter, resilient, effective and efficient, while making breakthrough innovations in technology. Especially in SSCs, digitalization (and automation) makes big changes in the labor market and in the networks among organizations. According to this approach in a virtual workplace (or space), the nationality of workers does not matter anymore:

We will soon face a situation where there is no classical recruitment anymore: we are going to connect to a global virtual workplace where you advertise a concrete job (analytic tasks, projects etc.) and individuals will bid for it from all over the world. It will be automated. Which tasks should stay within the companies and which tasks will even be done by humans, these will be the real questions.—HR manager at an SSC

Traditional companies now discover that they need to learn entrepreneurial skills and attitudes from start-ups in order to be able to fend off the latter's disruptions:

What I want is actually build a culture that is more entrepreneurial . . . taking the best out of people in terms of personal characteristics, like their drive, their energy, their experience and translate it in more risk taking, experimenting, piloting, a little bit stretching themselves . . . This is where we are trying to focus in terms of leadership development, in terms of some of the initiatives we are taking in our brands and the way we are doing business.—CEO of a company in the FMCG sector

Leaders should also play a key role in helping employees go through changes by taking risks and enabling learning opportunities:

Many examples we can take, like how do you take small things, but how you make it bigger. How you go further, in a way, how you develop further. So, you can only do that if as a leader, you would say: 'Listen, I take all the risk, I help you here, let's go and learn. Let's get our hands dirty and then let's see. If we are successful, well done, we will create a bigger scale impact, if we're not, we'll learn and understand why we failed and then take on the learning and try something else.—CEO of a company in the FMCG

In these times of dramatic changes, Hungarian companies try to support their leaders to develop in various ways. SMEs are usually sending their senior talents and key successors to the Executive MBA Program (or other professional development programs, like the HR Business Partner Program, Lean Management or Energy Management) at Corvinus Business School. Larger companies preparing their talents

for key roles (e.g. high-flyers on the CEO career track, current or future senior HR business partners or controllers) are also frequent participants of these programs, but these companies usually have some internal talent program for coaching and/or mentoring their executive-level succession pool. Individual development plans are incorporating theory and practice with development and career planning.

Apart from receiving global management development programs, we do a lot of local development of global training materials and try to explore something, do small projects, small pilots, so like incorporating a bit more practicing. Every individual has individual development plans covering what the changes are that he/she needs to deliver in everyday work, and how much formal training needs to be received. It's not only the theory coming from educational programs, but there is lots of practicing and encouraging.—CEO of a company in the FMCG sector

Local companies specializing in employee education provide development programs in order to prepare managers for coaching and mentoring roles and HR business partners for internal consultants, or financial controllers to be able to diagnose organizational and human components of financial deviations from plans. Instead of only controlling through financial reports, future leaders have to bring deeper symptom causes to the surface. The cooperation of top management with human resources and controlling, the two main supporting functions of larger organizations, seems to be very critical.

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

Larger organizations usually design company development and education programs reflecting the specific needs of each management level:

We put more focus on the leadership team, how to run organizations . . . basically we are talking about change management, we are talking about leadership, how to run a high-quality discussion about development and so on . . . coaching is the preferred leadership intervention.—HR professional in the FMCG sector

There are different development programs for different levels and employee profiles (leadership skills and change management for the leadership team, functional, technical skills and basic leadership programs for e.g. brand managers):

Within the functional and operating team, we develop functional skills. In sales, it's not only negotiation or some basics, we're actually working now in the modern world and we are looking at the shoppers' behavior, joint business planning with the customers, or the return of investment and the trade terms, which is a very big financial module. Therefore, we are trying not only to take the basics or generic skills, but really look into something that is relevant for their job. The same thing happens in marketing, so they are not only learning the basics of market research or analytics, they look into the digital, they look into many different aspects, which [are the basics] for being successful marketers. So for example, in the sales function we said: apart from anything, what we need to do is joint business planning, the shopper's agenda and advanced negotiations. At this moment in time, these are the functional needs.—HR manager in the FMCG sector

The most accepted system for evaluating internal development programs is general performance appraisal for middle managers combined with a competence system that can be assessed by 360-degree feedback on a regular basis. Some companies have even developed continuous feedback applications to track the frequency and content of feedback given to each other, but these kinds of systems are rare, so companies frequently rely on external experts' opinions, like AC/DC assessments or other instruments of competence testing.

I have not seen a perfect performance appraisal system yet, one that would give continuous feedback, based on detailed explanations, where anybody can give his or her view, but objectivity and anonymity are preserved; [a system that is] connected to other HR systems, that would also work in larger organizations . . . I would be curious about that.—sales director of a sporting department store chain

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

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

Where I see an interest and much more opportunities: not about us getting the service from the educational facilities but rather collaborating together. Maybe it's not developed yet in Hungary, but in some countries like Russia, the UK, Germany, China, and in India, [our company] plays a very active co-educational part and is developing and providing learning modules to selected universities. So this is really a good collaboration where we are contributing to the education of students rather than the opposite.—HR manager in the FMCG sector

5.6 The Missing Link Between the Corporate World and Educational Institutions

Regarding the closing question of the interviews, HR professionals and CEOs usually mentioned superficial needs when talking about young graduates, such as more practical skills and knowledge, and more sector-specific knowledge, but after

some discussion they usually admitted that these are easily acquired after a few months of working. The real discovery was that what really matters is work experience. Educational institutions help to select the most talented and ambitious candidates and can hone their problem sensing and solving abilities, strategic thinking and handling complex issues, leadership abilities.

If we concentrate on the missing link between the corporate world and educational institutions in terms of development, the short answer is dialogue. It should be more frequent between universities and employers, students and teachers, employers and employees, and among colleagues and students at the workplace. The first steps are internships or trainee programs that are opportunities to prepare young employees for real life challenges and increase their employability:

It would also be helpful if we managed to work closer together and create more internship opportunities so that they [the students] could start learning what the real life is whilst still at university . . . and it helps. It may not be helping like with the classical educational stuff, but it gives them mental readiness for stepping into adult life. We are running some workshops or case studies at the universities that help them with their early orientation.—HR manager in the FMCG sector

According to some opinions, what universities offer and what is really required is “*moving on two separate tracks*”: what is expected is more autonomy, self-knowledge and proactive, constructive thinking combined with adequate presentation and communication skills.

Universities should step on a higher level in the future, as we already have a gap in the present. The majority of future jobs will be done by software or robots, high value adding jobs will be identified and low value, administrative tasks will be performed by machines. What we need are complex-thinking employees. Education should not produce people who are able to do what a ‘typing monkey’ can do (like simple accounting tasks, data entry etc.).—CEO of a software company

According to some interviewees, students that were schooled in the traditional education systems got used to being told what to do by teachers, and they just have to accept it or sometimes they refuse to do it, but they are not able to engage in constructive dialogue by asking questions or expressing their own views. This attitude should already be formed in elementary school and it goes through the whole system of education, so it is very difficult to change it at the university level.

We would like to work with ‘project mentality’. My daughter, who went to kindergarten in France, she already had some ‘projects’ there, and children were encouraged to ask questions. Not like here, in the school the teacher told her that ‘Good pupils never ask back!’ They were supported to express their opinion and lead a dialogue. If this learned pattern could change, it would be much easier to build a culture of empowerment, or just simply a culture of cooperation.—sales director of a department store chain

Many interviewees have expressed that even employees with a university diploma frequently lack the necessary courage for constructive criticism and proactive thinking that would be the basis for solving complex problems in cooperation with others. In addition to that, cooperating in a virtual world requires even higher levels of confrontational ability in terms of formulating one’s opinion or giving and

receiving feedback. Self-directing and autonomous working groups would require higher levels of problem solving and conflict handling at the workplace than students could develop during their studies.

Cooperation between employers (business organizations) and universities is becoming increasingly important in order to adjust the content and methodology of education and create conditions that ideally support both the opportunity to learn practical aspects, but at the same time to have enough time to critically reflect on it. The main question is: what are the elements of university education that help link the missing competences with the supply side of higher education? In order to increase the competitiveness and employability of students, it is important to pay attention to the nature of these skills. According to HR experts, the best young graduates with top management career prospects have work experience with two or even three employers before graduating, so that they can match theoretical models and knowledge to practical dilemmas and problems. They have much more insight into current business challenges and have more realistic expectations about what they can reasonably expect from a workplace in terms of working conditions and direct supervision. Furthermore, they “*have already met good and bad managers,*” are familiar with how to operate with organizational systems (policies and supporting software), and generally have a realistic picture about how to behave in a company.

It is important to get support from workplace supervisors and the HR department. Furthermore, according to our research, it is also critical to prepare employers in a dialogue through their HR departments, that they should not see master’s students only as cheap labor. They should also think about young graduates as a long-term management succession pool that has short-term investment needs (most of all in terms of their studies, but also the managers’ and their colleagues’ time).

Empowerment and coaching are the two necessary investments from their supervisors, and as employers, they have to provide flexible time arrangements, teleworking and open offices, and working time that caters to their ever-changing study needs.

At the same time, universities also have to make changes in terms of time arrangements and teaching methods. Traditional study schedules (1.5 hours per week per subject) are cutting both the teachers’ and students’ time into pieces and implicitly reinforce the hidden assumption that teaching is about passing on knowledge instead of developing competences and forming attitudes.

It would probably make more sense to introduce new technologies that can spare time and save energy for both learning and work experiences, like micro learning, flipped classrooms, massive open online courses, virtual learning environments and gamification. Students do need to engage in extended, formal courses for much of the learning they really want or need. Fueled by the rise of smart phones, web videos, apps, and other tools, micro learning experiences may last anywhere from a few seconds—the time it might take to answer a quiz question, for example—to roughly 15–20 minutes—the time it might take to watch a video.

The idea of the flipped classroom is that students review and digest core content outside of the classroom. Class time (or webinar/conference session time) can then

be used for deeper discussion, and collaborative learning. It can also contribute to fostering learning skills if educators pay attention to eliciting motivation for learning through playful conditions, using interesting settings and a gamified context, which almost automatically provides flow experiences.

Instead of the traditional discipline-oriented structures, universities should care for topics that are connecting different perspectives (e.g. sustainability, ethical issues, and the social consequences of technological changes). In the flipped classroom, it is also important to ‘flip’ authority relations: students should prepare with presentations and debates about actual problems and dilemmas, make their own research and initiate discussions in their peer groups. However, it is of course very important for professors to channel and moderate these discussions and give their opinion or theoretical background when necessary.

Students should work in mixed groups on complex business issues, or at least on case studies that are developing their strategic and systematic thinking, their ability to handle complex and uncertain situations, recognize deeper level problems and analyze their causes. It is equally important to prepare them for emotional issues in organizations that are necessary elements of resistance towards changes in organizations on a personal level, and how creative problem solving can help introduce innovative business solutions.

The high level of uncertainty and dynamic changes in the environment also requires a higher level of self-consciousness from students themselves. According to CEOs and HR professionals, in the case of master education (as lifelong learning becoming everyday reality) the role of professional skills is relatively decreasing and personal competencies, attitudes and experiences are taking over. Self-awareness, understanding their own and their peers’ motivation and behavior, being more sensitive to ethical dilemmas—these are the critical challenges for future leaders. They have to learn about self-awareness approaches and accept themselves and others based on mutual trust, in order to develop a positive ‘model of man’ (McGregor, 1960) in spite of the classical economic theories’ opportunism and adverse selection assumptions. It is only on these philosophical and emotional grounds that we can think about a truly empowering management style that can unfold human capabilities in business organizations.

6 Conclusions and Limitations

Universities as institutions are built around creating and passing on knowledge. Business schools as providers of management education should follow a special logic in their management of knowledge. Critical reflection on current practices, passing on best practices in order to improve the actual situation driven by values like sustainability, social responsibility and emancipatory treatment of people are the current trademarks. It is important that we follow these principles in practice as well.

It is important that we pass on practical knowledge to students that have practical experience themselves, so we should make the acquiring of practical experience

possible, but it is also important that we encourage critical reflection and questioning the status quo through constructive discourse and dialogue.

In order to make this possible in due time, there should be a dialogue between teachers, students and employers, conducting interdisciplinary research, sharing best practices, flexible time arrangement and innovative technologies in teaching. As overlapping structures with traditional specialized departments, research centers that follow an interdisciplinary logic should also be established. As an example, Corvinus University of Budapest recently established the Research Centre for Family Business, which concentrates on strategy, growth, human resources as well as on behavior, accounting and other aspects of family business organizations. Similar hot topics could be connectedness or networks, gender issues, sustainability and ethics.

It is equally important that employers raise their awareness about how employing master's students as trainees is about investing in their future leaders, so they should not regard and exploit them as low-cost labor for short-term gains. It is important that they can preserve their energies for preparation, reflection and visiting classes or using other innovative technological methods, participating in team-learning projects, that have the goal of critically analyzing current workplace cultures and questioning their current practices.

For this reason, it is also critically important for business schools to define their own added value and position themselves and their students in the labor market accordingly. They should provide their students with career orientation, coaching and mentoring, so that they can develop clear career goals, preferences and strategies for working while studying (depending on their developmental needs and program concept) in order to reach work-life-learning balance.

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Management and Leadership Development Needs: The Case of Latvia



Irina Sennikova, Iveta Ludviga, and Elina Dubinska

1 Introduction

This chapter presents the results of an exploratory study into management and leadership development needs in Latvia, which was part of a bigger research project on dynamically changing societies managed and coordinated by CEEMAN. Latvia has experienced both remarkable economic growth and severe economic decline since it has started its transformation process in 1991. It is a country where “social, economic and political change is occurring constantly and is experienced at the level of daily life of businesses and the wider citizenry” (working definition of dynamic societies adopted by CEEMAN), which means that it falls into the category of dynamic societies. Recent global economic trends, recurring economic and political crises, technological development, emerging disruptive business models, uncertainty, instability and unpredictability confront businesses with the challenges not known or experienced before and cause the management of companies to search for solutions, which would ensure the sustainable development of their organizations. Schwab (2016) claims that the world is facing the fourth industrial revolution, which, in his view, is characterized by a range of new technologies that are fusing physical, digital and biological worlds, impacting all disciplines, economies and industries. Considering the complexity and interconnectedness across sectors as well as the unprecedented size, speed and scope of change, he emphasizes the need for all stakeholders of the global society—governments, business, academia, and civil society—to work together to better understand the emerging trends. In this light, the present research is very topical, as it aims to gain an insight into the current business challenges companies are facing and to explore the management and leadership development needs required to address these challenges. Understanding

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the challenges and development needs will allow business and management schools to respond by providing relevant educational content, which would help companies develop the knowledge, skills and competences necessary to address these new realities.

The research in Latvia was conducted from March 2016 to March 2017 focusing on two main research questions: (1) What are the current and future business challenges? (2) What are the current and future management and leadership development needs? It also tried to identify the missing link(s) between the needs of the companies and existing business and management education. The data was gathered through 21 qualitative interviews conducted at 11 companies, as well as through 37 responses to the online questionnaire. The companies represented all sectors of the Latvian economy.

The research built on the experience and expertise developed through the participation in the CEEMAN Survey on Assessing Management Training Needs at the Achieved Level of Transition conducted in 1998–2000. Latvia was one of nine participating countries (see Kalnina & Sennikova, 2000). Considering the dramatic change of the global landscape, of the national and international economic environment and the development of Latvian business and management education over these years, this study is of interest for both the education and business community, as it will help both sides to understand each other's needs better and to establish a closer dialogue between companies and educational institutions.

2 Latvia's Economic Situation

Latvia is a small open economy with a population of almost two million that went through a major change process from a socialist to capitalist economy starting in 1991 all the way to becoming a full member of the European Union (EU) in 2004. Reforms conducted to transform the economy made Latvia the fastest-growing economy in Europe in 2006 and 2007; during that period, it enjoyed more than 10% of annual GDP growth and was labeled a 'Baltic Tiger.' However, when the global economic and financial crisis hit the economy in 2008, Latvia was the country that suffered the most in Europe, losing almost 20% of its economy. During the crisis, according to the Ministry of Economics of Latvia, the Latvian GDP decreased by one quarter, external debt almost doubled, employment decreased by 16%, while the real wages of those employed fell by 12% (Ministry of Economics of the Republic of Latvia, 2016).

To counter the effect of the economic downturn, Latvia adopted an aggressive economic adjustment program reducing domestic prices, wages and public expenditure and went through severe austerity measures. In order to help Latvia avoid a full-fledged financial and currency crisis, the International Monetary Fund, the World Bank, the EU and some neighboring countries provided the country with a rescue package. These measures allowed the country to cope with the crisis and eventually to return to a growth cycle in 2011. However, they also had a negative

effect: a record decline in GDP, a lowered standard of living, increased unemployment, and mass emigration. On one hand, Latvia became a showcase of how to combat economic crises. “Latvia’s boom, bust, and recovery provide a rare case study for macroeconomists: an economy that responded to a balance-of-payments crisis by maintaining its currency peg and adjusting through internal devaluation and front-loaded consolidation” (Blanchard, Griffiths, & Gruss, 2013, p. 325). On the other hand, it caused many economic debates, leading Krugman (2013, p. 381) to claim that “Latvia has become a symbol in the policy wars.” The crisis and recovery was widely debated in the academic community and gave rise to several case studies used by students of business and economics schools. A very indicative example is the Harvard Business School case study *Latvia: Navigating the Straight of Messina* (Di, Abdelai, & Kindred 2011), which describes the disputable measures taken by the Latvian government to restore stability and competitiveness.

Regardless of the consequences of the severe financial crisis, Latvia joined the Eurozone in 2014, and the euro replaced the national currency, the lat. In July 2016, Latvia became a member of the Organization for Economic Cooperation and Development (OECD). In 2011, the International Financial Support Program was successfully completed and Latvia was recognized as having recovered from the economic crisis. It again became one of the fastest-growing economies in the Eurozone, demonstrating an average of 3.8% annual economic growth in the period 2011–2014. In 2014, growth slowed down, determined by the trends in the external environment—slower growth in the EU than expected, and the weakening of the economic situation in Russia. It should be mentioned that even though the economy of Latvia has been growing in recent years, the GDP is still almost 5% lower than before the crisis in 2007 (Ministry of Economics of the Republic of Latvia & Central Statistical Bureau of Latvia, 2016). Table 1 summarizes the data on the Latvian economy providing the main indicators for the period 2011–2016.

Since 2010, the export of Latvian goods and services has grown very quickly, and they are the main driver of economic development. Currently, export volumes exceed the pre-crisis level by more than 25%. However, in recent years the low demand on external markets has affected export dynamics, and they have become more moderate (Ministry of Economics of the Republic of Latvia, 2016). Apart from that, economic problems in Russia have affected Latvian export opportunities. In 2015, Latvian exports to Russia decreased by 24% (in actual prices). Sixteen percent of the decrease were related to the import embargo imposed by Russia, while the remaining 84% were related to the drop in exports of other goods to Russia due to weak demand. At the same time, exports of goods to EU countries increased by 1.5% (the biggest export increases were to the Netherlands, Lithuania, Denmark, France and the Czech Republic). Exports to third countries (mainly to Algeria, Saudi Arabia, the United Arab Emirates, Turkey and the United States of America) increased by 23.5%, meaning that Latvian businessmen are gradually entering new sales markets (Ministry of Economics of the Republic of Latvia, 2016). Assessing Latvian export performance, the OECD (2017) makes the conclusion that it requires improvement, as it still heavily relies on low value-added, natural resource-intensive products.

Table 1 Latvia's economic situation

Official name	Republic of Latvia					
Type of government	Unitary parliamentary constitutional republic					
Land area (in km ²)	64,589					
Population	1.97 million					
	Facts and figures					
	2011	2012	2013	2014	2015	2016
GDP (current USD billions) ^a	28.22	28.12	30.25	31.35	27.03	27.68
GDP per capita (current USD) ^a	13,702.69	13,822.81	15,032.23	15,725.01	13,666.58	14,118.06
GDP per capita growth (annual %) ^a	8.336	5.303	3.732	3.086	3.556	2.839
Foreign direct investment, net inflows (% of GDP) ^a	5.32	3.84	3.27	3.46	2.82	0.64
Exports of goods and services (current USD millions) ^a	16,318	17,240	18,245	19,033	16,293	16,554
Exports of goods and services (% of GDP) ^a	57.82	61.31	60.30	59.53	58.93	57.99
Corruption Perceptions Index (score, rank) ^b	42/61	49/54	53/49	55/44	56/38	57/44
Competitiveness Index (rank/score) ^c	4.13	4.24	41/4.34	35/4.39	43/4.49	37/4.45
Ease of Doing Business Index (rank) ^d	21	24	24	22	17	14
Average salary (net USD) per month ^e (EUR in parentheses)	778.71 (660.00)	808.21 (685.00)	844.79 (716.00)	902.60 (765.00)	965.13 (818.00)	1001.62 (859.00)
Minimum salary (net USD) per month ^f (EUR in parentheses)	332.64 (281.93)	337.35 (285.92)	338.22 (286.66)	377.56 (320.00)	424.75 (360.00)	431.743 (370.00)
GINI coefficient ^g	35.1	35.7	35.2	35.5	35.4	34.5
Human Development Index (rank/score) ^h	0.812	0.814	0.822	48/0.828	44/0.830	N/A

^a<http://data.worldbank.org/country/latvia?view=chart>

^bhttps://www.transparency.org/news/feature/corruption_perceptions_index_2016#table

^c<http://www.imd.org/globalassets/wcc/docs/country-profile-samples/latvia.pdf>

^d<https://tradingeconomics.com/latvia/ease-of-doing-business>

^e<http://www.csb.gov.lv/statistikas-temas/darba-samaksa-menesalgas-apmera-noteiksana-33177.html>

^f<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tps00155&plugin=1>

^ghttp://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di12

^h<http://hdr.undp.org/en/data#>

According to the Investment and Development Agency of Latvia (2017), the inflow of foreign direct investment (FDI) increased rapidly after Latvia's accession to the EU and reached its highest point at the end of 2015 (13.4 billion euros). The main factors fostering FDI inflow were new market opportunities for foreign investors, the stable monetary policy, Latvia's advantageous geographic location between the EU and the countries of the Commonwealth of Independent States, and its well-developed infrastructure. Historically, most of Latvia's FDI inflow has come from neighboring countries in the Baltic Sea region and other EU member states. The largest amounts of investment at the end of 2015 were from Sweden, which represented 19% of the total FDI stock of Latvia's economy. In 2015, investments from within the EU comprised around 72% of total FDI inflow. The OECD (2017) assesses foreign trade and FDI as weak in Latvia. As stated in the OECD report, Latvian participation in global value chains lags behind other Baltic and Central European countries and requires improvement.

In terms of competitiveness, the IMD World Competitiveness Report (2017) ranked Latvia 37th in 2016 and 40th in 2017 out of 63 economies. The top five key attractiveness indicators were a skilled workforce, a high education level, cost competitiveness, dynamism of the economy and open and positive attitudes. The World Economic Forum (2016) in its turn placed Latvia 49th out of 138 countries. In its report, Latvia ranks fifth in Central and Eastern Europe (CEE), but lags behind Estonia and Lithuania, which are ranked 30th and 36th respectively. As is the case with other countries in CEE, Latvia is reported to lag behind when it comes to institutions, infrastructure and innovation and business sophistication. It is recognized as being at a transition stage between an efficiency-driven to an innovation-driven economy.

In 2016, Latvia joined the top 20 countries in terms of doing business. Doing Business 2017 found that Latvia had implemented substantive improvements in the local regulatory framework in the areas of access to credit information and making tax payments less complicated, thus narrowing the gap between local practices and the best global practices (World Bank, 2016).

Latvia scored 57 points out of 100 on the 2016 Corruption Perception Index by Transparency International (2016). The Corruption Perception Index for Latvia averaged 43.68 points from 1998 until 2016, reaching an all-time high of 57 points in 2016 and a record low of 27 points in 1998 (Trading Economics, 2016). According to an OECD survey (2017), informal activities in the Latvian economy remain widespread and are estimated to amount to more than 20% of its GDP. Putnins and Sauka (2017) suggest that unregistered companies make up 5–8% of all enterprises and assert that the construction sector still has the highest level of shadow activity. They attribute this to the dissatisfaction of company owners and managers with business legislation and tax policies. Apart from this, the OECD economic survey states that trust in public institutions is generally low, which impacts the willingness to pay taxes. However, it should be noted that the long-term trend is that the shadow economy is contracting. Putnins and Sauka (2017) explain this with the decrease in the underreporting of business income and the underreporting of the number of employees.

In its pre-accession survey, the OECD labeled Latvia as one of the most unequal economies when compared with other OECD members, stating that the country stood out in terms of poverty risks (OECD, 2015). According to the Central Statistical Bureau of Latvia (2016a), 21.8% of the population are at risk of poverty. The Gini coefficient for the years 2015 and 2016 was 35.4, meaning that income inequality is high. OECD experts (OECD, 2017) suggest that a high incidence of poverty and unequal access to quality housing, jobs, education, health and transport services pose risks for social cohesion.

The Human Development Report (United Nations Development Programme [UNDP], 2016a) ranked Latvia (with an index of 0.830) 44th out of 188 countries and territories, and placed it among the countries with very high human development. The report emphasizes that between 1990 and 2015, Latvia's Human Development Index (HDI) value increased from 0.703 to 0.830; an increase of 18.0% (OECD, 2016). Between 1990 and 2015, Latvia's life expectancy at birth increased by 5.2 years, the average years of schooling increased by 4.1 years and the expected years of schooling increased by 3.4 years. Latvia's GDP per capita increased by about 44.2% between 1990 and 2015 (UNDP, 2016b). The report also states that Latvia's HDI for 2015 of 0.830, when adjusted for inequality, falls to 0.742, which is a loss of 10.6% due to inequality in the distribution of the HDI dimension indices.

The Latvian workforce is well educated. About a third of the economically active population has tertiary education, a significant increase of about 20% compared to 10 years ago. The attainment of secondary education is also high; 80% of the working age cohort has at least an upper secondary education (Smidova, 2015). According to Smidova, a large share of the Latvian labor force acquired its education under the Soviet regime. Given the low participation in lifelong learning and persisting informality, a large part of the working age population is lacking the skills to become more productive.

After the recent crisis, wages started to increase again. As can be seen in Table 1, both minimum and average salaries have increased during the last 6 years. Compared to the pre-crisis period, the year 2008, average gross wages increased by almost 20% in 2015. In 2016, the average gross wage continued to grow; however, said growth was more moderate than in the previous year (Ministry of Economics of the Republic of Latvia & Central Statistical Bureau of Latvia, 2016). According to the OECD (2017), wage growth is largely driven by skills shortages, in part on account of emigration, which remains high. The OECD Labor Survey (OECD, 2016) discovered that during the last 25 years, the population of Latvia has contracted by 25%.

The Ministry of Economics of the Republic of Latvia predicted that if there were no new significant shocks in the external environment, growth would probably accelerate, and it forecast that the GDP growth rate would be up to 2.8% in 2016. This prediction came true with GDP growth being 2.4%, while in the first quarter of 2017 it increased to 4.0% (Central Statistical Bureau of Latvia, 2017). The Economist Intelligence Unit (2016) also expects growth to strengthen from 2017 onwards, however emphasizes that ongoing migration will limit long-term growth. The OECD also believes that the Latvian economy is still very volatile, and although unemployment has decreased considerably, long-term unemployment and emigration remain an issue. Population aging and migration constrain future growth prospects.

The decrease in the working age population is a significant threat for long-term economic development (OECD, 2015).

3 Main Features of Management Education in Latvia

The history of management education in Latvia dates back to the early 1990s when, after the collapse of the Soviet Union, Latvia regained its independence and started the transformation process from a command- to a market-oriented economy. This was the time when the young Latvian economy required specialists who were capable of working in the new economic environment, and to satisfy the needs of the market, business and management schools, as well as faculties of management at universities began to emerge. Many private higher education institutions (HEIs) were established, which was, as Halangescu (2015) emphasizes, a completely new phenomenon to most CEE countries and to Latvia in particular. The process was similar to many other CEE countries where, according to Bandelj and Purg (2006), the establishment of management schools at the end of socialism was a sign of social change.

The social change was facilitated by the willingness of the workforce to acquire new skills and to adapt to the new economic reality. This was a time when many people changed their professions, established their own businesses or took managerial positions in companies. Medical doctors can serve as an indicative example in Latvia, as many of them turned to the pharmaceutical industry and needed general management skills, which they obtained through MBAs. To satisfy the needs of the market, the number of institutions with programs in business and management was rapidly growing. In this respect, Latvia followed the trend in CEE countries identified by Lipičnik and Mihelič (2007), who noted that the number and variety of master's programs was rising on a yearly basis with MBA programs expanding even faster than other academic master's programs, and informal education finding its place in the market.

Currently, a significant share of management education takes place within the system of higher education; it is therefore important to understand its specificities. The Latvian education system fully follows the Bologna principles; however, its specific trait is the fact that it is a binary system—there are two tracks of degree programs, the professional and academic one—which is not strictly institutionalized. Universities and other HEIs mostly run both academic and professional programs. The major difference in the two tracks are the standards with which the program has to comply and the duration of the studies. Thus, the duration of the academic bachelor program is 3 years and it has to comply with the academic standards of a bachelor program. The duration of the professional bachelor program is 4 years and besides the bachelor degree, it awards a professional qualification. That is why the program has to meet the requirements of both academic and professional standards. The same applies to master's programs. In academic programs, the research component and the theoretical foundation prevail, whereas in professional programs the

number of credit hours allocated to practical development is much higher; however, the latter have to ensure both academic rigor and practical relevance. Until recently, most bachelor programs were attributed to professional programs and lasted 4 years, largely because the professional and business community valued it more. Currently, however, many schools are changing their programs to academic ones, so that students can complete them in 3 years, thus making the offer more attractive, especially in international markets.

What makes Latvian education different from many other countries is the fact that graduates of professional programs can proceed with their studies on the academic track as well. For example, a graduate of a professional bachelor program can opt for an academic master's program and a graduate of a professional master's program is qualified to proceed with doctoral studies. Moreover, having two tracks of degree programs unlike many other countries makes it possible to have MBA programs as part of the master's studies provision. The graduates of the program are then awarded a professional master's degree in business administration ('Vadība un Administrēšana' or 'Uzņēmējdarbības Vadība' in Latvian) and the professional qualification of a business executive. Therefore, MBA programs in Latvia, unlike MBA programs in some other CEE countries, are regarded as degree programs. Although programs with the Latvian title 'Uzņēmējdarbības vadība' and 'Vadība un Administrēšana' are offered at many schools, MBAs in the true sense—programs meeting EQUAL guidelines for MBA programs¹—are offered only by three institutions: SSE Riga, Riga Business School and RISEBA University.

Management education also takes place at the doctoral level. Doctoral studies are provided by ten HEIs—five public and five private institutions. Currently there are four doctoral programs, which grant doctoral degrees in economics and four programs granting doctoral degrees in business management. Most of those who are pursuing doctoral studies in management are practicing managers and executives.

Latvian higher education is very competitive. In the academic year 2016/2017 there were 30 HEIs,—17 public and 13 private ones—as well as 26 colleges, nine of which are private (Ministry of Education and Science of the Republic of Latvia, 2017). Nineteen of them provide management education. The variety of programs is very broad and ranges from general business management to numerous specialized programs, focusing on certain management functions. The total number of management programs of all levels of higher education in 2016/2017 was 149, which is rather high for a country as small as Latvia. The Ministry of Education believes that the education market is very fragmented and is making an attempt to consolidate it (Ministry of Education and Science of the Republic of Latvia, 2014).

It should be noted that the Latvian government highly regulates degree education. Apart from accreditation and the licensing of the programs, many decisions have to be approved either by the Ministry of Education or the Cabinet of Ministers. For

¹EQUAL is a European forum of different accreditation bodies formulating opinions and guidelines about quality assurance and development in higher business and management education. <http://equal.network/about-equal/>

example, if a school wants to make a change in the accredited program and the change within a year exceeds 20% or is regarded as substantial (e.g. the change of the name of the program), it has to be approved by the licensing committee of the Ministry of Education. Considering the rate of change in the external environment, this seems to be an unnecessary bureaucratic restriction limiting the schools' flexibility to address market needs.

Informal management education, in turn, is unregulated and takes place both within universities (which offer a variety of executive development courses) as well as outside the formal educational system. There are plenty of development and consulting companies operating in the informal management education market offering a broad range of short-term programs for companies and individuals. According to the data available through the Latvian Register of Companies, there are 1311 institutions that are classified as elsewhere undetermined education with NACE code 85.59. Fifty-seven of them are classified as a business and management consultancy with NACE code 70.22 (Lursoft IT, 2017).

With Latvia being part of the EU, its education sector develops in line with EU guidelines and policies. The four strategic objectives—lifelong learning and mobility; quality of education and development; equity, social cohesion and active citizenship; creativity and innovation, including entrepreneurship—determined in the Strategic Framework: Education and Training 2020 (European Commission, 2009) also drive the Latvian education system. In turn, Latvia's Educational Development Guidelines 2014–2020 (OECD, 2017) set three major goals for developing Latvian education: increasing the quality of the educational environment; promoting the professional and social skills of individuals; and improving the efficiency of resource management.

Since 2009, Latvian education has been going through a reform process that, however, has been proceeding rather slowly. In the RIO Country report on Latvia 2016, Kulikovskis, Petraityte and Stamenov (2017) note, among other issues, that despite consolidation efforts, the fragmentation of public research and the education system remains very high, while the science base is of low quality. They also indicate the development of human capital for innovation as one of the main research and innovation challenges, indicating an insufficient supply of human resources both for the business and public sector, relating human capital capacity not only to the number of people, but also to the relevance of their knowledge. Moreover, vocational education and lifelong learning systems in Latvia do not yet fully provide the skills students and employers need (OECD, 2015).

In this light, researching management and leadership development needs—which will enrich the understanding of the needs of the market and help identify the gaps between education provisions and companies' expectations—appears to be very topical.

4 Research Methodology

As the research in Latvia is part of a broader study on management and leadership development needs in a dynamically changing environment, it followed an established research protocol and had qualitative and quantitative aspects. In order to gain an insight into current and future business challenges as well as companies' development needs, data was collected through qualitative in-depth interviews with corporate decision makers. Those were C-level executives and human resource (HR) managers or those fulfilling the HR management function in the organization. Quantitative data was gathered through an online survey distributed to companies in order to get an overview of the main features and trends regarding the participation in developing and educational programs that had been conducted in previous years. As part of the research, we conducted 21 interviews at 11 companies and gathered 37 responses to the online questionnaire. 11 of the respondents of the questionnaire were from the companies where interviews had been conducted and 26 came from additional companies.

When choosing the companies for the qualitative study, purposive sampling was used. We tried to make sure that the companies represent the structure of the Latvian economy and its main sectors. Initially, 20 companies which met the criteria were identified, 11 of which agreed to participate in the research. The companies represent the financial industry, retail trade, food manufacturing, forestry, passenger transport, construction and ICT. One of the companies is a state enterprise, one a public-private partnership, while the rest are private companies. Table 2 shows the companies' areas of activity, their revenues, and number of employees.

For the quantitative study, an online survey based on convenience sampling was used. The questionnaire was distributed during an HR seminar attended by HR professionals and was also given to students of the master's program in HR management at RISEBA University, where the majority of students is HR professionals. The questionnaire was translated into Latvian and was accessible through the respective link at webpolsurveys.com. In addition to the predetermined questions, we added one additional question: 'Please evaluate the importance of skills you look for when choosing new employees.' The skills were chosen according to Rao (2013), who defined soft skills as abilities and traits that pertain to personality, attitude and behavior, and hard skills as formal or technical knowledge and skills. The skills evaluated were both soft skills (for example teamwork, collaboration, communication, etc.) and hard skills (for example industry-specific technical skills, IT, project management, etc).

Altogether, we collected 37 responses, 11 of which were from the companies where qualitative interviews had been conducted. The respondents were from public and private companies, with the majority representing the service sector, which is characteristic for Latvia. The companies which took part in the online survey are very diverse; they are of different size and ownership structure and represent all sectors of the Latvian economy. On average, they have been in operation for 27 years, with one of them having been on the market for as long as 155 years.

Table 2 Description of companies interviewed

No.	Company	Industry/sector (primary and any other, from NACE classification)
1	<i>Company A</i> Ownership structure: private Revenue in 2015 (EUR): 676,000,000 Number of employees (in 2015): 8441	Retail sale in non-specialized stores with food, beverages or tobacco predominating; retail sale of beverages in specialized stores; retail sale of electrical household appliances in specialized stores; retail sale of games and toys in specialized stores; retail sale of clothing in specialized stores
2	<i>Company B</i> Ownership structure: state Revenue in 2015 (EUR): 275,700,000 Number of employees (in 2015): 1272	Forestry and logging; fishing and aquaculture; other mining and quarrying; wholesale trade, except motor vehicles and motorcycles; real estate activities; crop and animal production, hunting and related service activities
3	<i>Company C</i> Ownership structure: state (99.8%)/private Revenue in 2015 (EUR): 254,000,000 Number of employees (in 2015): 1072	Passenger air transport
4	<i>Company D</i> Ownership structure: private Revenue in 2015 (EUR): 70,000,000 Number of employees (in 2015): 960	Financial sector
5	<i>Company E</i> Ownership structure: private Revenue in 2015 (EUR): 51,162,000 Number of employees (in 2015): 1045	Other monetary intermediation; other credit granting; other financial service activities, except insurance and pension funding n.e.c.; security and commodity contracts brokerage; activities of insurance agents and brokers
6	<i>Company F</i> Ownership structure: private Revenue in 2015 (EUR): 39,724,313 Number of employees (in 2015): 745	Computer programming activities
7	<i>Company G</i> Ownership structure: private Revenue in 2015 (EUR): 13,700,000 Number of employees (in 2015): 75	Construction of residential and non-residential buildings
8	<i>Company H</i> Ownership structure: private Revenue in 2015 (EUR): 12,252,138 Number of employees (in 2015): 168	Manufacture of communication equipment; wholesale of computers, computer peripheral equipment and software; computer programming activities; business and other management consultancy activities; technical testing and analysis
9	<i>Company I</i> Ownership structure: private Revenue in 2015 (EUR): 6,565,917 Number of employees (in 2015): 197	Manufacture of soft drinks; production of mineral waters and other bottled waters

(continued)

Table 2 (continued)

No.	Company	Industry/sector (primary and any other, from NACE classification)
10	<i>Company J</i> Ownership structure: private Revenue in 2015 (EUR): 3,000,000 Number of employees (in 2015): 160	Wired telecommunications activities; other telecommunications activities
11	<i>Company K</i> Ownership structure: private Revenue in 2015 (EUR): 1,970,613 Number of employees (in 2015): 144	Computer programming activities; Computer consultancy activities; computer facilities management activities; other information technology and computer service activities; data processing, hosting and related activities

The average number of employees is 572 (median value 220). Twenty-two percent of them are state enterprises, 3% are public-private partnerships, 11% are public and 64% are private companies. Seventy-five percent of them are located in Riga, the capital of Latvia, and 25% in other parts of Latvia. The survey mainly helped clarify what Latvian companies do and how they address challenges related to management and leadership development.

5 Research Findings

5.1 The Current and Future Business Challenges

The findings related to current and future business challenges mainly come from the qualitative data, which show that the challenges companies face can be divided into two groups—external and internal challenges. The challenges posed by the external environment relate to economic and political instability and uncertainty; technological challenges; and demographic challenges.

Like in many other countries, companies in Latvia face challenges related to economic and political instability and uncertainty, increasingly tough competition and the constantly increasing rate of change. The business environment is reportedly changing very fast or, as one of the C-level executives representing the financial industry put it, “*faster than the people’s skills.*” Another interviewee, a head of human resources that also works in the financial sector, said that “*people have to understand that there is no status quo any longer, everything is very dynamic and there is constant change.*” Additionally, the regulatory environment seems to be very uncertain as, reportedly, “*decisions made by the parliament are often unpredictable.*” This causes companies to worry about financial stability and competitiveness, which is aggravated by the uncertainty about the availability of EU funding in the upcoming years.

The business environment is very much affected by new technologies coming to the market, which leads to changes in consumer behavior as well. Although technological development is a positive phenomenon, it frequently leads to the erosion of

existing business models. As indicated by the CEO of an IT company, “*large corporations behave like old dinosaurs.*” Companies are not flexible enough and are not ready to integrate technologies into their processes or product offers. There is a danger that new technological startups, even in the traditional financial industry, “*will play a significant role and will become competitive players in the market and could win the fight for the best customers.*”

The present context, where “[*the*] environment changes faster than the skills of people,” brings the human factor to the forefront of the business challenges, regardless of the sector in which the company is operating. Even though, on the one hand, unemployment is rather high in Latvia—in 2016, it registered 9.6% general unemployment and 17.3% youth unemployment (Central Statistical Bureau of Latvia, 2016b)—companies complain about not having a sufficient pool of candidates for certain jobs and believe that the number of talented people is limited in the country. It is especially relevant for the IT sector as, in spite of the high salaries offered in the market, it is difficult to find employees with relevant technological competences. To a great extent, this can be explained by the demographic challenges that Latvia and consequently Latvian companies are facing. Since 1991 there has been a constant decrease in the population (Central Statistical Bureau of Latvia, 2016a), a trend that has been exacerbated by emigration. According to Hazans (2013), Latvia has lost 9.1% of its population, including 14% of the working age population since the beginning of the twenty-first century, in part due to several emigration waves. Considering the fact that, as Hazans claims, two thirds of emigrants are under 35 years old at the time of their departure, it is not surprising that the pool of job candidates in Latvia is rather limited.

Internal challenges are also rather complex and relate to long-term planning and having a strategic perspective, transformational challenges and HR challenges. In the interviews, the companies expressed their concern that short-term thinking is prevailing in their organizations. They recognize the absence of a long-term perspective and the ability to plan ahead in an environment of uncertainty, saying that the lack of strategic focus presents a big challenge. The diversification of business and reorientation of Latvian business activities from a lost Russian market to Western Europe and Asia are recognized as the keys to competitiveness and require special managerial attention.

Transformational challenges relate to the companies’ internal processes. Over the years, many of the companies that used to be startups grew into large organizations, but the process of formalization and establishing rules and procedures is very slow, which decreases efficiency. The level of decentralization is in many cases rather low. As one of the managers from an IT company put it:

It was a very difficult decision to hire a special HR manager. One cannot monitor everything; there are so many urgent jobs, which require so much time that long-term tasks are ignored. As a result, processes are not progressing in parallel. Most of time is wasted on trifles.

Managing growth seems to be an issue, which also raises the question of communication, making sure that people understand things similarly. Additionally, organizational structures often pose a challenge, for example being rather

hierarchical as this, according to one interviewee, “*does not correspond to the modern role of managers.*” Moreover, logistical issues, the ability to work with suppliers, managing the supply chain—i.e. increasing productivity, which is lower than in other European countries—constitute a significant challenge for Latvian companies. IT sector companies see a challenge in the gap between the professional IT knowledge of their employees and their understanding of business processes.

However, considering the context where the environment changes faster than the skills of people, challenges related to human resources are the most numerous ones. As mentioned before, the pool of job candidates is limited; therefore, getting employees with the required skill sets, competences and attitudes is a big challenge. Retaining them, keeping them engaged and motivated, however, is an even bigger issue. Managers often lament that

despite all the efforts, a lot of training for managers, surveys etc., the engagement level is not high enough both from employees and managers—real engagement, in everyday operational life, not just how they feel engaged at the point of the engagement survey.—C-level executive of the state company

Managers often feel that despite a company’s effort to invest in salary increases, equipment, premises and infrastructure, employees do not appreciate them and “*constantly express grumpiness and annoyance.*” Employees are said to be unresponsive. For example, in one of the organizations with 4000 employees, when all employees were offered a free seminar about the company’s values, only six people applied. The interviewed managers admit that one of the weakest points is providing timely feedback, so that there are no unexpected resignations.

Many companies see a challenge in integrating and retaining employees of younger generations. A lack of social skills, different working patterns, attitude towards life, and shorter attention spans provide additional challenges for companies. Employers consider them to have poor communication and problem-solving skills. The CEO of a telecommunication company said that “*being focused on self-searching, they would rather enjoy a startup environment, but don’t understand the order of a large organization.*”

There are also challenges related to middle-level management in organizations. Quite often, they are passive themselves and, according to one of the senior executives of a state corporation, “*are not performing at their best at their role, they put little effort into involving and engaging employees.*” As they are a very important force in organizations, top management expects solutions rather than problems from them.

5.2 Addressing the Challenges

The way in which companies address these challenges varies. External challenges are addressed through providing a clear strategic focus, defining the market and niches in which to compete, diversifying business activities and purposefully conquering new markets. They are searching for new technological solutions and follow

technological innovation through participating in various technological conferences. Many provide brainstorming sessions, discussing what is and what is not possible, or designing survival strategies, as one manager called them.

They align their internal processes trying to increase efficiency and productivity, implement various management approaches (lean, agile methodology, etc.), and go through restructuring processes, sometimes without being sure about what structural changes are really necessary. As one of the managers said: *“There is a gut feeling that we need change, but we do not yet have an understanding of what exactly might be needed. We are looking for some good practical examples, but there is very little comparative analysis of organizational design.”* This might be a good signal for development providers regarding possible research and development programs in this area.

Having recognized the human factor as the main challenge, companies try to create systems and policies designed to retain their employees. They create attractive benefit packages, try to make sure that employees have reasonable work-life balance, provide health insurance and create an employee-friendly work environment. They also recognize the need for non-monetary motivation and try to retain employees through interesting job content and providing opportunities for self-actualization and personal growth. A good example is provided by a bank included in the qualitative study: its employees can apply for a new corporate startup to create strategic solutions in IT. The employees can test their own ideas, for which they can also get financial support.

However, there are also statements like: *“Currently we have no strategy for the future on how to address talent shortage. We have financial limitations for training; the strategic investor can attract finance and consequently increase training budget.”* Although this statement comes from a big corporation, it is an exception rather than the rule. In general, companies do invest in development. The results of the online questionnaire showed that 55% of employees have received some development in 2015. Moreover, 27% of the respondents claim that they have trained more than 90% of their employees. Amagoh (2009) argues that leadership development should be integrated in organisational culture and it seems that Latvian companies acknowledge the importance of learning and development for all aspects of their organisations.

5.3 The Current and Future Management and Leadership Development Needs

Management and leadership development needs are directly related to the challenges companies face. Judging from the quantitative data, the most popular areas in which the companies provided development during the last 5 years are related to people skills, project management and customer service. Law, leadership and taxation took fourth place with an equal number of respondents emphasizing them, followed by

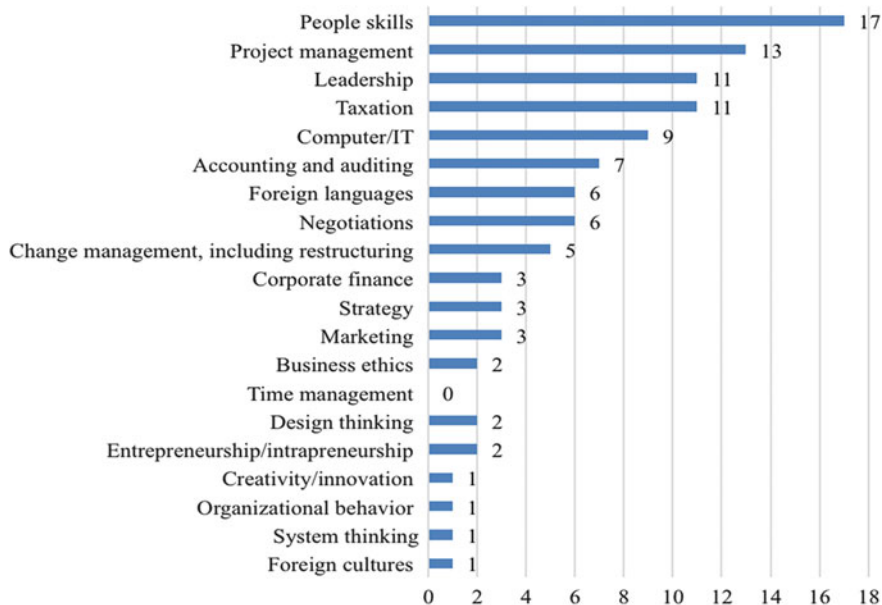


Fig. 1 Most common areas in which development/education programs have been provided

communication. Development in HR management and team building is also frequently provided. Figure 1 shows what areas of development have been the most popular over the last 5 years.

Interestingly, time management was not mentioned as an area of development at all. Neither was the knowledge of foreign cultures brought up in that way, even though many managers recognized the need for such skills during their interviews. Moreover, creativity and innovation, which is generally recognized as one of the most important skills, was only once mentioned as the most commonly used, seven times as commonly used, and 28 times as least commonly used. This raises the question of whether companies see the benefits of education in these areas or whether there are no attractive offers from educational providers. Areas that were not listed in the questionnaire, but indicated as relevant by interviewees, were presentation skills, work safety, anti-money laundering and coaching.

The qualitative data analysis provides us with further insights into companies' development needs and suggests that leadership skills are currently the most important and will remain so in the future. CEOs emphasize that leadership is required at all managerial levels; however, it has to be differentiated. Top management requires more development in strategic thinking, needs more coaching skills, whereas middle managers require more specialized development, e.g. in digital and e-commerce skills, and their feedback-giving abilities should be strengthened as well. They have to be taught to manage and delegate, rather than doing things that could be given to their subordinates.

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

Regarding generational differences, managers stress the need to develop communication skills and the analytic abilities of younger employees, providing them with a common vision of the organization and their place in it. However, representatives of a bank expressed the interesting idea that there is a need for “*reverse mentoring, when more and more young, bright specialists will need to teach old bankers.*” Digital skills are becoming indispensable and this is the area where the expertise of younger generations might be of great value.

5.4 Organizational Support for Development Programs

Quantitative data show that the average percentage of employees that have attended development programs is 57%. This means that companies are interested in developing their employees. However, concerning the format of development, companies mostly use short seminars that last 1–3 days (78% mentioned them as the most commonly used education format) and 1-week programs (14% mentioned them as the most commonly used one). This is not surprising and is explained by the fact that companies do not want their employees to be away from the workplace for a lengthy period.

In terms of the financial resources the companies are investing in their staff development, they amount to less than 500 euros per participant in most cases, with one third investing up to 1000 euros per participant and a very small number of respondents saying that they invest 3000–10,000 euros.

The most commonly used educational model is internal development programs (48% of respondents mentioned them as the most commonly used format) followed by external ‘off-the-shelf’ programs (41%). Researchers have indicated the limitations of ‘off-the-shelf’ programs (McGurk, 2010), however they remain popular in Latvia. These are followed by tailor-made programs, which were mentioned by 46% of companies as being commonly used. It seems that Latvian companies have acknowledged the need to embed development programs in the organizational context and have made the change towards job-related development (Cook, 2006).

Formal education programs like bachelor studies, master’s studies or MBAs are rarely used and supported by companies (68% mentioned them as being the least commonly used education format). This can be explained by the fact that degree education, from the perspective of the state revenue authorities, offers an individual and personal benefit and is therefore taxed as personal income, making it too expensive for organizations (Supreme Council of the Republic of Latvia, 1993).

The most popular method of delivery is still face-to-face in-person teaching; it was mentioned by 73% of respondents to be the most commonly used method. Online or blended learning forms of corporate development, although assumed to be widely used by the corporate world, have not yet gained the same level of popularity in Latvia. Blended learning was mentioned as the least commonly used by 65% of the companies, and similarly, online learning is least commonly used by 54% of the companies. What was perceived as an emerging threat to traditional education several years ago has yet to find its place in the corporate market in Latvia.

Answering the question about the most important or common reasons and the least important and common reasons for sending employees for development programs, the respondents noted that the decision is usually made based on the company's strategy and the needs of a particular department within the organization. The personal interest of employees is not underestimated and is mentioned as the third most important factor. General HR policies are also an important reason for sending people on development programs. Industry regulations and changes in legislation were mentioned among other reasons for sending employees on development. This also explains the prevalence of programs about law and taxation.

Concerning the language of development programs, it should be mentioned that Latvian is the state language in Latvia and most of the development is provided in the state language. English, however, as the language of instruction and the working language in many companies, is also used in education. In many cases, the language of company operations is also Russian, and the use of the Russian language in development programs is rather common.

The qualitative data gained from interviews also demonstrate strong company support for management development. Although finances are always an issue, companies are prepared to invest in people development. In most cases, companies allocate their development budget in accordance with strategic objectives, but because companies support the interest to learn, sometimes more development is provided to organizational units where managers are more active.

5.5 The Missing Link Between the Corporate World and Educational Institutions

All surveyed companies claim that they have a dedicated HR development function, however only 22% of the companies have their own learning centers, meaning that a majority of companies uses external providers for their development needs.

In terms of choosing education providers, companies mostly use their own development centers (mentioned by 54%) or consulting firms (32%). University centers and management or business schools are not commonly chosen, the assumption being that they are associated with degree education being lengthy and too academic. Coaching associations, industry-specific associations and technical centers were indicated as frequently used. This should be a warning signal to business or

management schools and university centers, as they do not use their potential in providing corporate education and development.

The top five criteria that companies are using when selecting development and education programs are the quality of program content, the reputation of the provider, the general awareness of the needs for learning, previous experiences with the provider and the price. Although it is generally believed that personal relationships play a very important role in business activities in Latvia, personal contacts, surprisingly, are mentioned as the least important selection criteria. Added value, additional services and location are not of high importance either and seem to be nice to have rather than must-be qualities. This means that education providers should invest in the quality of their offer, study the needs of their clients and develop a competitive pricing policy.

Insights on the missing link between the corporate world and HEIs mainly come from the qualitative data. The need for integrating theory with practice and a lack of practical experience provided at HEIs were a common thread running through all interviews conducted. Although this is something that has also been mentioned in CEEMAN research conducted back in 2000 (Kalnina & Sennikova, 2000), it remains topical. One CEO claims that

educational institutions should know the issues in corporations. Training programs are sometimes difficult when delivered by purely academic trainers based on theory only. Our employees always question the suitability of theories. Trainers should have eaten the salt of the business.

Nobody denies theory, but it is suggested that it should be taught and conveyed in such a way that it provides necessary fundamental knowledge for further learning. Aside from this, the practical component in degree programs is considered to be insufficient. It is recommended that all programs, including the academic ones, include development of practical skills. In general, schools are criticized for being too academic and not proactive enough in establishing contacts with business.

However, companies are critical of themselves in this respect as well. They say that they have to communicate more and start cooperating more closely with HEIs, provide guest lectures and master classes during which they can identify potential candidates for their job openings. Many companies provide internships and monitor the performance of their trainees in order to identify individuals with high potential. They also invest time in providing on-the-job development to student interns in order to raise their interest for the profession. Work placements and internships could be more structured and it is suggested that schools provide development programs for those who supervise trainees during internships.

It seems that HEIs place too much emphasis on the acquisition of facts, but should focus on problem solving, critical analysis, argumentation, teamwork and personal development instead. One of the CEOs said:

You throw a lot of information at students, yet they remember only 5%. It is a mistake. There is no time for slow thinking anymore. You can't have a programmer who hasn't read a book. Everything great starts with motivation, so you need to teach attitude and soft skills.

The education system should foster the development of creativity, design and multi-thinking, embracing the diversity of opinions and approaches. Understating the latter, a senior executive said that

their [the students'] way of thinking is important, as well as the ability to see regularities. That is why our education system should allow developing creativity, design and multi-thinking. We all should accept that there is no single truth, thus accepting the diversity of opinions and approaches [is important].

Companies criticize business schools and universities for providing graduates with wrong expectations and motivation. Rather than putting emphasis on professional development and getting experience, students are hypnotized by the idea of getting their own businesses or getting good jobs abroad, making them overambitious and often causing them to fail due to their immaturity. This is referred to as teaching folklore in business schools, which is in conflict with the reality of life. As one HR executive contended rather emotionally:

There is no direct cooperation in higher education. Professional schools motivate students wrongly—the school says that graduates, after finishing their studies and learning the profession, will be able to open their own businesses or get good jobs abroad and, as a result, these young people have other plans. They attend training, work well, but then seek employment abroad, but they are still children. It is a kind of folklore, which conflicts with the reality of life.

Among other things, the companies' representatives mentioned the insufficient provision of online courses, which would allow employees to improve their qualifications without leaving the workplace. Representatives of the financial sector mentioned the lack of financial analysts that are able to work with Big Data. Executives from the retail sector said that, regardless of the big number and variety of study programs, there are no specific programs for retail industry that would prepare trade and retail managers, category leaders, sales managers, etc.

5.6 Impact of Development Programs

Regardless of the fact that companies have a dedicated HR function and invest in staff education and development, most of them do not have formal systems to assess the impact of development. Results of development programs are instead assessed through their practical application at work and indirectly through engagement and motivation surveys.

Nevertheless, the impact of development programs is certainly there. In some cases, it improves the climate in an organization; the employees' individual pride grows and attitude changes in a positive way. Employees value the investment made in their favor and feel more loyal to the company. A common understanding and more homogenous approach to the company's issues develop. Nevertheless, it is frequently mentioned that the impact is generally hard to measure, although it would be desirable to have measurement systems in place.

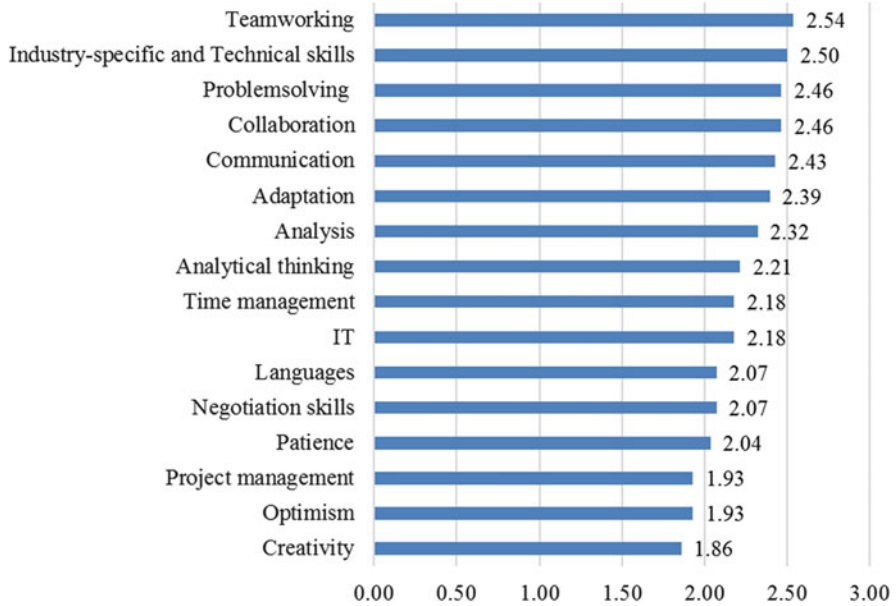


Fig. 2 Skills important for job applicants (average evaluation)

5.7 Skills Important for Job Applications

In the case of Latvia, there was an additional question to the questionnaire. The respondents were asked to evaluate the importance they place on skills for new job applicants. Figure 2 shows the average value of the skills mentioned as important for new hires.

Unsurprisingly, team working is the most valued skill, followed by industry-specific technical skills. They are followed by soft skills such as problem solving, collaboration, communication and adaptation. Today’s leaders need to be good at much more than just at business; they need excellent people skills, which includes communication and coaching (Takala, Winegar, & Kuusela, 2009). Surprisingly, however, creativity is considered the least important skill (among those listed in the questionnaire), however, many authors have acknowledged its importance (Amabile, 1996). Figure 3 shows the relationship between skills important for job applicants during recruitment and the use of development areas.

People skills are the most commonly used development area and they are linked to skills such as teamwork, collaboration, communication and adaptation. Consequently, leadership development programs should include soft skills such as relationship building, collaboration and networking (Sharlow, Langenhoff, Spiers, & Cummings, 2009). Team building is among the most commonly used development areas and the skill that is most valued among job applicants. As acknowledged by

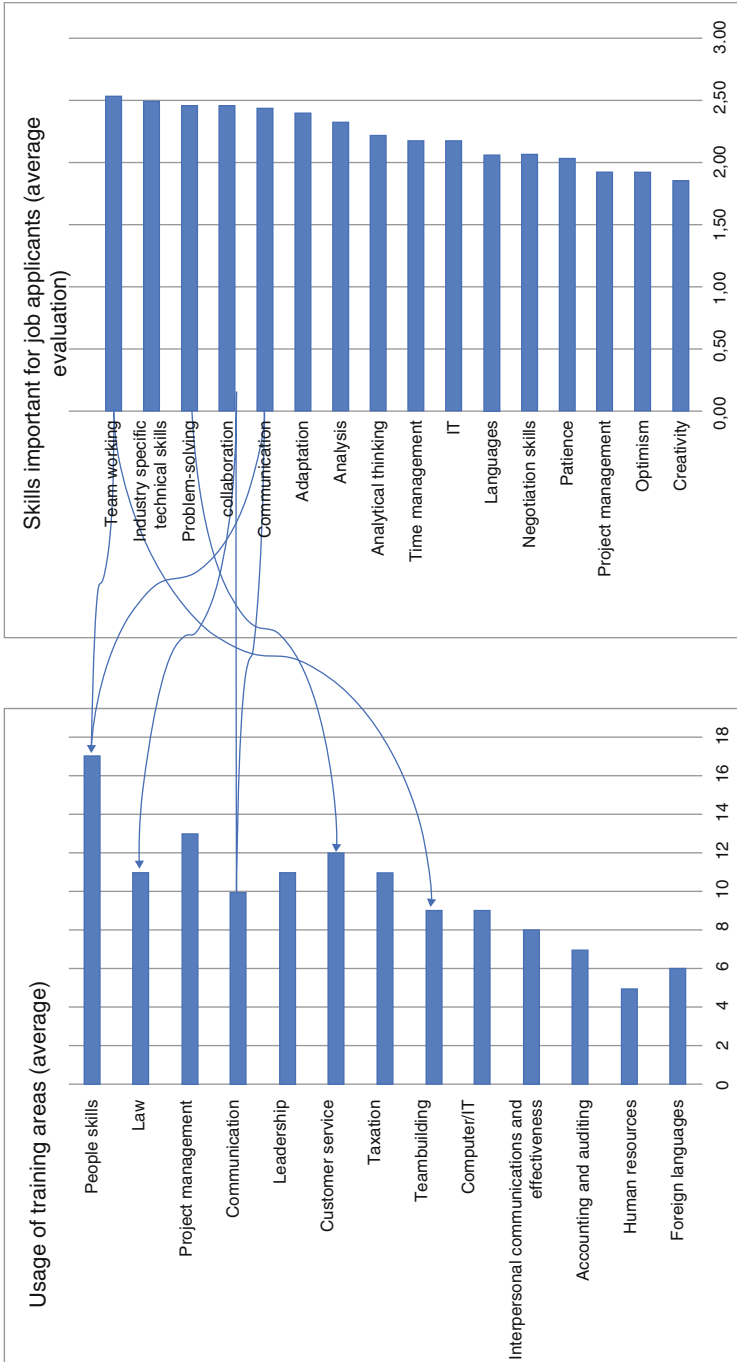


Fig. 3 Relationship between skills important during recruitment and use of development areas

Klagge (1997), the main responsibility of leaders and managers is to develop high performing teams.

6 Recommendations and Implications

Both quantitative and qualitative data show that university centers and management or business schools are the least commonly used development providers in Latvia. Smidova (2015) also came to the conclusion that although the Latvian workforce is well educated, lifelong learning is underdeveloped and the participation rates in both formal and informal forms of education and development of the working age population are low. This might be because executive education is not sufficiently developed or business schools are not flexible enough to adapt to the changing needs of organizations. Business schools and universities certainly have the potential to develop modern management education, as they have all necessary resources for this. They have to understand the market value of executive education, especially in line with the demographic situation, and should strategically prioritize it. Moreover, they ought to break the stereotype of only being associated with degree education and being too academic. Along with degree programs, they should provide short seminars and development courses as well. Besides, this kind of education is more cost-effective for companies as, unlike it is the case with degree education, companies can attribute the development costs to business expenditures (Smidova, 2015).

The National Development Plan of Latvia for 2014–2020 (Saeima of the Republic of Latvia, 2012) as well as the Sustainable Development Strategy of Latvia until 2030 (Saeima of the Republic of Latvia, 2010), stipulates that labor productivity should grow in order to reach the average level of the EU. This objective cannot be reached without raising the effectiveness and efficiency of companies. Many companies, having been established at the beginning of the 1990s, have outgrown the entrepreneurial stage of their development and need to streamline internal processes. The research findings clearly demonstrate that there is a need for development aimed at increasing the operational efficiency of companies. When designing program portfolios, HEIs need to take this into consideration and provide programs meant to increase the efficiency of operations, while also focusing on business process management. It appears that development related to organizational design, aligning strategy and structure as well as process optimization is in demand. Managing growth, establishing internal communication systems supportive of change processes, logistics and supply chain management do not lose their topicality.

Development providers should pay special attention to IT companies, providing business and management development as well as development programs for IT professionals, which would help them understand the needs of business and communicate with their clients. This research has indicated that having good technical knowledge is no longer sufficient. IT professionals need to be part of expert and managers teams and, to succeed in this capacity, need to understand business processes and have team working and personal interaction skills.

Research confirmed that leadership skills will continue to be in high demand by all companies. They were identified as topical in Latvia back in 2000 (Kalnina & Sennikova, 2000) and have also been emphasized by Rivera (2007) in his study on the development needs of senior executives in Latvia's private sector, where the lack of vision raised particular concern. However, when designing their leadership development programs, development providers should differentiate between the levels of management at which their programs are aimed, keeping in mind that top and middle-level managers require different sets of skills and competences. The development of strategic thinking, conceptual abilities, and coaching skills are of high importance for top managers, whereas more specialized development for middle-level managers is required. Operating in a digital environment, learning to lead and manage, to delegate, provide feedback and to communicate are the areas in which middle managers should be developed.

Having analyzed the responses to the question concerning the missing links between the corporate world and HEIs, the most important thing that was repeatedly emphasized was that business schools and universities should form close, unconventional ties with businesses, in which communication and cooperation should go both ways. Schools should foster ties between academics and business professionals, let them exchange practical experience and theoretical and methodological approaches, share student supervision, etc.

Several recommendations can also be made for study program development at universities and business schools in response to the employee skills valued by the HR managers the authors of this study have interviewed. Teamwork is traditionally included in the majority of study courses; however, its importance cannot be overstated. Teamwork, collaboration and adaptation skills are a must for graduates, and study programs must provide the students with opportunities to train those skills. Programs should focus more on people skills development, as those skills are transferable and are valued in all job positions. Analytical thinking and analysis skills should be improved, as these are increasingly in demand in line with the development of IT and Big Data. As digitalization is regarded to be one of the major future challenges, HEIs should develop these skills through teaching them as well as using digital means as part of their learning methods, thus making students internalize them. In order to fill the generation gap, HEIs and companies should provide integrative development for senior employees and their younger coworkers, which could be a symbiotic experience.

7 Conclusions and Limitations

The need to develop leadership capabilities in organizations has been on the increase since the 1990s (Klagge, 1997). However, nowadays it is more important than ever before. The global economy “bombards organizations with change and complexity” and the pace of change is expected to grow (Joiner & Joseph, 2007, p. 35). Managers and leaders in this rapidly changing environment need development and education

that don't limit themselves to hard business functions (Hind, Wilson, & Lenssen, 2009); they need to develop agility and an "integral approach" (Joiner & Joseph, 2007, p. 35) as well as "reflexive abilities" and "soft skills" (Hind et al., 2009, p. 7). Management and leadership development improves organizational performance over time (Cook, 2006) since leadership capacity is linked to competitive advantage (Weiss & Molinaro, 2006).

This research shows that Latvian companies have acknowledged the importance of soft skills. Moreover, development is part of organizational culture and is driven both by the companies' strategies as well as by the employees' personal interests.

Creativity, based on these interesting findings, was identified as an area for future research. HR managers rated it to be the least important for new hires, while at the same time creativity was listed as the least commonly used development area in organizations. Still, we live in the age of the creative economy and human creativity is the ultimate economic resource (Florida, 2002). According to previous research done in Latvia, a reason for this discrepancy might be that in Latvia creativity is regarded as similar to originality and extraordinary behavior and/or outlook and, moreover, as something one is born with (Ludviga, 2017). Thus, there is an opportunity for schools to explain the real business-related essence of creativity, and its value for businesses. Taking into consideration the growing need for creativity in all aspects, future research could focus on answering questions such as: why is Latvia different? Do Latvian organizations underestimate the value of creativity, or is there enough creativity?

Although the research has reached its stated objective and gave insights into current and future business challenges while also having identified the main management and leadership development needs, its findings are limited by the relatively small sample size. While the companies selected for qualitative interviews represent most of the sectors of the economy and collectively employ almost 15,000 people, this sample is insufficient for overall generalization. Moreover, the questionnaire's convenience sampling and limited number of responses the authors received limits the representativeness of the quantitative data. This research may serve as a pilot study for more in-depth research into management and leadership development as well as the development needs at Latvian companies, so that education providers can react proactively to changes in their economic environment and meet the companies' development requirements.

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Management and Leadership Development Needs: The Case of Lithuania



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1 Introduction

The emerging business issues underscored by technological advancement, economic and political crises, the increasingly tangible effects of climate change, mass immigration, income inequality and resource depletion create new managerial and leadership challenges. These challenges present themselves as new opportunities for management and leadership development and at the same time require new knowledge, skills and competences. In order to respond to these challenges with appropriate management and leadership development as well as relevant educational offerings, management education institutions in Lithuania have to comprehensively recognize specific business challenges and understand what the subsequent management and leadership development needs are. With this in mind, the authors have completed a comprehensive study in order to explore, identify and assess management and leadership development needs in Lithuania, and examine ways to address and act based on these needs with relevant educational solutions.

In this chapter, the authors followed a three-step approach for data collection. First, Lithuanian country data were collected through the World Bank database, which included the main features and trends connected to the country's economy, current business challenges and management, and leadership education. Then, personal interviews with decision makers from businesses (one C-level executive

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and one person responsible for human resource (HR) management, learning and/or development) were conducted with the intention of gaining an insight into current and future development needs. In total, 34 in-depth interviews were performed focusing on their perspectives on the challenges faced by businesses, current and future management and leadership development needs as well as challenges and gaps in existing management and leadership development opportunities. Finally, online questionnaires were filled out by 16 Lithuanian companies showing the main features and trends regarding the participation in development and educational programs.

This chapter is structured in the following way. It starts with a description of the economic situation and management education in Lithuania. Later on, the methodology and results of the qualitative and quantitative research are presented. Finally, recommendations, implications and conclusions are provided.

2 Lithuania's Economic Situation

This chapter reveals the economic situation of Lithuania (see Table 1).

Lithuania is one of the three Baltic states. It has a decreasing population (2.8 million in 2017) and a unitary semi-presidential governmental system. Indicators presented in Table 1 indicate that the whole economy recovered after the crisis and reached its peak in 2013. However, the economic indicators (GDP, foreign direct investment and export of goods and services) of the last 2 years show an economic slowdown. The introduction of the euro led to an increase in average salaries, while active trade unions are slowly but persistently increasing the minimum salary. Still, the Organization for Economic Cooperation and Development (OECD, 2016) warns about the large gap in income and the slow speed of convergence with the OECD average level of income. This gap is largely accounted for by lagging productivity, which is an outcome of a lack of innovation capabilities. OECD (2016) emphasizes the lack of finances, a high skill mismatch and brain drain as the main factors hindering business innovation activities in Lithuania. The Ease of Doing Business Index varies, however, the World Bank (2017) spotlights that Lithuania has created reforms across all Doing Business indicators since 2004. The Human Development Index (HDI) considers a long and healthy life, a high percentage of educated people, and a decent standard of living as indicators of development. However, there have been no changes in these dimensions in Lithuania in the last few years. The HDI findings indicate a lack of political support for human development. The discoveries above disclose that Lithuania's innovation capabilities require a high level of support, especially from the academic field.

Table 1 Lithuania's country profile

Official name	Republic of Lithuania					
Type of government	Unitary semi-presidential republic					
Land area (in km ²)	65,300					
Population (2017 in millions)	2.8					
	Facts and figures					
	2011	2012	2013	2014	2015	2016
GDP (current USD in billions) ^a	43.477	42.848	46.417	48.516	41.509	
GDP per capita (current USD) ^a	14,367.21	14,342.52	15,692.01	16,489.73	14,147.05	
GDP per capita growth (%) ^a	8.47	5.24	4.6	3.92	2.39	
Foreign direct investment, net inflows (% of GDP) ^a	3.535	1.343	1.526	1.043	2.356	
Export of goods and services (current USD billions) ^a	32.64	34.992	39.012	39.272	31.476	
Export of goods and services (% of GDP) ^a	75.025	81.657	84.056	81.218	76.452	
Corruption Perceptions Index: (rank/score) ^b	50/4.8	48/54	43/57	39/58	32/61	38/59
Competitiveness Index: (rank/score) ^c	44/4.41	45/4.41	48/4.41	41/4.5	36/4.55	35/4.6
Ease of Doing Business Index (rank) ^d	25	27	27	17	20	21
Average salary (net EUR) per month ^e	600	620	650	700	760	820
Minimum salary (net EUR) per month ^f	231.7	231.7	231.7	289.62	300	380
GINI index ^a	32.63	35.15	n.d.	n.d.	n.d.	n.d.
Human Development Index (rank/score) ^g	37/0.83	37/0.83	37/0.83	37/0.84	n.d.	n.d.

^aWorld Bank website database

^b<http://www.transparency.lt/korupcijos-suvokimo-indeksas-ksi/>

^cWorld Economic Forum (2016b), <http://reports.weforum.org/>

^d<http://www.doingbusiness.org/Reports/>

^e<http://www.tradingeconomics.com/lithuania/wages>

^f<http://www.tradingeconomics.com/lithuania/minimum-wages>

^g<http://hdr.undp.org/en/composite/HDI>

3 Main Features of Management Education in Lithuania

Today's challenges encourage the rethinking of national educational systems in order to develop the competitive advantage of a country. A highly educated society is one of the most important factors of each contemporary knowledge economy where human capital plays a significant role in economic growth. Razzak and Timmins (2010) showed that an increase in the proportion of employees with a bachelor degree and above is highly correlated to increases in the average GDP per capita. However, the development of an educational system requires long-term and large investments. Therefore, the correlation between investment and growth is due to reverse causality.

According to the World Economic Forum Human Capital Report (2016a), Lithuania has 79.34 points and ranks 21st in the world. In 2015, Lithuania was in 18th place (79.33 points). The assessment of the Human Capital Index increased by 0.1 points, but Lithuania has fallen three places.

According to the Education and Training Monitor (European Commission, 2016), the country has the highest tertiary educational attainment rate in the European Union (EU). Graduates with a higher education (30–34 years old) increased from 48.6% in 2012 to 57.6% in 2015 (compared to EU average—38.7% in 2015). Keeping in mind that human potential is a principal resource, this is an impressive achievement. It is thus necessary to develop the country's high-tech sectors to ensure the employment of highly skilled people. The employment rate of recent graduates with higher education is 88.5% compared to the EU average of 81.95% (European Commission, 2016). To further strengthen the knowledge economy, the Lithuanian National Development Plan 2014–2020 was prepared. This plan notes the need to modernize the infrastructure of higher education institutions (HEIs) and redistribute the flow of new students from social sciences (primarily management and economics) to natural and technical sciences in order to respond to labor market demands (Technopolis Group, 2015).

Lithuanian HEIs offer degree-awarding programs and non-degree awarding programs. Degree study programs have three levels: the first level—professional Bachelor and Bachelor (duration of studies: 3–4 years); the second level—Master (duration of studies: 1.5–2 years); the third level—PhD (duration of studies: 4 years). Degree-awarding study programs can be of two types: college (only professional bachelor degree) and university (MOSTA, 2016).

Thirty-three tertiary education institutions, including 11 universities, 15 colleges and seven academies, offer the first cycle studies in management and business. Figure 1 shows the dynamic of programs carried out in management for the period 2010–2017.

The quality of higher education is assessed externally by the Center for Quality Assessment in Higher Education, which was founded by the Ministry of Education and Science of the Republic of Lithuania as an expert institution in 1995. The center provides institutional and program accreditations. During an institutional evaluation, the HEI is assessed for quality in areas such as strategy, academic studies, lifelong learning, research and/or art activities and impact on regional and national development.

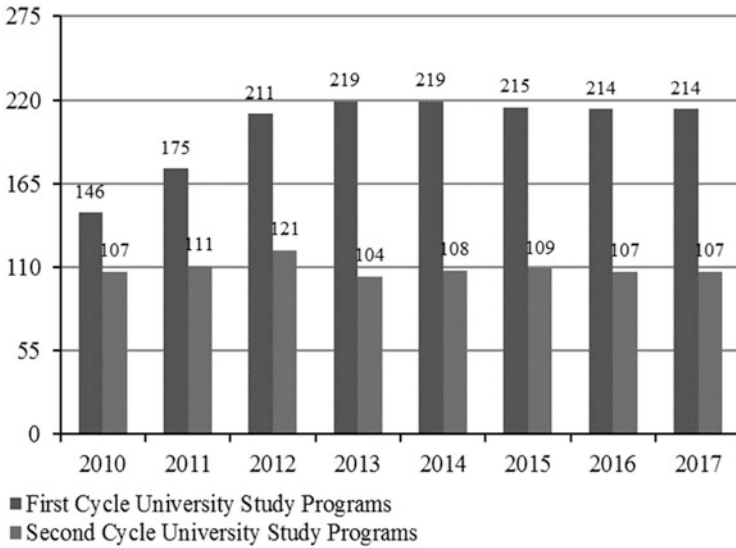


Fig. 1 The dynamic of high education programs in management completed during 2010–2017. Source: Aikos, n.d. retrieved from <https://www.aikos.smm.lt>

Teams of international experts reviewed all HEIs in Lithuania in the period from 2011 to 2015. Based on their assessments, HEIs were accredited for either 3 or 6 years. One HEI terminated its operations as a result of this review process. A very important part of the review are recommendations submitted on how the educational institution can enhance its performance in the future. Program accreditations are carried out at least once every 6 years. There are six evaluation areas: program aims and learning outcomes, curriculum design, teaching staff, facilities and learning resources, study process and students’ performance assessment, and program management (Centre for Quality Assessment in Higher Education, 2016).

The very high number of HEIs and study programs, including a particularly high number of study programs in management and business, led to the need for university mergers. The idea of HEIs mergers surfaced on the macro governmental level already in 2014. In 2017, the idea grew stronger and now there are serious plans being made regarding the mergers of HEIs and study programs, including management and business programs. The reduction of management programs is necessary at the national level, considering the decreasing number of students and market needs. Still, merger plans have caused strong competition among management study programs in Lithuania and forced universities to pay more attention to balancing theory with practice in order to make sure their study programs have a competitive advantage. HEIs more than ever aim to establish strong relations with businesses and provide the newest theoretical insights based on collaboration (Švietimo ir mokslo ministerija, 2017).

4 Research Methodology

This section presents the research methodology and the sequence of the research. It also reveals the characteristics of the research participants. The researchers chose the qualitative and quantitative research approach. Qualitative research was performed in 18 different organizations in Lithuania. A more detailed breakdown of the companies is presented in Table 2.

A number of in-depth interviews was carried out by researchers. Sixteen C-level executives and 18 HR managers (or individuals responsible for learning and development within a responding company) were interviewed about their perspectives on the challenges their companies face, on management and leadership development needs and problems and gaps in existing management. The analysis of the interview data followed a grounded theory approach (Glaser, 1992). The method allowed to create concepts from data and relate them to each other. The analysis was performed by constantly comparing individual research results. Through constant comparison—achieved through a coding process moving from open coding to axial coding to selective coding and finally categories—theoretical explanations of observed phenomena were constructed that took into account the entire data set representative of the observed phenomena.

The interviewed companies are located in seven different Lithuanian cities. When selecting the respondents, attention was paid to a vast range of industries, locations and size of the companies. Companies with fewer than 250 employees were

Table 2 Organizations that participated in the qualitative research

Organization	Industry	Ownership	Size
1	Food	Private	Large (headquarters)
2	IT	Private	Large (headquarters)
3	Manufacturing	Private	Medium-sized
4	Services	Private	Large
5	Food, agriculture	Private	Large
6	Engineering	Private	Large
7	Natural energy	72.32% state, 27.68% private	Large
8	Telecommunication	State	Large
9	Food	Private	Medium-sized
10	Chemistry	Private	Large
11	Services	Private	Large
12	Services	Private	Large
13	Manufacturing	Private	Medium-sized
14	Food	Private	Medium-sized
15	Food	Private	Large
16	Transportation	Private	Medium-sized
17	Manufacturing	Private	Large
18	Manufacturing	Private	Large

considered to be medium-sized companies and those with more than 250 employees were considered to be large. The interviews were performed from March to June of 2016.

The quantitative survey was carried out in 16 Lithuanian organizations. Four of them were from the manufacturing, two from the hotel and restaurant sector, others were from the construction, food, transportation, storage, communication and financial intermediation sector. Three organizations have been operating in the market for up to 5 years, three for 6–10 years, three for 11–20 years, four for 41–50 years and three for 51–60 years. Most of the surveyed organizations were private ones with the exception of one that was a private and state-owned organization. Various sized companies participated in the research; from small organizations with fewer than 50 people, to large organizations with more than 5000 employees. Seventy-five percent of all surveyed organizations had a dedicated HR function or department. Thirty-one percent of them had dedicated learning centers.

5 Research Findings

This chapter discusses the data gathered during the authors' empirical research. It reveals the findings of both qualitative and quantitative research.

5.1 *Main Challenges for Lithuanian Organizations*

The main context in which Lithuanian organizations are currently operating may be referred to as a volatile, uncertain, complex and ambiguous environment (Lawrence, 2013). Thus, the majority of challenges come from this context. The challenges can be divided into external and internal factors as described below.

Respondents perceive a consistent set of external challenges relating to management. The main issues relating to the external environment that were mentioned by CEO respondents in Lithuania are: changes in the political situation, economic changes, the dynamic socio-demographical situation, regulatory changes, globalization, intercultural differences, and competition. The impact of globalization is on the one hand seen to be self-evident, and on the other hand challenging. As one CEO said:

With globalization, we should create more management structures and order to adjust to the process . . . as the effect of globalization, the processes of mergers and acquisitions are going on—thus, market concentration increases, but Lithuania is a relatively small market, compared globally.

The political environment encompasses geopolitical issues such as military actions, which are taking place in the neighboring countries to the east, and their impact on the local economy. As one respondent said, “*it becomes far more difficult*

to attract foreign investors due to the potentially risky geopolitical situation.” Small businesses with their supply sources in military zones have to redirect their sourcing.

Local political issues have an impact on business, too. The unpredictable taxation policy, such as unexpectedly increasing taxes, creates challenges for business. According to one CEO, institutions should perform better and pass anti-monopolistic policies.

Economic development strongly relies on the energy sector. The situation in Lithuania is perceived as challenging by CEOs, as the costs of energy resources are increasing, especially since Lithuania has joined the EU. Companies are looking for innovative solutions to overcome this challenge. Attracting foreign investors is an ongoing issue, which will probably continue into the future, according to one HR director.

In the socio-demographic field, one of the most challenging factors is the shrinkage in the labor market. All CEOs and HR professionals emphasized that emigration has longstanding effects and affects not only labor supply, but the purchasing power of the market, too. Companies complain that they *“receive more orders than [they] have people to process them.”* The problem is especially painful in rural regions, as young people, if they have not emigrated, move to big cities. *“There is an ongoing war not only for talents, but for less qualified labor, too,”* says one HR director. Another domain is the education system, which, from a business perspective, is not responding to the needs of business. Many respondents stress the critical importance of management education and research in order to ensure a sufficient linkage to practice. *“Graduates have not had enough practice, their knowledge is rather theoretical,”* claims one HR manager. *“There should be far more close cooperation between universities, colleges and business,”* says one CEO.

Internal conditions confronting management are competencies and capabilities, the application of modern technologies and innovations in multiple fields, including HR strategy and practices. Companies emphasize the challenges of adopting new technologies, introducing modern business management systems, making production more efficient, and concentrating on (meeting) the highest quality standards. Special emphasis is put on issues of entrepreneurial organizational culture: *“We manage our big organization as if it was a small entrepreneurial one,”* said one of the CEO respondents.

The most challenging internal problems are in the field of HR management. Tensions in the labor market make it difficult to attract, recruit, socialize and maintain the workforce. The competency of ‘best employer’ employer branding is only starting to take place. Companies have difficulties finding qualified labor, especially in the rural regions. One challenge is the level of competence on the management and leadership level. As indicated by CEOs, the following management and leadership skills are needed: teamwork, building relationships with stakeholders and network building, flexibility, collective decision making and empowering employees.

Finally, managers face high levels of psychological tension due to the fierce competition, unpredictable political changes, tensions in the labor market and many other external and internal issues.

5.2 Ways Lithuanian Organizations Cope with Challenges

Coping with the abovementioned challenges (both internal and external) is mainly the responsibility of HR management, whose efforts are dedicated to the currently employed and potential employees.

In terms of attracting and hiring new employees, companies employ various tactics. For example, they attempt to improve the company's image and reputation in order to be attractive to a scarce number of potential candidates: *"Being a popular employer makes the recruitment of new employees easier ... the best specialists from Lithuania want to work in our company."* They also focus on potential candidates that are less sought after in the market: *"We find our niche ... we hire older people who are not taken in the market."* Furthermore, companies use more diverse channels to recruit: *"We try to search through acquaintances, friends, family friends, internet portals, universities. ..."* In order to attract students, companies allow them to undertake traineeships in the company.

Both CEOs and HR managers emphasized education and competence development during the interviews: *"Training, training, training: it is the main thing."* However, the way that companies educate their employees differs. In some cases, they perform internal company development practices: *"The company has created its own school in order to prepare particular specialists,"* while another interviewee states that *"the company 'grows' their own employees."* In other cases, they rely on external competence development, e.g. conferences, and workshops abroad. The other aspect revealed is the significance of preparing and coaching newly hired employees. Research participants have mentioned that they invest in new employee coaching and development.

Companies take care of retaining their current staff by motivating them (*"Our salary package is competitive and attractive"*), developing particular traditions and overall organizational culture (*"Values are invoked at all levels ... respect for the employees and work ethics is crucially important"*), offering *"a targeted and consistent career."* Attention is paid to intergenerational issues. Companies attempt to deal with these challenges by educating all generations, ensuring attractive conditions for generation Z, and hiring older specialists in a particular industry, which is rather uncommon. The findings of our study relate to the previous ones in terms of employee development and retention importance. For instance, research by Cesário and Chambel (2017) has revealed a positive correlation between development programs, organizational commitment and the desire to remain in a company.

The CEOs and HR managers that were interviewed have emphasized strategic decisions to cope with challenges such as how to enter new markets, focus on product development, on the expansion of their customer base, and how to *"see the big picture"* in general. Some of the means for coping with these challenges relate to more operational decisions like implementing and improving processes and systems, such as standards recommended by the International Organization for Standardization and LEAN; and investing in science and research.

5.3 *Ways in Which Lithuanian Organizations Prepare for Challenges*

The interviewed companies prepare for challenges the same way as they deal with them at the moment. They focus on the external environment (market, customers, etc.) and the internal environment (people, processes, systems, etc.).

In terms of the external environment, companies try to increase their competitive advantage by improving their products and their quality, investing in technological improvement, enhancing market and client orientation, and learning how to manage changes: *“We try somehow to implement the changes nicely, with minimal losses.”* The research participants also mention the significance of overall strategic planning and management: *“We plan consistently and systematically. . . we have mechanisms, tools and experience to carry out annual and strategic planning.”*

Improvement in the internal environment is achieved through the execution of HR management functions. Development and motivation elements are emphasized the most in the internal environment. Companies strengthen their development programs and invest a lot in the education and development of the newly hired and current employees.

Companies plan to take action in order to motivate and retain their staff. Motivation is monitored and increased by different means: *“We want to expand the portfolio of motivation tools like educational programs, sports clubs, insurances, the compensation of study fees, sponsorship of teambuilding events. . . .”* Companies also create an organizational culture, traditions, and positive relationships with employees. Other HR systems mentioned and said to increase staff retention include employee performance management, socialization, and career management: *“The career of the employee is planned from the first interview onwards.”*

A few trends have emerged with regard to intergenerational issues. Companies try to understand the peculiarities and needs of different generations: *“The younger generation is emotionally weak, sensitive, they try to avoid difficulties.”* One interviewee stated that *“it is difficult for the director to understand the needs of a new generation.”* As Bennett, Pitt and Price (2012, p. 278) note, “organizations have to adapt their culture to meet the demands and expectations of new generations in the workplace.”

Companies have also discussed the role of top management and the HR department in preparation for future challenges: *“A strong team of executives helps preparing for challenges.”* One general director holds the tradition of *“[sending] an e-mail about weekly changes and updates every Friday.”* However, sometimes *“it is challenging to make owners understand how to retain employees—develop HR management systems [and] create close relations with employees,”* as one HR manager has identified.

The significance of the HR department is also recognized: *“I [the HR manager] can allow myself to go away from the administrative job to think about people, and how to motivate them better.”* Furthermore, *“[the] development of HR management*

functions makes the company retain employees; there is adaptation, talent and performance management.” There is a positive trend in recognizing the significance of HR departments compared to the research of 2009, which indicates that only half of companies involve HR departments in their business strategy development (Kazlauskaitė & Bučiūnienė, 2010).

5.4 The Main Development Needs in Lithuanian Organizations

Current and future organizational development needs in Lithuania overlap. Interview respondents distinguished three clusters of development needs in Lithuanian organizations. First, the organizations’ external development needs are related to strategic financial goals and overall effectiveness. This covers three main aspects: financial company prospects, markets and organizational development. CEOs note the importance of attracting investment: *“We need to look for possibilities to finance innovations and other things.”* CEOs especially emphasize both local and foreign market development: *“We are expanding that activity in [xxx] field, we have further expanded [xxx] business, we already have two [xxx] [location in Lithuania].”* Many CEOs emphasize the expansion to foreign markets, saying that *“one of the most important ones is geographical expansion”* or *“as development continues, much attention is given to the expansion in [xxx foreign] region.”* Furthermore, a lot of attention is paid to satisfying consumer needs: *“We react very quickly to the needs of the customer.”* One interviewee pointed out that *“we search for new options, that is, what would be very attractive to the consumer in order to be exclusive in the market.”*

Secondly, many organizations’ internal development needs are linked to efficiency goals. These consist of two main aspects: process improvement and HR management development. In terms of process improvement, the primary focus is on new technologies: *“It is very important to follow what will be the rising need for new technologies,”* and *“to replace old technologies with new ones as soon as possible.”* Enterprises implement LEAN processes and structures and HR managers note the importance *“of finishing LEAN implementation and of using it.”* Many respondents emphasize the need to develop ICT in order to *“move away from paper towards digitization.”* Also, they *“look for various IT solutions in the market, which would make the processes more effective.”* The study showed a lot of different directions of HR management development. Many HR managers stated that *“competence development is the main need”* and specify that specific knowledge such as competences needed by executives and leadership in general should be developed. Both CEO and HR managers talked about the need of highly qualified staff and the need to attract professionals and to retain employees. Respondents noted that *“organizations need personalities and . . . talented people.”* Therefore,

HR managers highlighted the importance of establishing “*motivational package[s]*” and increasing salary funds. The ‘hard’ HR management approach is combined with ‘soft’ HR management principles. “[*Being*] able to unite for a common goal is a terribly big challenge.” Strengthening “*human relations between people, among executives, between executives and workers, and between workers*” is a main goal. According to HR managers, team events are very important for that purpose. Respondents also emphasized that due to the age and generation differences within companies, organizations were required to pay attention to managing generational diversity.

Thirdly, the needs for the creation and strengthening of strategic partnerships are justified with a (practiced) socially responsible approach by organizations, and cover two different target groups: society and HEIs. Strategic partnerships with society aim to educate consumers and society “*to train, disseminate, and ‘raise’ the new generation which will come.*” Strategic partnerships with HEIs, on the other hand, enable organizations to participate in the preparation of talented potential employees and to be the first in the “*fight for talents,*” as it was called by one interviewee. “*They [the universities] are interested in their students’ traineeships,*” and HR managers claim that enterprises “*help universities . . . to give lectures, organize lectures and organize practical work.*”

The study also discovered which are the individual and organizational skills in Lithuanian companies that CEOs and HR managers believe are the least developed. The least developed individual competences are foreign languages and IT: “*We need technical training . . . Java certification, ISTQB, Agile methodology, and architectural patents.*” One CEO emphasized that sales and customer service skills as well as the ability “*not only to sell, but also to provide services for customers*” need to be improved. The least developed general competence is responsibility, because “*sometimes we see irresponsible actions from people, sometimes irresponsible behavior comes from managers*” and innovativeness, as “*that is an issue for all of Lithuania because we do not have innovativeness.*” Both CEO and HR managers underlined the lack of communication skills, such as “*the ability to communicate clearly, to understand each other.*” There is a “*shortage of multilinguals, especially those speaking Scandinavian languages.*” One HR manager added that strengthening the leadership competences of executives is very important when seeking “*to engage people more, to engage the organization itself.*”

The interviews’ findings are confirmed by the quantitative research. Figure 2 shows the main areas of the development and education programs which have been provided in the surveyed Lithuanian organizations throughout the last 5 years. Sixty-three percent of companies named people skills as the most important development area. Skills related to performing certain functions (quality management, project management, accounting and auditing, etc.) are also important depending on the current needs of the company. When in need of development programs, organizations usually use the services of consulting firms or run development sessions themselves.

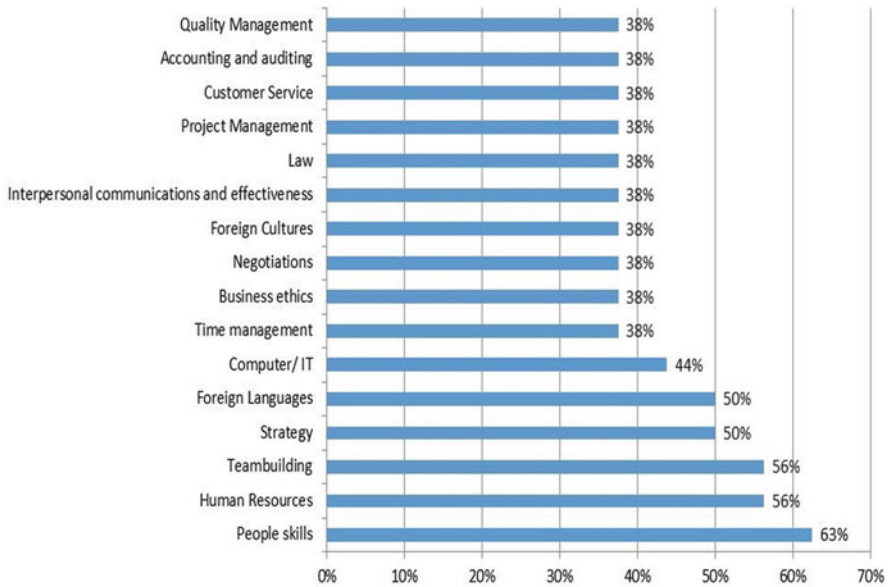


Fig. 2 Main areas of development and education

5.5 Future Improvements in Organizational Development

According to the interview findings, organizations should use both their internal potential and the opportunities of their external environment to cope with the challenges. Collaboration with social partners such as HEIs creates a competitive advantage for attracting young talented people. Participation in business associations enables the creation of effective value chains, the sharing of knowledge and good practices, and the development of partnership-based relations. Organizations also are planning to use funding at the EU and the national level for employee development programs and innovative technologies.

However, organizations are going to do a lot in order to ensure their successful development in the future. In particular, some organizations intend to change the organizational culture *“to break the consciousness [so that] employees would have all [organizational] values”* and *“to create value for the company, for the organization and stakeholders.”*

Top-level management in organizations understands the importance of the role of the executive. The continuous improvement of executives is based on their own awareness: *“I am determined to learn. Every day,”* and *“I personally strive to improve.”*

Seeking to ensure effective development in the future, organizations pay attention to strategy: *“To be able to think, where we can be in five to seven years . . . we will need to create a strategy.”* Goal setting should be facilitated by *“organizing*

strategic sessions” or “development interviews [that] take place with all employees at our company.”

Organizations are going to invest in business development and HR management (“*The budget for educational programs is constantly increasing*”; “*We invest a lot in the education of ourselves*”; “*If he [the employee] comes from university or college, or from wherever, and he lacks certain knowledge, we are ready to invest in him*”). The organizations’ “*focus remains on innovations*” and the development of processes and systems (“*We review all processes of the company*”; “*We try to regulate that the production process would be even and qualitative*”; “*The main organizational tool which we currently use is the ERP [Enterprise Resource Planning] system. . .which puts together 5 S [and] Toyota principles*”).

Organizations are going to provide a lot of activities related to HR management. Organizations with such activities at their disposal have or are going to create internal development structures. Taking into account the previously quoted ‘fight for talents’, organizations are going to “*raise salaries only to sustain the team,*” “*help purchasing lodging, give greater advance payments, and workers later have to work them off. We allow working overtime; we have foreseen greater remuneration for overtime.*”

5.6 The Missing Links Between the Business World and Educational Institutions

An increased number of ‘grand challenges’ can be solved only in a close partnership between educational institutions, businesses, government and other societal actors. The benefits of cooperation between businesses and educational institutions such as the attraction of students, the enhancement of employability, innovation, or staff upskilling, are recognized worldwide (Healy, Perkmann, Goddard, & Kempton, 2012). Still, in Lithuania this link is missing.

During the discussion about the missing links between the business world and education institutions, respondents started their analysis from the context of Lithuanian higher education. They noticed that HEIs are very important suppliers for the Lithuanian labor market, which currently survives high competition due to the reduced labor supply, as “*specialists emigrate because of low salaries*” in Lithuania. The decline of people in rural regions is in part caused by the study program concentration in metropolitan areas.

CEOs consider Lithuania’s HEIs to be lagging behind. According to them, “*Lithuanian higher education institutions are currently roughly in the 50s [and] 60s*” in comparison with Western HEIs. HR managers repeat that catching up is laden with a “*different labor culture, traditions and approaches*” in Lithuania. The Lithuanian business base is created on a Soviet mentality, whereas teaching modules are based on Western experience, thus not all Western materials fit Lithuanian circumstances. Moreover, “*there are not a lot of progressive companies*” which

could lead through innovations of the market. Lithuanian companies own *“much newer equipment than universities,”* which shows that *“the universities’ infrastructure is out of date”* and they are not capable of preparing students to work with the newest equipment or instruments in the company. HR managers notice that Lithuanian universities *“live in a different rhythm,”* they are *“much slower.”* Universities usually introduce new topics which are *“yesterday’s”* topics for business, and *“the textbooks are lagging behind business.”*

On the other hand, there is a group of CEOs who *“do not feel a gap between higher education institutions [and businesses],”* because *“dialogue is going on.”* Some HR managers expand on this opinion with the argument that *“there is so much selection, so if you want you can find [what you need].”*

However, there is a need to change the understanding about education in general. In Lithuania, *“there is a stereotype: ‘when I finish high school, I must join some university.’ The requirement to have a higher education diploma for low qualified work [leads to the] devaluation of higher education.”*

Professional HEI management and meeting market needs are the biggest missing factors in the higher education system of Lithuania. CEOs believe there is a lack of engagement with HEIs: *“There is no collaboration initiative from higher education institutions, even though it would be unbelievably useful for both sides.”* One HR manager recommended collaboration via the *“invitation and integration of business representatives in schools and to engage business representatives with the universities’ activities.”* At the same time, companies can *“invite people from academia to participate in their production meetings.”*

Speaking about the implementation of professional and innovative management at HEIs, CEOs recommended adopting international HEI development experience: *“There should be a strong organizational model, which goes step by step with the newest technologies and/or innovative management [tools].”* Universities should introduce innovative management models such as LEAN, matrix management, etc. Finally, it is important to have *“a very clear internal innovation discipline: how to select, how to train, whom to inspire, who you are as an organization and what is your core culture?”*

According to CEOs, the ideal educational institution is a changing one. It should *“react to the market, business and peoples’ individual needs,”* *“[be] innovative, [seek] different ways to transfer knowledge and develop skills,”* *“find out individual needs, implement them and sustain them,”* and *“understand the frequency of knowledge change [to] be able to renew it.”* Furthermore, it has been pointed out that *“the university is a live organism and it should move forward all the time.”*

Going deeper into the HEI management system, CEOs miss the professional management of study programs. *“There is a collective responsibility for the program,”* which means *“there is no responsible person for an education program”* and *“no mechanism for developing the education program; no one is responsible for it.”* Moreover, they observe that *“only individual personalities can push for changes in the study program.”*

Speaking about how HEIs meet market needs, CEOs emphasized that they *“lack activities to identify the companies’ expectations and needs.”* They are *“missing*

involvement and a more precise determination of needs,” especially when adjusting to the specific needs of the organization. CEOs and HR managers recommend meeting these needs on different organizational levels: the people in charge should “*adapt to business possibilities to learn*”; “*select convenient education forms*”; create “*possibilities to undertake education programs at a convenient time and in a convenient form (broadcasting, recordings, podcasts)*”; and finally, “*gather feedback through unified platforms or structures for data collection.*” On the other hand, some respondents admitted that their own “*main task is to understand what they need*” themselves.

Planning for the future needs of specialists is important for creating opportunities to meet market needs in the future. “*There should be more serious agreements at the state level related to the preparation of needed specialists.*” The ideal HEI is one “*which talks to businesses and understands their needs*”; one which tries to “*forecast five-year trends and focus on them*” in cooperation with businesses in order for the latter to have opportunities to compete and be successful.

CEOs and HR managers recommend forming a long-term learning partnership between HEIs and businesses, and putting a lot of effort into the formation of relevant competences. Respondents expressed the need for a constant learning partner, because they “*need constant learning.*” Dealing with many educational “*institutions is confusing and a waste of time; you have to tell everyone about the business, its peculiarities and needs.*” A constant partner could be “*a proactive learning institution which knows the needs, suggests the tools or uses the business organization and its activities for their research.*”

The respondents stated there were two main requirements for good and relevant development. Firstly, it should be interactive and engaging education programs based on competence developing. Secondly, it is important to get a lecturer who can engage. When explaining the meaning of interactive development programs, respondents specified that “*education has to be interactive, with some breaks, some practical tasks and with entertainment.*” At the same time, it is very important to get a lecturer who “*listens and hears what he is told.*”

Relevant competences can be created via longer internships at companies. The ideal situation would be “*to carry out the internship in the company where the student will work after [their] studies,*” as the competences could be adapted to a specific company’s needs. Relevant studies require a mature student and the constant improvement of the lecturers’ competences. Respondents are convinced that “*an ideal educational institution should accept more mature people*” and invest in the development and employment of high-level lecturers. If institutions do not have the necessary lecturers, they “*should invite them from abroad*”, or “*invite professionals to give lectures.*” Furthermore, they said that “*if the budget [of the HEI in question] is limited, financial resources could be found through the close collaboration with certain companies.*”

Respondents are certain that success can be reached only by linking knowledge with the development of soft skills such as creativity and decision-making skills: “*People should be able to work in a team, understand their responsibilities and how to take them on.*” Employees should be prepared to work hard and effectively. There

are essential communication skills such as self-presentation, teamwork, communicability as well as the ability to carry out tasks and manage stress. Students must be able to *“work with equipment used by organizations, and from a managerial standpoint, [they] should gain work experience.”*

For a while, respondents train employees by themselves: *“When a person comes from a university or college, we invest in them, train them.”* The people in charge are also *“forced to teach basic things at the workplace”*, and elaborate that *“a new employee gets a supervisor who can provide practical knowledge . . . at the beginning an employee is trained, then he works with supervision, then he works independently and then he can train others.”*

Summarizing what was written above, there are some preconditions for an ideal HEI. Firstly, it is necessary for the institution to understand the labor market needs. Secondly, an HEI is the intellectual core for sharing know-how: *“people recognized in society should work there.”* Finally, a student’s self-determination and willingness to work is needed. A student must *“know who he wants to be when graduating from high school.”*

Respondents proposed several HEI evaluation parameters. Firstly, the parameters for assessing the gap between the business world and HEIs should be *“the time at which the employee is ready to work independently (after graduation he is not able; he works with supervision)”*; *“the tools which they are able to use (e.g. office software. . .)”* Secondly, the parameters of an ideal education institution should be *“institutional collaboration as it increases its universality and attractiveness (it helps to cover and meet more business needs, i.e. technological, IT, etc.)”*, *“[having] a research department, a technical development department and a management department,”* and *“the ability to respond to all needs.”*

5.7 Development According to Company Needs

During the past 5 years, the interviewed organizations used different educational models as the quantitative survey indicates. Most organizations gave priority to internal development programs. External development and tailor-made external programs were also popular. However, organizations paid less attention to formal education (e.g. Bachelor, MBA or PhD programs).

During the conducted interviews, HR managers emphasized a few preconditions for successful learning. Firstly, it is important that learners wish to grow and develop their competences. Next, the learning time is very important. It is important to have a *“learning time which would suit a working person: evenings, weekends, when on vacation.”* The learning location plays a very big role for the success of the development program as well. But here the opinions of respondents differed: some preferred development programs to take place at the workplace, while others preferred when the people in question are coached in an environment different from their daily surroundings. Those respondents preferred face-to-face development programs, informal coaching and meeting the participants somewhere outside of

their companies on a monthly basis. Finally, the pricing of such programs plays a huge role.

The quantitative survey indicated that the most important criteria in the selection of development and education programs are the perceived quality of program content (75% of all respondents), the previous experience with the development provider (56%), the general awareness of the needs for the learning (50%), the reputation of the provider (50%), and the price (50%).

The interviews with HR managers have added a few more criteria for program quality. The charisma, reputation, and experience of the trainer and their teaching abilities play a big role, while it is also important *“how much energy he has and how he controls the audience.”* Informativeness also determines how the program will be perceived. The atmosphere and environment of the program are also significant, with respondents arguing that the former should be energetic and engaging: *“After any development program, the euphoria and better work results have to last at least half a year.”* The program content should be *“presented in a concentrated and clear way”* and highlight its *“objectives and what can be taken from it.”* The costs of the development program as well as the work results following the end of it (examples such as growing sales and a high satisfaction level of the client were given by the respondents) are the criteria based on which HR managers assess the quality of the development program.

The reasons for starting development programs differ from organization to organization. Quantitative research shows that 81% of all organizations sent employees to development programs taking into account the needs related to the company's strategy implementation, 63% related to the needs of the department, 44% because of general HR policy, 44% because of the general interest of the employee and 25% chose development programs as a reward for employees.

The answers gathered from the interviews complement the findings from the quantitative research. Some companies started development programs because they felt the need to train their employees (*“a lack of certain competences [was] identified”* and *“[companies] have to adjust to modern technologies”*), while others made this decision because new opportunities appeared. Financial capabilities have a huge impact on the development of the Lithuanian development market as well. Some companies started development programs only after they received EU funds.

The interviews showed that completed development programs in Lithuanian organizations affect competence development and motivation, interpersonal relationships (*“communication with each other and relations in the team are much better,”* interviewees also highlighted the importance of trust in their companies) and performance improvement (*“Surely as sales increase ... the number of clients increases”*).

The interviews reveal that one third of organizations does not have and does not use any assessment methodologies or systems for the programs they utilize, whereas the other two thirds have development assessment or similar methods. The organizations use quantitative as well as qualitative development assessment systems, e.g. the assessment of employee satisfaction and obtained knowledge.

6 Recommendations and Implications

The research results have several implications for businesses and management education institutions in Lithuania. The dialogue between businesses and management education institutions should be strengthened at the local, regional and national level. Many businesses still believe that formal education is too theoretical, outdated and that it does not meet their current needs. In order to solve this, more partnerships and good practice sharing is required between businesses and education institutions. Mobility and partnership is a way to strengthen the dialogue between businesses and management education institutions. Cooperation should be based on transparency and mutual respect. In order to facilitate collaboration, the needs of businesses have to be better understood. More quality dialogue between businesses and management education institutions could bridge the gap between academia and the demands of business to support the knowledge-based economy.

More strategic partnerships between businesses and management education institutions are required because there is an intense fight for talents in the market. Educational institutions are a significant supplier of talented labor force. Management and educational institutions should engage in more collaboration to align education and development programs with the jobs of today's (labor) market. Educational institutions need to attract new talent in order to replace the aging workforce, and at the same time build a new workforce structure that can support new business models, deliver increased productivity, and accommodate non-traditional operating models.

Management education institutions need to develop and implement new, faster operation models. The business models of these institutions require a significant change due to the increased speed of the market. Businesses are changing at a much faster pace than educational institutions. Management education institutions have traditionally been resistant to change, specifically identifying the need for academic independence and defining the educational mission. Educational institutions' leaders need to find ways of staying true to the mission, maintaining academic integrity and independence, and at the same time changing their business and operation models. As the market becomes increasingly competitive domestically and internationally, educational institutions need to be the first to market new teaching and research programs as well as innovative student opportunities.

More attention should be given to intergenerational topics in management education. Businesses find it difficult to understand the topic of generational differences and, even more importantly, to work with different generations. The business environment is more generationally diverse now than at any other time in recent history. While most businesses understand the changing demographic of employees and realize that development approaches need to be tweaked to cater to a younger workforce, the true challenge lies in effectively delivering development programs across generational divides. The goal for management education institutions should be to successfully train these diverse groups together to promote understanding, facilitate communication, and provide flexibility.

Management education institutions should pay more attention to people skills in general. While technical skills help the students to get a job, businesses feel that they need to invest significantly in their employees' people skills because, in comparison to other skills, they lack them the most. Work ethic, a responsible attitude, communication skills, emotional intelligence and a whole host of other personal attributes are the soft skills that are crucial for career success. With these soft skills, employees can excel in their careers and be successful. Problem solving, delegating, motivating, and team building are all much easier if employees have good soft skills. Thus, management education institutions should pay more attention not only to the narrow technical field skills but also to the broader range of people skills. Knowing how to get along with people and exhibiting a positive attitude are crucial factors for success in today's market.

7 Conclusions and Limitations

The emerging business issues underscored by technological advancement, economic and political crises, the increasingly tangible effects of climate change, mass emigration, income inequality and resource depletion all create new managerial and leadership challenges. These challenges present themselves as new opportunities for management and leadership development and at the same time require new knowledge, skills and competences. In order to respond to these challenges with appropriate management and leadership development and relevant educational contributions, management education institutions in Lithuania have to comprehensively recognize specific business challenges and what the consequent management and leadership development needs are. With this in mind, a comprehensive research was carried out in order to gain an insight into emerging business issues and actual development needs in Lithuania, and how to address and act upon these needs with relevant educational contributions.

Research results revealed that there is a gap between management education in Lithuania and market needs. Since educational institutions and businesses have different business models, some investment needs to be made to converge the two positions before the mutual benefits can be reaped. Educational institutions focus on educating people, creating new knowledge and improving existing know-how, while companies concentrate on mastering the challenges of a competitive environment and strive for market success. More collaboration in the form of partnerships, internships, mobility, research, etc., between management education institutions and businesses is foreseen in the future.

There are a few limitations to this research. The number of companies involved in the qualitative and quantitative research does not allow for generalized conclusions to be made for the sector or the whole country. The interpretation of the qualitative research results might be biased due to the previous experience of the authors.

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Management and Leadership Development Needs: The Case of Poland



Dorota Dobija, Anna Górska, and Sylwia Hałas-Dej

1 Introduction

This chapter presents the results of our research on management and leadership development needs in Poland. This research was conducted as part of a bigger project organized and administered by CEEMAN entitled Management and Leadership Development Needs in Dynamically Changing Societies.

Management development constitutes a paradox. On one hand, it is a widespread practice in many organizations that frequently also involves the academic world (Collins & Holton, 2004; Holmberg, Larsson, & Bäckström, 2016; Sinclair, 2011). On the other hand, however, we still know little about companies' development needs and the effects and functions of development programs (Blass & Ferris, 2007; Holmberg et al., 2016). At the same time, institutions delivering development programs and education have been criticized for not delivering up-to-date knowledge and not fostering the skills needed. In a broader sense, one can observe a certain disengagement from the roots of humanistic social science, including a concern about the well-being of individuals in organizations and the development of human potential (Ardichvili, 2012, 2013; Keeble-Ramsay & Armitage, 2015) on one side and the delivery of programs focusing on short-term operational skills needed to increase current work efficiency (Keeble-Ramsay & Armitage, 2009; MacKenzie, Garavan, & Carbery, 2012) on the other side.

The fast-changing business environment, including the fast changes in technology and the economy, the prolonged economic crisis, the saturation of already developed markets, and demographic changes, have created new managerial and leadership challenges for companies. To succeed, companies must update and develop new knowledge, skills, and competences based on a thorough understanding

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of the current situation. Academic literature emphasizes the importance of understanding management challenges in creating education and development programs (Cornuel, 2007; Grey, 2004; Mamun & Ariffin, 2009; Poor, 2012; Poor, Susnjar, Slavic, & Karoliny, 2012; Skuza, Scullion, & McDonnell, 2012).

The abovementioned observations offer the context of this study. The aim of this chapter is to present the findings of our research on the leadership and management development needs in Poland as well as the companies' strategic responses to those needs. The main objective of this research is to explore, identify, and assess management and leadership development needs by focusing on challenges businesses face in a management and leadership context and how they are addressed. Moreover, we are to explore and identify managerial capabilities and limitations within companies and assess the development needs.

In addition, the research also aims at reviewing the prevailing management and leadership development approaches and practices, critically evaluating the results achieved, assessing the impacts made, and developing recommendations for learning partners.

Therefore, the main research questions are:

1. What are the current and future business challenges in Poland?
2. What are the current and future management and leadership development needs in Poland?

This study is intended to shed light on the challenges and development needs in Polish organizations; it can also serve as a source of inspiration for all institutions offering development and educational programs. This chapter intends to provide an up-to-date picture of the situation related to education and development in business organizations.

The remaining parts of the chapter have the following structure: Firstly, in Sect. 2, we introduce Poland and its economy by providing a number of statistics related to the country's economic circumstances. Section 3 presents the main features of the Polish education system. Section 4 provides information on the research methods applied, while Section 5 provides the findings. Section 6 discusses implications and recommendations, and the final section concludes this chapter.

2 Poland's Economic Situation

Poland is the largest economy in the Central and Eastern Europe (CEE) region with a current gross national income (GNI) per capita of USD 13,340 (World Bank, n.d.). Strong domestic demand increased economic growth from 1.7% in 2012 to 3.3% in 2014 and 2015. Moreover, economic growth increased to 3.6% in 2015 from 3.4% in 2014 and is estimated to increase from 2.5% in 2016 to 3.1% in 2017 (World Bank, 2016). Domestic demand has become the major driver of growth amid slowing export activities (which accounted for 49.6% of GDP in 2016) related to the flat recovery in the Eurozone from the global financial crisis of 2008, combined with a

Table 1 Basic facts about Poland

Official name	Republic of Poland					
Type of government	Unitary semi-presidential republic					
Land area (in km ²)	312,679					
Population (2015, in millions)	38.00					
	Facts and figures					
	2011	2012	2013	2014	2015	2016
GDP (current USD billions)	528.828	500.344	524.214	545.159	477.066	471.364
GDP per capita (current USD)	13,891.1	13,142	13,776.5	14,342.9	12,554.5	12,414.1
GDP per capita growth (annual %)	5.0	1.6	1.3	3.3	4.0	2.9
Foreign direct investment, net inflows (% of GDP)	3.5	1.5	0.2	3.2	2.9	3.6
Exports of goods and services (current USD in billions)	224.925	222.213	242.654	258.564	236.391	246.334
Exports of goods and services (% of GDP)	42.5	44.4	46.3	47.4	49.6	52.3
Corruption Perceptions Index ^a	55	58	60	61	62	62
Ease of Doing Business Index	65.15	65.95	71.93	75.38	76.38	77.81
Average salary (net USD) per month	1078.3	1107.5	1124.2	1140.8	1114.1	1118
Minimum salary (net USD) per month	419	454	484	509	529	–
Competitiveness Index	4.5	4.46	4.46	4.45	4.48	4.49
GINI index	32.78	32.39	32.55	32.08	–	–
Human Development Index	0.834	0.838	0.850	0.852	0.855	–
Public spending on education (% of GDP)	4.81	4.81	4.931	4.912	–	–

Source: World Bank, retrieved in January 2017 from www.data.worldbank.org

^aCorruption perceptions index from Transparency International

difficult geopolitical situation, tensions, sanctions, and the noteworthy slowdown in the economy of neighboring Russia (see Table 1).

Domestic demand is expected to remain an important driver of growth, along with consumption and investment, as the GDP is expected to grow by 3.5% in 2016 and 2017. Despite such growth, Poland faces increasing uncertainty, which is mainly caused by changes in its political regime and issues related to the European Union (EU). Policies enacted by the government continue to increase this uncertainty and have put Poland on a collision course with EU authorities (World Bank, 2016).

Private consumption has benefited from substantial improvements in the employment rate and an increase in real wages. As a reflection of the significant increase in private consumption, the services sector—especially retail trade, transport, and financial services—has grown over the last few years (Poland's Central Statistical Office [GUS], n.d.).

The at risk of poverty rate (AROP) remains high, especially among unemployed and inactive people, youth, families with several children, and households in small towns and rural areas. Moreover, among working citizens, the AROP was 10.3% in 2013 and increased to 10.6% in 2014, putting Poland in the fourth highest position for the AROP in the EU. This reflects the significant discrepancy between wages in Warsaw, the western provinces, and the eastern provinces, which are believed to be less wealthy. Five of the 16 Polish regions (all of them located in the eastern part of the country) remain on the list of the 20 poorest regions of the EU (World Bank, *n.d.*).

The unemployment rate was at 6.9% in the fourth quarter of 2015, and similarly the labor force participation was below EU average (68.4% in 2015 for the 15–64 age group). Gender gaps in labor force participation are in decline, but remain high at 61.6% for women and 75.2% for men (GUS, 2016).

The country's population is also rapidly aging, while the fertility rate stands low (1.3 children per woman). The Polish pension system is also facing an issue caused by a low replacement ratio; moreover, this 'dependency ratio' is expected to increase dramatically in the next decades, resulting in a drop in pensions to one third of the preretirement income. Such a drop will lead to a large amount of poverty among the older population. Poland is currently trying to increase participation and increase social inclusion in the labor market, especially among people over 50 and women in general (GUS, 2016).

Business rankings place Poland in a stable, high position, but the country still has to improve in the fields of startup business, contract enforcement, construction permits, and paying taxes. Poland is ranked 24th worldwide in Doing Business (2017), meaning that it is above the EU average and ahead of all new Central Europe states, excluding the Baltic countries (Doing Business, 2017).

Poland will face a number of challenges in the upcoming years. While the macroeconomic sector outlook remains balanced, the downside risks include numerous challenges (World Bank, *n.d.*). Currently, Poland is faced with reeling in its federal debts, which linger at about 50% of its GDP (World Bank, 2016). The government is planning to continue and expand large investments and costs associated with the new family program 500+ (monetary benefits for every family with two or more children), lowering taxes on small and medium-sized businesses, and lowering the pension age. On the other side, the government is planning to increase the budgeted income by taxing banks and large retail shops. As a result, the expectation is that foreign direct investment will decrease in the near future. These circumstances, when combined, may affect the country's capability to balance the budget in the short run. Moreover, the changes in the regulatory environment may have a negative impact on the financial stability and bank lending capacity. Lowering the retirement age may reduce dependency rates and weaken fiscal sustainability in the long run. As a result, forecasts indicate that the fiscal deficit will continue to grow and may exceed 3% of GDP in 2017.

From another point of view, the instability of the Eurozone and protracted low growth among Poland's major trading partners may decrease the country's growth prospects. Additionally, a challenge may be an upsurge in financial market volatility

as the United States Federal Reserve and the European Central Bank implement divergent monetary policies. Still, Poland remains volatile to external debt deleveraging, which may slow credit growth.

3 Main Features of Management Education in Poland

Higher education in Poland is one of the most dynamically developing areas of the country's society. Within 20 years, it has undergone dramatic quantitative and institutional changes. Among the major developments was the introduction of private academic institutions and continuing demand for management development. However, an understanding of contemporary management education would not be complete without an understanding of its roots reaching back to 1918. At that time, the development and reconstruction of Polish industry became a priority.

Many indisputable achievements of Polish industrial development would not have been possible without the intellectual and methodological support of the country's management experts. At that time, Polish society had professors Edwin Hauswald and Karol Adamiecki of Lviv¹ and Warsaw Polytechnics at its disposal. The latter started to develop his ideas on scientific management independently while working in Russian steel mills in the 1890s. In 1925, Adamiecki became a co-founder of the Institute of Scientific Organizations, a private organization involved in research, counseling, and promoting scientific management. Other prominent founding fathers of the institute included Henri Fayol and Henri Le Châtelier, Piotr Drzewiecki, an industrialist, philosopher, and politician, and Ignacy Mościcki, the then president of the Polish Republic, who was also an industrialist and inventor.

The Stalinist period, which lasted from 1949 to 1956, likely inflicted more damage on management education than World War II,² as the state took complete control of all educational activities and copied the Soviet Union's educational programs (Kwiatkowski & Koźmiński, 1992). A new period of development in management science and education started in 1956, characterized by Kwiatkowski and Koźmiński (1992, p. 29) as "remaining in somewhat of a schizophrenic state." The management faculty was still subject to communist indoctrination, but links with the West were being encouraged with the intention of transferring Western management techniques to socialist firms. At the time, many scholars were educated in the West, and access to foreign (Western) management literature was relatively easy. In 1958, with assistance from the International Labor Organization and the Ford Foundation, the Central Management Development Center was created. Furthermore, in 1972, the Faculty of Management was established at the University of Warsaw. Those

¹Lviv became part of Ukraine after World War II.

²Some educational institutions were active underground during World War II.

institutions, together with a number of others around Poland, contributed to popularizing the Western approach to management.

When the free market economy was born in Poland in 1991, the country already had a number of management experts ready to work. However, at the same time, there was an increasing need for management education resulting from both management gaps and the challenges of economic, political, and social transformation. In 1991, the international Postgraduate Management Center and International Business School³ of the University of Warsaw awarded their joint MBA degree to 26 graduates of the first executive MBA program in Poland (and the whole of post-communist Europe as well) (Kwiatkowski & Koźmiński, 1992).

In 1999, the Bologna process was introduced to the Polish higher education system. The main goal of that initiative was the development of the European Higher Education Area (EHEA). This goal was intended to provide numerous advantages. Firstly, the new system was to ensure increased employability of Polish alumni and enhance their preparation to meet the expectations of the market. From the students' perspective, they would benefit from the increased access to high-quality universities and mobility during their studies. At the same time, the new system was to increase the synergy between education delivery and research activities for higher education institutions (HEIs) leading to increased competitiveness in Europe, and secondly to promote the idea of lifelong learning.

The Bologna process perceives the higher education market not only from a cultural but also from an economic perspective. Decreasing the structural differences among higher educational systems helps students to become more open to new challenges within their studies. For Polish students, the process opened a great opportunity to learn the best practices from different universities. The possibility of mobility was a major change in the system.

Today, Poland holds the fourth place in Europe (after the United Kingdom, Germany, and France) in terms of the number of people enrolled in higher education. The total student population of nearly two million attends more than 450 institutions. The Polish education system is part of the EHEA. Most schools offer courses in foreign languages. In addition, Polish HEIs offer management programs that are taught in Polish and partially or entirely in English. These programs range from bachelor degrees in arts and science to MBA programs, offered in cooperation or jointly with foreign universities (Odraszekiewicz, 2013). Doctoral programs are offered in Polish and English mostly at state-run higher academic institutions (with only a few PhD programs offered by private institutions). There is also a growing need for the development of lifelong learning institutions that are responsible for both postgraduate and executive education and short corporate programs.

One of the main challenges for management education is demographic changes. According to data from the Main Statistics Office (hereinafter the Office), the

³The International Business School is a founder of Kozminski University, the first academic institution in Poland and one of the very few in Central Europe to hold the 'Triple Crown' (EQUIS, AACSB, and AMBA accreditations).

number of students has constantly decreased since 2006. The preliminary data from the Office for 2016/2017 (as of 30 December 2016) indicate that 1,348,822 students were enrolled in Polish universities. The number is lower in comparison to 2015/2016, which had 1,405,100 students. This situation has a big influence on the sustainability of institutions, especially in the non-public sector.

To succeed in the market and develop in this difficult and competitive environment, the idea of lifelong learning should be introduced. On one hand, this is a huge challenge for Polish universities, but on the other hand, it is a highly important challenge to face. This challenge relates to the increasing social needs and educational aspirations of society.

Nowadays, Polish universities need to offer courses that respond to society's needs; they can no longer offer only traditional content. Universities must cooperate with business to offer management and leadership education that supports the professional market in developing innovation-based businesses. Both the proper delivery of knowledge and its proper use help the economy grow.

In the Strategy of Higher Education Development until 2020, which was prepared by the heads of universities, some postulates were formulated in the lifelong learning area. The strategy focuses on developing and enhancing educational offers through proposing customized programs. Moreover, the program should meet society's expectations and needs and thus be closer to the market. Lastly, the educational system should be unobstructed and open so that students achieve their learning goals through different educational activities. Such flexibility gives them the possibility to gain needed qualifications through different educational forms.

Today, universities are obliged to prepare programs using learning outcomes, provide delivery that guarantees outcomes achievement, and introduce a quality assessment system. This approach increased the universities' autonomy in creating and preparing programs more closely aligned with social, labor market, and student needs. In spite of difficulties, Polish universities are trying to follow different paths to become more competitive and attractive for local and international students.

4 Research Methodology

This chapter is based on mixed-methods research. To answer the research questions, the research was divided into two data collection stages. The first stage involved administering an online survey to get an overview of the main features and past trends regarding the participation in development and educational programs. The respondents provided data from 2011 to 2016. Eighty-two companies responded to the online survey. In the second stage, data were collected through semi-structured interviews with decision makers in selected companies; ten companies listed on the Warsaw Stock Exchange were selected for an additional in-depth study. Eighteen interviews were conducted with CEOs and human resource (HR) managers. The qualitative analysis of the interview data follows a grounded theory approach, which seeks to build theoretical explanations of observed phenomena by constructing the

explanations from the data. The method derives concepts from the obtained data and relates them to each other. Through constant comparison—achieved through a coding process that moved from open coding to axial coding to selective coding and final categories—theoretical explanations of the research phenomena can be constructed so as to consider the entire data set representative of the observed phenomena (Corbin & Strauss, 1990; Glaser, 2008; Vollstedt, 2015).

5 Research Findings

5.1 *Human Resource Development at Present: Results of the Online Survey*

One part of the research was data collection from an online survey; its purpose was to get an overview of the main features and trends regarding participation in development and educational programs in the past. Overall, 82 companies of different sizes, sectors, and ownership structure completed the survey. This survey was meant to collect information about the preferred educational models that would help companies move forward with their development. The questions were about the educational models the companies used, the areas for development, the number of employees trained, the types of providers, the length of the programs, and the reasons for starting development programs. The questions covered a 5-year period. All figures presented in this chapter are derived from the results of our own analysis based on the online survey.

Most respondents represented the manufacturing, financial, and IT sectors. Some responses included in ‘Other’ were public administration audit, business and consulting, beauty, employer organizations, media, advertising, research, executive search, and telecommunication. The companies’ profiles were diverse, representing a cross section of different activities and needs in the area of education. The majority of companies were privately owned, mature companies, having operated on the market for more than 10 years.

It is worthwhile to note that most of the companies that took part in the survey were established during the transition time when the market in Poland was changing. This transition did not only encompass the economic sector, but it also changed the way of thinking about people and organizational development.

The results of the survey show that almost 78% of the companies from the tested sample have an HR department or a related function, but as much as 41.1% have no dedicated development center. Surveyed companies use both internal and external providers for educational programs.

Results also show that only 20% of the companies chose a university center for their development needs, while respondents indicated that they were more likely to use business schools (23%) and consulting companies (46%). In the other category, we found freelance experts and national chambers of commerce. Throughout the last

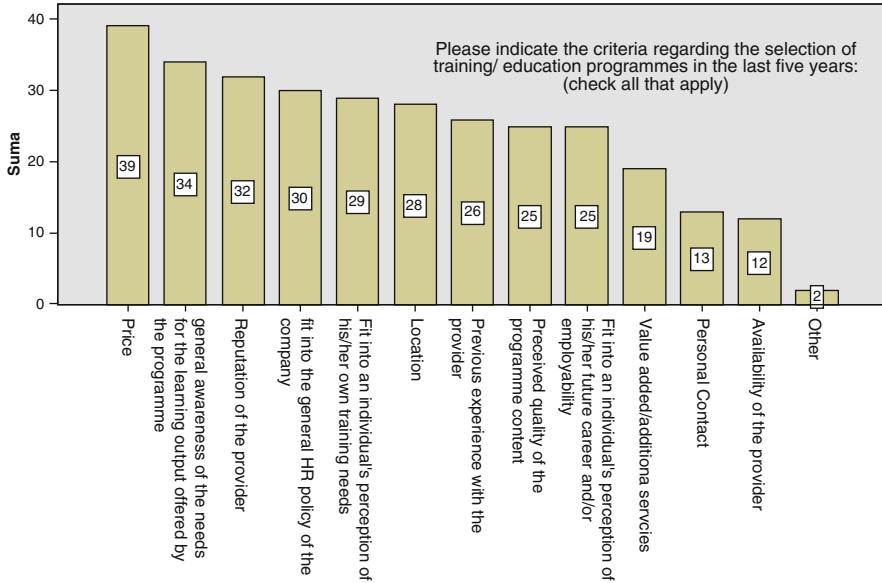


Fig. 1 Selection criteria for the provider

5 years, in-person development programs have been the most popular with 84.2% of companies choosing this option, followed by online courses with 52.4%, and blended learning at 31.7%. Following these results, and matching them with the qualitative findings, companies are more likely to engage in development programs provided by consultants rather than universities on one hand, and on the other hand, they prefer face-to-face over online development programs.

Interestingly, companies base the selection of their development provider mainly on price (see Fig. 1). However, the respondents also considered the provider's reputation and previous experience to be important elements in their decision-making process. Another two responses were frequently mentioned, namely the general and individual awareness of the company's needs and the general HR policy of the company. We can assume that the employer is more aware of the need for employee development and seeks a provider that understands the company's needs and problems.

The next part of the survey considers the reasons for employee development. Why did the companies want to invest money in their employees? The two main reasons for sending an employee to development programs were the needs of the department and the initiative of the employee (see Fig. 2). The reasons for implementing educational programs derived from the survey match the findings from the qualitative part of the study; similarly, interviewees indicated that department and individual needs are major motivators for making use of development programs. Thus, companies are rather flexible in engaging in educational programs, responding to actual needs rather than sticking to upfront policies.

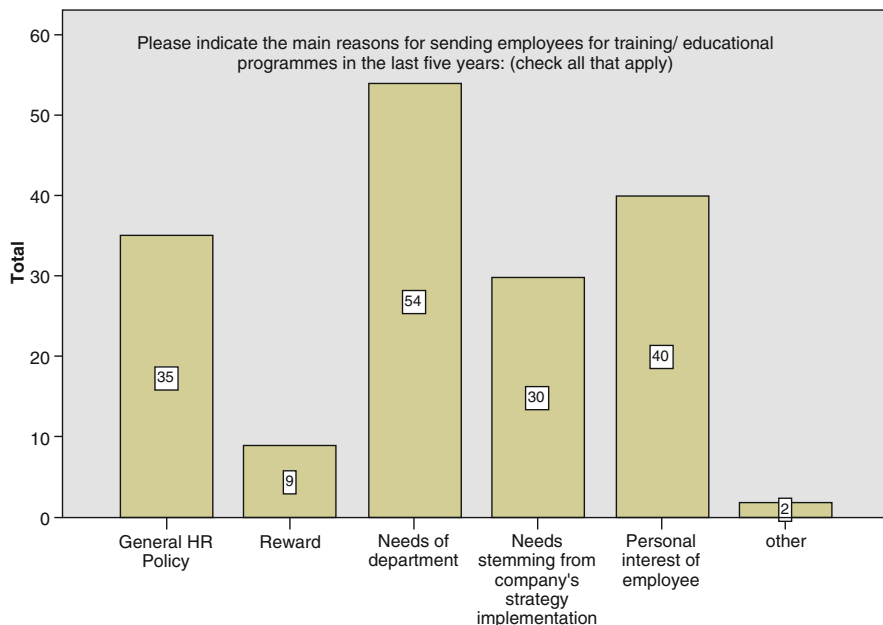


Fig. 2 The main reasons for sending employees to educational programs

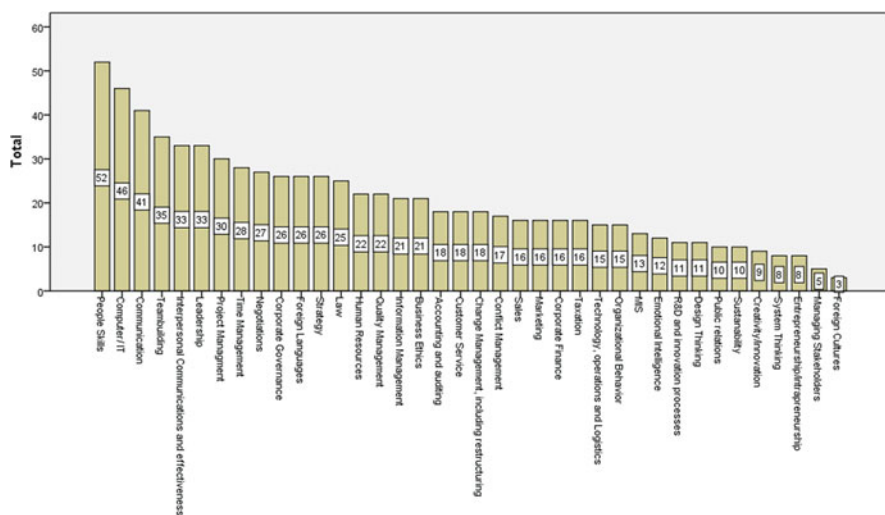


Fig. 3 Areas needing most development at companies

The next part of the survey was about the most convenient length of development programs. The companies' most preferred length for development programs was 1–3 days. This way, the programs give the companies a relatively fast solution to fill identified competence gaps. Employees can quickly return to the company and

introduce the attained knowledge and skills into their daily work. On the other hand, however, short development programs can fill a current need, but cannot replace their long-term equivalents.

Based on the survey results and interviews, the most needed area for development is people development (Fig. 3). Companies realize that technical knowledge is important, but soft skills (communication, negotiation skills, time management, leadership) cannot be neglected anymore. Similar conclusions were drawn from the interviews, as companies perceive people skills to be the most sought after, which at the same time are the most difficult and time-consuming to acquire.

The online survey showed that, in times of challenges connected to demographic changes, technology, the market and the economic environment, it is worth thinking about the role of human resources as being more focused on people development to enhance the organization. It would be wise for companies to answer questions about how to be a more competitive employer and build a more competitive strategy for both products and people. The companies noticed that, on the one hand, there is a need to invest in people development, but on the other hand, they have to learn how to measure the impact of educational and development programs.

5.2 The Main Challenges in HR Development: A Company Perspective

Organizations of the twenty-first century have undergone radical changes (Brown, Bryson, & Forth, 2009) and been subjected to economic pressure (Keeble-Ramsay & Armitage, 2015). New organizational forms, increased turbulence, and new demands create new challenges for management and leaders at various levels of organization (Holden & Roberts, 2004; Holmberg et al., 2016; McCann, Morris, & Hassard, 2008; Worrall & Cooper, 2004).

The interviews conducted with the top management of the selected companies reveal that Poland is no different from other European countries and North America. Similarly, as it was the case with the quantitative study, managers particularly emphasized human capital maintenance, products and services, strategy and market, as well as technology to be the main challenges that companies face. For the companies' representatives, demographic changes, politics and the economic situation were also seen as growing challenges.

The changing demographic circumstances are a significant concern to the surveyed companies, with the customer base being one aspect of those changes. The second aspect relates to the different expectations of clients regarding the type and quality of the products and services the companies provide. The companies are aware that they need to find a way to succeed in a fast-changing demographic environment where a currently targeted client base will change. This suggests the need for new product or service development to cater to the needs of different age

groups. Some of the companies are already developing new products and services, while others are at the beginning of the evaluation process.

Respondents also consider fierce competition in the market for products and services as an important challenge. Companies see a need not only to provide the best possible offer on the market while simultaneously customizing the offer, but also to find the best communication channels to stay connected to their client base. Unsurprisingly, respondents link these challenges to the demographic changes in Polish society.

The demographic changes are strictly connected to other challenges, as employee respondents pointed out. The firms' ability to build human capital is a commonly mentioned challenge, which has arisen in both the qualitative and quantitative parts of the study. This is connected to the recruitment of appropriate employees, but also to the retention of the best talent that suits the company's needs. Companies must optimize the level of human capital and employee costs. They have already noticed the difficulties in hiring skilled and dedicated employees at both middle management and blue-collar level.

There are, however, differences at the regional level with respect to the availability of skilled employees. This is partially due to the low level of mobility in Polish society and the unfamiliarity with different cultures, but it can also be attributed in part to the emigration of young Poles to wealthier countries of the EU after the Polish accession to the EU and the opening of Western labor markets.

There is a mental barrier among employees to send them to work in Ethiopia, Tanzania or Kazakhstan . . . they don't know the cultures, they are not prepared . . . in Poland we start to lack young people . . . they are moving to Germany or Great Britain.

High demand for skilled workforce and therefore competition for the best talent increases the employee retention problem.

On the one hand, some managers admit that high employee turnover is also connected to the firm's inability to conduct a thorough evaluation at the recruitment stage. In the eyes of management, the high employee turnover is also due to the existing generation gap. The younger generation looks at employment differently than the older generation. Their priority is their own private life and self-development and therefore the new generation has difficulty assimilating easily into the hard-working culture. This requires redesigning labor offers to include options for learning, building new competences, and development. There is also high pressure for changes in the communication itself and in the communication channels the companies use to get a message across to potential and current employees.

The demographic changes also lead to changes in how the companies look at more senior employees, considering them an important part of the human capital they have at their disposal. As a result, some companies are already developing programs to activate and maintain the older generation of employees and to use their skills to educate and mentor the younger generation.

Programs that we have for older employees . . . they stay active and work with younger staff. They have great experience and we want them to share it.

The paradox of creating a long-term growth strategy and remaining creative, flexible, and responsive to the fast market changes is seen as another challenge with respect to strategy. This is especially true as stressed by the relatively small Polish companies competing on the global market. One way for smaller companies to compete globally is through international expansion. However, most firms find this a challenge in terms of know-how, technology protection as well as financing.

Respondents consider technology and digitalization as pivotal for assuring customer satisfaction and high profitability. Companies are aware of fast technological changes and try to respond and keep up to date, but they also try to foresee new technological innovations and get ready for them. This technology awareness is not specific to high-tech companies. It is also evident in industries that are more traditional, where the focus is on data security and keeping up to date in the digitalization of internal processes. Such changes help companies keep a competitive edge to provide value for their stakeholders.

It is important that they [the data of our customers] are safe, that they are well protected. There are some new challenges: digital security and things related to new technologies.

Respondents often mentioned overregulation and frequent regulatory changes as a challenge. The unstable economic situation and prolonged economic crises affecting interest rates and the cost of capital are also considered challenges with which the companies need to deal.

[There is] no stability of law, our main problem is the unpredictable legislation we will have to work in for many, many years. The main challenge is to plan our actions in such a way that we survive despite unfavorable legislation changes.

5.3 Main Responses to the Challenges Companies Face

Most of the interviewed managers emphasized the importance of rebranding so that their company is viewed as one with a ‘human face’ that cares about its employees and pays attention to their well-being. This trend is already discussed in academic literature (Friedman & Westring, 2015; Holmberg et al., 2016). Companies see the importance of addressing employee work-life balance needs as a strategy for recruiting and retaining high talent (Shockley & Singla, 2011).

It is interesting that most of the interviewed companies consider changes in the HR function as one of many possible responses to the demographic changes but also to the changing needs and expectations of employees. The HR function is no longer seen in a traditional way, but rather as a center for development and knowledge sharing (often digitalized), and responsible not only for the maintenance of employee pools, but also for the development of employer branding.

The HR function should pay more attention to the development of the employees’ career paths and giving employees an opportunity for self-development and internal promotion. The development of employee skills and monitoring of talent pools is another important aspect of human resources, in particular when the HR department

needs to find a replacement. Most companies admit to high attrition and the above-described activities are seen as important elements of the whole system to keep employees in the company. However, some companies among those interviewed keep the HR function as simple as it can be, relying mostly on the external market to get new employees, if needed. As a result, employee loyalty is decreased, leading to an increase in staff turnover and a poor flow of tacit knowledge.

Another interesting aspect connected to the responses about demographic changes as a way of looking at employees involves viewing HR management through a prism of value sharing and building a common future; not only for the company, but also for the individual employees.

Because our company's philosophy is that employees have to feel that it is also theirs, that it is their value, that they are building their future, this is why there are employee credits, this is why we finance. We have a very active social benefits fund. It is not treated as a must, like in many companies. It truly lives, we give it to people to run, that we try to create such an atmosphere that everybody is responsible for what is happening and not exploited.

Many managers mention that their companies' aim is to build employee communities and that they put effort and resources into doing so. Employees team up not only for professional projects, but also for community service and other projects outside the organization. Some companies build expert communities that are later used for finding new talent for open positions.

Most of the interviewed companies were also aware that the best option for reaching employees is not the use of hierarchical structures, but rather through an offer related to the process of learning, competence building, and development. Most companies also invested in communication technology, which allows them both to speed up communication processes and to communicate better. Often, the technology is also used for internal knowledge sharing. This is usually done through internal development programs provided by in-house trainers and through investment in various development programs provided by external organizations.

Advancing research and development and/or business intelligence departments is also seen as an important response to the other challenges mentioned earlier. These departments allow the companies to monitor the external, fast-changing environment, as well as to learn about the needs of their stakeholders in a more effective way, especially about the clients and their preferences for desired products and services. The departments also help companies to acquire knowledge on different markets so the companies can provide an offer that is more customized to local market needs.

Managers mentioned that process management and project management are two additional areas that require constant skill improvements. In general, the managers emphasized the importance of having a lifelong learning culture, but they also admitted they were not very successful in implementing such a culture in their own companies.

We are aware that programs for mature employees such as [lifelong] learning are the future . . . we tried once but it didn't work, not many of them [employees] were interested.

A high degree of consistency exists between the results of the online survey presented in Sect. 3 and the results obtained based on the interviews in terms of development needs. When it comes to employee competence, the interviewed managers confirmed there were development needs in areas such as communication and interpersonal skills, information management, and in particular Big Data management skills and hard skills aimed at increasing the efficiency of operations. On the other hand, more attention was given to soft skills development such as negotiation skills, leadership, business psychology and consumer behavior as well as knowing foreign languages (other than English).

Similarly, the emphasis on soft skills development was significant in the quantitative part of the research, including negotiation skills, leadership, interpersonal communications, and team building. On the other hand, information management—which was frequently emphasized during the interviews—was seen as a crucial area for development by only 21% of interviewees.

Interviewees saw a need for the development of all employee groups, from technical staff to lower levels of management, middle management, up to top management. The development and education of younger employees should have a special focus. However, different groups require different scopes of development. While frontline staff for example requires the enhancement of their interpersonal and negotiation skills, all competences related to client contact, language skills, social competences, knowledge about relation building and consumer behavior as well as competences in developing a personal brand, technical staff is in need of project management skills, knowledge about client relationship building, costs and the effect of costs on profitability as well as business skills. Line managers, in turn, need business skills, leadership skills, project management skills and industry knowledge. Middle-level managers should focus on leadership skills and industry knowledge. While top management lacks a need for self-development on one hand, there is a place for improvement in strategic thinking competences, project management and change management on the other hand. Such skills are provided by programs like MBAs.

Most of the companies were ready to support the development of employee competences. Only in a few cases did the company's policy not address investing in any development. Other companies were ready to finance education in postgraduate programs and to take an active role in networking and community creation, which allows knowledge and experience sharing and is aimed at increasing their employees' various skills. Many of the companies also provided coaches to develop particular and desired skills and talents. Development programs are seen as an answer to arising problems rather than a top-down approach directed from HR departments.

Whenever we see a problem, a lack of skills, we have almost 100 trainers internally, but we also send them [the employees] to MBAs, postdoc classes. . . .

Similar conclusions were drawn from the quantitative part of the study.

5.4 *The Missing Links Between Business and Higher Education Providers*

As early as 1988, Porter and McKibbin lamented that education and development program providers had lost their relevance. Critics still consider the offer provided by a business school largely irrelevant to leadership and organization management (Benjamin & O'Reilly, 2011; Bennis & O'Toole, 2005; Ghoshal, 2005; Pfeffer & Fong, 2002). When it comes to the missing link between the corporate world and HEIs in Poland, most companies admitted that there is still room for improvement in the field of cooperation. One of the managers even claimed that currently, there is no link between the two whatsoever.

You are saying that there are weak links between business and the university, have you showed any? Because first of all, there have to be any links existing.

Despite the companies' statements about the existing demand from their side for cooperation, they are still not receiving any support in this regard from development providers. Some managers claimed that they are not aware of any ongoing cooperation between the two. Other managers emphasized that the links that do exist are not adequate and there is a missing 'fit' as, for example, companies still require a higher degree of practical skills from their employees, while HEIs still focus on theoretical knowledge. Moreover, companies perceive HEIs as the passive side of the cooperation, as

[there is] no initiative from universities to make a move and connect with businesses, to engage in cooperation with businesses.

At the same time, managers believe that it is the role of universities to initiate cooperation with companies, as they are the actors that have the means in terms of funding and time.

Interviewees also emphasized the lack of strong links between HEIs and governmental policies; in their opinion, the fact that a growing number and percentage of young Poles have a higher education is not necessarily a positive phenomenon, since the majors that students choose often do not reflect the demands of the market and company side.

Most of the interviewed managers emphasized that HEIs in Poland were unable to educate highly skilled IT specialists and programmers, which, in their opinion, are practical skills sought on the market. At the same time, they believe that HEIs are providing unpractical courses and are thus "*flooding the market with economists, administration, business and marketing specialists.*"

Such skills are not as highly demanded anymore, resulting in a surplus of people with these qualifications. Interviewees emphasized that the educational offer from HEIs does not reflect the actual needs of the market. At the same time, the quantitative results indicate that soft skills development is the one most sought after by companies.

Managers believe that it is the government's role to analyze the labor market and adjust long-term educational strategy based on the demanded skills and

knowledge. This is considered an obligation of the government: to create a coherent strategy for HEIs that would reflect the market needs. Thus, government should support those specializations that are sought after on the labor market and regularly provide information on skills, specializations, and positions that are scarce.

6 Implications and Recommendations

Companies also admit that development is an important part of employee development, although each manager treats development in a different way. Several managers declared that they treat development within the company as an incentive to retain a loyal employee. New managers entering a company have the possibility of a financed MBA program, industry-specific development, and language courses among other benefits. According to managers, such programs are not only an incentive for employees, but also a tool to retain loyalty. Employees are asked to sign a loyalty agreement before the course based on which they are obliged to repay the costs of such development if they leave the company.

As a result, companies benefit from employee development in a twofold way: in the managers' opinion, they gain both educated and loyal employees. Most managers claim that they treat development needs in an individual manner. Each development plan is devised only once they notice the need for additional education for a certain group of employees or a given employee. Similarly, there is no fixed method or way of delivering development; instead, company needs and individual preferences determine the method. One of the managers emphasized that there is no one ideal method for delivering development and due to the large diversity of employees, their development is addressed in an individual manner.

Several companies use a whole spectrum of methods of delivery, adjusting to individual needs and preferences, where employees have the ability to choose a preferred format. Companies also have diversified development offers, so that every employee can choose the one that will be most effective for them to acquire the desired knowledge or skills. Managers understand that for each employee different methods may turn out to be the most efficient, and thus propose various methods. When employees only require advice on where to look for valuable information, the company does not engage in costly courses, but provides said information through mentors. It has been emphasized that coaching is an important part of the company. For more advanced skills, e-learning platforms, workshops, courses or even new programs are created. Another major method for employee development is through developed communities, where employees can obtain information or learn new skills from the community that has expertise in a particular domain and acts as a source of inspiration.

One of the managers claimed that their company does not want to impose a certain method of self-development on its employees, as he believes that each individual may work and learn most efficiently under different conditions. The

same manager also underlined that this is a challenge for the company, as it is aware that it will have to broaden its offer of education for employees to maintain the attractiveness of the development programs. Most of the analyzed companies are aware of their need to develop their development offerings due to their employees' high degree of individuality and the companies' different predispositions and requirements.

Interestingly, the need for individualized development is highly visible in both the largest and smaller companies, whether it is for individual employees or specific teams. Several companies also admitted that they do not have a fixed budget or development program, but whenever they notice the need or when managers specifically ask for development for certain employees, it is arranged.

Companies distinguish between development programs where the main goal is to provide expert knowledge in the field of operations and industry-specific as well as soft skills development. Soft skills, in most cases, are developed in an unstructured way and are based on expert communities and coaching sessions. Most of the companies that do offer their employees soft skills development through various courses also offer programs to their managerial staff and those employees who have direct contact with customers.

Soft skills programs target the development of certain skills and capabilities including, for instance, how to lead teams, operate with customers or communicate between each other. Apart from the typical competences development, managers also admitted that their goal is to enhance certain behaviors and attitudes between the employees that will benefit the work environment or the completion of the project.

For hard skills development through various programs, managers mentioned three major areas: foreign languages, technical skills and industry-specific knowledge.

Most companies do not have a fixed method of evaluating the effectiveness of development programs; they believe it will be visible in the success of the company itself, through the improved efficiency of their employees or departments. Instead of judging the effectiveness of the programs, companies focus on their employees' evaluation of said programs. The interviewed companies use satisfaction surveys, interviews, or observations to evaluate development programs.

Based on the abovementioned challenges and the interviewees' opinions, the following recommendations for management education institutions can be proposed. The majority of the decision makers emphasized the importance of creating stronger links between HEIs and business entities. HEIs should be the ones initiating contact, while both should be able to benefit from such cooperation: companies through access to talented, potential employees, and universities through a more practical approach, access to case studies, and being able to give better perspectives to their students. Therefore, a close relationship with business is required so that both parties can benefit from the cooperation and treat each other as equal partners. Such relationships should not rely merely on hiring a few graduates, but should be a continuous process of internship offers, joint projects and the sharing of information. Cooperation will require both parties to organize student work and development mutually.

To remain competitive, universities need to closely observe the market demands and adjust their educational programs accordingly. In particular, universities should place strong emphasis on practical skills and soft skills development. When it comes to soft skills development, the focus should be on communication, leadership, and project management. The results also indicate that HEIs should put more emphasis on building strong alumni networks, both throughout the course and after its completion.

7 Conclusions

Management education, which was originally conceived as an elite educational track dedicated exclusively to business, is confronted by a growing demand from individuals seduced by the promise of a better future or forced into entrepreneurship and management by the evolution of the markets (Koźmiński, 2011). Today, management education is provided not only in big Polish cities traditionally equipped with advanced academic institutions, but it is also mushrooming all over Poland at approximately 300 institutions. The consequence is a high market segmentation and a big difference in the quality of the education provided.

The demand for higher education at the undergraduate and graduate level is declining as negative demographic trends are becoming more persistent. At the same time, the market for specialized postgraduate and executive education is increasing (Dobija & Hałas-Dej, 2017). However, regardless of the type of education (public, private, undergraduate, graduate, postgraduate, executive), the cost factor is becoming an important issue. The delivery costs of management education have become increasingly high. Some institutions, especially those not supported by public funds, have difficulty keeping pace. For that reason, the market for higher education is expected to be subject to pivotal changes (Koźmiński, 2016). It seems that in a longer perspective, only those institutions focusing on high quality education, innovation, and internationalization will have a chance to survive in the highly saturated Polish market.

This research is subject to some limitations. Firstly, the research sample is limited. Only 10 companies were selected for interviews and only 82 took part in the survey. The research also concentrated on bigger companies listed on the Warsaw Stock Exchange. Small and medium-sized enterprises and micro companies were not considered in the sample. Therefore, the results cannot be mirrored across the country, as the sample is not representative.

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Management and Leadership Development Needs: The Case of Russia



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1 Introduction

The processes of radical economic reform and social transformation that had begun in the mid-2000s led to unprecedented growth in the educational needs of organizations, including management and leadership development programs. The study and evaluation of the demand for management and leadership development programs have shown the importance of analyzing the challenges faced by businesses, developing strategic solutions to meet such challenges, studying existing approaches and practices in management and leadership development, critically analyzing the results and consequences of implemented actions, and elaborating recommendations for management development. The main goal of the present study is to identify the current and future challenges facing businesses along with the current and future needs for education in the field of management and leadership.

The study uncovered a declining interest of companies in long-term MBA-level programs in conjunction with a fairly high interest in short-term programs that allow participants to quickly apply the acquired knowledge and skills into practice. Our survey of companies showed that their demand for degree programs was impacted by their poor awareness of available programs both in Russia and abroad. Management education institutions must look for new channels for advertising their educational services and offer more customized corporate educational programs. Long-term programs (from 2 to 5 years) tend to be a lot less up-to-date than

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short-term programs, as the goal of the former is to give students a fundamental education in the field. The increasingly rapid development of business requires a proactive approach to development of management education.

The emergence and development of corporate universities have changed the competitive conditions on the educational market for traditional management education institutions. As a result, the latter should search for ways of working together with corporate universities. The study identified a number of important factors that traditional management educational institutions should take into account. In particular, they should consider using new and innovative learning and teaching methods. There are increasing opportunities for involving practical specialists in the work of management education institutions by providing them with new kinds of incentives for teaching.

It has been proven that there is a need for preparing lecturers and professors in multidisciplinary fields despite the barriers that exist for this kind of approach at traditional universities. It seems that this demand can be met only by introducing new forms of cooperation between university research and teaching subdivisions as well as cooperation between universities (including their constituent management education institutions) and companies doing business in innovative fields. An understanding of the main development trends of the business sector shall allow management education institutions and universities to design competitive educational programs and prepare specialists that would be successful on the labor market.

2 Russia's Economic Situation

The Russian economy is currently going through a difficult stage. After Russian relations with the West deteriorated in 2014 because of the country's annexation of Crimea, the imposition of sanctions against a number of large Russian companies and the de facto blockage of long-term loans on international financial markets, the country's economic development opportunities were greatly reduced. Although inflation and unemployment are being controlled by the state, the institutes of the market economy have virtually stopped developing in the country. State-controlled companies play a key role in the Russian economy; it is the state that commissions a large percent of goods and services (Table 1).

The growth of the Russian economy between 2010 and 2014 was interrupted by a series of negative domestic and foreign events in the second half of 2014. The domestic problems of the country's economy such as low labor productivity, the growth of the budget deficit of Russian regions, the low level of economic diversification, the insufficient level of development of institutions and the manual steering of key issues hindered stable economic growth. Moreover, the country's economy was affected by external shocks: falling world oil prices and the imposition of sanctions had a negative impact on economic growth rates and led to the devaluation of the national currency. This situation led to crisis phenomena in the economy,

Table 1 Russia's economic situation

Official name	Russian Federation				
Type of government	Federal semi-presidential constitutional republic				
Land area (in km ²)	17,075,200				
Population	144,100,000				
	Facts and figures				
	2011	2012	2013	2014	2015
GDP (current USD trillions)	2.031	2.170	2.230	2.030	1.326
GDP per capita (current USD)	11,121	11,493	11,615	11,490	9202
GDP per capita growth (annual %)	4	3	1	-1	-19.9
Foreign direct investment, net inflows (% of GDP)	2.8	2.4	3.6	1.2	0.25
Exports of goods and services (current USD billions)	574.623	589.790	594.258	565.296	393.130
Exports of goods and services (% of GDP)	28.3	27.4	26.6	27.5	29.5
Corruption Perceptions Index	24	28	28	27	29
Competitiveness Index	4.23	4.21	4.19	4.24	4.37
Ease of Doing Business Index	120	111	92	54	36
Average salary (net USD) per month	726	886	915	829	551
Minimum salary (net USD) per month	152	148	163	144	98

Source: www.worldbank.org/ru/country/russia

including the decrease of the GDP, capital investments, real incomes, retail turnover in comparable prices, etc.

The key problems of the Russian economy in the conditions of the current crisis stem from three factors: budgetary problems (at the federal and regional levels), falling investment activity, and falling consumer activity. The decrease in state investments resulted in a shrinking budget and in the redistribution of expenditures of a shrinking budget (fewer funds are allocated for infrastructure projects and human resources, while more funds are allocated for national defense). Business investments, which make up the greater part of total investments, fell on account of the growing incertitude, while foreign investments fell as a result of sanctions. Real incomes declined for two principal reasons: devaluation (which led to growing inflation on account of the overall dependence on imports) and hidden salary cuts. The budgetary crisis at the federal level was mainly due to falling oil prices and, secondly, an outdated growth model. The federal budget crisis (falling subsidies and subventions from the federal government) and the growing salaries of public employees affected budgeting at the regional level.

An indirect result of Western sanctions was the twofold devaluation of the national currency. The ruble-dollar exchange rate amounted to 68.9 as of January 31, 2015. The ruble was also negatively affected by the double decrease in oil prices: the price of Brent crude oil surpassed USD 100 per barrel in mid-2014 before falling to USD 48–50 per barrel in January 2015. The continuing slump in oil prices from

July 2015 until their stabilization in January 2016 led to a slump in the ruble exchange rate.

The devaluation of the ruble inevitably led to growing prices of both imported and domestic goods, as the latter were partly made from foreign raw and semi-finished materials, resulting in more expensive food and other products. According to the Russian Federal State Statistics Service ([n.d.](#)), prices on goods and services grew by 12.9% in 2015 in comparison to 2014. Food and non-food goods grew by 14% and 13.7%, respectively. The growing prices on food products stemmed not only from the aforementioned factors, but also from the food embargo. On August 6, 2014, the Russian government adopted a series of retaliatory sanctions that limited food exports to Russia from the United States of America, the European Union (EU), Canada, Australia and Norway. The sanctions affected a number of food products, including meat and meat products; fish, crustaceans, shellfish, and other aquatic invertebrates; milk and dairy products; vegetables, root and tuber crops; fruits and nuts; and products made of vegetable fats. In 2015, Albania, Montenegro, Iceland, Lichtenstein, and Ukraine (on special terms) were also forbidden from exporting food products to Russia.

3 Main Features of Management Education in Russia

Russian management education emerged at the start of social and economic reforms (1992), although the first management development centers had already appeared as far back as the late 1980s during the perestroika wave in the Soviet Union (Business Education, [2004](#)).

The general transformation of the Russian higher education system is driven by three main factors: Russia's overall socioeconomic transformation, globalization, and the emergence of a knowledge economy. These three driving forces are naturally interconnected and act together. Overall, the transformation of the Russian education system in the 1990s was an integral part of the general socioeconomic transformation of Russia. The disintegration of the socialist system led, in the first place, to profound changes in political and economic priorities. However, the education system mostly reacted in a fairly weak and conservative manner to these changes. At the same time, it began to undergo a process of spontaneous change from the early 1990s on. During the first stage, it strove to copy the European education systems and that of the United States. This process was particularly evident in the fields of management education. This is no coincidence, as the need for knowledge in these fields was quite high, while virtually no relevant domestic education resources existed.

In 1991, the Faculty of Economics of Moscow State University became the first higher education department in Russia to adopt a multi-level system of economics education by introducing bachelor and master's programs (Teleshova, [2001](#)). The same year, faculties of management were established at Irkutsk State University and Vladivostok State University in cooperation with the University of Maryland

University College in the United States. The studies at these faculties were based on the mutual recognition of programs and the delivery of double degrees. In 1992, the Russian-German Higher School of Management was established at the Academy of National Economy. Its programs used the German company management system ('Betriebswirtschaftslehre') that was adapted for Russia.

Many other examples from the early 1990s demonstrate the spontaneous transformation of the higher education system at individual universities. The first official step taken by the Russian government to transform the higher education system was the Resolution on the Introduction of a Multilevel Structure of Higher Education in the Russian Federation by the Higher Education Committee of the Russian Federation (1992). This resolution de facto authorized bachelor and master's degrees in Russia without eliminating the specialist degree that had existed since Soviet times. From this time on, two higher education structures coexisted in the country. This opened up new opportunities, in the first place the integration of the system of secondary specialized education into the higher education system. However, educational institutions did not take advantage of this opportunity. The country's top universities took a conservative stance. The law on higher education of 1996 established the following stages of higher education in the Russian Federation: higher education programs leading to a bachelor degree; higher education programs leading to a specialist degree; and higher education programs leading to a master's degree. The creation of this legal framework for higher education allowed universities to transform their degree programs and created a better foundation for the development of double degree programs.

By the late 1990s, Russian higher education institutions (HEIs) had accumulated considerable experience in cooperating with universities in Europe and the United States. As practice showed, European universities were more open to cooperating with Russian HEIs than universities in the United States. In 2003, Russia signed the Bologna Declaration, launching the process of convergence and unification of the Russian higher education system with the education system of European countries. By 2010, Russia had reformed its national education system to meet the main provisions of the Bologna Declaration: in addition to specialist and graduate studies, bachelor and master's programs were introduced just like in European countries. As a result, Russian universities began to deliver European supplements to all bachelor and master's diplomas.

Generally, it may be said that the transformation of the system of higher education in the first half of the 2000s was largely influenced by globalization and its accompanying integrative processes. However, this transformation was mostly organizational in nature and did not affect more fundamental processes stemming from the transition to a knowledge economy.

Management education was an important constituent of the general transformation of Russian education as described above. From the mid-1990s onward, most Russian universities began to open management faculties and departments in response to the severe shortage of managers in the Russian economy. It should be pointed out that the quality of management education was not very high in Russia at that time due to the lack of qualified management teachers. In addition, bachelor and

master's management programs often provided students with theoretical education that had little to do with practical experience. A major event in the development of management education in Russia was the large-scale Education Program for Managers for the Enterprises of the National Economy of the Russian Federation (the so-called Presidential Program) that was launched in 1997. During the first stage, about 70 universities from all over the country participated in the program. Dozens of other universities subsequently joined them. The program helped participating universities to establish ties with companies in the real sector of the economy and adapt management courses to include practical experience.

In 1999, in view of the success of the Presidential Program, the Russian Association of Business Education called on the Russian Ministry of Education and Science to recognize MBA programs at the state level. The same year, the government launched a pilot program in which 15 university business schools were given the right to award state-recognized MBA degrees. The number of participants in the pilot program kept growing. As a result, most Russian employers were familiar with MBA programs by 2010.

The situation with MBA programs greatly changed after the Law on Education in the Russian Federation was adopted in 2012. It introduced new federal state educational standards for higher education that came into effect on September 1, 2013. Russian law identifies three basic levels of higher education: bachelor programs; specialist and master's programs; and programs preparing specialists of the highest qualification (graduate studies).

There is, in addition, the continuing education system, which includes management education as implemented in MBA, Executive MBA, DBA and other programs.

As mentioned above, management education in Russia began to develop in the mid-1990s. Despite its 25-year history, management education is not fully recognized by the Russian state. The law on education does not mention management education as such and considers only continuing education. A major problem is the fact that directors of major companies as well as the general population mistrust MBA programs, as they do not believe that MBA programs are capable of giving students new knowledge or helping them make a career or finding new jobs. The understanding of the importance of informal connections for career development as well as other institutional causes promote the opinion that an MBA degree is not needed for career development or a salary increase.

The 2008–2009 economic recession led to a downward turn in the market of management education, which had reached its zenith during the period 2000–2007. The falling rate of economic growth and the long-term decline in real incomes that began in December 2014 and continues today also had a negative impact on the market of management education. The market had shrunk by 5.7% in volume (in the total number of students) by the year 2015 and decreased by another 1.4% in 2016.

We can observe a shift in demand towards short-term programs and the development of corporate universities. The economic crisis and the decline in real incomes as well as the active development of corporate universities at major public and private companies have lowered the demand for MBA programs. Moreover, the

time available for education continues to shrink among Russians. Classical MBA programs tend to last at least one and a half years, and any reduction in the number of study hours has a negative impact on the quality of education according to management school directors. A considerable part of respondents that participated in the first stage of this study (in the Moscow region) said they were primarily interested in short-term programs lasting up to 6 months (about 20%) or 1 year (42%). Online management education programs have also been expanding rapidly. Their key advantages are their relatively low price, geographic independence, high flexibility, and growing client loyalty.

Most studies of developing markets focus on the development of higher education and only rarely consider development for company workers and corporate demand for academic graduates (cf. Lipičnik & Mihelič, 2007). The present study intends to fill this gap, even more so as the internationalization of education, the openness of companies, and their accumulated work experience in market conditions require HEIs to work more closely with employers. Investments in human resources are one of the responses to the challenges faced by companies and their leaders in the rapidly changing environment of Russian and international business.

4 Research Methodology

The study was conducted in 39 Russian companies in two regions (the Moscow and the Ural region) from June 2016 to February 2017. Two groups of researchers from the Graduate Management School of the National Research University Higher School of Economics (Moscow) and the Graduate School of Economics and Management of Ural Federal University (Yekaterinburg) implemented the project. The companies participating could not be non-commercial organizations and they must have been on the market for at least 5 years at the start of this study.

During the first stage of the study (June–September 2016), 18 companies from the Moscow and the Ural region (eight and ten organizations, respectively) were studied, and in-depth interviews with the CEOs and human resource (HR) directors of these companies were conducted. The interviews were processed with the help of grounded theory (Strauss & Corbin, 1990), which is used for content analysis.

Four of the companies that took part in the qualitative part of our study engage in manufacturing, 12 deliver services, while two are active in both. As to their target segments, 12 companies work in the B2B segment, and six in the B2C segment. Most of the surveyed companies have less than 100 employees and an average income of less than a billion rubles. All of them have HR departments. Out of the 18 interviewed companies, 17 engage in human development, although only 30% of them have specialized development centers.

During the second stage (January–February 2017), a modified questionnaire was used to conduct surveys of another 21 companies in these regions (13 in the Moscow region and eight in the Ural region) with similar statistic indicators that were used in the companies participating in the first stage.

5 Research Findings

The situation of higher education in developing countries depends on the region as well as the structure and history of development of its higher and professional education system, national resources and geopolitical standing. As van der Wende (2001, p. 254) argues, universities are strongly shaped by a national context, all the more so as most of them receive public funding.

A lot of recent articles discuss the advantages of using experiential learning in the field of management. For a detailed overview, see Penger, Žnidaršič, and Dimovski (2011) and their description of the growing interest of universities in experiential learning, which helps to teach the material better and adapt teaching techniques to the behavior of students.

The transition from classical teaching methods to more active methods is related to economic and cultural changes that have taken place over the past 25 years in the economy of Russia and Eastern Europe on account of the transition to a market economy. Similar trends have been observed in Poland and the Czech Republic (Chadraba & O’Keefe, 2007). This has also been shown by studies of Eastern European management schools (cf. Penger et al., 2011).

The academic community and the companies’ HR departments are involved in the global information space. The academic landscape of the twenty-first century society is shaped by the paradigms of internationalization and globalization (Halangescu, 2015). The role and meaning of education at the university level and at the level of the professional development of managers in companies is based on the fact that “globalization means more competition, pushing the concept of HE [higher education] as a public good” (van Vught, van der Wende, & Westerheijden, 2002, p. 117). Earlier studies of higher education such as the one conducted by Cerych (1996, p. 148) show that, as a result of globalization in Eastern Europe, “the increase in academic mobility with Western Europe was quantitatively greater than with any other area.”

The globalization of education and the globalization of business have created new expectations among companies and society with regard to universities. A university is expected to implement a variety of functions simultaneously: it needs to generate knowledge, transmit it effectively and efficiently, respond to the needs of the labor market, educate citizens, and promote democracy (Halangescu, 2015).

During the period of economic stagnation (2008–2009), companies experienced serious budgetary limitations. Demand for their products plummeted and changed the structure of production as well, which shifted towards less expensive substitute goods. Almost half the respondents spoke about the connection between falling demand and the impossibility of retaining employees (or hiring new employees that would correspond to the growing demands of clients): “*There are fewer orders, and it is virtually impossible to retain specialists in the conditions of underemployment.*”

The most widespread educational model in the companies included in the research are in-house development programs. Companies use external ready-made development programs rarely and specially developed external programs even more

rarely. Over the past 5 years, in-house development programs have been used most frequently. The most popular development subjects are strategy development, sales, developing personal communication skills, and improving effectiveness, creativity and innovation. Over the last 5 years, a majority of companies implemented 1-week development programs with an average cost of less than 500 euros.

Based on Fig. 1, we can observe that development costs begin to grow after 2014 except for 2014, when the companies were under the influence of the economic crisis' hot-button phase (Fig. 2).

Most of the interviewed companies are private ones with well-developed HR departments. From the standpoint of personnel development, HR departments act as the clients of external providers. Nevertheless, in a big company the staff of the HR

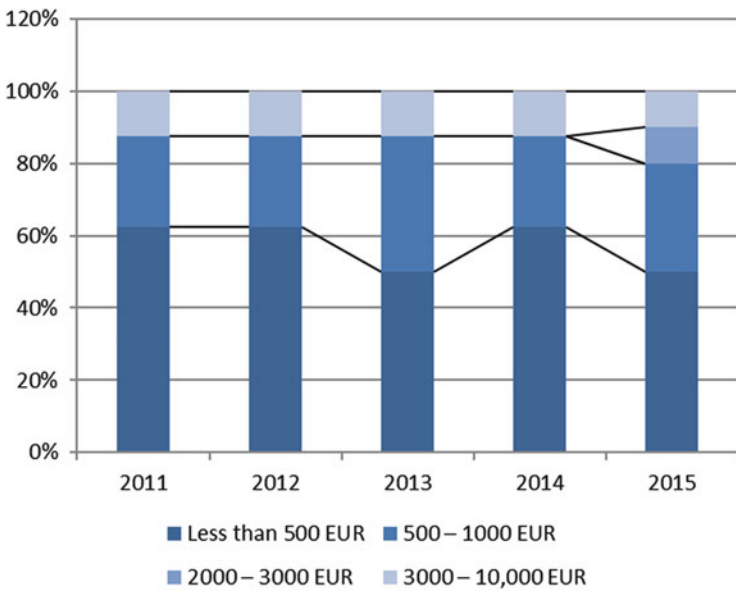


Fig. 1 Cost of development programs

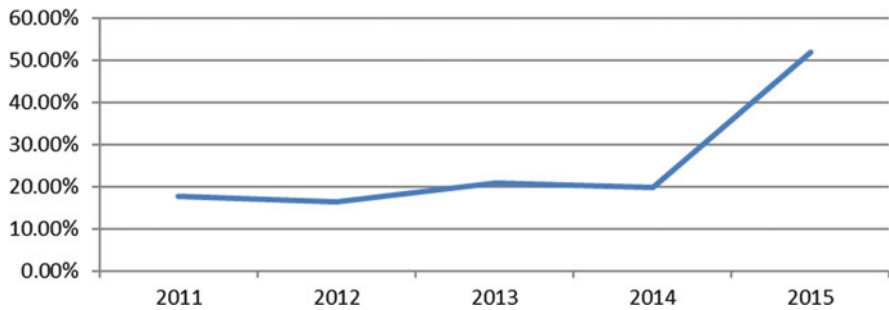


Fig. 2 Average number of employees attended development programs

department almost always includes one or several lecturers that meet the organization's needs for the most in-demand and most often held development courses: most of the time, they provide sales development to different groups of employees in sales departments.

The state increases its economic regulation in times of crisis. This policy has been particularly significant in Russia for historical reasons. The expectations for state support manifest themselves in the rent-seeking behavior of companies, yet representatives of different business sectors hold various views on the impact that the state's regulatory measures have on the development of their businesses. The highly competitive sphere of public catering believes that state support is merely declarative. In contrast, mechanical engineering companies hope to expand production thanks to import substitution policies in the conditions of international sanctions.

In the conditions of major recession in the Russian economy, the surveyed companies stated that the key current challenge for their businesses is the economic crisis, as it has led to a considerable decline in the sales of products and services. This has forced businesses to improve their competitiveness to attract the shrinking pool of consumers. As a result, the most popular educational development programs are those that target the optimization and development of the commercial subdepartments of marketing and sales. In these conditions, the demand for development courses on sales, bargaining (hard bargaining), communications, and Big Data analysis is growing. By contrast, educational programs on soft skills such as strategic approaches and leadership development are decreasing in popularity in the wake of the current problems.

Medium-sized businesses working in competitive sectors and founded during the post-Soviet period are marked by market-oriented behavior and an innovative business approach (the search for new products and services). Such companies strive for anticipatory development: *"To win the competition on shrinking markets, a company must search for new niches and foresee changes earlier than other companies."* Big companies in competitive sectors also identify innovation as their main development goal. A rapidly developing society engenders structural changes in the economy—in the first place, due to digital technologies (*"Generation Y does not communicate, but is only interested in digits"*).

All interviewed companies experience problems with the inability of their personnel to solve the challenges and problems they are facing as a company: employees are not ready to work in a rapidly changing environment (*"The gap between generations is so big that it's scary"*), they are not willing to work in a team, complement each other (*"They don't want to teach each other new skills"*); and for some employers, it is difficult to retain young specialists.

All the companies, without exceptions, believe that development goals can be met only through human development that drives the discovery of new products, markets and technologies. Employees are considered a company's main asset. The surveyed directors and owners of Moscow- and Ural-based companies stated that the only way to overcome the crisis is to develop new employee skills by investing in personnel development. They believe that an important instrument of business development is working with young personnel. Companies that have been around for 30 years or

more have developed mentor systems, and they also plan to improve the selection process and assessment of personnel and the mechanisms of identifying new leaders and managing talent.

Although virtually all surveyed companies (17 out of 18 companies in the first stage and 18 out of 21 companies in the second stage) identified their main development hindrances to be the economic crisis and major budgetary limitations, companies do not consider insufficient funds to be the main problem hindering business development. The management of these companies is searching for ways of overcoming problems arising in personnel development. Companies believe that HR management is the only way to solve problems in areas such as product sales, finances, internal and external communications, and project management: they support an approach in which *“development [occurs] through human resources.”*

Companies speak about the need for new knowledge, the kind that differs from sector to sector: from fundamental engineering knowledge in precise mechanical engineering to the search for talented programmers and IT specialists (*“brains like at Google”*) in cellular telephony and the search for innovations from all over the world in the advertising business and coffee shops. Common needs mentioned by CEOs and HR directors are the need to develop sales and marketing skills, innovative thinking, effective communication, innovation and responsibility. Companies are ready to invest financial resources and dedicate the working time of HR directors for personnel development. Five directors out of ten are willing to spend time on personnel development in the Ural region and seven out of eight in the Moscow region.

Companies fully or partially cover the costs of personnel development in the workplace or short-term off-site development. Six companies out of 18 have their own development centers. In the Ural region, eight companies out of ten said that they are ready to pay only for those skills that can be immediately applied by employees in their work. In Moscow, only two directors out of eight agreed with this statement. A third of the companies (6 out of 18) believe that investing in personnel development is risky: either no direct application of the program content is found or the employees may leave the company for higher positions at competing companies (*“We require employees to work for at least one year after completing the educational program”*). Seven of the surveyed companies are willing to invest funds in fundamental development programs or in knowledge that may be useful in the future. Ten companies (including all the Moscow companies) have policies promoting the self-education of personnel through internet resources during working hours.

Businesses admit that their assessment of the high risks of investing in personnel development is related to their insufficient awareness of the selection and quality of programs available in the region, the country or abroad. Regional development programs received negative ratings more frequently, as companies turn to regional educational centers most often. Half of the companies (9 out of 18) believe that there are development programs abroad that would be suitable for them. Only four companies clearly voiced a need for a specialized intermediary between business and educational institutions who would gain a precise understanding of a company's

needs and select the right program for it. Such an intermediary may be an individual business teacher or a consultant that often works with companies.

According to the surveyed companies, future challenges involve the internationalization of business and the increasing use of digital technologies. In order to elaborate solutions to these problems, companies are taking an interest in medium and long-term development programs in fields such as strategic management, digital technologies and Big Data for their top managers and leading specialists. They are also interested in short and medium-term development programs in modern technologies, including management technologies such as agile, scrum, and decision support systems.

Long-term programs (such as MBA programs) lag behind the needs of businesses more often than short-term or highly specialized programs. According to HR directors, small development companies and business consultants that constantly work with companies have a better understanding of their current needs (*"We need to work with practitioners: universities teach theory, yet cannot explain practical issues"*).

The unpreparedness of university graduates for work and the companies' need for making supplementary investments in employee development and professional adaptation at the workplace were mentioned by representatives of both Moscow- and Ural-based companies. The companies' complaints about universities and management education institutions not only touch upon the ineffectiveness and monopolistic standing of certain organizations (especially in the field of engineering) and their reluctance to change, but also upon past historical trends (path dependence).

A key current and future need of management and leadership is raising the professional competencies of managers, especially when it comes to developing decision-making skills (in particular with the help of Big Data analysis), personnel management, and the introduction of digital technologies into sales and service as well as development and production.

Companies complain about the educational methods used at research institutes. This particularly applies to basic degree programs such as bachelor, master's and even MBA programs. The goal of educators at HEIs is to teach students to reflect; not just about what they learn, but also about the how and why. HR directors speak about the necessity of using active teaching methods to develop employees: *"I believe that the best thing for us is experiential learning. Such learning can take place in highly diverse areas."* Experiential learning is an approach that is used to encourage personnel to become actively involved. It is a means of generating 'here and now' examples that promote reflection on the emotional and rational dynamics of managing and organizing.

Companies criticize not only major educational institutions, but also small development companies that advertise development methods devoted to narrow topics such as teamwork. These companies have lowered the reputation of management development so much that some companies have decided to do without it altogether.

I have a very negative attitude towards Russian companies that provide education and development programs, because they are incompetent for the most part. You very rarely learn something from them. In our industry we know people from whom we can learn something.

Thus, these are some new trends in management education. Business associations have begun to participate in the educational process. The dissatisfaction of businesses with the programs offered by educational institutions has led companies to look for other ways of acquiring new knowledge, such as exchanging experience with colleagues at spontaneous or planned business meetings. Business associations such as the Association of Russian Advertising Agencies try to organize experiential learning programs.

Companies are shifting to distant learning and information retrieval. The shortage of time that their employees experience incites them to look for information on the internet: *“The educational establishment has lost its monopoly on knowledge today. Universities do not understand that they must become effective intermediaries between business and the knowledge that has been accumulated in the global space.”*

Companies search for management development programs on the global market: not only for their top managers, but also for their medium-level managers. The mobility of the personnel itself has been growing in the case of management development. They are ready to travel abroad (only for short-term programs, however) if the programs satisfy the company’s unique needs. Furthermore, companies welcome competition between educational institutions and individual consultants, as this expands their choice on the market of educational services.

Among the results of management development programs for company personnel, one interviewee cited the strengthening of corporate culture and company identity as a result of management development and the transmission of experience from one generation to the next; increasing work effectiveness and professionalism; enthusiasm and a positive attitude; higher self-confidence; and the inspiration to change. Moreover, management development is used by companies as a means of workplace insertion and the socialization of young specialists. Eight out of 18 companies conduct personnel evaluations during the development process, while four companies consider participation in management development to be a bonus for career advancement.

Despite the HR directors’ assertions that companies are only willing to invest in management development that *“yields real results here and now,”* 10 out of 18 companies do not assess the results of management development programs. Only 4 companies out of 18 stated that they use an assessment system.

Companies use diverse instruments for assessing management development programs: checklists, indirect assessments of management development results using client reviews of personnel, test drives, personnel attestation (for licensing activities including public attestation). In addition, they also use employee surveys after the completion of a management development program, filling positions as a result of a program, monitoring the business results of employees before and after a program, student assessments from educational institutions providing programs, and quality control of curricula for in-house management development.

The two stages of the study identified the following trends: the demand for personnel development is growing, because companies consider human resources to be the main factor that enhances their competitiveness in a rapidly changing

world. Key performance indicators are less often used for assessing employee performance, while more complex methods for attesting personnel (such as ‘360-degree feedback’) are becoming more common. Furthermore, senior company managers often act as coaches for their personnel, and employee involvement is becoming an important element of corporate culture (the value approach is replacing ‘schooling’). Most surveyed directors stated that over 70% of their employees have a need for development. The costs that companies are willing to pay for personnel development vary widely from 1–4% of the payroll to 1% of the gross revenues. It also transpired that a key requirement for management education programs is that they have a practical orientation, as companies prefer experiential learning methods. In addition to that, companies believe that there is a major gap between the personnel development needs of companies and the programs offered by educational institutions.

6 Recommendations and Implications

The analysis of processes taking place in management development in Russian companies uncovered a number of problems, and solving them will be an important task of the Russian management education system in the years to come. Let us examine these problems one by one without arranging them in order of importance or difficulty.

Preparing and educating specialists in multidisciplinary fields has proven to be one of these problems. During the transition to the knowledge society, so-called ‘disruptive innovations’ occur in certain areas of activity. They gradually change the traditional spheres of business. A case in point is financial technology (hereinafter fintech), a domain where new financial technologies are being developed. In particular, fintech developments are profoundly changing the banking business. Herman Gref, chairman of Russia’s biggest commercial bank Sberbank, asserts that new technologies will turn Sberbank into an ‘IT company with a banking license’ by the year 2020 (a variant of a well-known expression by Citigroup chairman Michael E. O’Neill). The appearance of this knowledge field uncovered major gaps in development of specialists for developing and applying new financial products. The point is that a fintech specialist must have in-depth knowledge of both finance and IT. One may well ask who will teach fintech—a financial expert proficient in IT or an IT specialist proficient in finance? While both are possible, the problem lies in the fact that traditional universities are subdivided into departments, and so it is extremely difficult to get a multidisciplinary education: people that have a cross-functional background themselves can only develop multidisciplinary specialists. It should be pointed out that Russian universities are not developing such types of lecturers and professors. This may lead the Russian financial market to experience a considerable lag with regard to the financial markets of developed Western countries.

Another issue that has been identified is the growing importance of mathematical and formal logical education. With the growing use of IT, artificial intelligence, machine learning and Big Data, the importance of mathematical knowledge and of the correct use of formal logical methods is growing. However, as the experience of MBA and corporate development programs shows, an overwhelming majority of managers is not capable of assimilating mathematical knowledge and working with complex algorithms. Indeed, many of them lack basic critical thinking skills. The only way to solve this problem is to change the structure of traditional MBA and Executive MBA (EMBA) programs and develop methods for teaching adults the basics of critical thinking, mathematics and algorithm theory. Apparently, there will also be a shortage of lecturers and professors that are capable of accomplishing this new educational task.

Furthermore, there is a necessity for introducing new learning and teaching technologies. Psychologists have long used the term ‘curse of knowledge,’ which was first coined by Robin M. Hogarth. This term became popular after the publication of an article by Camerer, Loewenstein, and Weber (1989). This term has several interpretations and consequently effects. With regard to education, it refers to the fact that a teacher that knows a subject well may have problems explaining certain aspects of the subject to a person that is only beginning to study it, as he has long forgotten what difficulties he himself experienced when he first learned it. As a result, people with in-depth knowledge are often poor lecturers. At the same time, the topics that are taught in MBA and corporate development programs are becoming increasingly more complex; a case in point is blockchain technology, which is transforming the world of financial operations. Experience shows that people for whom IT is a tool rather than a profession are often unable to understand this technology when explained by an IT specialist. However, a recently developed teaching method called ‘peer instruction’ (Mazur, 1997) has made it possible to overcome this ‘curse of knowledge.’ In this method, the subject is explained to students and trainees not by a professor but by one of the members of the study group that has recently understood this problem. They remember perfectly well what difficulties they faced when studying the problem and can therefore help their fellow classmates to overcome them. It should be noted that Eric Mazur received the first Minerva Prize in 2014 for developing this method (Minerva Schools, n.d.; The Harvard Gazette, 2014). This method should also be applicable for teaching adults in management education programs.

Another issue that should be tackled is the question of whether there are negative sides to entertaining trainees during development programs. In recent years, the term ‘edutainment’ (a coinage of the words ‘education’ and ‘entertainment’) has increasingly appeared on the pages of business education magazines. Edutainment programs are often severely criticized as a useless waste of resources allocated for human development. Nevertheless, our study has shown that edutainment might have some benefits as well.

Two companies told us that they organize management development programs precisely for the purpose of entertaining and broadening the horizons of their personnel. It turns out that such programs can greatly enhance employee loyalty.

In particular, companies with mature and stable personnel (which is characteristic for the adolescent and prime stages of company development, according to the Adizes model (Adizes, 1990)), this model may serve as an important instrument for improving the stability of personnel groups and teams. Attending awareness (rather than instructional) seminars—for example about Big Data—allows directors to understand the importance of this field for their companies and encourages them to send their employees to management education institutions that offer a full-fledged instructional course on Big Data as part of their management program.

Another conclusion that we can make is that managing cultural diversity is crucial for businesses, which is also one of the challenges. For example, executives tend to view art as entertainment and an escape from their professional problems rather than an instrument of developing important skills necessary for successfully competing in business. At the same time, it has been shown that studying the visual arts helps students to develop their intuition, which is a key skill for entrepreneurs and top managers in the conditions of a rapidly changing external environment and growing competition. The study of theater management allows students to develop their talent management skills, while studying trends in the natural sciences helps them to understand what products and services may appear in the future. This means that teaching ‘secondary’ subjects at management education institutions may become an important instrument for the development of new (or developing old) skills among students. At the same time, this can serve as another approach to raising awareness at management education institutions.

Management education institutions are increasingly facing competition from corporate universities. The HSE Graduate Management School lost up to 30% of its annual revenues when Sberbank stopped working with it after establishing its own corporate university. On the one hand, Sberbank founded its corporate university because existing management education institutions were unable to meet the extensive and growing needs of this major corporation that is going through a stage of major business transformation. On the other hand, however, the corporate universities themselves are running the risk of turning into ordinary aggregators of educational services. This situation leads to the need to search for new forms of cooperation between corporate universities and management education institutions. Corporate universities are maximally adapted to solving a company’s problems, while management education institutions should act as an aggregator of practically oriented knowledge (consulting and focusing research on practice). If a management education institution does not become such an aggregator, it will simply turn into a workplace for teachers that the corporate university ‘buys’ for its programs.

The authors also note that the people working in business are taking an increasing interest in teaching. Studies that we have conducted outside the framework of the present project have yielded surprising results. Over 40 specialists from the Ural Mining Metallurgical Company (UMMC) are teaching at UMMC’s unique corporate technical university, while over 200 specialists of Mail.ru, one of Russia’s leading IT companies, are enthusiastically teaching specialized courses at universities with departments in the company’s field (Moscow State University, Bauman Moscow State Technical University, etc.). One should also mention the constantly

growing number of practicing managers that are teaching at the HSE Graduate Management School. These teachers do not only hold master classes, but also teach entire courses and even serve as directors of specialized programs.

Thus, non-professional teachers conduct successful education for students in their main specialty field. Although further studies are needed to understand the causes of this phenomenon, two hypotheses shall be advanced here.

First hypothesis: By its nature, teaching is one of the key forms of cognition. Thus, people that strive for professional and personal development begin to teach for the purposes of self-development. Such a method of self-development partly corresponds to the existing conception of lifelong learning (LLL). LLL calls for different forms of education and teaching is a specific form of cognition that makes a specialist understand a subject at the level at which he teaches it.

The second hypothesis is partly connected with the first. A specialist experiences the desire to engage in neighboring fields of activity in order to expand and deepen his knowledge of his subject. In such a case, the specialist begins to teach, mastering a new form of activity. It is clear that management education institutions should take the advantage of this phenomenon.

7 Conclusions and Limitations

The development of new technologies, the changing behavior of consumers in the B2B and B2C segments, and the increasing competition stemming from globalization are profoundly changing the business environment. To adapt to such changes, companies invest a lot of efforts in transforming their activities. In this process, they should get assistance from management education institutions.

This study has confirmed that businesses assign a lot of importance to practice-oriented approaches to management and leadership development.

The study leads to the following conclusions. Corporate universities are becoming competitors of management education institutions. Thus, it is necessary to think about the forms of cooperation between corporate universities and management education institutions for developing business professionals. There is a major problem of preparing specialists in multidisciplinary fields, which may be solved through collaboration between different university departments, management education institutions and corporate educational centers.

The quantitative conclusions of this study are limited by the small sample of surveyed companies. Moreover, there is a clear bias towards service and B2C companies.

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Management and Leadership Development Needs: The Case of Slovakia



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1 Introduction

Slovakia has recently adopted certain structural changes in higher education. The role and quality of formal and informal management education in the country have to reflect the specific business challenges and satisfy management and leadership development needs. This has fostered discussion in Slovak society about the importance of education and business collaboration. This topic has become even more relevant when the European Union (EU) introduced its strategy aiming to create an innovation-friendly environment that makes it easier for ideas to be turned into products and services that will bring our economy growth and jobs (European Commission, 2017). The strategy called Innovation Union promotes open access to information, technology or communication facilities, an increase of entrepreneurship and proposes a discussion about the role of universities in society. Moreover, this strategic document raises questions about the old and new missions of educational institutions as well as their performance and contribution to society as a whole. Even though the benefits of collaboration between universities and businesses are evident for both sides, there are many constraints that hinder collaboration in practice. All these challenges and issues have been researched in several Slovak companies across various industries. The findings are discussed in relation to their implications and to the original research questions in the final part of this chapter.

The main aim of this research was to gain an insight into the emerging business challenges, the current managerial and development needs, and how to address and act upon these needs with relevant educational offerings. With results from both

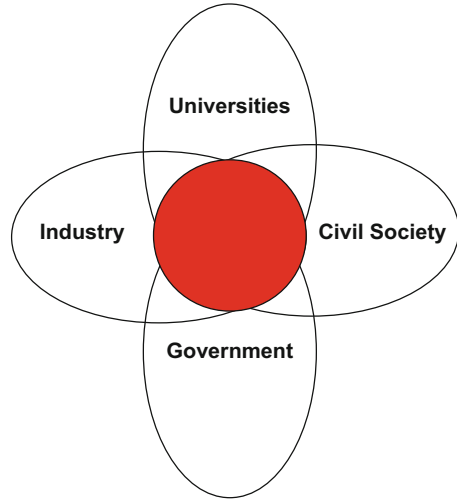
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qualitative and quantitative research together with secondary data, we were able to answer the two main research questions: what are the current and future business challenges and what are the current and future management and leadership development needs in Slovakia? Consequently, how are these issues currently addressed and what should be the relevant educational offers in the future?

The research conducted in Slovakia indicated that business challenges that come from the external environment pose both opportunities (thanks to significant technological progress and growing markets) and threats (changing legislation, immense bureaucracy, intense competition, globalization and internationalization, and an inadequate labor market structure). Thus, companies face multiple and very complex changes. In order to address business challenges and maintain their competitive advantage, companies inevitably need to invest in innovation and people. They need to find new ways of leading and motivating people and to establish new types of relationships between employees and employers, resulting in a participative and active approach of employees creating new knowledge. The incorporation of the Innovative Network Centered Approach (research and education, business, society, customers etc.) can contribute to these efforts. This requires a shift from the production-oriented business towards a people-oriented focus in management. Personal and organizational goals should be linked. An open and effective communication system can become an important tool for reliable information exchange, supporting the development of critical thinking at all levels. The leaders' role is to foresee future trends and requirements for new specializations, which have to be integrated into personal development plans at all staff levels.

The importance of this exploratory study for Slovakia is associated with the acknowledgment of all structural, global and national changes that national companies are facing. Innovation is developing at an increasing rate and businesses are obliged to look for external expertise in order to gain access to various resources (e.g. a wide range of knowledge and competence, a qualified and skilled workforce, technology and research), which are necessary for increasingly complex innovation processes. The outcomes of this study offer a new perspective on the role of managerial education and suggest what changes higher education should implement in order to satisfy the labor market needs and requirements. Collaboration between universities and businesses has to be developed as a relationship which encourages the process of knowledge exchange between educational institutions and the industry; this process is a crucial factor for both sides in order to perform according to their objectives and fulfill their purpose. This relationship can be designed and further examined by means of the Triple Helix model, which was originally framed and introduced by Etzkowitz (Etzkowitz & Dzisah, 2008; Leydesdorf & Etzkowitz, 1996, 1998). The purpose of this model is to show the role of universities in the process of the creation and sharing of knowledge within society. Entering a new era of accelerating innovation (which requires a complex and multidisciplinary approach towards new knowledge and value creation), the Triple Helix model was developed to support the discussion about the current challenges. The result of the

Fig. 1 The Quadruple Helix model. Source: Kimatu (2016)



ongoing study and analysis is the Quadruple Helix model (see Fig. 1), where the benefits and resource sharing processes among many stakeholders (universities, industry, government and civil society) are crucial for developing and implementing any form of innovation.

2 Slovakia's Economic Situation

Slovakia was as an independent state established on January 1, 1993 after the dissolution of Czechoslovakia. Slovakia is a member of the EU (since 2004), the North Atlantic Treaty Organization (since 2004), the Organization for Economic Cooperation and Development (OECD; since 2000), the Eurozone (since 2009) and the Schengen Area (since 2007). In recent years, Slovakia has substantially narrowed the economic gap that separated it from more developed Western European countries (see Table 1). Nowadays, the Slovak economy is one of the most dynamic economies in the Eurozone (OECD, 2013b). From 2001 to 2011, Slovakia had one of the highest GDP per capita growth rates in the OECD (n.d.), which was mainly driven by an increase in labor productivity. In 2016, Slovakia improved its worldwide ranking in the Doing Business report (prepared by the World Bank Group) by eight places to the current 29th position and set a new record in production sector growth (World Bank, 2016).

Table 1 Macroeconomic data of Slovakia

Official name	Slovak Republic (Slovakia)					
Type of government	Unitary parliamentary republic					
Land area (in km ²)	49,035					
Population (millions)	5.4					
	Facts and figures					
	2011	2012	2013	2014	2015	2016
GDP (current USD, billions)	98.181	93.414	98.478	100.761	87.268	89.552
GDP per capita (current USD)	25,835	26,218	26,581	27,238	28,254	29,156
GDP per capita growth (annual %)	2.687	1.484	1.382	2.471	3.732	3.192
Foreign direct investment, net inflows (% of GDP)	5.427 (5.54)	1.777 (1.64)	1.004 (1.02)	-0.362 (-0.36)	1.152 (1.33)	3.548 (3.96)
Exports of goods and services (current USD billions)	83.289	85.083	92.161	92.255	81.375	83.890
Exports of goods and services (% of GDP)	84.83	91.08	93.58	91.56	93.24	93.68
Corruption Perceptions Index (score)	40	46	47	50	51	51
Competitiveness Index (rank/score)	48/58.6	45/57.3	47/54.5	45/53.3	46/62.2	45/58.3
Ease of Doing Business Index (rank)	48	43	49	29	30	33
Average wage (net USD) per month (EUR in parentheses)	1093 (786)	1046 (805)	1094 (824)	1140 (858)	997 (882)	1084 (1042)
Minimum wage (net USD) per month (EUR in parentheses)	441 (317)	425 (327)	449 (338)	468 (352)	421 (380)	424 (405)
GINI index	26.58	26.12				
Human Development Index (score)	0.835	0.838	0.841	0.842	0.845	0.848

Source: <http://www.worldbank.org>; <https://www.transparency.org>; <http://ec.europa.eu>

The Slovak economy is considerably dependent on exports. More than 85% of exports go to EU countries. The key industries of the Slovak economy are engineering (42% of industrial production) and the automotive industry (33% of mechanical engineering).

Three world-class automotive companies have production facilities in Slovakia: Volkswagen Slovakia in Bratislava (since 1991), PSA Peugeot Citroën Slovakia in Trnava (since 2003) and Kia Motors Slovakia in Žilina (since 2004). This makes Slovakia as one of the world's top car producers. All together, the three factories produced more than one million cars in 2016. In 2018, Jaguar Land Rover is expected to start its production in Slovakia (150,000 cars per year). The automotive industry generates more than 65,000 jobs with an average monthly wage of 1150 euros. This industry supports the growth of businesses in other sectors as well. Almost two thirds of industrial production are exported to other EU countries. The growing exports to EU countries compensate for the declining exports to the Russian Federation due to EU sanctions.

The foreign value added of Slovak exports is the second highest in the EU (the highest being exports from Luxembourg). At the beginning of the 1990s, Slovakia

became attractive for foreign investors due to its highly qualified workforce (partly formed by the artillery industry). However, this skilled generation of workers is retiring now, which is creating a shortage of qualified workforce. The average unemployment rate in February 2017 was 8.39% (the lowest being 3.94% in the Trnava region and the highest 13.5% in the Prešov region). These significant geographical differences in the labor market are increased by low labor mobility and one of the highest long-term unemployment rates in the EU (approximately two thirds of all unemployed people are without a job for more than 2 years).

Slovakia will benefit from the new investment in the automotive industry by Jaguar Land Rover in 2017–2018, which will directly and indirectly generate approximately 200,000 new jobs. However, structural unemployment continues to be a key challenge, reflecting the geographical differences in labor market conditions. The majority of companies stated that the main problem of the Slovak economy is the lack of skilled workforce. This problem is linked to the small proportion of students who are willing to enroll in professionally oriented programs. More than 30% of Slovak companies are interested in foreign workers from Ukraine, Romania, or Serbia. Employing foreigners is one of the solutions companies use to tackle the lack of qualified workers in Slovakia. This problem considerably limits their future investments and makes some companies leave Slovakia and relocate to other Eastern European countries (e.g. Romania or Ukraine).

The great number of foreign direct investors in Slovakia is a source of innovation and know-how transfer. A few years ago a wave of foreign investors targeted the aluminum and machinery sectors (e.g. Norway's Hydro Aluminum, Spanish investor Gestamp, Miba Sinter from Austria, Schaeffler from Germany) contributed to the considerable acceleration of the Slovak economy. The food industry and breweries are still attractive for foreign investors. Slovak milk processors have persisting problems caused by a drop in the purchase price of milk (which affected all of the EU). Two Slovak IT companies are established worldwide: ESE, a company producing antivirus software, and Sygic, which produces navigation systems.

Although the Slovak economy is highly integrated into global value chains, production is concentrated in a few sectors and regions (OECD, 2013a). Rather poor infrastructure, especially highways, restrains investment in eastern and central regions, which prevents their integration into global value chains and contributes to regional divergences. An extensive nationwide highway system is planned, but there are very low expectations regarding its fulfillment in the near or even distant future. Recent experiences in highway construction have led to even more uncertainty as promises for completed roadways have differed wildly from reality (Vaňová et al., 2016). Foreign investment concentrates around the capital, while the eastern and central regions do not even attract domestic investors. The government tries to strengthen research and development in the private sphere by offering an additional tax reduction of 25% (which was introduced in January 2015). However, frequent legislative changes as well as administrative and regulatory barriers considerably limit further domestic economic activity.

The main challenge for the whole industry (especially the automotive industry) is the shortage of qualified workforce in the next 3–5 years. This is a huge opportunity

for secondary schools and higher education institutions (HEIs) to minimize the growing gap between the education system and the private sector. Considering the problem with workforce, companies are willing to cooperate more intensively with educational institutions. The goal of these efforts will be to produce ‘ready-to-work’ graduates.

As a reaction to the qualified workforce shortage, a dual vocational education system was introduced in 2015, but interest among potential participants remains low. The new dual vocational education system builds on a long tradition that dates back to the pre-1989 Czechoslovak system that forged a strong connection between schools and state-owned companies. For the academic year 2016/2017, 298 employers were approved with 2763 apprenticeship positions (European Commission, 2016). Supported by household expenditures, the economic growth of Slovakia will continue in the future. The GDP is predicted to grow by 3% in 2017 and 4.6% in 2018 (OECD, n.d.) driven by the final consumption growth and a rise in the employment rate, the significant growth of real salaries, low interest rates and the continuing decrease of energy prices.

3 Main Features of Management Education in Slovakia

The main features, the historical development and current trends in management in Slovakia have been influenced by the historical, political, social and economic changes both at the national and international level. In 1940, the College of Commerce in Bratislava (as part of former Czechoslovakia) was established. In 1945, the school was nationalized and its name was changed to the Slovak College of Commerce. In 1949, it was renamed the College of Economic Sciences. The Governmental Decree No. 40/1952 altered its name to the College of Economics (since April 1992, it has been the University of Economics in Bratislava; University of Economics in Bratislava, n.d.).

The social, economic and political systems of the former communist countries have faced considerable changes since the late 1980s. Most countries in Central and Eastern Europe (CEE) have undergone their own individual path of transition from a centrally planned command system to a more or less liberalized market economy (Dana & Dana, 2003; Varblane & Mets, 2010). The almost 3-decade long process of developing the market-based economy and creating a new management culture in Slovakia could be defined as the fundamental base for development of formal and informal management education in Slovakia.

There has been a boom in management education programs since 1989 (when the transition process began) due to a strong need to learn about market-based economies and accommodate a capitalist business culture. Taking into consideration the changes both in Slovak society as well as in management education the entire transitional timeline has been identified as follows.

The first stage, which lasted from 1989 until 1995, is characterized by the beginning of the transition to a market-based approach, the dissolution of

Czechoslovakia and an extensive privatization process. In the second stage, ranging from 1996 to 2004, an emphasis was put on gaining new managerial experience offered through many mergers and acquisitions as well as the rapid development of foreign collaboration thanks to various international experts and international programs. The period from 2004 until 2012—and as such the third stage—is characterized by the accession of Slovakia to the EU, the country's switch to the Euro currency and by the global economic recession. Finally, the fourth stage, ranging from 2012 to the present, is characterized by a strong emphasis on innovations and the application of ICT in all organizational processes.

Managerial education, both formal and informal, was shaped through all four stages. During the first stage, between the years 1989 and 1995, Slovakia was still part of former Czechoslovakia and the early 1990s was a period during which new universities were established by combining several technology-oriented study programs with business schools or faculties of economics. The idea was to meet the growing demands of the market, but to generate additional funding for existing universities as well. This process also generated several interesting entrepreneurship-oriented universities. A good example was the Tomas Bata University in Zlín in the Czech Republic, which was established in 1969. The university was named after the entrepreneur (shoemaker) Tomáš Baťa. In 1900, Baťa built a modern factory in Zlín and imported modern shoemaking machines. He gradually applied the methods of American mass production to traditional shoemaking, with revolutionary methods and technologies in production, management (each employee had a regular salary and working time and participated in the company's profit) and sales. In 1925, he established the shoemaking apprentice school Baťa School of Work (Tomas Bata University, n.d.). He developed the so-called Baťa Management System, which covered social, health, cultural and educational areas (Culík, Končítíková, & Staňková, 2014). After World War II, all of Baťa's companies in Eastern Europe were nationalized by the communist regime.

There has been an explosion of management education programs in several CEE countries since the transition began in 1989. The collapse of the Soviet Union in 1991 had an impact on this transition for managers. Many universities had to upgrade their study programs because the concept of management, as it was understood by Westerners, did not exist in these nations until the economic transition began (Jurse, 2008). Thus, although the Faculty of Business Management at the University of Economics in Bratislava was founded in 1953, all other programs have been either founded independently or spun off from existing economics, engineering, or other programs since the transition began in 1989–1990 (Waddock, 1997, p. 369).

Managers from state-owned companies, that had been privatized right after 1989, gained first new managerial experience such as fostering relationships with new partners (mostly foreign investors), negotiating business deals (very often in a foreign language) and important experience in marketing and management based on market principles. Central European management schools needed to learn about management concepts and practices as they were taught in the West, but it was also important that they developed their own unique approach and materials. Case

studies, examples, readings, and texts based on local conditions were lacking (Waddock, 1997). Geert Hofstede stated: “A new definition of management and consequently management education may be needed for emerging Central European nations” (1993, p. 81). In 1991, the Faculty of Management, Comenius University was established as the first management faculty in Slovakia with a special management study program. In 1992, an entrepreneurship-oriented curriculum called Enterprise Economics and Management Economics was established at the Faculty of Economics of Matej Bel University.

The second stage, dating from 1996 to 2004, was characterized by the rapid development of informal management education offered by many development companies. Koubek (2000) defines three areas within the education system that develop managerial skills and capabilities: the area of education forming fundamental knowledge and individual skills which do not reflect the activities of a company; the area focused on obtaining skills to match the professional work in question and other qualifications required by a company; and the area of individual development where the individual obtains knowledge and skills beyond the required ones. The latter focuses on managers and experts.

In 2004, there were 27 HEIs in Slovakia, out of which 20 were public, three state-owned and four private. According to scope and professional orientation, there was only one university of economics. Higher education was offered in the form of 194 study programs at the bachelor level and 645 programs at the master and PhD levels (Institute of Information and Prognoses of Education, 2005).

During the third stage, which lasted from 2005 until 2012, a shift from general management education towards more specific knowledge and skills-oriented education occurred (Beneš, 2008). That explains the difference between formal and informal education. Vodák and Kucharčíková (2007) as well as Bartoňková (2008) argue that informal organizational education is required due to various organizational needs. This follows three main aims: education which is mandatory due to changes in legislation and/or the implementation of new technologies and processes (e.g. safety and health development, taxes, accounting, project management etc.); education which provides the soft skills necessary for the improvement of organization performance (e.g. communication skills, foreign languages, market research etc.); and education which is strategically planned for future benefits of the organization (e.g. growth, organizational culture, leadership, motivation, etc).

Organizational leadership skills became one of the most valuable capabilities in organizations. The time and financial sources spent on the education of managers increase the competitiveness of the organization and have an impact on profit increases (Milkovich & Boudreau, 1991). The period of crisis that most managers went through shows that traditional methods or linear thinking are no longer sufficient to cope with unpredictable emergencies. Managers need to develop their ability to see the big picture and to practice a ‘whole system approach,’ which is a product of long-term personal development, of moving from the single method of learning towards a multidisciplinary approach. The latter consists of elements of coaching, action learning, implementation of feedback and reflection in every-day managerial work. On the other hand, formal management education has lately seen

an increase in importance. Previously, many managers supported gaining managerial experience directly at work, which was presented as the ‘learning by doing’ approach. In the last 10 years, there has been a growing interest for MBA studies as well as the establishment of various management study programs.

The fourth stage, which has been defined to have started in 2012, is characterized by the focus on creativity and innovativeness via ICT tools and techniques used in formal and informal education. The explosive, accelerated growth of knowledge in a rapidly changing and increasingly interdependent world requires managers to know so many things that it seems impossible to keep up. At the same time, the world is beginning to automate jobs in a quicker manner and on a bigger scale than during the industrial revolution and the initial stage of the information age. The decrease in employees in these industries influences economic growth (Hickman, 2016). New possibilities and more advanced approaches in education and learning have to be invented in order for managers to keep up with these rapidly changing and increasingly demanding requirements. Organizations are facing a crucial dilemma: either they develop managers as generalists or focus on having specific experts for particular areas. Most theoretical work suggests a combination of both formal and informal education (Čakrt, 1993; Hroník, 2007).

4 Research Methodology

The overall goal of this exploratory study was to identify management development needs, and how to address and act upon these needs with relevant educational offerings. At the same time, researchers critically evaluated the achieved results and proposed a new concept for the future trends regarding the development needs of managers and leaders. In addition, the main gaps between education and business were explored. As part of this exploratory study, different educational methods and approaches were identified.

Researchers conducted both quantitative and qualitative studies. For the quantitative part of the research, an online survey was used. The researchers presented an online questionnaire to public and private companies as well as private-public partnerships operating in Slovakia regardless of market sector or company size. To increase response rates, both English and Slovak versions of the questionnaire were distributed. The non-probability judgment sampling method was applied. The data collection phase for the quantitative part of the study was done from the end of January 2017 until the end of February 2017, during which 127 companies completed the questionnaire. The online survey covered various features of educational activities and programs, such as educational models used by the company, delivery methods, areas, the type of providers as well as the duration and language of the selected programs. The survey also focused on the main reasons for sending employees to these programs, the criteria regarding the selection, the most preferred programs and whether or not companies have an assessment system measuring the impact of these programs.

A significant majority of the overall sample of 127 companies (82.7%) included in the survey had been operating on the Slovak market for 30 years; another 17.3% of companies have been in operation for 31 years or even longer, extending to more than 100 years. Regarding the ownership structure of the companies, the majority of them were private (73.2%), 11.0% were state-owned, 7.1% were public, 3.9% of them were a private-public partnership, and 1.6% were cooperatives, foundations and other types of companies. Manufacturing was the most prevalent industry (27.0%) followed by wholesale and retail trade (13.0%); construction, hotels and restaurants, health and social work (8.7%); companies from the transport, storage and communication sector (6.3%); and the IT sector (4.7%). The rest of the companies were from agriculture, real estate, education and other industries. According to the size of the companies (determined by the number of employees in the year 2016), the majority of the researched companies were small and medium-sized (up to 249 employees); 67.7% of companies were small (42.5%) and middle-sized (25.2%). More than half of the companies (55.9%) stated they have a dedicated (HR) function and/or department and more than one third (36.2%) has a dedicated learning center. All data were analyzed via descriptive statistical methods.

The qualitative research was based on grounded theory, where interviews with open questions were the main research method. These interviews, as the essential part of the qualitative research, were conducted with nine manufacturing companies mainly located in the central part of Slovakia. The interviews were carried out with the companies' CEOs (mainly men with a technical background, aged 50 and older) and HR managers (mainly women with an economic background, aged between 40 and 50). Most of these individuals held a master's degree; some had an MBA degree. These individuals graduated from institutions not only in Slovakia, but also abroad. The interviews were conducted between March 2016 and December 2016 by four experienced researchers (two senior researchers, one associated professor and one professor). During the qualitative research phase, the researchers addressed nine companies from seven different industries; all companies had their own production facilities and were located in the central part of Slovakia. Various industries and sectors were covered, including companies from chemical and recycling, steel, foundry, furniture, aluminum and food production industries. The companies' size varied from small and medium-sized (50–300 employees) to large companies (1200 employees). All of them had a private ownership structure. All interviewed companies had a dedicated HR function and/or department, but only a minority also had a dedicated learning center.

The conducted interviews consisted of open questions, which were sent to interviewees in advance for their preparation. The researchers investigated the current and future business challenges of the companies; their ways of addressing these challenges; the current and future management and leadership development needs; the companies' support provided for this development; the missing links between companies and educational institutions; the utilization of development and education programs in companies; the impacts of the development undertaken; and the systems for evaluating the progress of the development and education in question. Each interview lasted one hour, in some cases one and half hours. Grounded

theory as a research methodology and theory-building platform was used for data analysis. All data were analyzed using the open coding technique. Half of the companies involved also completed the online survey.

5 Research Findings

In this section, the results of coding and the statistical analysis are discussed, which are referring to the country's economic situation and to the literature review provided in the previous parts. New categories and theoretical approaches were proposed as a result of coding and they are compared with the findings from the survey. The structure of this section is based on the eight research questions.

5.1 *The Current and Future Business Challenges*

Based on the interviews conducted with the companies, the categories have been defined in such a way that they point out the current and future challenges in both the external and internal environment. Macroeconomic uncertainty was identified as a challenge by most respondents. This category is connected with the positive and negative effects of globalization and internationalization processes. The external influences of the macroeconomic environment appeared mainly in the changing legislation, political instability, the economic crisis, or growing and changing markets. Since all businesses are operating beyond the local market, internationally growing markets, EU policy and regulation have a big impact on the companies' product complexity and cost structure. Additionally, companies experience a significant lack of qualified and skilled people willing to work in a labor market that is unprepared for their current needs: saturated with insufficient qualification structures, limited mobility, fluctuating and (showing) regional differences.

[The] quality of workforce is gradually decreasing, because the best ones left Slovakia or work in multinational corporations, especially in the automotive, distribution or pharmaceutical sector and we must work with the average ones.

Growing competition from Asia, but also other regions in many industries can be tackled by a strong focus on innovation and quality. The internal challenges that were foreseen for the future have been grouped in these three areas: understanding change as a multifaceted and complex factor; acknowledging technology as one of the most frequent generators of innovation and change; and searching for new ways of identification, leading and motivating people in order to foster their creativity.

From the results of the interviews and the survey, it can be observed how the companies understand and foster innovation. Even though the key challenges faced by companies are associated with the innovation process and technology, the topics to be least frequently featured in educational activities are change management and

restructuring (11.9%), research and development (R&D; 8.7%), system thinking (5.6%) and design thinking (4.8%). On the other hand, computer and IT skills were pointed out by 50% of the respondents followed by programs in technology, operations and logistics (30.2%), information management (28.6%) and strategy (27.0%). The reason for that could be either a lack of consistency when it comes to the strategic planning between a company's different functions (e.g. structure and quality of staff, focus of innovation strategy) and/or the lack of variety in development related to innovation, which are offered by educational organizations. Contrary to these observations, the challenges related to human resources are matching with the survey findings. Both types of research underlined the extensive implementation of development programs, which enhance the creativity of people, e.g. team building (45.2%), interpersonal communication and effectiveness (34.1%), marketing (30.2%) and creativity and innovation (22.2%). However, researchers experienced the opposite and only some of the interviewed companies indicated that they opted for development in system thinking, design thinking, R&D and change management even more commonly than for the development of other areas.

Slovak companies are no longer only assembly partners to multinational enterprises. Many of them operate in technology-driven and very dynamic sectors such as the automotive, aluminum and ICT industry, which have brought their research and innovation activities to Slovak production facilities. As it was already pointed out in part 2 of this chapter, Slovakia maintains its industrial focus, therefore continuous innovation is a driving force to sustain global competition. This is closely linked to the current and future challenge to have a properly skilled and qualified workforce, which will be a very valuable asset and key driving force for further development based on different types of innovation.

5.2 How Are the Challenges Addressed by the Companies?

Since 1989, Slovak companies have entered the global market and gained tremendous international experience by cooperating with foreign multinationals and/or through the internationalization of their inherited businesses. However, the unpredictability and uncertain features of the international environment make it more difficult for them to recognize relevant business objectives. Furthermore, after entering the global environment, Slovak companies had to face stronger international competition. The strong focus on customers is visible through the rather frequent development programs in the areas associated with sales (32.5%), marketing (30.2%), negotiation (27%) and customer service (26.2%), although in some companies, these areas of development were said to have never been addressed. New requirements from customers created the need for new job positions and skills, which required a certain specialization of employees. In order to maintain their competitive advantage, Slovak businesses inevitably needed to invest in innovation and people. The strong emphasis on innovation was the key outcome of all

efforts that companies are making to address the identified challenges. This is resulting in a shift from production-oriented companies towards R&D-based business together with innovation-focused strategies. As many respondents noted: “*We feel constantly increasing pressure from competitors, especially big players, but we think that thanks to our innovativeness and creation of our own R&D department we will be able to compete now and in the future.*” The framework of innovation is represented by several inter-relational aspects in the organizational environment and has been defined as the Innovation Centered Approach. Here,

the development of strong research is vital, which is focused on the creation of new products/services and our own production know-how. This makes all organizational processes more effective, thus enhancing innovation and continuous change. Moreover, the investing in modern technologies and human resources is expected.

In addition to that, “*the development and implementation of new technologies must be accompanied by the development of the human factor.*” Qualified human resources with the required expertise and skills have become one of the key priorities of companies in order to sustain the business and compete successfully. Companies have been addressing the issue of a problematic labor market by, among other things, setting the vision to become the most attractive employer in the region or via outsourcing experienced experts from multinational corporations.

The respondents have mentioned three main approaches towards innovation. Firstly, all R&D activities have to be incorporated into the formulation of new innovation strategies. The various types of innovation have been mentioned here, including the expansion to new markets, which requires unique products and services; new and progressive organizational structures, which foster innovation and the change of all processes; developing the companies’ know-how and enhancing their research capabilities. On the other hand, companies formulated their competitive strategies in the traditional way, where a balance between the costs, price and range of products was still the main objective. The second approach reflect the importance of effective communication (using both ICT tools and face-to-face communication) with the customers as well as within the company. The active involvement of the customers in the process of strategic planning was mentioned by several respondents as a source of innovation. An active role and proactive approach towards customers was also emphasized:

When we have new ideas, we must share them with our customers . . . we visit them, they show us how it works in their company . . . and we say: we could improve this for you and accelerate work . . . it will be better designed and we can participate in the research.

A few tools are used by the respondents in order to establish good communication, including open spaces, building positive relationships in the workplace, establishing informal ways of meeting and discussions among employees.

The third approach is addressing collaboration between business and educational organizations in order to get a skilled workforce. This will be elaborated in more detail in the part where the missing link between the corporate world and educational institutions is analyzed.

5.3 *What Are the Current and Future Management and Leadership Development Needs?*

The coding of the responses provided by the CEOs and HR managers has established a distinction between the managerial and leadership level. In this section, our analysis therefore separates the development needs of these two levels.

The current and future management development needs have been observed through the entire organizational hierarchy starting from the strategic, middle and supervisory level. The emphasis has been given to improvements of the strategic decision-making process, to connecting organizational and personal goals, and to implementing a process management approach in order to sustain the growth of the company. That is associated with the need of changing the mindset on the managerial level as well as including the employees in the decision-making process (“*Our employees are involved in the fulfillment of corporate goals*”). The educational programs listed in the survey focused on the development of managerial skills (which were pointed out by one fifth of the companies) and combined both hard and soft skills: information management (28.6%), quality management (24.6%), time management (23.0%) and conflict management (21.4%). The least frequently used development for managers were foreign culture (9.5%), organizational behavior (9.5%) and corporate finance (8.7%).

The identified managerial development needs are closely linked to the leadership development needs which were analyzed based on the CEOs’ responses. The researchers have selected those educational programs from the survey, which are developing leadership capabilities. Almost one fifth of the companies has conducted development in leadership and corporate governance (18.3%), followed by development in sustainability, change management and emotional intelligence (each 11.9%), system thinking (5.6%) and managing stakeholders (2.4%). The needs linked to leadership development have been identified more broadly, with the main categories being the importance of understanding and implementing critical thinking across the whole company and coping with more specialized and diverse human resources. Both categories represent a long-term and step-by-step process, which has been acknowledged by all respondents. The need to understand and implement critical thinking is closely linked with the development of an open communication system across the company. This requires a shift from the production-oriented business towards a people-oriented focus of management. The respondents recognized human resources as a vital part of the effective communication system within the company. This explains why development programs aimed at developing different interpersonal skills (61.9%) and communication skills (61.1%) are the most frequently used by companies.

The leader’s role is to foresee future trends and requirements for new specializations that have to be implemented through personal development and developing plans at all staff levels. Diversity became the key resource for getting certain

specialized skills. Said diversity could be obtained through forming multidisciplinary teams across different generations, cultures and/or professions. However, in some sectors at the national level, there are administrative and legislative barriers limiting future diversity. More often, leaders draw from internal sources to meet the new job demands through career development plans, establishing new systems of succession, and using informal coaching between senior and junior staff.

The development programs fostering development in these fields are teambuilding, foreign culture, creativity and innovation, project management, system thinking and R&D. However, all these topics were mentioned by only 10% of the respondents.

5.4 What Support Are Companies Prepared to Provide to HR Development in the Foreseeable Future?

The support that Slovak companies are providing to staff development manifests itself in two approaches. Firstly, one has been identified within the system approach, which is used by many companies to analyze the development needs of all employees in order to improve the performance of the company. This system provides the necessary information when decisions are being made on what knowledge and skills need to be obtained and how. HR managers are responsible for this activity and in all interviewed companies, they have created an internal database of different types of development (formal and informal), seminars, workshops, and conferences held both locally and internationally. The most commonly used educational activities in the last 5 years were internal development programs (72.8%); by comparison, 27.2% of respondents never used this type of development or it was their least frequently used method. When these findings are compared with the answers on the question about educational programs and the type of provider, it can be seen that they are rather consistent: companies firstly rely on their own capacities (74.0%) and use this type of development most commonly (42.9%) and commonly (31.1%). External development programs are used most commonly or commonly by 59.7% of companies, especially via consulting firms (52.9%). Companies rarely use university centers (12.3%) and management or business schools (15.2%) as providers for development and education. This result is not surprising when looking at our qualitative research results, where the companies' representatives expressed their critical opinions and views of academia and stressed a big gap between theoretical institutions and 'the real world.' A majority of companies never uses higher education for further education or development (63.2% for university centers and 54.5% for management and/or business schools), still some of our interviewed companies stated they used management and/or business schools commonly. Here a tough question arises for HEIs: how they should respond to this discrepancy and how will they improve their reputation in the future?

The research results obtained from the online survey also correlate with the findings from the interviews, where the focus was on human resources. The involvement and contribution of staff in the process of effective communication became one of the key management and leadership challenges represented by the most frequently conducted development programs in interpersonal and communication skills (61%).

To support the current development needs, the surveyed companies most commonly or commonly used in-person educational programs (88.8%) in combination with online teaching methods (42.5%), followed by blended education (33.4%) in the last 5 years. The researchers suppose that in-person programs allow for closer interaction among the participants as well as with the lecturer, whereas the potential for overall group discussion in comparison with online forms of education is also higher. On the other hand, online education is cheaper and might be less time-consuming and more suitable for specific areas, hence companies also make use of it. The online survey revealed that short-term programs were the most frequently used as more than three quarters of companies (77.0%) chose those with a duration from 1 to 3 days and more than one third (34.9%) indicated they opt for 1-week development programs. The most used language of the programs was Slovak language (81.5% of companies), followed by 12.9% which chose programs in English. The interviewed companies also indicated they preferred 1–3-day development programs (*“We prefer 2-day educational activities outside the company including team building”*) and most of them preferred programs in Slovak language.

The programs that are the most sought after (meaning that between one third and almost two thirds of respondents pointed them out) were related to soft skills, especially to communication: people skills, communication, team building, interpersonal communication and effectiveness. Among hard skills, computer and IT skills were the most prevalent, followed by foreign language skills, sales/marketing and technology, operations and logistics. These findings can be used by educational institutions or program providers as a basis for future decisions on how the program structure should be designed for the market.

A change in a managerial attitude among the respondents was observed. The managers acknowledged that proactive employees contribute to the success of the company. Most of the respondents stated that the development and the reward of a dedicated and proactive employee is crucial and have to be conducted in collaboration with international educational institutions.

Coaching was identified as one of the tools which would support management and leadership development in the foreseeable future. There are various approaches how to use coaching. Most of the companies included in the study implemented coaching as a tool for the adaptation of young staff, or for further development programs.

5.5 What Is the Missing Link Between the Corporate World and Educational Institutions in Terms of Development and Education?

According to the interviewees, collaboration with educational institutions (especially vocational schools or universities) was considered to be problematic. Companies struggle to find skilled graduates with technical and economic competences.

These findings are closely related to the structure of our sample with prevailing industrial sectors. Hence, the answers to the questions ‘What is the missing link between the corporate world and management development institutions in terms of development/education, which would make a standout win-win proposition?’ and ‘What do you miss the most about educational offerings and about educational institutions?’ indicated a lack of people leaving educational institutions with appropriate knowledge in technical fields, as companies stated: *“It is more difficult to find a good technician than a good accountant.”*

Even though all respondents stated that collaboration between business and education is essential in order to have access to a diverse and skilled labor force, the findings from the survey do not justify this statement. Formal educational models such as bachelor, master’s or MBA programs were never or least commonly used for educating employees in 80.3% of the cases, while only 19.7% used them commonly. On the other hand, companies had quite an interesting number of MBA degree holders and almost all of them graduated from universities.

Unfortunately, due to a non-systematic approach and a lack of opportunities for meaningful collaboration on both sides, the gap between education and business in Slovakia has been growing. The introduction of a new effective system of a complex educational structure, where the requirements of the corporate world are presented to students, has been brought up in the interviews. For a fairly long period of time, formal educational institutions (secondary, vocational and higher education) have been misled by government inventiveness and a bad reward system where the companies’ needs regarding certain specializations and qualifications were neglected. The companies interviewed perceived formal educational institutions in Slovakia to be lacking a practical focus. As a result, educational organizations lag behind practice in many fields (e.g. ICT, research, technology, marketing, critical thinking, communication skills). This explains why foreign language courses (ranked 37.3%) and computer and IT courses (50%) are still the most frequent informal development programs organized by companies, since respondents stated that foreign languages and IT skills are practically not taught in formal educational institutions. As for the criteria regarding the selection of development, companies usually rely on previous experience (42.1%) when they look for educational program providers, meaning that if previous experience was positive, it is a potential for the future to build long-term relationships. The research findings also show that the perceived quality of program content (38.1%) and the reputation of the provider (37.3%) are considered relevant by companies. This may explain why companies are not choosing HEIs for their development programs. It seems obvious: if the

provider's quality and reputation are important for companies and at the same time they criticize the quality of educational institutions (outdated curricula, a lacking emphasis on practical experience, inexperienced professors), they will not consider them as potential providers. It is a huge challenge for business schools and universities to overcome this barrier and initiate relationships. However, if the first contact is positive, it would be a chance to continue collaboration in the future, as companies mainly decide on the basis of previous experience.

On the other hand, companies are interested in proposing a roadmap of curricula at each level of education. This can be provided by the expertise and huge resource potential that could be offered by bigger companies. The second important conclusion was drawn from the interviews. A new trend has emerged where the young generation is losing interest in technical fields and therefore many employers have difficulties to hire technically skilled labor. The young generation, which is entering the labor market, is lacking vocational education or any other form of practice at their schools. Educational institutions need to incorporate practical forms of development and education into their curricula. This is also supported by the results of Plewa, Galán-Muros and Davey (2015, p. 35) which show the positive impact of senior management engagement, alumni networks and external communication of university-business collaboration. Academic staff at HEIs should put particular emphasis on engaging businesses in the design of curricula and choice of delivery methods, which should have a direct impact on the alignment of curricula with business needs.

Production industries make a considerable contribution to the GDP in Slovakia, and they acknowledge their own active approach to attract the young generation by using all means and tools (e.g. job rotation for apprentice trainees, on-the-job development and a continuous learning process). The successful implementation of these initiatives would solve the current labor force-related problems that companies face nowadays. On the other hand, as stated previously in this chapter, the world is beginning to automate jobs more quickly and on a larger scale than during the industrial revolution and the initial stage of the information age. "The number of employees per business revenue is falling, giving rise to employment-less economic growth" (Hickman, 2016, p. 65).

5.6 How Have Development and Education Programs Been Put to Use in Companies?

One of the questions in the questionnaire was related to the systemic monitoring of the impact of management and leadership development programs. Two different approaches have been identified among the respondents. Managers encourage discussion about performance improvements and employees' expectations after attending the development program or any kind of education. External development

programs have been conducted in 49.2% of companies and focused on soft skills development.

Another approach gives employees the chance to consider the impact of the development programs themselves. The managers commented that *“it is up to staff members to apply what they have gained during the development programs at work.”* This can help explain the popular use of internal development programs at most companies (40% use them most commonly, while 32.8% use them commonly). The reason for this preference was clarified by one HR manager: *“We prefer internal development programs mainly due to the fact that our employees save their time.”* These development programs are usually compulsory due to the changes in legislation, or they follow newly introduced government policies or procedures.

Throughout the interviews, a common opinion emerged that any type of discussion regarding performance increase after the development program has to be implemented as a systematic and ongoing process in the work place. The interviewed managers considered themselves internal trainers and supporters of the discussion among employees, who are encouraged to follow new ways of thinking. The use of internal coaching in some of the companies directs the discussion in an effective way to help employees to make improvements every day and opens the door to constructive feedback between managers and employees. A high percentage of respondents (69.0%) stated that the reason for their development are the needs of the department, for 50.8% of respondents the development needs are stemming from the company's strategy.

The surveyed companies saw development and education in general as a source of obtaining specialized knowledge based on which the creation of a new company's know-how may start. The completed education and development brought new perspectives and a different way of thinking to the corporate environment. This approach enables companies to keep up with the latest development putting into practice the obtained knowledge and to multiply this positive effect. All companies acknowledged that ongoing development and education are inevitable to survive in the highly dynamic environment and to be able to compete on the global market.

Based on the results regarding development and educational programs companies have chosen in the last 5 years, the most or least commonly used types, forms, features, criteria or reasons can be summarized. The most commonly used educational models were internal development programs, followed by external 'off-the-shelf' programs and tailor-made external programs. Unsurprisingly, a large majority of companies least commonly or never used formal educational models, such as Bachelor, MBA or PhD programs. The prevailing delivery method was in-person teachings, followed by online programs; the least used method was the blended one. The main areas in which development/education programs have been provided were in the field of soft skills (e.g. people skills, communication, team building and foreign language skills) followed by computers and IT. Regarding the type of providers, companies mostly relied on their own capacities and most frequently chosen programs that were held over 1–3 weeks. The most preferred type of development and education programs were formal ones (short programs) and predominantly held in Slovak language.

The three most important reasons for sending employees to development or education programs that were indicated by the majority of studied companies were the needs of the department, the needs stemming from the company's strategy of implementation and strong personal interest from the employee. Offering development as a reward to their employees was mentioned the least. The five most important criteria regarding the selection of development and education programs were the previous experience with the provider, followed by a general awareness of the needs for the learning output offered by the program, individual development needs, the perceived quality of program content and the reputation of the provider. The majority of the companies does not have an assessment system that addresses the impact of education and development programs in the company.

5.7 What Are the Impacts of Education and Development Undertaken by Companies?

In general, the overall objective of any educational activity is for the participants to increase their knowledge, acquire and improve certain skills. As it was already analyzed in the previous questions, the key challenge for Slovak companies is innovation. Therefore, it is expected they have capable employees who can contribute to innovation and to the sustainable development of the company. The majority of the companies understood that their staff development and the development of new technologies are inextricably intertwined. Employees need to be able to work with new machines, materials and catch up with the latest development of ICT. When employees gain new knowledge and skills, they will be able to contribute to innovation and the development of their company. An improvement of their competences and a more proactive approach were the visible effects of provided development. In addition, our survey confirmed a rather strong personal interest of employees that was indicated by almost half of the companies (47.6%) as the third most common reason for sending employees to educational programs. This means that the stimuli for further education do not necessarily need to come from the company. Over a third (38.9%) of the companies denoted the individual's perception of their own development needs as the second most important criterion for the selection of an educational program. The same percentage stated that there had been a general awareness of the needs for the learning output offered by the program.

Moreover, the use of feedback was pointed out to be crucial in order to fully benefit from the provided development. The managers surveyed underlined the fact that trained staff feels more loyal and appreciated, which is vital—especially in Slovakia, where the professional workforce shortage has become apparent across all industries. This statement was confirmed by the analysis of the current economic situation in Slovakia (described in part 2). The Slovak government is not willing to solve this persisting problem by opening the labor market to the workforce from

third countries. State authorities argue that there is still room for employment, with more than 8% unemployment officially registered at Slovak employment offices.

5.8 Do Companies Have a System for Evaluating the Progress of Development and Education?

In general, all respondents had good experience with informal discussions about the impact of development programs on their employees. The traditional evaluation process in companies (based on the face-to-face exchange of information among employees) is still working, regardless of new trends in digital technology. Following this experience, they do not plan any formalized process of evaluating development progress for the future. The absence of a specific system for evaluating the efficiency of development and education was also confirmed by the quantitative research, where the majority of companies (62.9%) confirmed that they do not have such an assessment system. The majority of the respondents (80%) said their companies did not have any special evaluation process for their development programs, however some companies introduced a simplified way of evaluation based on feedback or discussion with employees. Here the importance of feedback was once again underlined. This conclusion confirmed the importance of feedback and reflection in operational tasks, which was also emphasized in part 3 of this chapter.

6 Recommendations and Implications

The research findings from both types of data-gathering methods show that the development of human resources lack a systematic approach and to some extent does not meet the various challenges coming from the external and internal environment. In order to reflect on the scope of this study, including the current needs and future challenges of companies and HEIs, the key recommendations are formulated as follows.

The process-relational approach, which is based on two fundamental criteria—the innovative performance and orientation of people—can be proposed for managers and leaders. This approach provides managers and leaders with a complex view following the activities related to staff development in the sense of acquiring up-to-date knowledge and skills. In addition, the assessment and evaluation of their impact on the company's overall performance is provided. This approach enables the linking of all processes that are conducted in the companies, focusing on the main aim: innovation and the improvement of products and/or services that are part of the strategy development process and should be accomplished by qualified and capable people. Secondly, the importance of collaboration between the education sector and the business world is crucial. This relationship can be developed and further

examined by means of the Triple Helix model (as it was described previously in this chapter).

Our findings indicate that the flexibility of the labor market is essential in the absorption process of graduates. Following this statement, the involvement of company managers is recommended in the design process of study programs and modules offered by educational institutions. The changes in university study programs need to reflect labor market developments in order to guarantee the employment of their graduates.

The new role of the university, following the commercialization of its results and services, creates the need for an innovative culture and entrepreneurial behavior. According to the interviewed companies, educational institutions should foster soft and hard skills, knowledge and competences, encourage entrepreneurship and produce flexible generalists that are later specialized in their respective fields (e.g. through practical projects). The best students should be selected during the intake process, while study programs should be partially paid to show their ‘value’ for students. Businesses perceive the practical aspect of education as a crucial one. Universities (or schools in general) should become more open and responsive to the actual demands of the labor market, willing to cooperate with the private sector (in the form of theses, projects etc.) and behave like a business (define customers, and study their needs and requirements to respond accordingly). Lecturers that work in the field or have previous practical experience and are respected by the corporate sector would increase the quality of education, together with the involvement of practitioners actively participating in the teaching process. These results are in accordance with previous studies that brought similar ideas to higher quality education, emphasizing practical aspects. Krpálek and Krpálková Krelová (2016, p. 131–132) claim that, in order to implement entrepreneurship education, the following approaches are recommended: highlighting the pragmatic and practical development components, giving more importance to interactive lectures and engaging top professionals in the teaching process (including discussions and consultations with them). The greater involvement of partners from companies and the enrichment of seminars by using case studies, presented by their authors, would also be important. The involvement of students in research activities, startup programs and business incubators should be ensured via the assignment of thesis topics which are based on the needs of real companies and are useful in business practice.

HEIs, both at a regional and national level, are supplying the corporate world with the required workforce. Collaboration between all stakeholders, including governmental support, is therefore considered crucial. The role of government is also mentioned by Stredná and Zúbková (2012, p. 47), suggesting that in the areas of the school system, science and education, the government has to increase financing and establish a new system of school management, provide a link between education and practice, motivate educated young people and thus reduce brain drain.

7 Conclusions and Limitations

Research conducted in Slovakia indicated that businesses are facing huge challenges due to macroeconomic uncertainty and that the changes that accompany it are multifaceted and very complex. In order to maintain a competitive advantage, companies inevitably need to invest in innovation and people. The development of new products and searching for new business opportunities should be enhanced by effective organizational processes and based on efficient strategic approaches, research and the latest technology. Companies also need to find new ways of identifying, leading and motivating people and establishing new types of relationships between employees and employers, resulting in a participative approach where members are actively involved and create new knowledge within the business. In order to address business challenges, an Innovative Network Centered Approach should be implemented. New technology and any type of innovation as a result of R&D should be incorporated in the formulation of new strategies, with human resources as an integral part of the strategic planning process and the active involvement of customers as value co-creators. Collaboration between businesses and educational institutions is inevitable for producing a diverse and skilled labor force.

In order to respond to these challenges with relevant educational offerings, management education institutions need to comprehensively recognize the current and future business challenges and management and leadership development needs. These needs have been observed through the entire organizational hierarchy starting at the strategic, middle and supervisory levels and differ from the managerial and leadership levels. In the last 5 years, companies in Slovakia used educational development focusing both on managerial and leadership capabilities (information management, change management, leadership and corporate governance). In order to effectively execute strategic decisions under uncertain conditions, organizational and personal goals should be aligned with each other, and process management should be applied. The development of critical thinking at all levels of the organization has been recognized as crucial. The need to understand and implement critical thinking is closely linked with the development of an effective and open communication system across the company with the help of ICT as an important tool for reliable information change. This explains why the programs developing different interpersonal skills are the most frequent together with communication development. Compared to the theory about organizational needs (Vodák & Kucharčíková, 2007), all three levels of needs were observed during our research (mandatory, soft skills, strategically planned), however the second level (education, which provides the necessary soft skills for the improvement of the organization's performance) was the most prevalent.

Companies are prepared to provide development in the near future. They understand the importance and usage of various forms of development on a regular basis conducted during working hours that help staff acquire the necessary knowledge and skills. Establishing a system of assessment and evaluation of formal and informal education provides the necessary information on which knowledge and skills need to

be provided by educational institutions. The implementation of a coaching system would sufficiently enhance innovation and the creativity of people as well as support the processes of personal adaptation and ongoing development programs. Moreover, investment in databases and their utilization facilitates the process of searching for employees with the required expertise and enables the sharing of required and missing knowledge and skills. Through collaboration with educational institutions, companies expressed their willingness to offer internships and even financial benefits to attract talented students, especially from technical fields where they lack experts and are worried about the future due to a negative trend within the labor market and the students' low interest in technically-oriented schools. Some of them established their own secondary technical school or collaborate with universities in order to have technically-skilled labor in the future.

The gap between these two worlds has been perceived to be quite large with a negative prospect for the future. Formal educational institutions are misled by governmental inventiveness where strategic focus on the companies' needs are neglected. HEIs exhibit a lack of practical content. Existing initiatives are insufficient, non-systematic and practical education at educational institutions is not meeting the expectations of businesses. The companies suggested proposing a roadmap of curricula at each level of education to define the fundamental knowledge and skills of graduates according to their needs, together with providing a variety of practical forms of development to attract younger generations. When asked about what would be an ideal educational institution, they emphasized that the practical aspect is the most significant.

The interviewed companies saw development programs and education in general as a source of obtaining specialized knowledge, based on which the creation of a new company's know-how may start. This approach enables companies to keep up with the latest developments by putting into practice obtained knowledge and to multiply this positive effect. All companies acknowledged that the ongoing development and education are indispensable to survive in a highly dynamic environment and to be able to compete on the global market. Direct impacts can be seen in day-to-day work. When employees gain new knowledge and skills, they will be able to contribute to innovation and to the development of their company. An increase in their competences and a more proactive approach will be visible effects of development. The overall evaluation of progress can be realized through informal ways of communication, the exchange of information among employees and constructive feedback.

Despite the value of our research findings, we should also point out its limitations, referring to the sample quality in particular. Our qualitative research was based on the responses of nine companies of smaller size from central Slovakia, operating especially in the B2B market. The researchers tried to eliminate subjectivity during the coding process and cooperated closely to make sure the final categories were as objective as possible. Given the limited sample we cannot generalize results for the Slovak economy. However, they provide useful insights for (not only) providers of management education and can be studied further. One of the suggested areas of research would be the Triple and respectively the Quadruple Helix Model, where relationships among universities, businesses, governmental authorities and society

(covering various aspects that arose during our research) can be examined and tested in more detail.

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Management and Leadership Development Needs: The Case of Slovenia



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1 Introduction

The whole world faces severe developmental challenges related to social, cultural, demographic, economic and environmental issues. Slovenia is not immune to these challenges and each sphere of the society is impacted by them, including the business sector on one side, and consequently higher education on the other. In order to understand these challenges from the business stakeholders' perspective and encourage higher education institutions (HEIs) in Slovenia to act upon them with relevant educational offerings, the Slovene research team, on behalf of IEDC-Bled School of Management, Postgraduate Studies, accepted the invitation of CEEMAN to be part of the international exploratory study Management and Leadership Development Needs in Dynamically Changing Societies.

The research team conducted interviews with CEOs and human resource (HR) managers in the years 2016 and 2017 in order to gain an insight into the current and future business challenges and to understand what kinds of learning outcomes (knowledge, skills and attitudes) are demanded by the business sector in

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Slovenia in order to tackle current and future challenges successfully. One of the objectives of the exploratory study was also to recognize the missing links between the demands of the corporate world and management education offerings. It should be emphasized that the missing links identified in this exploratory study are relevant for all HEIs, not only the ones focused on management education.

The main intention of this chapter is to gain an understanding of the demands of the Slovene business sector (as one of the stakeholders of higher education in Slovenia) while taking into consideration the Slovene economic situation and the main features of higher education in the country. Additionally, the chapter gives recommendations to both stakeholders—HEIs on one side and the business sector on the other—on how to make higher education in Slovenia more relevant to the needs of the business sector in the near future.

It should be highlighted that in order to get a complete understanding of the requirements of Slovene higher education stakeholders, further research on this question is recommended where perceptions of other stakeholders (students, alumni, public institutions, government, higher education authorities) are also taken into consideration. However, it should also be noted that the business sector represents the majority of the labor market in Slovenia: in November 2017, there were 623,862 employees in the business sector, whereas 237,147 public servants were employed in the same month (Statistical Office of the Republic of Slovenia, 2017b). Therefore, this chapter tries to find a balance between the two main stances on the purpose of higher education: is higher education a public good or a commodity for the labor market? These diverging positions on the societal role of higher education frequently cause tensions between academia and other stakeholders—not only in Slovenia, but all over the world.

This chapter is structured in the following way: firstly, it describes the development of Slovenia's economic situation after the country gained its independence in 1991, and continues with presenting the main features of higher education in Slovenia. The fourth and fifth section are dedicated to explaining the research methodology and to giving the reader an insight into how the representatives of the Slovene economy perceive the current business challenges and the development needs, and whether and where they see missing links between the corporate world and HEIs. The final part gives recommendations to both stakeholders, explains the limitations of the exploratory study and concludes the chapter with suggestions for further research.

2 Slovenia's Economic Situation

Prior to its independence, Slovenia had already started to move its economy toward a market focus, thanks in part to the push to modernize and diversify the economy early in the twentieth century and in part from the 'self-management' focus in Yugoslavia's market-oriented form of socialism. During the latter half of the twentieth century, Slovenia was the biggest contributor per capita to the Yugoslav economy: despite the fact that Slovenia made up only 10% of the Yugoslav

population, they contributed 20% of the country's wealth and 30% of exports (Encyclopedia Britannica, 2017). The Yugoslav government's mismanagement of resources, and the economy's subsequent debt and stagnation in the 1980s were in part the catalysts for Slovenia to declare independence (Encyclopedia Britannica, 2017).

After Slovenia declared its independence from Yugoslavia in 1991, it was one of the fastest growing transition economies. While it took a few years for Slovene businesses to find new markets to replace the ones lost in the former Yugoslavia, Slovenia found its footing and the economy grew by an annual average of just above 4% between the years 1995 and 2008. However, because of the global economic and financial crisis, in the fourth quarter of 2008, Slovenia experienced its first GDP contraction since the second quarter of 1993 (Encyclopedia Britannica, 2017; Statistical Office of the Republic of Slovenia, 2017a). Subsequently, Slovenia has struggled to recover. The 2008 global crisis hit Slovene banks especially hard. Prior to 2008, Slovene state banks had issued multiple risky loans that turned into non-performing loans (NPLs) after 2008. These NPLs, along with other issues in the banking system, led to a second recession in 2012 and 2013 (International Monetary Fund [IMF], 2016). During those 2 years, Slovenia's economy contracted sharply, resulting in a negative GDP growth (World Bank, 2017). Slovenia worked hard to restructure and privatize state-owned businesses and put in place multiple austerity measures that helped turn the economy around. These measures appear to be working. Recently, despite forecasts that economic growth would be slower in 2016 than in 2015 (The Slovenia Times, 2015a), both the Economist Intelligence Unit and the Statistical Office of the Republic of Slovenia estimated that the GDP grew by 2.6% in 2016, compared to 2.2% in 2015 (Economist Intelligence Unit, 2017; Statistical Office of the Republic of Slovenia, 2017a). Private consumption and exports have driven a lot of this growth, but structural changes to the economy and the government will need to take place to ensure continued stability (IMF, 2016; Organization for Economic Cooperation and Development [OECD], 2016) (Table 1).

Slovenia is working to build its economy back from the latest recession, but there is still work to do. The 2017 Index of Economic Freedom scores Slovenia at 59.2 out of 100, placing it 97th in the world, which classifies it as mostly unfree (The Heritage Foundation, 2017). The rankings for several factors fall far below the world average, such as the tax burden, government spending, fiscal health and financial freedom, which creates constraints for the continued economic stability of Slovenia (The Heritage Foundation, 2017). While unemployment has decreased from over 11% at the height of the second recession, it is still somewhat high, at 8.1% at the end of 2016 (Statistical Office of the Republic of Slovenia, 2017a). However, the OECD estimates that unemployment will continue to fall and reach less than 7% by 2018. Slovenia is already seeing labor shortages in some occupations. This tightening of the labor market should lead to higher wages (OECD, 2016). The slight growth in minimum wages over the last 6 years reflects this already (Eurostat, 2017). Higher wages should lead to higher domestic consumption, which will help the Slovene economy continue to grow. However, lower unemployment could create bottlenecks

Table 1 Profile of the Slovene economy from 2011 to 2016

	Republic of Slovenia					
Official name ^a	Unitary parliamentary constitutional republic					
Type of government ^b	20,270					
Land area (in km ²) ^a	2,065,879					
Population (2016) ^c	Facts and figures					
	2011	2012	2013	2014	2015	2016
GDP (current USD billions) ^a	51.588	46.258	47.689	49.53	42.775	
GDP per capita (current USD) ^a	24,983.69	22,486.47	23,150.32	24,020.67	20,726.53	
GDP per capita growth (%) ^a	0.440502293	2.893575004	1.221082695	3.004923037	2.228000128	2.6 ^d
Foreign direct investment, net inflows (% of GDP) ^a	1.707128	0.072523	0.218034	2.057921	3.92858	
Exports of goods and services (current USD millions) ^a	36,110.1	33,875.1	35,871.7	37,852.9	33,337.4	
Exports of goods and services (% of GDP) ^a	70.4	73.3	75.2	76.4	77.9	
Corruption Perceptions Index (rank/score) ^e	35/59	37/61	43/57	39/58	35/60	31/61
Competitiveness Index (rank/score) ^f	51/56.88	51/52.96	52/51.00	55/46.25	49/56.76	43/64.87
Ease of Doing Business Index (rank) ^g	37	31	33	35	30	30
Average salary (net USD) per month ^a	1640.72	1457.30	1504.22	1579.08	1329.56	
Minimum salary (net USD) per month ^h (EUR in parentheses)	968.79 (748.1)	1005.71 (763.06)	1083.23 (786.66)	955.66 (789.15)	858.73 (790.73)	832.00 (790.73)
GINI index ^c	23.8	23.7	24.4	25.8	24.5	
Human Development Index (rank/score) ⁱ	25/0.877	25/0.878	25/0.878	25/0.880	25/0.890	
Public spending on education as % of GDP ^{a,c}	5.6	5.7	5.5	5.3	4.9	

^aWorld Bank website database^bGovernment of the Republic of Slovenia, http://www.vlada.si/en/about_slovenia/^c<http://www.stat.si/StatWeb/en>^dEconomist Intelligence Unit, Country Report on Slovenia^eTransparency International (2017)^fIWD World Competitiveness Center (2017)^g<http://www.tradingeconomics.com/slovenia/ease-of-doing-business>^hEurostat, ec.europa.eu/eurostatⁱUnited Nations Development Programme, <http://hdr.undp.org/en>

in certain industries that could impede economic growth. The re-education of older workers to keep them in the job market longer or targeting education to fit market needs are two ways to avert this bottleneck (IMF, 2016; OECD, 2016).

Another issue in the Slovene economy has to do with small and medium-sized enterprises (SMEs), which make up 60% of investments in the economy and are carrying an unsustainable debt load (IMF, 2016); this prevents these companies from investing in innovation and other growth initiatives. Furthermore, state-owned enterprises (SOEs), particularly banks, are struggling to be effective and profitable (IMF, 2016). Finally, government spending also negatively impacts the level of economic freedom (The Heritage Foundation, 2017). For example, spending on pensions, education and health is higher than in peer countries, however in spite of that, Slovenia does not seem to have more positive outcomes in these areas (IMF, 2016).

The IMF provided several recommendations to the Slovene government to address these challenges, including restructuring the debt of viable SMEs, continuing to privatize SOEs, especially banks, ensuring credit is extended in a commercially driven and objective manner, and rethinking spending in the three areas listed above (IMF, 2016). Particularly concerning education, the IMF recommends refocusing spending on areas with expanding populations and in subject areas that reflect the needs of the marketplace (IMF, 2016). Slovenia's public spending on education has not changed significantly over the last 6 years, but has shown a slight decrease with the biggest drop occurring between 2014 and 2015 (Statistical Office of the Republic of Slovenia, 2016; World Bank, 2017). Slovenia spends around 19% of the money dedicated to education on tertiary education each year. Still, the European Commission found in 2015 that Slovenia spends too little on university education, which could affect the quality of teaching (The Slovenia Times, 2015b).

The government of Slovenia has taken the recovery very seriously and has made great strides to put Slovenia on a more stable path, which reflects well in their more recent rankings on the world economic stage. Slovenia has seen growth in inflows of FDI since 2014 (World Bank, 2017), and currently has a positive trade balance (WTO, 2017). Slovenia has significantly improved its competitiveness rank on the world stage moving from rank 55 to 43 within 3 years (IMB World Competitiveness Center, 2017). The government has also made progress on improving the business environment in line with IMF recommendations (IMF, 2016), making it easier for people to start and run businesses in Slovenia. Slovenia's Ease of Doing Business rank reflects this, rising in ranks from 35th to 30th since 2014 (Trading Economics, 2017).

Overall, the Slovene economy shows great promise, but has not stabilized yet, meaning that Slovenia could slip back into a recession if its leadership is not careful. One way that Slovenia can work to strengthen its economy is to focus education toward areas that are in demand and meet market needs. This could help prevent bottlenecks in the labor market, which could in turn hinder Slovenia's continued recovery.

3 Main Features of Management Education in Slovenia

Slovenia signed the Bologna Declaration in 1999, which initiated the development of the new Higher Education Act. Ever since this act was passed, from 2004 onwards, Slovene higher education has made some significant changes that were introduced in order to implement Bologna reforms by the academic year 2009/2010, such as the three-level Bologna structure, the European Credit Transfer and Accumulation System, the Diploma Supplement, joint study programs, etc. Joining the European Higher Education Area (EHEA) and adopting new legislation on higher education supported Slovene higher education institutions (HEIs) in their efforts to modernize themselves in accordance with the Bologna principles and other internationally recognized quality standards. HEIs were also encouraged to follow the strategic goals of the Resolution on the National Higher Education Programme 2011–2020 (hereinafter NPVŠ) proposed by the Ministry of Education, Science and Sport of the Republic of Slovenia and adopted by the National Assembly of the Republic of Slovenia in 2011, which focused on quality and excellence, diversity and accessibility, with the supporting mechanisms of internationalization, diversification, study structures and the funding of higher education (NPVŠ, 2011).

With regards to the strategic goal related to diversity and accessibility, we can observe that ever since Slovenia gained its independence in 1991, the number of students has increased rapidly. There were 64,000 students in Slovenia in 1991 (NPVŠ, 2011, p. 4), compared to 100,548 enrolled individuals in 2005/2006. However, due to the negative demographic trends in recent years, the number of students enrolled in Slovene HEIs has significantly decreased in the period from 2007/2008 to 2016/2017.

Table 2 shows that the highest pick regarding the number of students was in the academic year 2005/2006, when the number of students attending higher education programs in Slovenia was 100,548. The comparison of the number of enrolled students in the academic years 2005/2006 to 2016/2017 shows a 31.8% decrease in the number of higher education students. Moreover, the ratio between full-time and part-time students has drastically changed since the academic year 2004/2005, when part-time students represented 32% of all students, whereas in the academic year 2016/2017, this percentage was only 17%.

Regardless of the negative trend regarding the number of students enrolled in higher education, Slovenia, among all members of the European Union (EU), leads the list regarding the percentage of students in tertiary education. In 2015, almost half of the younger generation (48.3%) between ages 19 and 24 was enrolled in Slovene HEIs, followed by students in Turkey, Ireland and Poland (Eurostat, 2018). This is a great achievement considering the fact that the population in Slovenia is slightly over two million and the accomplishment has been most probably related to the important role that higher education has in Slovenia, and the financial support provided by the Slovene government. However, the study success is an important issue on the Slovene policy agenda and the funding model introduced by the Ministry of Education, Science and Sport of the Republic of Slovenia also includes

Table 2 Number of students in Slovenia

Academic year/students	Full-time	Part-time	Total
2004/2005	67,305	32,302	99,607
2005/2006	67,895	32,653	100,548
2006/2007	69,786	30,327	100,113
2007/2008	70,489	28,532	99,021
2008/2009	71,194	26,934	98,128
2009/2010	72,970	25,309	98,279
2010/2011	71,733	19,806	91,539
2011/2012	71,551	18,049	89,600
2012/2013	70,214	16,257	86,471
2013/2014	65,885	13,633	79,518
2014/2015	62,709	11,422	74,131
2015/2016	58,731	10,905	69,636
2016/2017	56,562	11,984	68,546

Source: Adapted from the Statistical Office of the Republic of Slovenia (n.d.)

funding instruments intended to decrease dropout rates and increase completion rates (European Commission, 2015). Furthermore, “Slovenia’s tertiary educational attainment rate has continued to grow: in 2016, 44.2% of 30- to 34-year-olds held a tertiary qualification, up from 43.4% in 2015. This is above the EU average of 39.1% and the national Europe 2020 target of 40%” (European Commission, 2017, p. 6). One of the factors for this accomplishment is also the absence of tuition fees for full-time students at public HEIs and for full-time students at the majority of private HEIs based on concession agreements with the Ministry of Education, Science and Sport of the Republic of Slovenia (which is something unique in comparison to other higher education systems). This could be also one of the reasons for the decreasing number of part-time students that Table 2 indicates.

Due to the special role that higher education has in Slovenia where “knowledge is a public good, higher education is a public responsibility” (NPVŠ, 2011, p. 4), higher education can be carried out by only those HEIs that have been established in accordance with the legislation on higher education. The main authority in Slovenia, which is responsible for quality assurance and gives the permission to HEIs to provide study programs that lead to nationally and internationally recognized degrees, is the Slovene Quality Assurance Agency for Higher Education (NAKVIS). Based on the data run by NAKVIS, Slovenia has three public universities, four private universities and 43 private independent faculties (that are not part of any university) (Table 3).

Each of these HEIs went through a rigorous initial accreditation process provided by NAKVIS. The most recent change that was introduced with regards to higher education quality assurance in Slovenia was in 2017, when the Higher Education Act introduced institutional accreditations as opposed to program accreditations and abolished the re-accreditation procedure for separate programs, which is also one

Table 3 List of HEIs and the number of study programs in Slovenia (as of January 2018)

	Number of HEIs	Number of study programs
Public universities		
University of Ljubljana	26	460
University of Maribor	18	217
University of Primorska	8	110
Faculty of Information Studies Novo Mesto	1	5
Private universities		
University of Nova Gorica	7	22
EMUNI-EURO Mediterranean University		3
New University	3	
University in Novo Mesto	4	
Private faculties (not part of the universities)	43	172
Total	110	995

Source: Adapted from NAKVIS (2018) and Ministry of Education, Science and Sport of the Republic of Slovenia (2018)

of the trends in other EU countries. With this legislative change, a higher level of autonomy was given to HEIs.

Based on Table 2, we can observe a very high number of study programs and HEIs, which raises some questions when comparing the number of enrolled students in the academic year 2016/2017 (68,546). According to NPVŠ (2011), Slovenia had only 2 universities and 12 private faculties in 2002/2003, whereas there are 7 universities and 43 private faculties as of January 2018. This trend raises some concerns regarding financial viability and strategic focus considering the fact that the number of students has decreased significantly in the observed period. On the other side, this could be perceived as favorable in terms of the ratio between the number of study programs and students, as this can be seen as one of the indicators of the quality of higher education. Some of the measures of NPVŠ could help and support higher education authorities to limit educational offerings that are not in line with the requirements of Slovene society and the stakeholders of Slovene higher education. However, the authors of this chapter believe that not all provisions of NPVŠ have been addressed sufficiently. Currently, the initial accreditation process does not take into consideration how many similar programs or institutions have already been established and what is actually required by the external stakeholders of Slovene higher education. Closer collaboration between different stakeholders of Slovene higher education is needed, besides a concrete higher education policy that would consider how HEIs could support the development of Slovene society and the labor market.

With regards to management education, there are several public and private HEIs which provide management education. Some of them provide study programs in the field of management in combination with other study programs from economics, organizational studies, and social sciences; only few are oriented solely on general management (Purg & Bračček Lalić, 2018). According to the list of accredited study

programs by NAKVIS, there are 70 study programs (out of 995) with the word 'management' in their titles. Some of these study programs are interdisciplinary, like sport management, health management, management in public administration, while others are focused solely on general management or business studies. The following four HEIs have the longest tradition in providing management education in Slovenia: University of Ljubljana, Faculty of Economics (established in 1946); IEDC-Bled School of Management (established in 1986); University of Maribor, Faculty of Economics and Business (established in 1989); and University of Primorska, Faculty of Management (established in 1995). Of all listed institutions, only IEDC-Bled School of Management, Postgraduate Studies is a private institution, while the other three are public HEIs. MBA programs are provided only by the University of Ljubljana, Faculty of Economics, IEDC-Bled School of Management, Postgraduate Studies and the University of Maribor, Faculty of Economics and Business. According to Purg and Braček Lalić (2018) there are some differences between public and private management education institutions in Slovenia, especially in terms of tuition fees, the level of internationalization, focus (pedagogical versus research excellence), the flexibility of management and governance, and the response to the needs of business and society. Private ones are more internationally oriented and more flexible in management and governance, are therefore more reactive to society's needs and have closer cooperation with business. They are also more focused on pedagogical excellence rather than on research (Purg & Braček Lalić, 2018).

Besides quality and excellence, diversity and accessibility, another very important strategic goal of higher education in Slovenia is its internationalization. By becoming a member of EHEA, numerous possibilities were introduced to HEIs in terms of internationalizing educational and research activities. The first program that encouraged the internationalization of Slovene higher education was the Erasmus program, which significantly increased the mobility of students and professors with the support of the Centre of the Republic of Slovenia for Mobility and European Educational and Training Programmes. Additionally, participation in other EU programs which focus on research activities also became possible. In order to internationalize Slovene higher education and to make it more competitive, the National Assembly adopted the Strategy of Internationalization of Higher Education 2016–2020 in 2016. Regardless of the support of higher education authorities, the biggest limitation for recruiting international students represents the Higher Education Act; article 8 of said legislative document limits the extent to which higher education institutions can offer their study programs in a foreign language. Providing study programs in a foreign language is only possible for study programs of foreign languages and in cases when the study programs are also offered in the Slovene language. A part of the study programs (i.e. courses) can be provided in a foreign language if guest professors participate in the course, or when a higher number of foreign students is enrolled in the course. This is the result of several discussions among different stakeholders of higher education, where two groups with diverging stances on the internationalization of higher education were formed: the first group defended the benefits of internationalizing higher education, while the second one was concerned about conserving Slovene national identity and its language.

With regards to providing relevant educational offerings and research activities, the requirements of internal and external higher education stakeholders, the NAKVIS Report on Quality in the Slovenian Higher Education and Higher Vocational Education Area in the Period from 2010 to 2013 (NAKVIS, 2013) reveals three important topics. Firstly, there is a common approach at all HEIs within which external stakeholders participate in management boards and advise the management of HEIs. Secondly, while reviewing Slovene HEIs, their study programs and their self-assessment reports, NAKVIS came to the conclusion that there are some weaknesses in “identifying the needs to introduce new and revise the existing study programs and in the monitoring of employability and competences of graduates” (NAKVIS, 2013, p. 9) and that the systematic monitoring of employability and the employment of their graduates is still at the beginning. Thirdly, the majority of HEIs has established formal collaboration with their alumni and successfully introduced career centers to help and support their graduates regarding their employment (NAKVIS, 2013). One of the recommendations for improvements raised by NAKVIS was that HEIs in Slovenia should pay more attention to external stakeholders and employees and include external stakeholders in internal quality management processes in order to close the quality loop (NAKVIS, 2013).

The distinctive features of higher education in Slovenia related to quality and excellence, diversity and accessibility, and internationalization can also be found in Slovene management education institutions, where the question of being relevant is becoming one of the most important priorities in strategic agendas.

4 Research Methodology

In order to gain an insight into the current and future management development needs and to understand whether and where representatives of the Slovene economy see missing links between the corporate world and management education, the research team of IEDC-Bled School of Management, Postgraduate Studies followed the research protocol that was designed by the first author¹ of this chapter on behalf of CEEMAN. The research team started with the research in 2016 by selecting 11 companies in Slovenia to interview; by the middle of 2017, it had completed 15 interviews in these companies. The research team developed an initial list of companies based on prior contacts within the companies, and then selected companies from the list based on the criteria determined by the research protocol. The selection process allowed the researchers to present a good cross-section of companies and industries in Slovenia. The companies varied by industry, age and size (see

¹Together with Dr. Ian Sutherland.

Table 4 Profile of companies interviewed

Company	Industry	No. of employees in 2015	Ownership structure	Years of operation
1.	Retail trade	10,550	Private	68
2.	Financial intermediation-banking	6372	State	50
3.	Education-IT	130	Private	27
4.	IT	200	Private	25
5.	Financial intermediation-consulting	50–99	Private	14
6.	Communication	3803	Private	18
7.	Manufacturing-physics facilities	100–249	Private	15
8.	Manufacturing-energy products	250–499	Private	21
9.	Manufacturing-automotive	1800	Private	62
10.	Health care-pharmaceuticals	40	Public	40
11.	Manufacturing-steel solutions	30	Private	10

Table 4). The oldest company is 68 years old and the youngest has been operating for 10 years. The largest one has over 10,000 employees, while the smallest has only 30.

The interviews covered topics such as the current and future business challenges, the missing links between business needs and education, what companies are doing concerning education and what qualities they seek in a good development program. The interview script consisted of 11 main questions with respective sub-questions developed based on the literature.

The researchers conducted the interviews over a 10-month period in 2016 and 2017. To conduct the interviews, the researchers visited the interviewees at their companies. Each interviewed person read and signed an informed consent form prior to the start of the interview, and granted verbal consent to have the interview tape-recorded.

Each interview was digitally recorded and professionally transcribed. The researchers decided to combine 2 of the 11 questions during the coding process (Strauss & Corbin, 1998), because they found the answers to these questions overlapped at such a rate that it made sense to combine them. Two members of the research team read the transcripts and coded them separately to the axial code level using an a priori method. The quotes were separated and coded based on the questions from the interview protocol. The research team compared their axial codes and conducted a difference analysis of the codes to determine viability for moving forward. The difference in the axial codes across all 10 questions was only 5% (17 out of 316 axial codes), indicating that the coding process was sound. The research team then combined their coding trees and worked together to build the selective codes and the categories resulting in one coding tree for further analysis.

5 Research Findings

5.1 *The Current and Future Business Challenges*

There are several major challenges that companies in Slovenia are seeing and often struggling to contend with in today's marketplace. Companies perceive the business environment in Slovenia as increasingly uncertain and unpredictable. Factors such as increasing competition, new technology and demographics changes impact how businesses interact with their stakeholders. This also influences what challenges they perceive to be the most important. One CEO summed it up: *"So what we need to do currently is to transform those companies into companies that can have a sustainable business model in a completely unsustainable world"* (1).

One of the biggest challenges companies saw was the changing competition. While direct competitors have been and probably always will be a challenge, indirect competitors and those that did not exist until recently are a growing concern, particularly for data-driven companies (i.e. banks, IT). As one HR manager put it, their company is trying to figure out *"how to compete with the competitors . . . [who were not] around . . . [until] lately. They are completely new and we don't understand that"* (4).

Another major challenge are the changing needs of customers. Customers are increasingly becoming price-sensitive and less loyal to companies, particularly in the B2C marketplace. As one CEO put it: *"The fact is, Slovenia is a very competitive market, consumers are becoming non-loyal, very opportunistic, [and] the pressure on the margin is very high"* (5). Customers are also changing how they interact with companies and what they want from them. According to one HR manager, *"we are aware that the time is changing, and that people have other demands as they had in the past"* (2). Companies are also realizing that the ways in which people get their information is changing, and they need to adjust to this. As one HR manager put it: *"Research was done on how 70% of the decisions what to buy are done before a person even finds the supplier or the details of the product,"* (2) which means that for companies, their websites and mobile sites are extremely important.

Furthermore, with the advances in technology, companies are at times finding that customers and employees struggle to keep up with all the changes, or are disinclined to even try. Other companies struggle with implementing the latest technology while still keeping enough business moving through the company to maintain a profit. The need to digitalize business models and adopt new digital strategies in order to successfully tackle the challenges that come with technological progress was emphasized in all interviews. The word 'digitalization' was the most common word raised in talking to the representatives of the Slovene economy that participated in the study. Companies recognize that innovation and working with new technology is important, but at times, the culture of the company works against them. If the corporate environment leaves no room for failure, it makes it hard for employees to try new things, even once leadership changes and the new management encourages

innovative and daring approaches; or, as one HR manager said: *“Maybe the people are creative and innovative, they’ve worked for 10 or 20 years in this environment and it was not allowed, or it was something that was not supported”* (1).

As a result of all the other factors mentioned above, cultural change is required within the organization in order to meet the changing demands of the market. One part of this changing culture are the differences between younger employees (millennials and to an extent Generation Z) and older employees (baby boomers). Several organizations brought up issues related to this generation gap. One CEO put it very bluntly: *“So it’s a problem that the generation gap is now getting even bigger”* (1). One HR manager noted the difference in how the different generations approach business, stating that *“the younger managers that are now coming into positions, they’re quite different from the old ones . . . for example with an old manager, they shook hands, it was done. Now, the communication is different, the dynamics are different”* (9). Another HR manager looked at how the different generations dealt with change, noting: *“The middle generation (defined as Generation X), this generation is the most flexible. They accept new knowledge; change the young generation and the old one,”* while also commenting that *“the youngest generation, Generation Z, has special wishes and expectations. In the future, we must put a lot of attention to the youngest generation”* (6). Finally, another HR manager (3) stated that she enjoys working with the millennial generation because such employees take the company out of their comfort zone. All of this suggests that companies need to examine their HR policies when it comes to hiring and managing employees of different generations, especially companies that are used to having employees stay with them for their entire working lives.

Another challenge for companies regarding employees is more central to company operations, and that is finding the right talent for the right position. As one CEO put it: *“Talent is for us at the moment one of the key challenges”* (5). There are several factors contributing to this challenge. One is a perceived lack of mobility: people do not want to move or the opportunities for them to move are not there. In Slovenia, companies have found that people are less willing to move from one part of the country to another and would rather commute. In addition to the lack of mobility, companies are struggling to find people with the required skill sets for the positions they need. As one CEO put it: *“The next reason . . . is shortage in the labor workforce . . . getting people who are skilled, who are loyal, and who also have . . . loyalty to the company”* (10). Several companies expressed sentiments similar to the following HR manager:

I think that our current challenge is to have motivated and engaged people with technical knowledge and soft skills. I think that this is really important and that people we employ have lot of technical knowledge, but not so much soft skills, like communication, negotiation skills, team work experience and so on (6).

Part of the problem is that the students with technical or professional degrees often do not get instructions in other areas. One director lamented that in their industry they had to hire within a limited profile of degrees; however, *“all these professions, when they learn at the university, they become experts in their area; but what they*

are lacking is the full sense of the business, the economy in the country” (11). Therefore, these employees are experts in their fields, but do not know how to connect the different fields within the business world. This disconnect is creating what one CEO called “the bottleneck of growth; how to develop, get, select these people” (7).

In conclusion, companies expressed concerns about the rapidly changing environment, particularly about the technological and competitive environments. Shrinking margins, rapid digitalization, consolidation of industries and changing, if not transformational, business models all add to the challenges that companies face. This challenge is compounded by the fact that companies do not always feel that they have the resources to keep up with all these changes, concerning talent and time. One CEO expressed that concern by saying:

And we do not really think enough about the strategic view, the long-term view. It can be visionary; I think we are prisoners of our short-term view. We do not let ourselves dream, we do not let ourselves have enough time to develop a real vision (5).

5.2 How Are Companies Addressing the Business Challenges?

The good news is that many companies are recognizing these challenges and starting to find ways to address them. The transformation of their business model is a top priority for many of the companies interviewed. Companies are putting effort into looking into the future of their business. As one CEO put it, *“many times . . . directly in our discussion, which is maybe unusual for the management, [we talk of] dreaming about a better future, it needs to be better for everyone in the society” (6).* Some companies are willing to put significant resources into trying to predict the future; one company sees this as a significant competitive advantage for them. As their HR manager stressed: *“We have to put a lot of time into research; what’s happening, what’s going to happen, what can happen and so on” (9).*

One of the ways that companies are working to transform their business model is by looking outside their current market, both geographically and industrially. Since Slovenia is such a small country, many companies are already engaged in some form of international business; exports are the equivalent of over 77% of the GDP (World Bank, 2017). However, the companies in this exploratory study saw a need to increase this international presence. One HR manager emphasized this by saying: *“We are trying to establish [our] brand in the world . . . This is our main focus, also for the future” (3).* Or, as another HR manager stated: *“I think we must be more flexible, in five years we must be present more globally than today” (6).* Companies realize that they have a competency that has value outside of Slovenia and have started to look for new markets. One HR manager saw it this way: *“We are also very strong in the ICT business; we are maybe the strongest provider for ICT solutions for companies in Slovenia. This is something that we are already good at, and we*

need to put it in other markets” (1). For some companies, this also means increasing the internationalization of their employees. As one HR manager pointed out, *“we would like to employ foreign staff and we would like to send our people to foreign countries”* (6).

In addition to international expansion, companies are also expanding into new industries within Slovenia. The HR manager at one company that sees itself at the top of the market maturity curve said: *“We need to find different solutions; new businesses, new alliances”* (1). They have already started three new accelerators in areas completely different from their core business in response to this. Another company is looking to increase their presence in a related industry: *“I think we must go outside the automotive industry, to the audio industry. I think that our management is very ambitious and must go out of the box and see,”* said the HR manager (6).

Companies are also recognizing that cooperation is an important part of managing challenges in today’s business environment, whether it be with competitors, universities or the government. To deal with their challenges, companies are reaching out to government agencies and education institutions. One company in particular sees the benefit of working with governmental agencies. *“What we are trying to do is trying to find a win-win situation both for the governmental institutions . . . and for [our company], because without working hand in hand, I don’t think we can find a common language anymore”* (11). Other companies work with universities or other HEIs, in particular with regard to their recruiting programs. As the CEO from one technology-driven company put it: *“Here we have very good relationships with all the technical faculties”* (7). The HR manager at another company that has a long-established relationship with educational institutions said this about their relationship:

So all these organizations, high schools, universities, secondary schools, they very often ask us: ‘What are your needs?’ When they change the program, the studying program, very often they ask us, and we are very open and we try to be in contact with all of them, we try to explain what we need (5).

Other companies work with universities to start the recruitment process while the students are still in school. For example: *“We have a lot of scholarships in [our company] and during their studies we work a lot with them on those skills, we try to help students with some workshops here and prepare them for the future”* (6). While some companies have been very successful in working with universities, others have struggled to take advantage of this resource. *“I think that in Slovenia we have some programs where they connect companies and schools . . . however, they’re not efficient,”* (9) said one HR manager.

In addition to working with universities to recruit the right people, companies are recognizing the necessity to invest in developing employees. All of the companies interviewed for this exploratory study recognize the need to provide development for their new hires as well as continued development for their current employees. Development in the companies has also shifted away from just making sure the employees attain a required set of skills, but it focuses on creating a culture in the company that allows it to thrive in the new reality.

5.3 Companies' Development Needs

Companies saw a direct connection between the business challenges they face and the development needs in the company. Companies across the board felt the need for more development on seeing the whole picture. The HR manager at a financial service company reflected on this topic as well, but not for new hires. She said: *"We need our employees to understand . . . the big picture, not work . . . in silos, doing something in their own small departments; to see the big picture, to see they are part of a big group"* (4).

Several companies segmented the development needs by rank in the company, distinguishing the developmental needs of new employees, middle management and top management. When thinking about their newer employees, one HR manager stated: *"For new employees, I think it is really important to have soft skills, more knowledge about finances, communication, and teamwork"* (6). Later in the interview, she listed multiple soft skills she feels new employees need to develop, including *"emotional intelligence, team building, communication, organizational behavior, creativity and innovation, negotiation, conflict management, business ethics, time management, foreign cultures, and motivation"* (6). Other companies from different industries thought new employees often lacked practical knowledge.

When it came to middle management, CEOs and HR managers were more likely to focus on leadership and managerial skills. One HR manager of a manufacturing company framed the developmental need very well: *"I think that middle management, not top management, needs more skills to work and [manage] people, leadership skills"* (6). She went on to say that middle management did not have any issue with technical skills, but tends to assume the HR department will handle any people-related issues. The HR manager of a financial management company shared the same sentiment: *"And the challenges are people of course, nothing else, and a little bit the leadership as well. We have really huge challenges with middle management . . . the department heads, branch heads, those who are dealing with people directly"* (4). More technically driven industries tend to struggle when they promote tech-minded people into the role of manager. One company has really struggled with this issue: *"And we know what the passion of the engineers is—engineering, not leading people"* (2). In more service-oriented companies, there is still a lack of soft skills in middle management, as one HR manager said: *"We tried to support these middle managers who started to be the managers at the beginning. With some coaching, with some of these soft skills, which is needed when you are a leader"* (5). Another company that is a service-based IT company approached the problem a little differently; they felt their employees needed to know *"how to first develop the ability to manage themselves before they would be able to lead others"* (9).

For the most part, the development needs of top management focused on strategic thinking and their role in shaping the future of the company. One CEO put it very well: *"The first thing that makes people be more creative is to change the company culture. This is the biggest impact . . . in the role of the top managers"* (1). One of the HR managers from a service company focused on the fact that top management

focuses too much on operational details, that they “*sometimes need a little bit more time for strategic thinking*” (5). She went on to say that this focus on operational matters impacts the work-life balance for top management to the detriment of both the company and their personal lives. The CEO of a manufacturing company wanted his top management to have “*that competence of thinking borderless*” (6).

From a more general perspective, many companies saw developmental needs connected to the rapidly changing business environment. One HR manager expressed this need very well: “*The knowledge [is] new, of course, the world is different every day. So, we need new knowledge about technologies, about solutions, about how to solve a case*” (1). Data-driven companies in particular are looking to develop their employees to be “*willing to think outside the box,*” see business opportunities that may not be obvious (8); they want “*to encourage people to think in a different way*” and find “*new ways of doing stuff*” (3). This is very reflective of the business challenges they face with rapidly changing technologies and changing competitive landscapes. Manufacturing and service companies are also looking to develop a new way of thinking within their workforce. Other companies have stressed the need for their employees to have the “*capabilities and competencies available to turn these dreams into reality*” (6), to have an “*understanding of a long-term view*” (5), to be “*opinion leaders*” (9), and to have “*better capabilities to dream about the future*” (6). Finally, the CEO of a manufacturing company summed up the new landscape well: “*The way of thinking is different. You have to change your mindset; it’s very similar to when microcomputers started and when this analogue electronic has been changed to the digital one and so on*” (2).

Even with all the focus on addressing the challenges brought on by the changing business landscape, businesses still recognize that there are some traditional skills that are needed. Areas such as sales, entrepreneurship, problem solving and soft skills all need further development. Sales was one skill area that companies found to be lacking. This was more prevalent in technologically driven companies than in more service-oriented companies. Either they lacked sales skills in general, or they lacked the program or willingness to learn about the company’s product in particular. As one HR manager specifically stated, she “*had difficulties with hiring experienced sales people from other companies*” (8). This company found it easier to hire salespeople internally than try to find some from outside the company. Other companies have decided it would be better to hire a good salesperson and try to teach them on the specifics of their product. When asked which she would prefer, one HR manager said: “*I would rather employ a very good salesperson, a hunter, to develop the sales competencies and then I will develop him*” (3). This is in large part because, as the HR manager further stated: “*We are a technical company and we know how to develop them [employees], but not salespersons, they are completely different*” (3). Three other companies specifically expressed concerns about salespeople, usually about how they would not have the skills to sell their products or lack certain sales skills altogether.

Entrepreneurship was another area where several companies saw development needs. Companies across industries also mentioned that their employees often lack problem-solving skills and are often reluctant to take responsibility for making decisions. The final skill set for which companies had significant development needs were the soft skills associated with interpersonal skills. One IT company found that certain skills were important from the time their employees start working: *“Coaching skills, soft skills for the beginning, determination, communication skills, open minds, a good mindset, and a positive one. Flexible too, proactive, not pessimistic”* (9). Other companies focused on people skills (3), managing teams and clients in a meeting (7), project management (5), communication skills (11), teamwork (5) and understanding of financial matters (11). Interestingly, for the most part, technical skills were not perceived to be an urgent development need. This is most likely because companies tend to hire people who have already acquired these skills at university, but lack other skills.

5.4 Missing Links Between Business Needs and Education

One thing companies across industries saw as a missing link was the disconnect between educational institutions and businesses. One HR manager expressed the concern that the topics taught in the classroom were not relevant to the business challenges of today:

Professors telling me about something that happened 20 years ago with some company; I don't want to see the Apple case, or the General Motor case on my table anymore. I would like to see something that is connected to some sort of [contemporary] transformation of the business (4).

Even when educators do reach out to businesses, it is not always successful. There was also some concern about how management schools in Central and Eastern Europe (CEE) were too focused on westernizing their curricula and ignoring the needs of businesses in the CEE region.

There was a big difference between the perceptions of the missing links in traditional university education versus executive education in Slovenia. One main concern with secondary and university education was the lack of practical knowledge the students received while in school. One HR manager mentioned that schools did not provide *“practical skills they need to start to work”* (9). Another area where companies felt HEIs were falling down on the job was internships or apprenticeships. Where one manufacturing firm noted that *“technical schools have more apprenticeships”* (10), other companies reflected on the lack of internship opportunities in other areas of study. They have felt the need to develop these themselves because universities did not have well-established internship programs. As one service company explained it: *“The practical summer jobs, the fellowships, the internships, this culture is not developed here, so we are introducing this”* (11).

Connected to the lack of internship programs at HEIs, some companies wish that HEIs offered greater access to career services.

As far as what students learn, companies felt that students did not learn certain crucial skills at university that they needed when they entered the workforce, such as problem solving, digitalization, entrepreneurship, soft skills etc. It seems that entrepreneurship education is widely available, but *“it’s not taught well, because there are a lot of providers. Even in schools, they have some topics, but they’re not in-depth enough”* (9). Furthermore, employers wish that HEIs taught students about taking responsibility and dealing with complex situations. As one HR manager put it, HEIs *“should motivate their students to stand on their own feet, find their own experiences”* (9). Finally, because of the current business environment, companies are looking for new employees who can help them with the transformation of their businesses.

The companies’ perspective on the missing links in executive education is quite different and focuses more on the length of programs, customization of the development programs, the topics of the programs and their employees’ ability to use what they learn. The length of the development programs was a regular concern across all the industries included in this study. As the HR manager at a sales-driven company put it: *“The time spent on training is time lost in selling”* (9). One issue is balancing the time put into development programs against the benefit from the program. As one HR manager of an IT company put it: *“Especially if you are a director or a manager, you are away from your business and from your people for too long”* (3). Even companies that recognize the value of a master’s degree would prefer to limit the time their employees spend out of the office. As the HR manager for a manufacturing firm put it, the MBA is *“rather heavy in terms of time and money,”* and she would prefer to have the program *“done either in smaller parts or online”* (2). Managers recognized the importance of allowing their employees to focus on their education. However, it is not practical for the business to have middle managers absent for several months or even a year. There is also a push for more in-house programs and customized programs.

Companies perceive that customized programs are going to give them and their employees what they need. One CEO of a manufacturing company saw it this way: *“Tailor-made programs are the best”* (6). Even within degree programs, companies are looking for some customization. As one HR manager put it, he would like the MBA to be *“more pick and choose, so this program would be more personal, even more in touch with the students”* (1).

Many of the topics for development reflect the development needs of the company. Innovativeness, strategic thinking, digitalization and big data, taking responsibility, leadership, future thinking, and soft skills are all topics that came up when companies considered the missing links between their challenges and existing education offerings. One HR manager suggested that educational institutions *“could provide some tools, and the people who are not so innovative can [use them] and become more innovative”* (1), or offer *“another way of strategic thinking”* (1). The HR manager at a data-driven company commented that when it comes to big data, *“we don’t know what we have,”* and wishes that educators could show

them “*how to create added value from lots of data*” (4). Particularly for middle management, company executives want their employees to have “*programs on taking responsibility for decisions, accepting change, the willingness to be flexible and thinking outside the box*” (8). Along with these skills, managers are also expected to “*know how to lead people the best possible way . . . this is emotional intelligence*” (2). Executives also expect their managers “*to have skills [on] how to work with people (e.g. soft skills)*” (2). Finally, with all of the changes happening in the business world today, executives think that it is crucial that their employees have the capacity to think about “*how the world [will] look like . . . down the road, because each company is thinking about that today, but nobody is teaching them*” (6). For them, this is a significant missing link.

5.5 Preferred Pedagogies and Qualities of Executive Education and Development Programs

Companies seemed to prefer different formats of executive education depending on the topic and situation. Lectures seemed to be the preferred pedagogies for very specific topics. One company that liked lectures felt it also depended on the speaker. As the HR manager stated: “*If there is some really good professor who inspires, yes that’s fine; one hour, one hour and a half just to sit and enjoy*” (5). Otherwise, companies seemed to prefer practical applications to be included in the sessions. As one HR manager said: “*If the lecture is the first part, there should be something that can be applicable to the work you do. It should be really hands-on. I prefer teamwork. They do it in groups, so they also develop social skills*” (9). Another HR manager also made a good point: “*I like combined [development programs]. So yes, a little bit of theory, that’s great, and also hands-on experience and best practices*” (3). In other words, HR managers recognize the importance of the theory, but also think it is not enough.

Most companies seemed to prefer a program that is either tailor-made to their company or includes practical applications that their employees can put to use right away. The owner of a manufacturing company put it this way: they are looking for “*education [that] is practical, usable and supports people in companies to solve problems and to grow*” (10). Companies also realize that an internal program is not always sufficient, even if it is tailored specifically to them. As one HR manager stated, “*I think that in-company programs are very important, but if you don’t combine that with outsiders, it can lead to myopia*” (5). Another HR manager suggested: “*Combination is the best solution. I think it’s very good that people go out of the company sometimes and have time away*” (6).

While a few of the companies used a lot of eLearning and other companies were interested in it, it still seemed to be a relatively rare training pedagogy. While it does have its advantages, however—particularly for very specific topics—even HR managers who support eLearning acknowledge the advantages of face-to-face

training in providing additional value added in networking and learning from fellow students that eLearning does not provide. As the HR manager for an IT company said: “*And also, I learn a lot; not just from a professor, but also from other colleagues, so this knowledge is more valuable, shared knowledge*” (3). The owner of a small manufacturing company felt the same way about learning from others in the classroom. She said: “*Mixing the experienced executives and the students in one class and discussing issues, it’s real-time cases and strong learning for both senior executives and younger students, and it’s networking for both*” (10).

Companies are also pushing for more development programs that are tailor-made for their company. The idea behind this is that there are certain issues that are unique to their industry that cannot be addressed in a more general program. Furthermore, they prefer the programs to be short and are not really looking to send people away for a year or more to get a master’s degree. Lastly, companies are recognizing the importance of having more experienced employees pass down their knowledge through mentoring and coaching. As the owner of a manufacturing company said: “*Mentoring is that kind of education which is not formalized, but has a huge impact. Mentoring is the best way of educating people*” (10).

5.6 Evaluating the Impact of Executive Education and Development Programs

Executives feel that one of the qualities of a good education is that their employees can use what they learned to improve their job performance and help the company. However, how the development programs are evaluated, and their impact assessed, varied widely across the companies. Although the importance of evaluation mechanisms was stressed, there were still several companies that did not engage in any type of evaluation. This is because either the company was too small, or they had not found an assessment method that worked for them. Companies that stated they did not have an evaluation process in place were far less likely to see an impact of the development program in question. The other companies interviewed had some sort of evaluation process, usually qualitative in nature. These assessment methods often resulted in companies assessing the impact of the development on a more personal employee level. Companies struggled to tie the impact of development to overall company results. These qualitative methods ranged from formal surveys or interviews, to management development plans, to simple observation of employee behavior. As one HR manager stated: “*Sometimes the loyalty of employees is higher. Because they see we are investing in them, and we see them; that we challenge and support them*” (7). Finally, one IT company had a formal questionnaire process for evaluating their programs, but also admitted that the main measure of impact was when “[their] employees are satisfied—yes, if they have some added value from it” (9). Overall, the companies did see the importance of evaluating the impact of the development programs to which they sent their employees, but some struggle to find a way to do this effectively.

6 Implications and Recommendations

The Slovene economy is going through a turmoil, which is related to several business challenges that require changes of existing business models and the transformation of prevailing structures, processes and organizational cultures as well. According to the interviews conducted with CEOs and HR managers in Slovene companies, the Slovene economy is currently impacted by external challenges such as digitalization requirements, increasing competition from new competitors entering the market and the changing behaviors and needs of customers. Internal challenges range from generational gaps to finding and keeping talents, and finally to motivating existing employees to be agile, to change quickly and to be able to unlearn in order to relearn and gain new competences. All these challenges require new business models and innovative approaches in doing business.

The companies that participated in the exploratory study are fully aware of these challenges, and they are proactively seeking for the right responses. Some of them have started collaborating with accelerators and startups in order to develop new services or enhance the existing ones with new innovative approaches. Others have started expanding their services internationally in order to face the increasing competition. Some of the companies have also intensified collaboration with HEIs in order to recruit the best talents and have started to invest more in in-house programs in order to develop their employees according to the challenges of their respective industries. Domadenik and Farčnik (2012) also recognized that the majority of Slovene companies they had studied invested in tailor-made development programs that answer the specific needs of their companies.

Concerning the development needs related to knowledge, skills and competences, three segments of development needs were identified during the interviews. Firstly, for the younger generations, it was recommended that they invest more effort in developing soft skills, like emotional intelligence, teamwork, communication, organizational behavior, creativity, innovation, time management, etc. Secondly, for middle management positions, the development needs were mainly linked to management and leadership skills. As for top management positions, strategic and creative thinking, anticipating the future and the ability to transform organizational culture were identified as the principal development needs.

Insights about the current and future development needs reveal that the requirements are mainly linked to soft skills and attitudes, rather than to hard skills or specific knowledge. All these skills should be integrated into the intended learning outcomes of all HEIs, not only of those focused on management education; this was also one of the missing links between the corporate world and management education raised by the companies included in the exploratory study. Additionally, the interviewees were of the opinion that existing higher education programs should put more emphasis on practical skills and complex problem-solving skills.

Based on the results of the qualitative analysis and taking the main features of higher education in Slovenia into consideration, some recommendations could be given to both stakeholders; the business sector and HEIs. Both could strengthen their

collaboration activities by closely monitoring the needs and requirements of the society and by working together while designing new study programs and revising existing ones. This was also one of the recommendations given by NAKVIS (2013) and Jurše and Tominc (2008) when they analyzed the professional competences of business schools graduates. Another recommendation could be to increase the practical orientation of teaching, increase opportunities for traineeships and internships, and enhance the focus on skills development. These recommendations are in line with the analysis by Deželan, Laker, and Pavlin (2016) on how businesses perceive future changes in the higher education sector. HEIs. Also, Plewa, Galán-Muros, and Davey (2014) recognized that HEIs at the European level face pressure to combine theoretical knowledge with real-life practical experience to ensure high levels of graduate employability in order to facilitate Europe's strive for economic stability and growth.

7 Conclusions and Limitations

Slovene companies face several business challenges that are mainly provoked by the fourth industrial revolution, which is impacting all disciplines, economies, and industries. Additionally, they also have to tackle the implications of negative demographic trends, which result in significant generational gaps in working environments. Existing business models are under severe scrutiny. These conditions gave rise to critical reflection about how business models should adapt, also in terms of developing new knowledge, skills and attitudes in order to face the current and the future business challenges successfully. Said new knowledge is predominantly related to complex problem-solving skills, and management and leadership skills along with strategic and creative/innovative thinking. These insights could serve as a list of recommendations for HEIs concerning where the focus of their study programs should be. The final recommendations would go in the direction of raising awareness about the main mission of higher education, which is threefold. Firstly, higher education should be seen as the main actor in the creation of new knowledge (e.g. research activities). The second mission is related to the transferring of knowledge (learning and teaching) and the third mission is related to serving societal and economic needs. HEIs have to start focusing on the third mission more intensively, as the business sector and labor market represent one of the most important stakeholders and to recognize the need of collaborating together in order to achieve the development ambitions set for Slovenia.

This exploratory study has some limitations. Due to the small sample, the results of the qualitative analysis cannot be generalized to the Slovene economy as a whole, or to the specific industries or services. Moreover, the study takes into consideration only one stakeholder of higher education (the business sector). In order to get a complete understanding of the requirements of Slovene higher education

stakeholders, further research on this question is recommended where the opinions of other stakeholders (students, alumni, public institutions, government, higher education authorities) are also taken into consideration.

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Management and Leadership Development Needs: The Case of South Africa



M. Anastacia Mamabolo

1 Introduction

“Education is the most powerful weapon that you can use to change the world”.—Nelson Mandela

Nelson Rolihlahla Mandela, the first black president of the democratic Republic of South Africa, spoke those words. Indeed, empirical research has shown that education, especially tertiary education, contributes to economic growth (Hanif & Arshed, 2016). Amongst many tertiary educational offerings, management education in emerging countries seems to be placing a lot of focus on business schools (Rayment & Smith, 2013). Management education today has to address the actual challenges presented by businesses and therefore offer educational programs that will help firms to become or remain profitable in the midst of global crises (Dyllick, 2015; Rayment & Smith, 2013). It follows that the relevance of management education in responding to business challenges will continuously be questioned (Dyllick, 2015).

Every day, there are news reports about failing companies, global crises and changes in the political landscape with businesses facing dynamic turbulent economic, technological and regulatory environments (Richtnér & Löfsten, 2014). Some of the authors classified these conditions as VUCA, meaning they are volatile, uncertain, complex and ambiguous—“an environment that defies confident diagnosis and befuddles executives” (Bennett & Lemoine, 2014, p. 137). Therefore, business leaders have to find new means of operating within the VUCA environment.

South Africa is not immune to these challenges; it has to come to terms with downgrades by the global rating agencies. There are continuous labor unrests, student protests in the midst of a slow-growing or stagnant economy and political

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tensions. With all of these issues taking place, businesses send their managers to business schools so that they can be equipped with the necessary skills and knowledge to better deal with these challenges. Consequently, South African business schools, like others across the globe, need to transform so that they can be better positioned to address the challenges the country is facing (Dyllick, 2015; Mitroff, Alpaslan, & O'Connor, 2015).

In order to respond to these challenges with the appropriate development of both management and leadership skills as well as relevant educational offerings, a small-scale qualitative study was conducted in South Africa to gain a better insight into the current challenges. The main intention of the project, conducted in conjunction with CEEMAN, was to obtain a better understanding of the current business issues and the real developmental needs of business, and how to deal with and provide relevant educational offerings.

The two main research questions posed were:

1. What are the current and future business challenges in specific countries within dynamically changing societies?
2. What are the current and future management and leadership development needs in specific countries within dynamically changing societies?

The data was gathered through qualitative interviews with business executives in eight South African companies and gives insights into some of the challenges businesses face in South Africa.

Firstly, the main current challenge the companies face is how to adopt management practices that will help them deal with the challenging economic conditions. Issues such as management, agility, innovation, dealing with the micro- and macro-economic conditions and maintaining profitability have been taken into account. Secondly, with tough economic conditions posing an ongoing threat to profitability, executives are faced with the challenge of how to maintain the growth of their companies and/or how to enter new markets. The development needs necessary for dealing with these challenges are soft, cognitive and technical skills. Further, business managers need to know the basics about running a business, integrating business functions, crafting strategic foresight and building relationships.

Thirdly, regarding future challenges, the findings of the study show that organizations will continue to face uncertainty, a global and diversified workforce, increased levels of innovation and digitalization, and they will need to develop resilience, specialized skills, creating new jobs and markets. Fourthly, in order to become capable of solving future business challenges, developmental plans should be focused on technological readiness, developing ethical and accountable leadership, introducing specialized development programs, promoting innovation and developing human resource (HR) strategies for a globalized workforce. Though some companies have in-house development programs, most companies will still need to send their employees to outsourced education and development such as business schools for development. These companies have to allocate support systems to ensure that learning and development take place in their organizations.

Some of the recommendations to business schools are that they must build meaningful and lasting relationships with the business community. In addition, they should introduce new teaching methods that include more practical experiences; continuously update the curriculum content in relation to the needs in the market and put in place ways of measuring the impact that education has on actual business performance. Furthermore, they should collaborate with practitioners to research problems that need solutions; and continue to innovate their educational program offerings and how they are offered to remain both relevant and profitable.

This chapter presents the review of the economic situation and management education in South Africa. The methodology that was employed to gather the data is discussed, followed by the findings argued with reference to existing literature. The recommendations for business schools and practitioners conclude the chapter.

2 South Africa's Economic Situation

The South African economy is regarded as an emerging or efficiency-driven economy, whereby the demands are that the country “must begin to develop more efficient production processes and increase product quality because wages have risen and they cannot increase prices” (World Economic Forum & Harvard University, 2016, p. 37). This stage of economic development is enhanced through higher education and development programs, the establishment of efficient goods markets, well-functioning labor markets, developed financial markets, the ability to harness the benefits of existing technologies, and a large domestic or foreign market (World Economic Forum & Harvard University, 2016). The completion of these developmental aims will allow South Africa to move to an innovation-driven economy.

In the 2016–2017 Global Competitiveness Report, the South African economy had a GDP per capita of USD 5694.6 and an overall GDP growth of 0.64% (World Economic Forum & Harvard University, 2016). The sectors with key contributions to the GDP were agriculture, forestry and fishing (13.64%), mining and quarrying (12.13%), manufacturing (5.21%), electricity and water (4.90%), construction (2.88%), wholesale and retail trade, catering and accommodation (8.29%), transport, storage and communication (5.39%), finance and insurance, real estate and business services (6.47%), personal services (5.13%) and general government services (6.80%) (Statistics South Africa, 2016). The official population of South Africa was recorded at 55 million (Statistics South Africa, 2016).

The Global Competitive Index rankings showed that South Africa ranked in the top 50, being ranked 47th with an index score of 4.47%. It was the only African country to be among the top 50 countries. Although sub-Saharan Africa's competitive index in 2016–2017 has weakened slightly—mainly as a consequence of a deteriorating macroeconomic environment across the region—South Africa has slightly improved its score from 4.43 to 4.47% and the ranking from 49 to 47. South Africa has been affected by falling commodity prices to a lesser extent than other economies in the region, and has registered marginal improvements in several

aspects of competitiveness, namely finance, local and international competition, productivity and education (World Economic Forum & Harvard University, 2016).

The improved ranking was achieved through improved local and international competition, the utilization of talent, and the quality of education compared to that of other African countries. South Africa occupied the top position in some rankings: the strength of auditing and reporting standards, the protection of minority shareholders' interests and financing through the local equity market (World Economic Forum & Harvard University, 2016). Despite these improvements, South Africa still faces significant challenges, including the triple challenge of poverty, inequality and unemployment (Kaseeram & Mahadea, 2017; National Planning Commission, 2011). It has a highly unequal society where too many people live in poverty and far too few are employed (Kaseeram & Mahadea, 2017).

The government regularly introduces new initiatives to create employment, but the unemployment numbers are still high—with an official unemployment rate of 23% (Statistics South Africa, 2016)—and particularly high among the youth (with analysts estimating it to be around 50%). Some of the challenges contributing to unemployment and poverty are identified to be the slowing down of infrastructure development, power shortages, diminished institutional quality, increased political uncertainty, financial market fragility, low transparency, some security concerns, and business leaders having less trust in politicians (World Economic Forum & Harvard University, 2016). The level of corruption in South Africa is high, with a Corruption Perception Index ranking of 46 out of 100 (higher than the sub-Saharan index of 31) and 64th out of 176 countries (Transparency International, 2017). The economy will have to grow a lot faster and in ways that benefit all its citizens to deal with these challenges (National Planning Commission, 2011).

A few incidents happened recently which showed what challenges South Africa is facing. Political tensions and decreasing institutional quality were witnessed during March 2017, when the President of South Africa reshuffled the cabinet, executing 20 changes (i.e. 10 ministers and 10 deputy ministers; van Onselen, 2017). Because of this move, global credit rating agencies Standard & Poor's Financial Services LLC and Fitch Ratings Inc. downgraded South Africa to sub-investment or junk status (Joffe, 2017; le Cordeur, 2017). The motivation behind the downgrade was that the reshuffling of the South African cabinet put policy continuity at risk, which in turn would increase the likelihood of economic growth and fiscal outcomes suffering. This was also evidence of political tensions within the African National Congress, the ruling party.

The main challenges that need to be addressed are leadership challenges, social pressures and regaining confidence from investors. The National Development Plan (NDP) outlines how government is planning to overcome some of its challenges by 2030. In the NDP, the government plans to address these issues by drawing on the energy of its people to grow an inclusive economy, building capabilities, enhancing the capacities of the state, and promoting leadership and partnerships throughout the society. Additionally, the key focus areas stipulated in the plan remain raising employment figures through faster economic growth, improving the quality of education, skills, development and innovation, and building the state's capabilities

and capacities to play a developmental, transformative role (National Planning Commission, 2011). Table 1 shows the detailed statistical indicators of South Africa discussed above, from 2011 to 2015.

This section demonstrated that South Africa is facing challenges which are negatively impacting economic and business growth, the creation of employment and the eradication of poverty. The next section analyzes the current management education in South Africa and determines if business schools can provide educational programs aimed at dealing with the identified business challenges.

3 Main Features of Management Education in South Africa

In South Africa, there are 23 business schools accredited by the Council for Higher Education and the South African Qualifications Authority. These schools offer postgraduate courses, including diplomas, master's and doctoral degrees. In addition, they offer executive education courses, which can be customized according to the client's specifications, and open programs determined by the respective business school and development demands in the market. Empirical studies argued that business schools in the emerging markets experienced rapid growth due to high local development demands (Rayment & Smith, 2013). In South Africa, this trend is also visible in the growing demand for management education with business schools receiving a high number of applications for postgraduate degrees and executive education (Mahlaka, 2014).

Some South African business schools have acquired international accreditation from accrediting bodies such as the Association to Advance Collegiate Schools of Business, the European Quality Improvement System and the Association of MBAs. Through these accreditations, business schools provide quality management education and compete according to global standards, as is evident with a number of South African business schools featuring on the Financial Times ranking lists. For example, in the 2017 rankings for customized programs for executive education, Gordon Institute of Business Science ranked at place 41, Witwatersrand Graduate School of Business at place 70 and the University of Stellenbosch Business School at 84 (Financial Times, 2017). Although the overall quality of South African education ranked only at 134 out of 138 countries, the quality of management schools seems to be far better, ranked at 21 out of 138 countries (World Economic Forum & Harvard University, 2016).

The South African Department of Higher Education and Training faces a number of serious challenges. In 2015 and 2016, students in tertiary institutions—especially universities—protested over increases in fees and challenged the government on its promise to offer free education (Luescher & Klemenčič, 2017). They formed a national student activism movement called #FeesMustFall, which started in Johannesburg at the University of the Witwatersrand. The #FeesMustFall movement became a rallying cry against the exclusion from higher education and debt traps for economically disadvantaged students (Pillay, 2016). As such, government

Table 1 South African country data^a

Official name	Republic of South Africa					
Type of government	Unitary dominant-party parliamentary constitutional republic					
Land area (in km ²)	1,219,090					
Population	55,011,976					
	Facts and figures					
	2012	2013	2014	2015	2016	
GDP (current USD billions)	396.333	366.81	351.119	317.611	294.456	
GDP per capita (current USD):	7548.16	6876.95	6479.62	5769.77	5273.59	
GDP per capita growth (annual %)	0.70	0.94	0.13	-0.29	-1.33	
Foreign direct investment, net inflows (% of GDP)	1.17	2.25	1.65	0.48	0.76	
Exports of goods and services (current USD billions)	117.805	113.214	109.485	96.398	89.402	
Exports of goods and services (% of GDP)	29.72	30.88	31.20	30.37	30.32	
Corruption Perceptions Index (score) ^b	43	42	44	44	44	
Competitiveness Index	4.37	4.37	4.35	4.39	4.32	
Ease of Doing Business Index (rank)	35	39	41	43	73	
Human Development Index (HDI) ^c	0.652	0.66	0.665	0.666	— ^d	

^a All country indicators except for the Corruption and Human Development Indices were retrieved from World Bank data (<http://www.worldbank.org/>) and prepared by country coordinators (descriptive analysis regarding main features—under the table). The data was accessed on 13 November 2017

^b Retrieved from <https://www.transparency.org/research/cpi/overview> and <https://tradingeconomics.com/south-africa/corruption-index>

^c Retrieved from <http://hdr.undp.org/en/data/>

^d 2016 HDI data not available

implemented a 0% fee increase for 2016 and in the subsequent year, government allowed universities to increase their fees, but limited it to 8% (Cronje, 2016). Although the dispute over student fees is currently subdued, government has the task of rethinking funding strategies of tertiary education and implementing 'free' education promises.

In order to contribute to solving the economic challenges the country faces, South African business schools also need to embrace significant transformation with regard to their mission in their home country and the rest of the African continent. This promotes dialogue between business and academia, which, in turn, will help develop leaders who will be able to function across disciplines, and embrace innovation (Dyllick, 2015; Mitroff et al., 2015). It also highlights the need to understand the challenges businesses are facing and to find appropriate solutions not only for current problems; both businesses and business schools must be eagle-eyed to predict future challenges and the corresponding developmental needs to deal with those challenges.

A recent empirical study by Rayment and Smith (2013) showed that leaders of business schools in emerging markets (including South Africa) are generally young, ambitious, forward-thinking, decisive and action-focused, targeted and realistic. The challenge, however, is that the syllabi of management education institutions are traditional and that schools generally follow developed countries in terms of measures for success and how to achieve it (Rayment & Smith, 2013). They argued that rather than making the same mistakes as the developed countries, emerging markets should be looking for alternative strategies that would lead to a just, sustainable and effective society. There is a growing call to focus on education that is specific for the African context. As such, scholars are tasked with the responsibility of researching and deriving theories and models that highlight business and management education in a broader African context (George, Corbishley, Khayesi, Haas, & Tihanyi, 2016). Therefore, this chapter aims to contribute to the body of knowledge by highlighting current business needs and how business schools can be (better) positioned to deal with them in the African context.

The reviewed literature shows that there is a need to understand the challenges and management developmental needs of the businesses in emerging markets. Based on the prior arguments raised, an exploratory research design will give insights into the phenomenon studied. The details of the research design and methodology are presented in the next section.

4 Research Methodology

The qualitative research design was used to obtain deeper insights into the challenges managers are facing, their developmental needs and how organizations provide support systems to deal with these challenges. Table 2 contains the details of the companies that participated in the study. They represent the aviation, transport, finance, fast-moving consumer goods and automotive industries. Their annual

Table 2 Company profiles

Company name	Industry/sector (primary and any other, from NACE classification)	Ownership structure (private, public, private/public partnership, cooperative, foundation, state, other)
Company A (SA origin)	Aviation	Public company
Company B (SA origin)	Transport	State-owned enterprise
Company C (MNC)	Consulting	Cooperative
Company D (MNC)	Automotive	Public company
Company E (SA origin)	Fast-moving consumer goods	Public company
Company F (SA origin)	Finance	Public company
Company G (SA origin)	Finance	Public company
Company H (SA origin)	Transport	Private

profits ranged from 5.8 to 374.3 billion rands, while the number of employees ranged from 2088 to 55,506. The sample included five public, one cooperative, one state-owned and one private company. Six of the companies are South African, while the other two are subsidiaries of multinational companies established in the United Kingdom and the United States of America.

The data were gathered from 13 participants, more specifically two chief executive officers, one chief strategist, one managing director, six executive HR managers and three learning and development managers. The data were collected through face-to-face interviews using a semi-structured research instrument. Although the interview questions were the same for all the participants, HR managers were further asked questions on the methods used for development. The key areas of focus were challenges, management needs, support systems available as well as the type, impact and evaluation of the development offered by companies. The interviews were audiotaped and notes were taken during the interviews. The duration of each of the interviews was 1–2 hours. The data were collected over a period of 2 months.

The grounded theory analysis process was used to analyze the data. The analysis occurred in six steps (Burden & Roodt, 2007). First, once all the interviews had been transcribed, the next step was to closely read the data and load transcripts on a computer-aided qualitative data analysis software program to prepare for analysis. During the second step, the transcripts were anonymized and closely read a couple of times before coding could begin. Third, open coding was performed by assigning codes that clearly captured the meaning of the passages and formed code trees. The axial coding was next during the fourth step, whereby the focus was to reduce the

number of open codes into broader codes. In the fifth step, the axial codes were reduced into selective codes, which explained the broader data. The final coding step was the formation of categories from the selective codes. The categories explained the widest concepts that emerged from the data. The last step in the analysis of data was theory building. The data were used to explain the phenomenon that was studied—management and development needs in emerging markets.

The small sample size is a limitation to the generalizability of this study's findings in different contexts. The next section presents the research findings, which were reviewed in line with the existing literature.

5 Research Findings

This section presents the research findings under the two main themes which address business challenges and management developmental needs. These themes are followed by discussions on the missing link between business schools and practice, current development and educational programs used by companies and a review of the companies' development programs. The impact and monitoring of development programs within the organizations conclude the section.

5.1 Business Challenges

The business challenges discussed in this section are twofold; the current and future ones. The current challenges include agility, adaptability, customer centricity, economic challenges, business acumen, innovation, labor, profitability, and employee engagement. The themes related to future challenges are uncertainty, resilience, creating new jobs and markets, creativity, digitalization, a global and diversified workforce, innovation and specialist skills. Innovation presented itself as a current and future challenge.

5.1.1 Current Business Challenges

The business executives indicated that the current business challenges revolve around management practices that organizations need to develop in order to deal with the changing business environment. They further argued that organizations are challenged to adapt to the economic shifts and have to be agile in responding to the changes (Denning, 2016). One respondent highlighted that

the challenge that we currently have is that business as we know it is not the same; we still have the same type of employees, so it is how they are agile or flexible enough to fit with the changing environment.

In order to be agile, organizations have to be innovative, meet their customers' needs and identify new opportunities in the constantly changing markets. In the same vein, Sullivan (2011) advised that management schools must not take a backseat, but should participate in conversations about innovation.

The respondents concurred that there are challenges presented by the macro-economic environment of business such as a continuously changing economic climate and customer cultures. To address the macro-economic challenges happening outside of the business, they suggested that organizations needed to focus on their marketing practices to build their brands and reinforce customer-centricity. The manner in which the business delivers products and services impacts how the business is seen and perceived by customers. Additionally, they emphasized that addressing human capital may be a way to enable organizations to thrive in challenging situations. The HR managers highlighted that shortages of experienced industry-specific, basic management and specialist skills, managing the different generations of employees and how to engage employees are some of the critical human capital challenges that they have to deal with.

Regarding technology, business practitioners reported that they have to ensure efficiency of the business processes and adopt digitalization as this seems to be a threat to most organizations. To emphasize this notion, a business manager indicated that *"we have seen the effect of digitization and technological advances that are taking place worldwide. How do we prepare for that?"* Financial companies, for example, are faced with competition from financial technology (fintech) and telecommunications companies. The literature highlights Safaricom in Kenya, one of the largest telephone companies, which launched a financial service product called M-Pesa® (Swahili name for mobile cash), which disrupted their financial industry by providing a product that enabled the exchange of money using mobile networks and devices together with the infrastructure of financial services companies (Lingelbach, Sriram, Mersha, & Saffu, 2015). As a result, banks are increasingly cognizant of the rise in fintech companies, which disrupt the status quo of operations and are able to do so on a relatively low-cost base (Grosskopf, Beyers, van Velden, Roopnarain, & Stonebridge, 2015).

The respondents concluded their statements by emphasizing that the overall challenge facing business is how to maintain growth, be competitive, enter new markets and create jobs in spite of economic and industry-specific challenges. Remaining profitable is one of the major challenges that keeps managers awake at night. A business leader alluded that *"the economic environment is not great. For everyone. So we are also impacted in the same way. That has an impact on how you keep the fires burning and bring in your revenues."* Denning (2016) mentioned that in order to maintain growth, organizations seek to be agile, which is one of the management practices needed in the twenty-first century characterized by rapid changes.

5.1.2 Future Challenges

The findings of the study showed that one of the major future challenges is that companies have to deal with uncertainty. One respondent said: *“I don’t think an organization can say that it is fully prepared for what it doesn’t know. And what it doesn’t know that lies ahead of it, what’s out there.”* The conditions of modern-day business render useless any efforts to understand the future and plan responses and create high levels of uncertainty (Bennett & Lemoine, 2014). Business executives agreed that organizations need to develop traits such as resilience and the ability to continuously adapt to the changing economic conditions. In these turbulent times, businesses need the skills of good management and the basics of effectively and efficiently running a business on a day-to-day basis. Some of the basic skills include technical, financial, human resources and business management skills. The changes in the workforce demographic and generations were of interest to HR managers, as they will challenge them to apply better recruitment skills, learning and development programs, and prepare junior managers to transition into top positions. Future employees will be global and diversified, thus bringing many cultures to organizations. HR managers are starting to witness minor generational shifts, which shows that the future diversified workforce is not too far off.

Some of the future challenges observed from the data will be how companies satisfy future customers, compete with future competitors and deal with the changing institutions and political environment. Lastly, in order to stay ahead of the competitors, the respondents mentioned that companies will have to innovate ahead of their competition, tap into new markets and prepare the necessary infrastructure to support innovations. Scholars are of the same notion that organizations will be challenged to build resilience and discipline as part of their managerial practices and leadership traits that may enable them to compete in the midst of VUCA conditions and not be outcompeted (Bennett & Lemoine, 2014; Richtnér & Löfsten, 2014).

5.1.3 Addressing the Business Challenges

The analyzed data showed that companies are preparing themselves for changes in the business environment and accepting that they are already here. In the process of confronting change, they engage their employees and bring them into play to understand that it is actually a good thing. One respondent said: *“It is about assisting the organization and the employees to understand that change is actually not bad.”* Secondly, the changes in the employees’ demographic and needs force organizations to have better relationships with the workforce and maintain constant and open communication. Since labor unions represent their members, organizations need to develop positive relationships with them to reduce the number of protests by disgruntled employees and instead make employees feel like an important part of their organization.

Respondents pointed out the challenge brought on by the need to develop leaders. C-level executives are exposed to various development programs that will help them deal with the current challenges and also prepare them for the future. In addition, staff members are trained outside and inside the organizations. Most of the HR managers indicated that their internal learning and development programs have been successfully executed. A part of the development programs is that companies also interact with higher education institutions to sponsor individuals to study their specialized skills courses. Finally, companies are promoting mentoring and coaching for executives and junior staff members.

5.2 Management and Development Needs

This section provides insights gathered from the data on the current and future development needs. The current developmental needs are soft, cognitive and technical skills development, self-awareness, crafting strategic foresight and understanding the basics of business. To prepare for the future, the areas that need development are technological and digital readiness, accountable leadership, specialization, soft skills, business basics as well as dealing with diversified and global employee development. Mastering the basics of doing business is both a current and future developmental need.

5.2.1 Current Management and Development Needs

The business executives highlighted that some of the current management needs for development are strategic foresight in a dynamic business environment, teaching how to build discipline to ensure that all leaders in the organization think alike, pursue the same vision, live the values of the organization and have a sense of ownership. Managers need to know how to craft their strategies to be the ‘leaders of the pack’ or the forerunners amongst their competitors. One respondent said: *“For me it is that . . . it is just being one step ahead of not just our competitors, but of the universe; just being in touch with what is happening.”* The business leaders are of the notion that they need to know how to become more innovative to achieve the set goals. Within the current and challenging economic conditions, they are also concerned with knowing how to develop agile organizations so that they can cope with the changes.

As the business environment is changing, the development requirement is to have managers with a broad transdisciplinary approach to business that are able to integrate the different functional areas into the business (Muff, 2013). In addition to the basic business management skills, managers also need soft and cognitive skills development. The respondents highlighted that specific cognitive behaviors and skills may include problem solving, self-awareness, open-mindedness, critical thinking and building trust relationships with stakeholders. The softs skills revolve around

mindfulness, whereby people are able to connect their emotions and mind in their work. They further argued that when employees are mindful, they will have a sense of ownership in the roles they are responsible for or activities they perform. Colby, Ehrlich, Sullivan, and Dolle (2011) mentioned that business schools leave out the development of soft skills and focus more on technical skills. The authors believed, however, that this must change.

Finally, the findings showed that there is a need for specific management and leadership development programs aimed at developing line managers, transitioning managers to top positions, and the mentoring and coaching of employees. HR managers are challenged with having to learn to understand and deal with the younger generations of employees, who have an attitude of entitlement and desire to be promoted in the early stages of their careers.

5.2.2 Future Management and Development Needs

The findings of the study demonstrated that future employees are going to be mobile, coming from different international countries and cultures. Therefore, HR managers will need to be trained how to deal with a diversified and global workforce. Organizations will be staffed with a younger workforce that behaves differently to what senior managers are used to. Leaders need to understand the teams they lead and enable them to operate at the right levels. The methods of developing these leaders will be a future challenge as businesses are looking for ways to minimize the classroom contact time and provide more collaborative learning platforms.

The business executives in the study concurred that a future area of development will be designing innovative ways of minimizing costs and maintaining profitability. This calls for creativity, problem-solving and decision-making skills, which will reduce bureaucracy and the fear of creative thinking. This will happen if the organizations are able to build strong relationships of trust, in which individuals are able to make decisions and contribute to the organization's development. Furthermore, they highlighted that relationships with customers will matter the most in the future. Future customers will be better informed, therefore organizations need to start developing strategies on managing how the clients view the business and how business leaders view themselves.

It was observed from the data that the move into digital technology space requires a lot of time to prepare the organizations for the technological absorption and advances. The respondents indicated that the use of data will be critical in making key decisions within organizations about which new markets to explore, which new products to introduce and which customers to target. Therefore, organizations need to be prepared to use technology to their advantage.

5.2.3 Support for Development Needs

The analysis of the data resulted in two categories of support that organizations avail to the developmental needs of their managers. Organizations provide financial and HR support. They have to introduce better ways of identifying an individual's areas of development with electronic performance management systems. HR managers said that some of the developmental programs can be offered through in-house programs and e-learning platforms, while others are rendered externally. Employees who have succeeded in their development programs should then be considered for a specific job placement within the organization. The CEOs mentioned that they provide sufficient financial budget allocations to support the education and development of staff. One respondent said:

We budget for that. For the very first time, I took the bull by its horns and I decided to put a budget in for the leadership development program. It's a reality that it's a volatile industry and we have to be creative about it. We asked for funding from our manufacturers and we got a big funding from them.

Again, managers are given the task of offering guidance and transferring skills to their subordinates. They are also assigned junior employees to coach and mentor. The companies that participated in the study seem to be recognizing the significance of supporting or offering learning and development within their organizations.

5.3 *The Missing Links Between the Corporate World and Educational Institutions*

The overall impression gleaned from business executives is that business schools try to maintain their relevance by offering development programs aligned with the current business trends and changing environment of business. However, they have observed that there is a disconnect or a perceived lack of actual collaboration or engagement with management schools and the business sector. At the onset, there seems to be good engagement; however, as the programs evolve, engagement levels deteriorate. The participants emphasized that business schools are distant from actual business and do not have a clear sense of what is happening in their businesses. One participant emphasized:

The other challenge is that business schools may also be too far removed from what is actually happening. We tend to see companies which are not able to fully embrace the kind of capability that they need to also remain relevant, because there is just such a big disconnect between how close a business school actually lives to its clients—that could be a problem.

Ongoing engagement would minimize the misunderstanding of expectations held by both parties.

Another disconnect is that business schools do not offer context-specific programs, thus creating a lack of integration between theory and practice (Muff, 2013). The participants of our research believe that there should be case studies that can be used in class in line with the context in which organizations operate. The development programs should be aligned with what organizations need so that the impact of the programs' content can be measured. The pedagogic approach used by business schools should be improved. For example, traditional methods of teaching need to be combined with other methods. Organizations are looking for blended teaching, which offers experimental, experiential and post-program teaching (Muff, 2013).

Finally, the business executives are of the notion that the course content creates a certain disconnect. They emphasized that business schools are focused on more technical courses, consequently neglecting soft skills. In recent years, managers are realizing that there is a need to develop soft skills, but business schools do not know how to teach those (Richtnér & Löfsten, 2014). They claimed that business schools are not teaching or developing soft skills or practices such as agility, resilience and creativity. Colby et al. (2011) also emphasized that business schools have disregarded creative thinking, self-knowledge and soft skills. Tough economic conditions are stressful; therefore, leadership programs should include the resources important for promoting health, mindfulness and wellness (Holmberg, Larsson, & Bäckström, 2016). A recommendation that was made by business executives is that business schools should embed soft skills and behavior development on aspects such as health and wellness, resilience, accountability and accepting change and agility. Courses on how to build effective teams and promoting the transference of skills among groups would also be of great help to practitioners. The last point that was raised by participants is that business schools do not share the research findings with them. Executives are ready to implement some of the recommendations so as to improve their business operations. Therefore, business schools must come up with ways of disseminating knowledge to business practitioners as a way of bridging the existing gap between academia and the corporate world.

5.4 Current Development and Educational Programs Used by Companies

HR managers mentioned that company-internal programs offered by organizations is usually specifically designed according to the employees' levels and needs. There are programs aimed at top, middle and low-level managers, and employees in general. For some of the in-house programs, HR managers bring in external experts to facilitate the programs. Multinational companies collaborate with their global partners to formulate programs that are tailor-made for their organizations so as to ensure that the company's brand and processes are similar across different regions. In order to minimize the classroom times and the use of physical assets,

organizations that participated in the study have developed virtual learning platforms, where individuals can partake in their courses in different locations and at different times.

The suggestions from the business executives were that business schools should also consider using more virtual learning platforms, which could increase revenue without increasing physical space. However, the disadvantage is that physical interaction between students would then suffer. van de Bunt-Kokhuis and Weir (2013) agreed that future teaching would probably take place in an online classroom, where culturally diverse e-learning students from around the globe would meet virtually. The companies are developing online infrastructure, which will accommodate centers of excellence aimed at equipping people with specialized skills, which they are lacking and which are needed to run the business efficiently and in a profitable manner.

5.5 Impact of Development Programs Within Organizations

The synthesized data unveiled that the main impact of development is on the ability of organizations to build their core competences, which gives them a better competitive advantage. One respondent said:

We have put in place these training programs going way back and the programs have fundamentally enabled us to build on our core competences. I think we have flagship programs around technical skills development in this organization, and it is those core competencies that we train up that spread into our sales business and our after-sales business and our support business. All those skills have been fundamental and critical to us remaining the best in class.

Participants argued that the development programs have indirectly contributed to building the financial assets of the companies. Some organizations introduced the after-sales support programs to their employees to ensure that their clients are satisfied. This helped them retain their customers. Development programs also had an impact on the efficiency of the overall running of the business on a day-to-day basis.

5.6 Evaluation of Development Programs Used by Companies

The findings of the study showed that development programs are monitored using digitalized internal processes, which record data on the professional development of staff. One respondent indicated that having a digital monitoring system

ensures that we have identified and planned for the future development of people for the year. And so we monitor the rate of people who do not have a performance contract or development plan, and we are able to hone in on those areas and provide support to those line managers and employees to ensure that it is put in place.

The systems that they have are able to capture data on current areas of development and also show the areas that have been completed. The HR managers indicated that they take another step to encourage employees and managers to review and give feedback on the development program they have received. Another element that is helpful is that the HR departments run employee climate surveys, which are able to show how the organization is performing with regard to employee development.

5.7 Summary of the Results

Figure 1 shows the summary of future and current challenges faced by business. These challenges serve as a guide to understanding the current and future developmental needs by management. Further, business schools need to know the current challenges so that they can prepare relevant development programs. Also, once they know the current needs, they are able to better identify and understand their future challenges and developmental needs.

Figure 1 with the business schools and organizations at the center shows that it is them that need to build relationships, collaborate and engage in the process of innovating and designing management development programs that will have an impact on the performance of employees and organizations in a specific context.

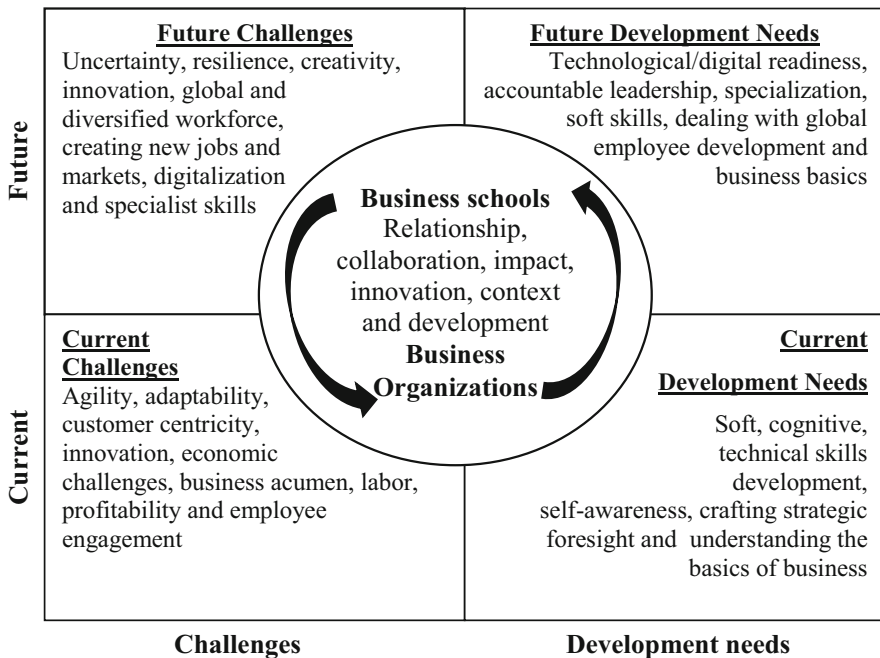


Fig. 1 Summary of results. Source: created by the author

Collaboration involves discussion on the pedagogic approach, curriculum content and the development needs of the organizations. Business schools should support businesses through educational offerings, which are relevant in a context that is prone to VUCA conditions. To maintain their relevance, business schools need to innovate their missions and operations. Finally, in order to be effective, business schools need to build trusting and close relationships with business organizations.

The findings of this study show that the two main research questions were answered. Therefore, the next section presents the recommendations and conclusion of the chapter.

6 Recommendations and Implications

This section presents the recommendations that were gathered during the interviews with business executives. The recommendations for management education are discussed under the key themes such as corporate relationships, leaning platforms, blended learning, course content, measuring impact, personal ability measurements, self-optimization courses, global citizens, innovation, and research collaborations. The section is concluded with recommendations for business practitioners.

6.1 Recommendations for Management Education

Business schools need to build and maintain closer relationships with their clients through key account managers. They need to understand what their clients need to remain relevant. Business practitioners indicate that there are opportunities for them to collaborate with business schools to solve some of the business problems using academic research. From a research point of view, this will be one of the ways of bringing theory and practice together. In addition, business schools must share the findings of their research with business and policy makers.

Business practitioners indicated that it is not enough to teach theory without practical application. Rather than merely relying on the traditional method of teaching, business schools need to offer blended teaching methods, which include experiments and simulations. The inclusion of the practical component will be a way of reducing the gap between what is taught in class and what is needed in practice. In addition to classroom teaching, business schools need to include e-learning platforms.

Business practitioners believe that an MBA does not actually prepare graduates for work. After completing an MBA, there are still gaps in their skills; therefore, there must be a self-optimization course that will help the students fully transition into top executive positions. Therefore the course materials should include the development of managerial practices and soft skills like agility, resilience, self-awareness and adaptation, health and wellness.

Business schools need to introduce programs that assess an individual's abilities. They should also recommend a 'tool box' of courses or tasks their students should be doing over the next year. This toolbox should be quite extensive; it has to be a comprehensive mix of academic, experiential and coaching activities. The program could then be customized to the individual's requirements.

In line with this study's findings, Sullivan (2011) mentioned that most business schools do not directly incorporate innovation into their own missions and operations. Since the world is changing rapidly, business schools need to be innovative. As part of being innovative, they need to measure the impact of development programs on the performance of employees and businesses. Companies need to know how these programs are helping them to stay profitable and competitive so that they can budget and plan for future developmental needs. Finally, business schools need to come up with innovative business models to prepare for the global workforce that will come to learn at different institutions, with global mindsets and cultures (Lilley, Barker, & Harris, 2014; van de Bunt-Kokhuis & Weir, 2013).

6.2 Recommendations for Practitioners

Businesses must be involved with universities and colleges and support them in the preparation of content that will teach students the skills needed in the future. Business practitioners need to give access to the business schools to gain a clear understanding of the challenges encountered by businesses and design suitable developmental programs. They must financially support some of the research projects and provide access for data to be collected.

7 Conclusions and Limitations

This research was able to show what challenges businesses are facing today and in the future. Agility is one of the major management traits which companies emphasized are needed when facing contemporary business challenges. Furthermore, adaptability, customer centricity, innovation, economic changes, basic business acumen, labor, profitability and employee engagement emerged as current challenges. Regarding the future, uncertainty, the diversified and global workforce, innovation, digitalization and resilience were reported to be the main challenges. For businesses to succeed in the myriad of micro and macro-economic challenges, they need to know and apply the basics of business and have a transdisciplinary approach to management.

The first limitation of this research is the small number of participants and companies that participated in the qualitative part of the study, the interviews. This means that the findings may not be generalizable to other contexts. The second limitation is that the qualitative study did not gather data on the impact of the

programs offered by business schools. The impact assessed was with regard to the internal or in-house programs conducted in the businesses. Future studies should therefore explore the impact of business school development programs on the performance of their clients or organizations.

The last limitation is that no quantitative study was conducted, as only one company was willing to participate. Therefore, future quantitative studies will have to be conducted to obtain an overall view of learning and development within organizations.

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Management and Leadership Development Needs: The Case of Ukraine



Iryna Tykhomyrova and Vadim Saveljev

1 Introduction

Ukrainian businesses face global competition, but the domestic market is not ready for globalization and internationalization. They are facing the challenge of going global: engaging with global client experience, following global standards of operational efficiency. The domestic market makes it difficult for Ukrainian businesses to achieve scale or global competitiveness. Ukrainian companies face global competition on the labor market, and the knowledge with which employees should be equipped is continuously changing. Companies should be able to acquire, develop and retain good employees and managers under these conditions.

Ukrainian companies should rethink and create strategies appropriate for the business environment, including new organizational models (organizational culture and structure). The conditions for doing business challenge companies to develop organizational models that enable business and organizational innovation, development and rapid organizational change. One of the most important issues for Ukrainian business is the development of management educational institutions. Enhancing the quality of education and expanding educational opportunities will open the possibility for professional collaboration for actors in scientific, consultative and educational services, and for businesses and organizations in Ukraine.

This exploratory study aims to explore, identify and assess management and leadership development needs by focusing on the challenges businesses face (particularly with respect to management and leadership issues), the strategic responses that are being developed in response to those challenges, as well as the exploration, identification and assessment of management and leadership capabilities and gaps (World Bank, 2010). The research covered a series of personal interviews with

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decision makers, country data that were accessed through the World Bank database, and an overview of the main features and trends connected to the country's economy, the current business challenges and management/leadership education. Within the scope of this research, interviews were organized with representatives of 18 companies; local businesses and international corporations alike. These companies represent 12 industries according to the NACE classifications and include spheres of business activity such as goods production, retail, the generation of electricity, telecommunications, health care, and financial services (Eurostat, 2006) (Table 1).

The research was conducted in Ukraine over a period of 3 months (March–May 2016). The country research coordinator was MIM Business School and was represented by Iryna Tykhomyrova, President of MIM Business School, and Vadim Saveljev, Associate Professor of Business Administration Department. Other research partners were Kyiv-Mohyla Business School represented by Eduard Maltsev, Associate Dean and Marina Derepa, Alumni Executive MBA Program, and Lviv Business School represented by Iryna Svityashuk, Key Executive MBA Program Manager.

This study is essential for management education development, as well as for modernizing and improving the educational process in Ukraine. The key objectives of this study are aiming at advancing the Ukrainian management education system, developing methods and theories relevant for educational content and learning processes in various types of management education institutions.

Table 1 List of companies included in the research

#	Company	Industry/sector (according to NACE classification)
1	Company A	Q86.1—Health care
2	Company B	D35.1—Electricity generation, transmission and distribution
3	Company C	G47.7.5—Retail sale of cosmetics and toiletries articles in specialized stores
4	Company D	G47.2—Retail sale of food, beverages and tobacco in specialized stores
5	Company E	K65.1—Financial and insurance services
6	Company F	C21.1—Manufacture of basic pharmaceutical products
7	Company G	J62.0—Computer programming, consultancy and related services
8	Company H	G46.6.9—Wholesale of other machinery and equipment
9	Company I	C10.4.1—Oils and fats production
10	Company J	62.09—Other information technology and computer services
11	Company K	49.91—Freight transport by road
12	Company L	62.03—Computer facilities management
13	Company M	I56—Food and beverage services
14	Company N	C10.7—Bakery and farinaceous products
15	Company O	C10.4—Vegetable and animal oils and fats
16	Company P	G47.7.4—Retail sale of medical and orthopedic goods in specialized stores
17	Company Q	I56—Food and beverage services
18	Company R	J61—Telecommunications

2 Ukraine's Economic Situation

Ukraine has experienced acute political, economic and security challenges during the past 3 years. The key reforms undertaken since 2014 have all been important steps, although more needs to be done in these and other areas. Going forward, Ukraine will need to advance reforms on multiple fields in order to recover in a sustainable manner and achieve shared prosperity.

As for recent economic developments, Ukraine's economy recovered modestly in 2016 due to decisive reforms, which in the face of unprecedented shocks, helped to stabilize confidence. As a result, the real GDP grew modestly in 2016 and fixed investment rebounded strongly from a low base, pointing toward strengthened investor confidence. Inflation slowed to 12.4% in 2016 from 43.3% in 2015 due to the exchange rate stabilization and a prudent monetary policy. Labor market conditions remained unfavorable, with official unemployment recorded at 9.9% in 2016. The overall pace of recovery remains modest, as significant weaknesses remain in some parts of the services sector, including education, health, and financial services. A stronger recovery has also been held back by weak external demand and the ongoing armed conflict in the southeast of the country. Although a number of important reforms have been passed in recent months, a further acceleration of reforms is needed to boost investor confidence and bolster economic recovery.

External vulnerabilities are expected to persist. Lower steel exports and higher coal imports due to the trade blockade of the uncontrolled areas in Donbas are expected to further widen the current account deficit to 4.1% of GDP in 2017. Ukraine will require significant external financing to meet the payments of the external debt of banks and corporates amounting to about USD 7 billion per year over the period 2017–2019. Maintaining cooperation with the International Monetary Fund (IMF) and other official creditors will be important to meet external financing needs, bolster international reserves, and raise investor confidence.

On the positive side, there are encouraging signs of progress in a number of important reform areas, and recovery should also benefit from improving terms of trade. Growth is projected at 2% in 2017 and 3.5% in 2018. Growth of 4% or more in the medium term will require accelerating the implementation of politically difficult reforms to address longstanding structural challenges (World Bank, 2017a) (Table 2).

The World Competitiveness Scoreboard ranked Ukraine's economy 59th in 2016, receiving 47 out of maximum 100 points. Ukrainian businesses still operate in a business and socio-political environment that is outdated and overregulated by the state (International Institute for Management Development [IMD], 2010, 2012, 2013, 2015). Ukraine needs to boost productivity, bring the labor market into line and foster corporate finance in order to ensure improvements for the period 2016–2017 (IMD, 2016a, 2016b).

The most important issue is about the prerequisites for the accelerated adoption of business and consumer products and service standards corresponding to European

Table 2 Ukraine's economic situation

Official name	Ukraine					
Type of government	Unitary semi-presidential constitutional republic					
Land area (in km ²)	603,700					
Population	42,600,000					
	Facts and figures					
	2011	2012	2013	2014	2015	2016
GDP (current USD billions) ^a	163.160	175.781	181.310	133.503	91.031	93.270
GDP per capita (current USD) ^b	3569	3855	4029	3104	2124	2185
GDP per capita growth (annual %) ^b	5.85	0.49	0.20	-1.14	-9.44	2.72
Foreign direct investment, net inflows (% of GDP) ^b	4.4	4.7	2.5	0.6	3.4	3.4
Exports of goods and services (current USD millions) ^c	81,280	83,884	78,743	64,788	47,816	33,970
Exports of goods and services (% of GDP) ^d	49.8	47.7	43.4	49.2	52.8	55.9
Corruption Perceptions Index (rank) ^e	152	144	144	142	130	131
Competitiveness Index ^f	82	73	84	76	79	85
Ease of Doing Business Index ^g	152	137	140	112	83	80
Human Development Index ^h	0.739	0.744	0.746	0.748	0.743	0.743
Average salary (net USD) per month ⁱ	331	380	410	217	182	230
Minimum salary (net USD) per month ^j	125	141	152	90	59	119

^aWorld Bank (2017a)^bCentral Intelligence Agency (2017)^cState Statistics Service of Ukraine (2016a)^dState Statistics Service of Ukraine (2016b)^eTransparency International (2017)^fGlobal Competitiveness Index (2017)^gTrading Economics (2017)^hUnited Nations Development Programme (2016)ⁱState Statistics Service of Ukraine (2017b)^jState Statistics Service of Ukraine (2017a)

Union (EU) requirements (IMD, 2017). The EU-Ukraine Deep and Comprehensive Free Trade Area finally came into force on 1 January 2016 and is expected to help Ukraine integrate its economy with EU member states by opening up markets and harmonizing regulations. However, the real GDP has stabilized, and the economy has been slightly growing since 2016 (Central Intelligence Agency, 2017). Meanwhile, technological and scientific infrastructure and education remained very sensitive areas in Ukraine in 2010–2016 and showed some steps down in ranking. The scientific environment demands special treatment in scientific research legislation and research and development expenditures. The outlook for economic growth remains weak due to the challenging global economic environment, the ongoing uncertainty related to the conflict in the southeast of the country, and the slowing of the reform movement due to political resistance.

As noted by the companies participating in the research, several essential impact factors can be used to describe the main features and current trends of Ukraine's economy and contemporary business challenges such as the unstable economic situation, the continuing military operation in the eastern territories, the lack of short- and long-term predictability of the economic environment, falling purchasing power of both urban and rural residents and rising prices for most product categories, the aging demographic of most big state enterprises, and the reorientation of national producers towards European and Middle East markets.

The evidence from these studies suggests that Ukraine is facing several important challenges. They are recommencing economic growth that will reduce unemployment and improve living standards, generate a domestic and foreign investment inflow that will fuel economic growth, reforming the judicial system, so that it is transparent, fair, and reliable to investors, ensuring political courage to clear corruption from all public legislative and regulatory offices, ending the armed conflict in the southeast.

However, growth is projected at 2% in 2017. Reforms to improve expenditure efficiency would create the fiscal space to unlock public investment, while continued reforms in the banking sector would permit a gradual resumption of lending. In light of the gradual economic recovery, poverty is projected to steadily decline but it remains high in 2018. Maintaining cooperation with the IMF and other official creditors will be important in order to meet external financing needs, bolster international reserves, and restore investor confidence (World Bank, 2017b).

3 Main Features of Management Education in Ukraine

During the Soviet period, Ukraine's educational system supported a centralized economy, but since achieving independence in 1991, economic and political conditions in Ukraine have changed, and the established system of education proved ineffective to support the new reality. The dynamic development of business within the context of globalization requires consistent reforms in management education. These changes demand constant adaptation, risks, significant investments, jointly conducted research devoted to development, and the implementation of new educational programs.

Reviewing the earliest stage of management education development, we should note that management education in Ukraine has been formed relatively recently. While a small number of business schools was established in Western Europe in the early twentieth century and their growth intensified from the 1950s onwards (Engwall, 1992), the first business school in Ukraine, the International Institute for Management (MIM Business School) was founded in 1989. Therefore, the first MBA program graduates finished their studies during Soviet times. This period can be considered the historical beginning of the development of systematic management education in Ukraine. While faculties of management existed in the Union of Soviet Socialist Republics, no meaningful business education was taught.

The period of 1991–2000 should be recognized as the formation stage of management education in Ukraine. The key priority of the state was to provide basic education; the government hardly supported the development of management education, since it wasn't part of the official policy. For example, management education standards were adopted only in 2005. However, when the Classification of Occupations was approved by the Cabinet of Ministers in the following year, management education was again excluded from the list.

The lack of internal state standards for management education was an additional weakness. However, the system of leading business schools in Ukraine aligned with international standards and at the same time adapted to the local market and its business needs. For example, programs were developed according to the standards touted by Western business schools but adapted to the circumstances in Ukraine.

The learning process in business schools was different from university education. Professors did not read out but rather discussed topics and study cases together with the students. According to the expectations of academic staff, the students who had been managing a business and people for several years were considered to have already obtained the necessary theoretical basis in practice and hoped to systematize their knowledge at business schools.

Management education in Ukraine grew dynamically over 2000–2017, as interest and enrollment in MBA programs rose and domestic business schools expanded. The number of players in the Ukrainian market of management education has not changed much over the years. On average, two business schools open every year, while about the same number of them close, as the mid-sized business schools cannot compete with larger players.

The qualitative differences between the major market players include annual program updates, international educational tours, live practical cases within large companies, meetings with well-known experts as well as partnerships and cooperation with international institutions (OECD, 2011). Ukrainian business schools update and innovate their educational programs in accordance with the best foreign practices. The goals of the learning process are attaining business knowledge, critical thinking and decision making, effective managerial communication, ethical behavior, social responsibility and leadership skills.

The growing demand for management education is notable all around the world. About 10 years ago, especially abroad, there was an opinion that the world economic crisis of 2008 had led to decreased demand for management education. Now we could assume that the consequences of the crisis have already been overcome. There are positive trends, and demand figures may recover to the same level or even exceed pre-crisis indicators.

We observe a generational change of the people who enroll in business schools. Previously, it was a generation characterized by the word 'why'—the people who used to question and check everything. Now the next generation is coming: the people who put more value on freedom and mobility. On the one hand, they

understand the importance of education, and on the other hand, they increasingly want to determine the format of said education themselves. This generation of students highly appreciates mobility, both in the educational mode, and in the choice of courses and specializations. In the process of obtaining management education, they actively use the internet to gain knowledge and do not want to be confined by the strict framework of formal education. They also prefer to work in groups, study communication and specific projects.

The main characteristics and trends of management and leadership education include the following formal and informal features. Management education only appeared in Ukraine during the years of its independence. Moreover, management education in Ukraine has been developing primarily to meet business needs. There is almost no state support for the development of management education. The key priority of the state is providing basic education. Consequently, the strengths of Ukrainian management education development lie in the possibility of maximum adaptation to the market and business needs, and its weakness is the lack of internal state standards of management education. Therefore, the system that serves as a framework for business schools in Ukraine is aligned with international standards. The number of Ukrainian managers obtaining MBA diplomas in Ukraine is growing. Ukrainian business schools update and innovate their educational programs in accordance with the best foreign practices. Foreign non-profit organizations and charity foundations actively support local educational programs and local vocational programs for young entrepreneurs and small businesses. Many companies with foreign investments operating in Ukraine organize regular development and studying courses for their managers. World-famous business gurus often visit Ukraine and speak before audiences of 5,000–30,000 people.

4 Research Methodology

For the purposes of this exploratory study, a special sample was selected to ensure the participation of companies that represent a wide range of industries, sizes and revenues. Figure 1 shows the distribution of companies by the number of years that they have been operating on the market. The collection of research data involved a series of personal interviews with decision makers (C-level executives) and people responsible for human resource (HR) management in order to gain an insight into the current and future development needs. In addition, online questionnaires were used by the representatives of MIM Business School (country research coordinator) and research partners in order to acquire an overview of the main features and trends regarding the participation in development and educational programs in the last 5 years.

The representatives of MIM Business School (country research coordinator) and the research partners interviewed 18 companies from 12 industries according to the NACE classification. Most of the companies interviewed are privately owned. Only

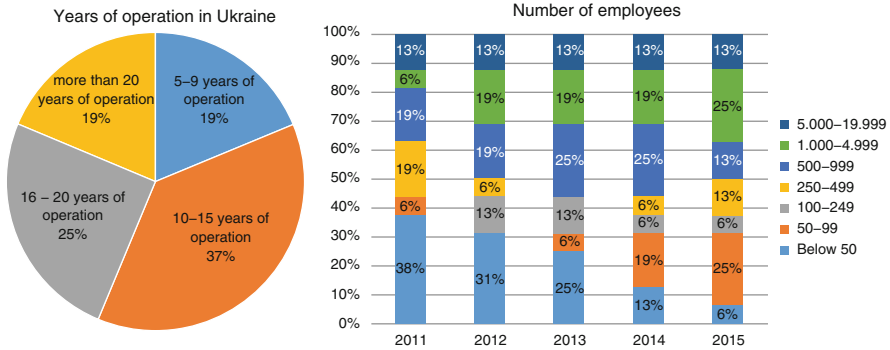


Fig. 1 Characteristics of companies participating in the research

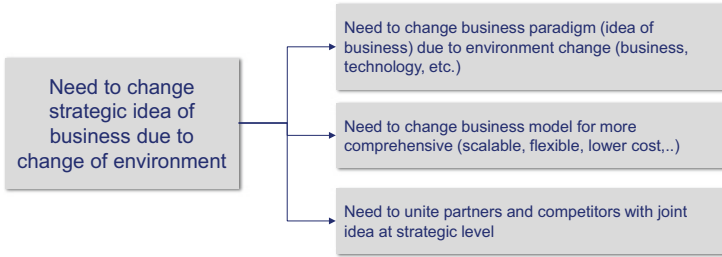
one company is a private-public partnership company. The distributional analysis of companies by the number of employees in the past 5 years (2011–2015) shows a growth trend; many companies have moved from the category ‘below 50 employees’ in 2011–2013 to the category ‘50–99 employees’ in 2014–2015. The share of companies with 1000–5000 employees has also increased.

According to the incomes in the interviewed companies, we can distinguish two groups. Group 1 consists of companies with an active income increase in the period 2011–2015. These companies represent industries such as retail sale of cosmetics and toiletries, retail sale of food as well as oil and fat. Group 2, by contrast, comprises companies with a significant slowdown in the rate of revenues increase or reduction in 2014 and 2015. These companies are from industries such as insurance, freight transport by road, and electricity generation.

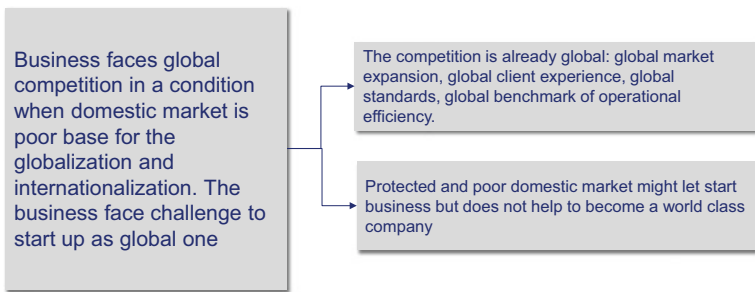
5 Research Findings

As an introduction, we will describe the current key challenges faced by Ukrainian business that companies have mentioned during the interviews. As a starting point, there is a need to change the strategic idea of business due to the change of environment (Graph 1).

This means that the current business models need to be replaced with more comprehensive ones. Costs need to be reduced, and partners and competitors need to unite with a joint idea at the strategic level. Top managers understand that creating and developing the market in an unfavorable business environment is more effective than competing on the existing market. Ukrainian business used to work in an environment where it was hard to make forecasts. Representatives of the companies mentioned the following impact factors: currency fluctuations, expensive financial recourses for business development, military and political risks, and barriers that



Graph 1 Identified management development needs in Ukraine



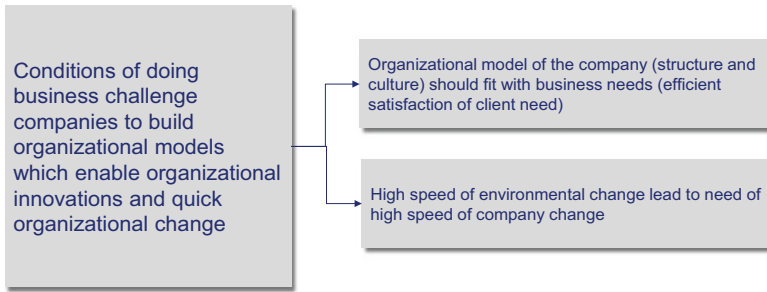
Graph 2 Identified business challenges in Ukraine

impede the inflow of investments. However, it should be pointed out that businesses in Ukraine face global competition, expansion to the international market, experience with clients and standards around the world, international benchmarks of operational efficiency (Graph 2).

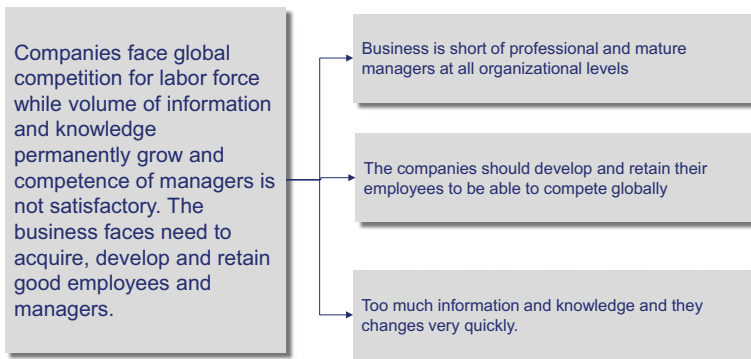
Interviewees participating in the research consider the Ukrainian market to be a poor base for internationalization and globalization. This means that competition will be at a low level of service quality, while dumping and corruption at the national level prevent businesses from globalizing. In such conditions, companies are challenged to develop new organizational models. These models should support business needs in terms of efficiently satisfying their clients’ needs (Graph 3).

The success of such organizational changes depends on the competence of managers. According to the interview results, Ukrainian business lacks professional and mature managers at all organizational levels. Therefore, companies should develop and retain employees in order to be able to compete globally in the context of abundant and rapidly changing information and knowledge worldwide (Graph 4).

The second question is how companies and top managers address the mentioned challenges. To answer this question, we begin by taking a closer look at the research results, the main efforts of which are focused on elaborating a strategy appropriate for the business environment. Primarily, companies need to create a strategy



Graph 3 Possible responses to business challenges in Ukraine



Graph 4 Identified business challenges in Ukraine

appropriate for the business environment, including business and organizational models, as well as implement marketing and processing innovations, which aims at understanding the client and creating adequate value propositions. Further, a healthy corporate culture should be established. It would combine shared knowledge, attitudes towards learning and a shared understanding of business.

In this context, developing an adequate management system, including HR management, learning and developing client-oriented services, becomes a top priority. Those include improving corporate communications; establishing necessary managerial tools, structures; acquiring necessary managerial expertise; establishing a system for the selection, search for and developing employees and their competences; the development of client-oriented services; and retaining the best talents. In addition, businesses in Ukraine are in need of reorganization and changes aimed at reducing their dependence on suppliers of raw materials and searching for alternative geographical markets with a more favorable market environment. Furthermore, the

importance of top management being able to make strategic decisions should not be forgotten—their abilities to develop and implement strategies that bring necessary elements into the corporate culture. The development of operational management specializations and closing basic education gaps should also be pointed out.

Another question is how are companies prepared for the aforementioned challenges. According to the results, there is a need to create new flexible business models, which should be efficient and economically feasible. Learning should be applied as a strategic tool for employees and the company. The best international business management practices as well as strategic management practices, research and development should also be analyzed and implemented.

We should note that most of the interviewed companies try to optimize their management system in order to pursue the following set of goals: systematizing functions, sharing areas of responsibility, devising objective criteria for evaluating the performance of each employee, a diverse working experience of their employees and motivating employees.

The great majority of respondents noted that the key company development needs are establishing a culture of learning amongst employees so that they acquire a wide range of capabilities, including personal, professional, general management and conceptual modelling capabilities; increasing the importance of marketing competencies and approaches to doing business, changing approaches to decision making by managers considering the growing competition; establishing a management system which enables appropriate models of business processes and jobs across a company, for example the selection and development of suitable employees for certain jobs; involving partners; having a complete approach and project management; fostering leadership and the ability to deal with ideas; helping top managers to understand strategic management when it comes to creating and implementing strategy as well as incorporating necessary elements into corporate culture; and developing operating management specializations to fill basic education gaps.

The next question of the research considered the support of senior executives and decision makers with respect to organizational development and education in the near future. To develop systematic employee development, companies plan to standardize jobs and use standards for the selection and development of employees. The participants of the research confirmed that professional and managerial skills and experience should be systematically used for corporate culture development. The companies plan to optimize their management system, the division of areas of responsibility, the motivation of personnel in performing set goals, and also intend to establish corporate systems of learning supported by appropriate investments in facilities, IT as well as external and internal development programs.

Concerning the cooperation between the corporate world and educational institutions in terms of development programs and education, we see that the content educational institutions are offering is often inadequate. Management education is an important part of employee and manager development. It should be customized according to company's needs.

This study has identified a variety of factors related to the preferred pedagogical format (method of delivery) of development programs and education for Ukrainian

companies. The learning method should support learning, effective knowledge personalization and help attain intended learning outcomes (build a system of knowledge or upgrade knowledge). The emphasis should be on active forms of learning to enhance personal understanding and developing skills. Furthermore, short practical programs with case discussions and the involvement of interactive techniques should be implemented. And finally, corporate programs are preferred when all participants are motivated to gain new knowledge. It is also important to emphasize the most desirable qualities of good development and education for companies in Ukraine. Our study has also identified a variety of factors related to this: a good development program should be characterized by the high quality of instructional design, the quality of learning materials (offline as well as online) as well as the organization and performance of the learning process.

The next question of our study centered on the way development and education programs have been used in the interviewed companies in the past 5 years. Respondents gained the following key insights: experience shows that the proper customization of corporate education programs and management development programs is necessary. Customization should consider necessary job standards, the employee level of development as well as the working situation and environment. Companies are interested in internal development programs conducted by employees who have already attended classes.

Considering the impact of development programs, let us emphasize the most important findings. Learning has a potentially positive impact on corporate culture. Employees share knowledge and new ideas more easily, communicate better, solve problems together and improve performance via closer collaboration. Education is a way to enhance motivation for innovation, increase personnel efficiency and motivation as well as to strengthen employee loyalty.

Finally, with regards to systems for evaluating the progress of development and education, our research discovered that most interviewed companies do not have an evaluation system. Companies plan to assess only the achievement of corporate goals (key performance indicators) and whether personal and corporate learning goals have been achieved.

6 Recommendations and Implications

The results we have presented in this chapter show that Ukrainian companies need to establish a healthy corporate culture, which opens the door to a common business understanding, knowledge-sharing abilities, learning attitudes and performance discipline. Companies have to establish a culture of learning, so that employees can develop a wide range of capabilities, including personal, professional and general (communication, project and process) management capabilities. They need to develop critical and creative thinking abilities and abilities for designing jobs, processes and business models. Companies should also support continual professional development of employees as well as their personal development, including

their cognitive, emotional and social capabilities. The capability to understand as well as to communicate and interact with clients should be the result.

Ukrainian businesses should improve corporate communication, acquire necessary managerial expertise and establish systems for developing their employees. It is very important to create a corporate learning culture. Such learning allows for the development of shared understanding among employees and clients, and to acquire a better understanding of client needs.

The development of management and leadership needs to implement the following activities: it should establish a culture of teaching employees necessary capabilities (including personal, professional, general management, and conceptual modelling); establish a management system which enables the diffusion of appropriate models of business processes and jobs throughout a company and the selection of suitable employees for the jobs; the development and involvement of partners; professional processes and project management; increase the importance of marketing competences and approaches to doing business; and changing approaches to decision making in a competitive world. As a result, managers should understand the strategy of their company and be able to implement the strategy, being active in establishing a corporate culture.

Ukrainian companies have to rethink existing strategies and create one that is appropriate for the business environment, including new organizational models (organizational culture and structure). The conditions in which companies nowadays make business challenge them to develop organizational models that enable business and organizational innovations as well as development and rapid organizational change. The organizational model of each company should meet business needs and help efficiently satisfy client needs. Change management should enable quick and sustainable change.

Corporate systems should provide learning in the professional, managerial and leadership domains. Companies should plan to establish corporate systems of learning that are supported by appropriate investments in facilities, IT solutions, internal development programs, and the involvement of external lecturers. Internal development programs should be supported by a mentoring system. External learning is also very important—both outside a company and outside the country. Top management already treats learning as an important investment in corporate culture development and is ready to provide full support.

Management education is an important part of employee and manager development. It should combine standardization to create common managerial knowledge and customization to satisfy specific company needs. All employees should be involved in managerial education to improve their ability to manage themselves and work together. Managers should have appropriate experience and skills to develop people and organizations as social systems. Most Ukrainian companies have no learning evaluation system, but plan to set them up to be able to evaluate the realization of corporate learning goals through achieving learning objectives or evaluating the change in key performance indicators. The companies also plan to evaluate the achievement of personal learning objectives, learner satisfaction, and the impact of corporate learning on corporate development. When selecting an

external provider, Ukrainian companies often rely on the reputation of the institution and/or teacher. When it comes to the location of development programs, companies sometimes consider the change of environment to be one of the most important factors.

7 Conclusions and Limitations

According to the research findings, continuous changes in business, technology and the social environment provoke companies to change their business paradigm (strategic business ideas) and to create, develop or reinvent more comprehensive business models for them to be more scalable, more flexible, and to provide lower costs. Companies should better understand their clientele and create appropriate value for the client. These new business models should help companies to expand to more client segments and acquire clients, satisfy them and at the same time stay economically feasible. Business models need to become open to unite partners and competitors with a joint idea at the strategic level.

From the facts listed above, we may conclude that about 50% of employees enroll in development and education programs per year. At the same time, top management in companies consider education programs not as an additional option, but rather as an obligatory process for the development of staff competences. Based on the survey results, the majority of the interviewed companies have HR development. Specifically, 75% of companies have special learning centres. Companies participating in this research admitted they need regular development programs, both for staff and managers.

In conclusion, we can claim that the improvement of manager capabilities to model business processes and jobs and their ability to plan, communicate, manage projects and processes should be complemented with developing their ability to play the role of internal lecturers. This also includes the ability to select the right people, develop them, and to teach and integrate business partners. Developing certain capabilities in managers should be accomplished with appropriate management systems and enterprise resource planning systems.

Learning has a potentially positive impact on corporate culture. After corporate education programs, people are more likely to share knowledge and ideas, communicate better, solve problems together, and improve performance via closer collaboration. People who have experience in learning together are better at organizing themselves, generating new ideas, and lowering communicational barriers. Effective development programs are characterized by high-quality instructional design and learning materials (offline and online), proper organization and the performance of the learning process. Learning outcomes might aim to build a system of new knowledge or upgrade and develop existing knowledge. Instructional design should properly blend online learning (appropriate for enhancing knowledge) and offline learning (more suitable for developing a set of new knowledge) formats. From these results, we can conclude that companies need to better understand existing jobs

(processes, roles, competences) as well as future jobs in order to improve the development of their employees. Corporate learning improves the performance of current and future employees and is an important tool for management and leadership abilities development of managers and staff.

Due to the relatively small number of companies that participated in the research, its findings are not representative for the entire Ukrainian economy. A larger sample was not possible because Ukraine does not have a large amount of companies that can be considered highly developed in managerial competences and organizational development. The number of companies with which we conducted interviews was hence limited, as was some background data. However, we conclude that the methodology of the study made it possible to identify the underlying motives and challenges seen by business leaders, and to characterize the trends in the development of management education in Ukraine.

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