

# **Management training in Eastern Europe and the Implications for Managing Educational Change in a Changing Context.**

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## **Introduction.**

The aim of this paper is to share my experiences of helping to develop management training in Croatia from 1989 as the first finance and management lecturer allowed into, what was then, the united communist Yugoslavia right up to the present. This experience resulted in both successes and disappointments and has interesting implications for all management development programmes. I started from a situation where leaders of state owned industries could not privatise their industries because they did not know the basics such as what profit was or who owned their industries. By the end we were developing an innovative approach to management education which challenged the participants (38 post-graduate economics students chosen from 350 applicants) to develop their own brand of managerial culture, using a mix of computer simulations, role playing and original case studies. I conducted research into how appropriate western models of the management of change are to the Croatian situation and found that the contextual models of Pettigrew, Buchanan and Boddy were very useful. From this we began to understand how vital it is to emphasise the management of change and cultural contexts in management development. The disappointments were that senior management was very reluctant to engage in this process and seemed to want only a surface learning of western methods from their trainees. Once the new graduates started to challenge the conventional management practises they found they were given reduced opportunities and retreated into cynicism. Finally a conventional management consultancy group came along to advise and seem to be interested in taking over the whole operation as a conventional 'westernised' training programme. Among the lessons to be learned is one that is particularly important for this conference – that IT has tremendous potential for helping management development in Eastern Europe but that it will not work if the context and culture are ignored. Also management education must not settle for a superficial, standardised global management style, as in a global context local differences become the key competitive advantage.

## **The Background**

In 1989 it became clear that there was a state of 'melt down' in the European communist countries. Tito's Yugoslavia had always prided itself on being the most open to Western ideas, so when a colleague in Zagreb proposed a major conference there on the transition from communism to capitalism I was eager to help and agreed to attend as one of two speakers in a three day conference and produce a booklet to accompany it. The conference took place, dealing mainly with the topic of 'Valuation of private sector businesses and joint ventures' and was extremely successful (400 people turned up, including ministers of the government and leaders of state industries, and we had to refuse entry to 100 of them due to lack of space). To give an idea of the starting point for management education, in the first sentence of my opening lecture I was interrupted by an urgent request to explain fully 'what is profit?' and I had to re-formulate my entire approach (This became an enduring characteristic of my visits there). Another problem which state industry leaders wanted private discussions on was the vexed question of precisely who owned their industries, the workers or the government? This was of course vital to the whole privatisation programme. What struck me at the time was the enormous enthusiasm for change and criticism of the past as shown by the television and newspaper coverage and requests for interviews. I spent some time trying to persuade their managers not to jettison

all of their communist experience in favour of mimicking western practise. Instead I suggested they should try a synthesis, building on best practise of their culture and incorporating our best practise when appropriate. For example, on the question of ownership and sale of state industries, I advised that they accepted their own rhetoric that the workers owned the industries, issue them with shares, pay them partly with wages and partly with dividends and thus develop a culture and a market for share ownership – this of course was ignored in favour of the orthodox western solution and the shares in these industries, although formally privatised, still largely languish in a government account. Today these industries and the banks are still not performing up to their potential (see the Economist article on Eastern Europe's Banks 12.12.98) But the main disappointment was that all the enthusiasm for change and co-operation between the various regions in Yugoslavia broke down under the pressure of nationalist sentiments manipulated by unscrupulous politicians. Without this I am clear that a united Yugoslavia would today be at the forefront of the Eastern European countries preparing for European union membership.

There followed a gap of a few years until my next invitation (due, of course to the tragic wars over the division of Yugoslavia), this time to Zagreb as capital of Croatia. The invitation came from the Centre for Education at the Zagrebacka Bank and the Economic Institute at the university to do consultancy, lecture and set examinations. The centre was, and still is in my view, the only credible management training centre in Croatia as the Universities had failed to set up Business schools (although technically they had a public sector monopoly over this area of education.) The Centre started in 1987 when Dubravko Bendekovic (Director of Education of the Zagrebacka Bank) met with a group of former university students to discuss the needs that would result from changing to a market based economy. In 1989 the Bank became a joint stock company and in 1991 a new young managing director was appointed and agreed to a new, planned approach which would "prevent training through imitation of the current way of work and current attitudes which were no longer suitable for future needs"(Bendekovic '95). By 1992 the bank was ready to take on post graduates from the University as management trainees. There were 340 applicants and 32 were chosen for one year's training. The graduates were then given intensive training in English for business to prepare them for an international team of lecturers who would expose them to the various aspects of management that their western counterparts should know. These trainees were then supposed to work as managers in the Zagrebacka Bank but were soon prime targets for headhunting by other financial institutions and similar organisations as the output of 32-38 trained managers per year was totally inadequate to an economy making the transition. This is especially true as private ventures in management training have failed to provide a credible alternative or even survive for any time partly due to what one of the directors called a "lack of pedagogic rigour".

**My approach** to this task could be described as action research and learning, acting as a 'reflective practitioner'(R. Barnett '92). My brief at the start was to lecture them on 'Western' Corporate Finance – partly because I insisted that I could not presume to tell them how to operate their financial duties in Croatia without acquiring for myself more inside knowledge. But this resulted in me presenting western financial models as a series of 'technical' issues divorced from their context. Even then this was a formidable task, requiring the students to learn in two weeks what I had previously delivered as a one-year course. I quickly realised that the students needed more than this and embarked on a reading and research programme to prepare myself for a series of experiments in learning development. There seemed little point in giving them ideal techniques and models suited to a western context, which they would regurgitate in their final examination and then ignore once they started working.

So the first strand of my research was in the discipline of Comparative Education. The specific idea that was causing me concern was what B.Holmes('81) refers to as "Cultural Borrowing – Misconceived Comparative Education" and amplifies by accusing

educationalists in many countries as acting as “cultural imperialists”. The issue in Eastern Europe is not as clear cut as this as these countries are already massively “borrowing” an economic and financial system from the west. The issue I had to consider was how to deal with a situation where a country has to import an alien managerial culture to cope with the new capitalist system. Whatever the situation I appreciated the disciplines’ basic insight that “the things outside the school (or college) matter even more than the things inside”(M.Sadler '81). The idea that education is not autonomous led me to investigate the surrounding national character and culture. This is formed from a rich mix of a Croatian nationalism suspended uneasily between the West and East of the Austro-Hungarian and Ottoman Empires. This nationalism was then overlaid with Pan-Slav sentiment and communist centralisation in Tito’s Yugoslavia. So we have Croatia as part of a country which started as an artificial construct based on centralisation and turned itself into a model of self-management and de-centralisation. Most commentators assumed that communism equated with centralisation the fact that this region turned this on its head in the face of dangerous hostility from Stalin points to a deep rooted anarchistic tendency in the country.

**The Croatian education system** was based on the Russian/Marxist approach of “Polytechnicalism” which claimed that all knowledge should be understood through the processes of production. Thus as Marxism states that society, its relationships and way of thinking, is largely determined by the mode of production, so education should be based on understanding this process. This inheritance from Russia became strongly modified by the strong traditions of self-management but still is a strong, and I think positive, influence on student’s attitudes today. However, the self-management of H.E. institutions has resulted in a more negative influence. The various H.E. institutions were self-managed by an “assembly of workers” (an elected body of lecturers, students, support staff and local organisations) who controlled the detailed running of the institution. In modern times this means that the Universities have been very slow to respond to the needs of the economy (– for example by forming Business schools and training managers for a market economy) because of the lack of centralised control and direction with both lecturers and students content to follow time honoured rituals. On the positive side these same assemblies constructed a manifesto for education which we would all sign up to today. The principles included open access to all, co-education, education as a permanent process, a balanced programme (“strengthening ties with the whole field of work...promoting brotherhood, unity and internationalism”, diversity of educational forms, less state control and more self management. Finally there is a strongly positive view of the ‘intellectual’. This word has “greater prestige in Eastern Europe than anywhere else in the world... all...love to call themselves this... books are in constant demand...adults continue their education”(Seton-Watson '91). University students are also given the highest respect and autonomy partly because of their part in the struggles for liberation. Women also gained great respect for this reason.

The second strand of my research arose from the fact that I was acutely conscious each year as I returned (I visited for two weeks approximately every six months) that the business environment in Croatia had changed significantly. I thus realised that I had to research the management of change both to apply to myself in ensuring that I was able to diagnose and react to the changes and to prepare the students for the environment they would be working in. Ideal techniques, models and IT hardware and software were of little use if the new managers could not negotiate their use at the heart of their organisations. This eventually culminated in my research project, dealt with later in this paper, but it was in this early period that I began to realise how important the management of change was going to be for Eastern European managers. Not only did they have to catch up with their western counterparts but they needed to sprint ahead to establish some form of competitive advantage in the face of the west’s deeply entrenched resource and knowledge advantages. Thus I became convinced that the management of change had to be put at the heart of any Eastern European management training programme.

How then was this research filtered into my educational practise? I cannot pretend to trace a one to one correspondence between specific research insights and educational initiatives but they follow a general pattern of building on a culture of autonomy, nationalism, co-operation, vocational emphasis and respect for intellect. My general view of lecturing can be encapsulated in the quotation "Education is what is left when the facts are forgotten"(Skinner '99) and I decided to risk reducing the formal lecturing on content aspect of my programme and use the time freed up to run student centred activities. Thus instead of lecturing on valuation of companies I divided the students into teams representing companies for sale and rival bidders and assessed their ability to role-play the negotiations and reflect on the results. Instead of long lectures on risk, gearing and investment appraisal I used a computer simulation to let them discover the effect of their decisions in these areas on the share price. I also emphasised that they needed to demonstrate sound knowledge of the principles of finance by reacting quickly and decisively to unexpected changes (ranging from strikes to new stages in the product life cycle) that the computer programme threw at them. As the course developed I found we had to use a more holistic approach, discussing motivation, Croatian culture and the management of change. I encouraged the students to bring in current business problems to explore in tutorials. The examination evolved from formal essay and calculation questions to case study and teamwork reports. The fact that the majority of students adapted enthusiastically to this is of great credit to them given that their experience at Zagreb University was largely composed of a timetable of formal lectures which often lasted all day and most of the week (and whose content seemed to hardly change over time). Also because students at the university were entitled to re-sits within a few weeks of failing they were used to a diet of highly unoriginal questions. Case studies entitled "A day in the life of a bank manager" came as rather a shock to them!

**My final insight**, dating from my very first lecture in Yugoslavia, was that if you really want to encourage original ideas, lateral thinking, and quick responses to a changing environment you have to signal this not just in the content but in the way you lecture. The trend at the moment in education and especially management education seems to be towards using IT to produce polished presentations such as 'power point' which, unfortunately, tend to progress smoothly along a pre-determined path with little room for student interaction and spontaneity, except at a superficial level. I found that my most valuable lectures were where I was prepared to respond to a student's comment or a headline in that day's newspaper and improvise a new direction. From my experiences in Croatia I developed an approach to planning lectures with a number of alternative variations on that day's theme and I find that if students feel they have real input into the direction and content of that day's learning experience, the experience becomes much more vivid – and I avoid becoming stale in my presentations. In support of this note the number of empirical studies that have shown that the two qualities which students prize above all else in a lecturer are enthusiasm and concern for their development as individuals (R.Barnett '92). This approach also has the advantage of both avoiding the charge of hypocrisy while leading by example – not only are you telling your students to think on their feet and respond rapidly to changes in the environment but you are showing them how you do it. The other advantage is that I learnt a lot from my interactions with the students (apart from the research) especially on the application of the local cultural context in applying and teaching management theories.

The course proved very successful. There were up to eighty visiting lecturers from all over the world used on the course and student feedback determined whether they were re-invited. Student feedback on this part of the course showed increasing levels of satisfaction and gave it the highest rating of any of the units on the course. The 'reflective cycle' of research, application, observation and further experimentation and research obviously worked. **A new problem** arose however, we knew how to change the trainees attitude to management but not how to persuade their line managers to accept them in their new role. On the whole the transition from communism to capitalism in Croatia had left the old

communist management structure relatively intact. This meant that the new trainees were not given the understanding or opportunity to implement their new ideas and approaches. Many of the 'old guard' of middle managers felt threatened by these 'young Turks', ignoring their advice and blocking their initiatives. Also the top executives and directors of the Bank would not allow the Education Centre to expand, even though it was working below full capacity. They looked upon the small elite group of trained managers as a major competitive advantage. Meeting the ex-trainees at regular intervals afterwards (they kept in touch via a flourishing 'old boys' club) I was struck by their increasing pessimism and cynicism. We tried involving the 'old guard' of middle managers in training but they were so concerned about not losing face in front of others that they blocked all attempts to involve them in learning exercises - for example by consistently 'forgetting' to bring their calculator along and using this as a reason for not attempting the exercises. I also did training sessions for the top executives and Directors but was not allowed to involve them in learning exercises for the same reason. It became clear to me that it was no use supplying western techniques and approaches without also developing in the students the skills and competencies to negotiate their introduction to normal business processes. I thus began to wonder firstly whether we had been supplying them with the right training to deal with this environment and secondly whether the western models of management were relevant to an Eastern European context. The need to know more about the dimensions of context, culture and change and their effect on the trainees and ex-trainees of this course led me to embark on systematic research in 1995.

### **The research.**

My main concern at the time was to explore the relevance of western models of the management of change as this seemed the key skill that our students needed. I was soon clear that the contextualist approach of theorists such as Pettigrew would offer the most rewarding insights to my particular problem. This approach criticises conventional approaches to the management of change as "ahistorical, aprocessual and acontextual in character"(Pettigrew '87) and suggests that there is not just one ideal approach to change but that managers have to be able to analyse and diagnose the environment before devising the appropriate method for facilitating change. The approach offers a common approach to a variety of different situations, thus dealing with the paradox of globalisation, that the more we standardise global managerial skills and approaches the more important local differences become to competitive advantage. Pettigrew's analysis of rapid change in the 'Outer context' of the political and economic environment not being matched by the 'Inner context' of organisational change and management development also seemed to fit well with the Croatian situation where, for example, the financial institutions were having great difficulty handling the enormous demands for finance to transform an economy which, it's politicians claimed, was already a free market democracy.

**The model** I chose to explore in detail was the contextualist model of Buchanan and Boddy from their book "The Expertise of the Change Agent – public performance and backstage activity"('92) because it added two further useful areas. Firstly it highlighted the need for "backstage, ritual and symbolic action" in achieving change. Most models are rational-linear and thus emphasise the rational, explicit and transparent aspects of change but I was acutely aware that in Eastern Europe not only was informal negotiating/plotting in their café society vital (all my contracts and consultancy work were decided over marathon dinners lasting most of the day) but symbolic acts were enormously important (statues pulled down and re-erected, office layouts, food and drink chosen, clothes worn). Secondly they state that "further study is required to reveal the mechanism through which the diagnostic and judgemental capabilities...(needed by managers to promote change)...can be developed."- Which was exactly what I was searching for as I was engaged in a similar quest to develop these capabilities. The research by Buchanan and Body into these areas sought to establish a competence-based view of the attributes of the effective change agent. This has the

advantage of being a familiar idea for U.K. managers as the 'management competences' debate of the late 1980's resulted in the generation of a consensus on lists of relevant competences which can be learned, developed and assessed singly. What was missing, the authors suggest, was any discussion of the context in which these competences would be deployed. They therefore suggested that what they term 'the change agent' requires both "diagnostic capability to determine organisational type and how that type may be changing or need to be changed" and "diagnostic capability to determine the nature of change in hand". What Buchanan and Boddy term the 'phenomenological texture' of the context of change was generated from an audio diary study based on the first hand accounts of the practical experiences of change agents of current or recent change management activities. This was in turn used to generate fifteen competences, which the authors claim, can be well understood, and accepted as contributing to "the perceived effectiveness of change implementation. For example, " Helicopter perspective, to stand back from the immediate project and take a broader view of priorities". Although this does not answer the question of how to best develop them, if a consensus on the appropriate competencies can be established management training and development become much more straightforward matters.

I was therefore able to take these responses and compare them to the responses of the Croatian trainees to see if they had similar perceptions and if, therefore, this model could be applied to the teaching of the management trainees. The Zagrebacka Bank had five 'generations' of ex-trainees on its database and agreed to help me in forwarding and collecting questionnaires. I also added my own questions to amplify training, context and culture issues.

**The results** (available to anyone interested) show that the trained Croatian managers share the U.K. managers perceptions of the type of skills and competencies needed to successfully manage change in different contexts. There is a greater emphasis expressed by Croatians which probably reflects the increased urgency and importance of change in Eastern Europe where managers have to run faster to catch up and keep pace with their western counterparts. Other differences reflect a more hierarchical, interconnected structure of society which needs a holistic viewpoint, as change involves business, politics and society – which is clearly perceived by the respondents. Also more clearly recognised is the importance of reacting quickly to a rapidly changing environment while being able to carry senior management along and keep its support. This seems to reflect the Croatian manager's greater sensitivity to the political dimension of change and is a natural outcome of a country emerging rapidly from a centrally planned economy.

Thus, if these findings are typical of this area, management development in Eastern Europe needs to emphasise the skills associated with diagnosing the environment, reacting to it in the appropriate manner and negotiating adequate political power to initiate and maintain the change. Standardised western techniques based on U.S. and U.K. cultures and emphasising 'ideal' theoretical models for solutions are unlikely to be adequate. The Croatian managers' support for skills rather than techniques is echoed by Buchanan and Boddy's finding that 86% of U.K. managers in their survey highly rated the need for the right skills and 100% agreed the need for skills as well as technical abilities. It is thus clear that the contextualist approach of Pettigrew and the diagnostic model of Buchanan and Boddy was applicable to Croatia and very probably to other Eastern Europe countries.

**Of even more interest** to me was the implication that these results suggesting an urgent need for a new emphasis in management training in Eastern Europe was also throwing up the idea that this is also what is needed in the west. We now live in a time of revolutionary change, driven by technology rather than politics, but still involving rapid and seismic upheaval in the social and political as well as business and economic spheres. In the face of this should we not increasingly abandon the traditional model of management education

based on experts dispensing ideal western models and techniques? If we understand the message of the technology it is that education is no longer a matter of content but rather an attitude of mind with a 'tool-box' of developed skills, chief of which must be diagnosing the environment and managing change. Furthermore, we have enough experience of the introduction and application of new technology in the west to know that its success depends on a holistic approach, which is sensitive to the differences in environments. Without training in this aspect of the management of change in IT neither the East or the West of Europe will achieve its full potential. Also the other major engine of change, globalisation, needs an approach such as this which allows the development of a global style of management with the capacity to adjust to local environments.

### **What then of the disappointments?**

These were also a learning experience. The new approach to management failed to produce a 'critical mass' of new managers to penetrate the establishment and produce a change in management culture. We needed to increase the totally inadequate number of management trainees and break the banks 'mind-set' of looking at training in a narrow way purely as a competitive advantage and thus limiting it. We needed to involve the older managers in the process of change by including them in training as facilitators rather than making them feel like second class staff with inadequate knowledge. The final chapter of this experience was that a conventional western management consultancy group started to move in on the (largely locally run) Educational Institute and 'standardise' the management training. At the same time the economy and the bank experienced a credit crisis which severely reduced the training effort. I await further developments with interest. I hope the bank and the economy does not end up with a generation of standardised western management clones. The lesson is as old as the poet John Donne, that for management, like all other people, development does not take place on an island, isolated from the social, political, economic and cultural context of that country. As change becomes more rapid and fundamental, management development must face the challenge of 'permanent revolution' not by mouthing platitudes about it but by altering the process we use to educate managers. Also we must not accept that globalisation means teaching a homogenised, familiar, safe management style. It needs re-stating that in a global context diagnosing and reacting to local differences become the key to competitive advantage.

**A postscript** to this experience is that further time and reflection has suggested that there is a convergence between us, as educationalists, and the managers that we aim to train. We face the same environment with the same pressures. Knowledge is the key competitive advantage in this century- as witness the massive private sector investment in this area. Also we face direct competition from the 'corporate university' using on-line courses. We now have to compete as a form of e-business meaning quick adaptations now, but fundamental re-appraisal of our role and curriculum in the longer term. We will only survive and flourish if we learn to internalise the change models we teach and, in particular, analyse the new context we are in. Thus, for example we need to question the role of lectures, tutorials, the curriculum and the lecturer themselves. Not new ideas (the technology of the printing press *should* have swept away that medieval relic, the lecture, long ago!) what is new is the urgency of the debate if management education is to survive in the public sector.

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