

THE ROLE OF BUSINESS SCHOOLS IN TRANSITION ECONOMIES: "EDUCATION TO CHANGE SOCIETY" IN KAZAKHSTAN

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ABSTRACT

This paper explores the role of business schools in assisting developing countries like Kazakhstan as they move from a centrally planned to a market economy. Specifically, the paper uses the case of the Kazakhstan Institute of Management, Economics and Strategic Research as an example of the type of institution delivering business management training necessary to build local capacity to lead the process of change and develop managers prepared for the new globalized market economy of the 21st century.

INTRODUCTION

The Global Economy

The literature (The Economist 2002; World Bank 2002) contains numerous references to the increasingly globalized economy. For the most part, the research and literature focuses on globalization from a western, developed country and market driven economy perspective.

There are few examples of research in terms of the challenges and opportunities of globalization from the unique perspective of the developing world. In particular, there is very little in the way of research and analysis in countries that have moved from centrally planned to market driven economies. In some respects these countries face a "double challenge" of adapting to a globalized world economy; and, an economy which is driven by the forces of supply and demand as opposed to political directives.

This process of adaptation is neither easy nor quick. A "one-size fits-all" model of transition does not exist and many countries continue to struggle with the process of adaptation. (EBRD 2005)

The Role of Business Schools

The role of business schools in the economy of nation should be viewed as contextual to the extent that it varies country-by-country and over time. Indeed, there are numerous critics that have put forward recent articles on the problems associated with business schools. For

example, the authors in an article (Bennis and O'Toole 2005) titled "How Business Schools Lost Their Way" suggest that the increasing trend towards scientific research is too narrow a focus for business schools. Others (Palciano 2005) suggest that many business schools are simply pre-occupied with the "rankings" race, which takes resources away from core programs.

Indeed, some critics (The Economist, 2005) suggest that business schools are just plain "bad for business".

Notwithstanding these concerns, there remains a strong interest (Danko and Anderson, 2005) in business education world-wide to train managers and leaders for the new economy of the 21st century.

Indeed, a recent report suggests that

"There is little doubt that the practice of business has contributed enormously throughout history to our quality of life and well-being. Successful business enterprises have led the way in creating economic development and innovation, technology and prosperity. Business and management have been taught in institutions of higher education since prior to the turn of the 20th century. Our field has witnessed explosive growth and the MBA is now the most sought-after advanced degree in the world. The benefits of management education are measurable and impressive and are evidenced by concrete examples." (AACSB 2005, p.3).

On balance, the foregoing illustrates the continued

evolution of business education in a changing global environment. As business continues to evolve so to will business schools. Unfortunately, one element that is not generally identified and discussed is the role of business schools in the developing world particularly in those countries in transition from centrally planned to market economies. Many of these developing, transition economies are located in Asia, which, in the aggregate, has many strong positive growth economies including China, India and Kazakhstan (The Economist 2006).

Overall, these countries have economic growth which is currently substantially higher than most western countries; and, at the same time they have large populations with a proportionately larger percentage of younger people as compared to their western counterparts. Combined, these factors will likely drive increased attention and interest in education particularly business schools and business training to support emerging economies in the entire region. Indeed, China the world's most populous nation with the fastest growing economy has identified a burgeoning gap between the supply of qualified workers and the demand (Laque, 2006). In response, China has adopted a five year plan to double education expenditures from 3 to about 6 per cent of GDP by 2010; and, university enrollment is projected to rise from 13 to 23% of the university age entry group (Laque, 2006).

Kazakhstan: Emerging Tiger Economy of Central Asia

One country, which has emerged as a strong and dynamic nation within the Central Asia region, is Kazakhstan.

Briefly, Kazakhstan became an independent country in 1992 after its reparation from the USSR. Since that time, under the political leadership of President Nursultan Nazarbayev the country has capitalized on significant oil and gas deposits to post impressive economic growth. Kazakhstan "is blessed with significant oil reserves that are now in the process of being tapped through three large oil field development projects. Oil production in Kazakhstan could triple to 3 million barrels a day within a decade and a half. The associated flows to budget have been estimated to be as large as seven billion dollars a day two

decades from now." (World Bank 2005, p. IX) Indeed, per capita income rose from 5, 178 USD to 8, 117 USD between 2000 and 2003 (The Economist 2005) primarily based on increased investment in the resource sector. However, the provision of skilled labor for the expanding oil and gas sector of the economy will be a challenge. "Strong academic institutions in areas such as petroleum engineering geology and business management are crucial to train local professionals" (World Bank 2005, p.39). Also, Kazakhstan has applied for full membership in the World Trade Organization. Many commentators (World Bank 2005) see this move as additional evidence of the emergence of the country onto the world stage; and, a move that will generate new demands for trained managers.

As both a developing country and a country in transition from a centrally planned to a market driven economy there is no question that Kazakhstan does indeed face unique challenges. However, the economy has made significant gains which may be characterized as follows:

- "impressive GDP growth since the Russian crisis of 1998 driving substantial increases in average prosperity;
- increasing dominance of the oil and gas sector with considerable growth potential ;
- pressure building from exchange rate appreciation;
- overheating of domestic real estate and prices; and,
- significant government ' efforts to overcome challenges of a resource-driven economy and diversify the economic base" (Porter 2005)

In recognition of the need for a well-trained labor force, President Nazarbayev encouraged the creation of new universities and the growth of the post secondary education sector generally. Between 1998 and 2003 the number of post secondary institutions within the country increased from 163 to 314 and student enrollment more than tripled. (Agency of Statistics, Kazakhstan). The Ministry of Education has introduced "... a series of reforms to attempt to transform the education system into one that fits an international education system mold."(International Herald Tribune, 2006). As these

reforms are fully introduced, the results will be a more western-style of post-secondary education system.

The Ministry of Education has taken specific steps to achieve these objectives of a more international and higher quality post secondary system. For example, Kazakhstan is signatory, the Bologna Declaration which is aimed at standardizing and improving university education.

Specifically, the Declaration is aimed at achieving the following objectives:

- the adoption of a common framework of readable and comparable degrees;
- the introduction of undergraduate and postgraduate levels in all countries with first degrees no shorter than three years and relevant to the labour market;
- ECTS-compatible credit systems;
- european dimension in quality assurance; and- elimination of remaining obstacles to free mobility of students, (Bologna Declaration 2000).

Also, the Ministry recently initiated and supported a conference "Building Quality in Higher Education" (Ministry of Education and Science of the Republic of Kazakhstan, 2006). This conference was held in Almaty, Kz and more than 200 university presidents participated. Again, the emphasis was on improved quality in the education system.

An example of a post-secondary institution pursuing a more western-style system is the Kazakhstan American Free University (KAFU). This institution has partnered with an American university Northwest Nazarene University and recently it received accreditation with the Association of Collegiate Business Schools and Programs. The intent of the partnership and accreditation "...is to improve the quality of the business programs at KAFU." (Ballast, 2006).

Another example of a growing, western-style business program is the Kazakh British Technical University (KBTU). This institution has partnered with the London School of Economics to offer a joint degree. Instructors and students utilize resources at both schools in pursuit of their degrees.

Both KAFU and KBTU are noted for their innovative

partnerships with western schools as one means to provide an international perspective to their programs and improve product quality.

As Kazakhstan emerged from the Soviet Union President Nazarbayev was aware of the pressing need for newly trained, competent managers to provide the leadership so necessary to assist in the transition from a centrally planned economy to one which would be market driven.

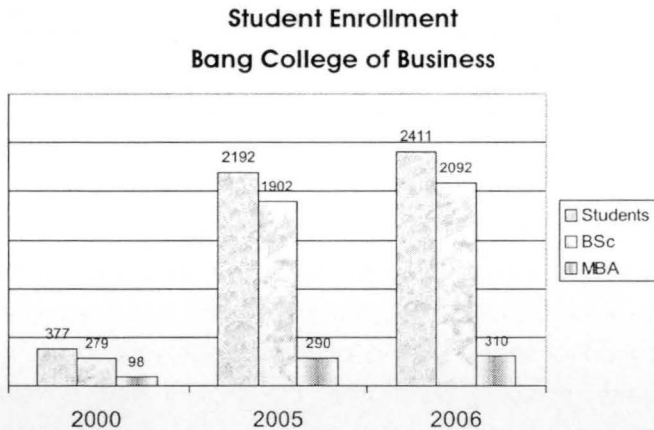
One institution, which has operated using the western model for some years, is the Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP). KIMEP is seen as the leading education institution in Kazakhstan (International Herald Tribune, 2005). It was founded in 1992 initially as a graduate school to train business leaders and at the outset it offered only an MBA degree. Initially, both European and U.S. agencies provided some funding assistance; however, this has been gradually eliminated. The original (and current) mission of KIMEP is "Education to Change Society". Currently, the primary Foundry source is student tuition fees. The university has continued to expand and currently it includes undergraduate and graduate degrees in a number of fields; however, business education and training remain the predominant functions of the university.

Since its inception in 1992 KIMEP has had approximately 640 undergraduates complete the Bachelor of Business Science program and approximately 1,000 students complete the Master of Business Administration program. Overall, the university has grown substantially from less than 100 students in 1992 to more than 4,000 students in the 2005-2006 academic year.

Bang College of Business at KIMEP

Today the Bang College of Business (BCB) at KIMEP is recognized as one of the premier schools of business within the region. The Business College has an operating and capital budget of approximately ten million US dollars; about seventy faculty and staff; and, more than 2,400 students. In 2005, the College developed and currently operates using a mission-based, strategic plan. This strategic plan was prepared with input from faculty,

staff and students. It forms the policy framework within which the College operates and it is seen as a quality improvement tool. In large part, the strategic plan was developed to assist with managing the double-digit growth of the student body within the Business College; and, to guide the introduction of new programs. In particular, student body growth has been significant (see Figure 1).



Source: Bang College of Business, *Annual Report 2005* KIMEP, Almaty, KZ

Figure 1

The increase in students enrolled in the Bang College of Business reflects, in large measure, the strength of the national economy and the increasing requirement for qualified employees.

As noted, the College developed a Strategic Plan to assist in managing the large increases in enrollment and to guide in improving the quality of the education system. The Strategic Plan contains the vision, mission and objectives for the College.

The mission of the Bang College of Business is "to provide quality programs preparing students to contribute to and take leading positions in business and society. Teaching, scholarship, and service will link theory and practice to benefit the university and the community". (Bang College of Business, 2005).

The strategy has four specific goals or objectives:

- i. Teaching excellence
- ii. Research excellence
- iii. Customer orientation

iv. Continuous improvement

The strategic goals are implemented through specific business and action plans developed annually within the College and performance is reported regularly, in part, through an Annual Report.

Bang College of Business: Key Achievements

An important question asked of any organization including business schools relates to performance is it working? What are the results? To address this question the Bang College of Business has established a number of specific measures to evaluate performance. These are illustrated in the following key achievements within the College during the period 2005-2006:

(i) Teaching Excellence

Excellence in the classroom has been promoted by the use of student evaluations, peer evaluations of teaching and instructor seminars aimed at providing structured opportunities to develop and improve in-class skills. Teaching awards of excellence have been introduced by the College to acknowledge the importance of the in-class experience.

(ii) Research

An identified weakness in many transition country education systems is the lack of a research focus. The Bang College of Business promotes a local and international research agenda. In 2005, the College held an International Research Conference drawing more than 250 participants and generating approximately one hundred research papers.

Also, the College has instituted a Researcher of the Year Award to recognize achievement by faculty.

(iii) Intake Exam

One of the primary indicators of success is with respect to program interest as measured by the number of applicants who participate in (and pass) the intake exams. BCB has recently increased its requirements for both English and Math competencies by more than 12% in each area. At the same time, the numbers of applicants interested in the Business College continues to rise to more than 2,000 for the next academic year 2006-

2007. Of this number about 35% of undergraduate applicants are accepted and about 50% of graduate applicants are accepted as either full-time or conditional entrants.

(iv) Faculty Recruitment

The growth of the BCB program(s) has required an increased number of faculty members. Approximately ten new faculty have been added in each of the last four terms. Faculty recruitment has included both expatriate and local faculty. Currently, more than thirty countries are represented within the faculty bringing a wide range of experience to the College. The emphasis on faculty recruitment has been aimed at building a core of terminal degree holders supplemented with adjuncts as required. Overall, the goal has been to increase the percentage of terminal degree holders from the current level of approximately 35% to more than 50% by the fall of 2006.

(v) New Programs

As a result of demand, KIMEP has initiated a series of new degree and non-degree programs. These programs include Advanced Management Programs aimed at middle to senior level managers. In addition, a new Doctorate in Business Administration program has been initiated in part with a view to train new faculty. This is a particularly important initiative and it is the first western-style terminal degree available in the region.

Other new programs include an Executive Master of Business Administration program to be launched in the summer of 2006 and Master of International Business degree to start in fall 2007.

Overall, these programs were developed with the input of business to meet the needs of business.

(vi) Accreditation

BCB considers external, third party accreditation as a very important element in both building and maintaining a better business school. Towards that objective a number of options were considered and in concert with KIMEP administration it was resolved to proceed with an application for accreditation with the New England Association of Schools and Colleges. This initiative was

funded in part by a grant from Mobil Exxon.

Improved quality in education is an articulated goal of the Minister of Education in Kazakhstan and KIMEP's move to international accreditation has been both closely monitored and supported by national officials.

(vii) Strategic Approach

As noted, BCB has adopted a Strategic Plan and the purpose of the plan is to both guide decision-making within the College as well as to form a framework for continuous improvement. This Strategic Plan is a very important document within the Business College. Equally important is the inclusive process used to develop the Strategic Plan. Stakeholders who participated in the development of the Strategic Plan included administration, faculty, staff and students. A more consultative thorough process generally yields a better product and in this case the time to complete this process was indeed worthwhile.

(viii) Customer and Client Orientation

One of the goals in the BCB Strategic Plan is the recognition that the College does indeed provide a service for customers and clients. For many in academia this is a rather difficult concept to fully appreciate and support. Clearly, students as consumers in Central Asia (and world-wide) have considerable choice with respect to their educational objectives. In Kazakhstan there are numerous competitors and many more entering the market regularly. Also, universities from abroad are looking to either initiate programs here or partner with local schools. Finally, there is, of course, the increased use of distance learning, which is of considerable interest in large countries such as Kazakhstan. The flexible nature of distance learning will be an increasingly attractive option for many students both in Kazakhstan and throughout the entire region. As a result of this increased level of competition BCB must continue to develop programs and procedures that reflect the changing needs of our customers.

(ix) Career Services

To link the theory of the classroom with the real world demands of the office or "shop floor" the College has

initiated a Career Services Center. The Center has assisted in formulating a mandatory internship program for all undergraduate and graduate students. This system is unique in the region and it is seen as valuable to students, faculty and employers. Also, the center assists students in securing post graduation employment.

(x) Results

As the mission and vision of the business College is more clearly developed and implemented through the use of business and action plans it is important to track and report results regularly and publicly. This type of reporting assists in aligning responsibility and accountability; and, it assists in rewarding those teams and individuals contributing to the success of the Business College. In addition, the use of a results orientation provides a framework for continuous improvement.

Combined, the foregoing requires the Business College to be an active stakeholder in the community. It is important to actively engage the businesses in this region to ensure business schools and business school graduates are also relevant in this fast-changing region.

Fundamentally, the importance of these key achievements is to document the changes and improvements that have taken place during the year; and, to develop a list of initiatives that will be completed during the next year. Reporting these achievements in this manner is seen as an important improvement tool.

One other method used to assist in measuring success is to survey graduates and employers. This year, BCB conducted a survey of graduates for the first time. The survey suggests that more than 84% are "very satisfied" with their business degree. It also suggests that more than 90% are employed in a field related to their degree, also, of the remainder 8% are pursuing other graduate studies and only 2% are actively seeking employments (KIMEP, Alumni Survey, 2006). A similar survey of employers is being prepared to be issued in 2006.

The Future of Business Education at BCB

In large measure, the future of business and management education at BCB is grounded in the existing Strategic Plan (both the consultative process of

that plan and the product itself). The key areas of focus will be improved teaching; research excellence; customer orientation; and, continuous improvement. A structured, fact-based action plan to achieve these objectives will provide the appropriate framework to achieve concrete tangible results. Fundamentally, the College will continue to provide the business education demanded by a young, dynamic nation with a robust, increasingly global economy. The education will be global in perspective; however, it will be attuned to the uniquely Central Asian context within which it operates. In that regard one initiative being explored by BCB that would be helpful is to build stronger partnerships with educational centers of excellence within the region and the world.

Operationally, the College will encourage applied research of value to the local or locally-based business community. This element will be of particular relevance with Kazakhstan scheduled to enter the WTO as early as 2007. Also, the College is committed to the students whom we serve. The students are keenly aware of the value of advanced education and it is our distinct honor as faculty to assist them in achieving their personal and professional objectives.

Summary

A globalized economy provides for a degree of standardization in many products and services. The example of business education is no exception. Many elements and processes with respect to business education are generic in nature. Some elements and processes are however unique to their respective environments. The challenge is to find the proper balance.

As a business school, the Bang College of Business strives to be an internationally accredited institution with a reputation of excellence. The College has made considerable progress towards this vision and it will continue to improve. An enthusiastic, engaged student body, qualified active and professional faculty; and an economy which is both growing and moving towards being market-driven are all factors in the success of the Bang College of Business both now and in the future.

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