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Transcript

EDUCATING FUTURE WORLD LEADERS

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Description:

Business leaders around the world need new skills to cope with the rapidly changing economic realities. How can society train new leaders? Are academic institutions lagging behind the new challenges? How can we (and should we) bridge the gap between skills produced by academia and the demands of the economy and society?

Moderator: **Sergei Guriev**, Dean of the New Economic School

- **Andrei Fursenko**, Minister of Education and Science of the Russian Federation
- **Hans-Paul Buerkner**, President & CEO, The Boston Consulting Group
- **Craig Barrette**, Chairman of the Board, Intel
- **Andrei Volkov**, Dean of the Moscow School of Management Skolkovo
- **Birger Steen**, Vice-President, Microsoft Corporation
- **Dr. Xiang Bing**, Dean, Cheung Kong Graduate School of Business
- **Ruben Vardanyan**, Chairman of the Board of Directors, Troika Dialog
- **William Couser**, Dean executive MBA programs The University of Chicago Booth School of Business
- **Helen Teplitskaia**, President, American-Russian Chamber of Commerce & Industry & President, Siberian Energy Group, Inc.

Transcript:

S. Guriev:

Ladies and gentlemen, welcome to our session devoted to the topic of educating world leaders of the future. I am very glad that you have found time to visit us and participate in this event on such a busy day. However, I must say the weather does not leave us any alternative. Still I believe this is a very important session. Not only our long term future depends on how we answer the question we are discussing today, but, among other things, the way we are to handle the crisis. We have a very good selection of participants here. We will try to be brief so that you have enough time to ask them questions.

What are we going to talk about today? Generally speaking, when we conceived this panel it appeared that crisis would not become this deep, and people would be able to discuss things from a longer term perspective. But, clearly, issues of educating new business leaders cannot be discussed today separately from such issues as company leadership, country leadership, university leadership, that is, in isolation from our today's surroundings. Nevertheless, even if we abstract from crisis, it is evident that education system is facing serious challenges. We see a new economy, and we see that

the economy is changing much more rapidly than education system. Economy becomes more global despite growing protectionism, which is inevitable during crisis. Apparently, a new market is emerging today, the market of talent, and this market is now functioning well enough on a global scale. This is another serious challenge for education system. So we are here today to talk about it, to present different points of view and to ask and answer questions of interest. Points of view to be presented should include those of both state and business community, as well as of the education system itself. What kind of business leaders do we need? What can governments do in this regard? What can educational organisations do? And what can business community do in general? These questions are truly essential. As far back as a year ago, as you remember, our businesses were in desperate need of good personnel. Today, of course, the situation has slightly changed for better, but even now good anti-crisis managers are still worth their weight in gold. OK, so let us not waste precious time and proceed. We agreed that each participant would have 7 minutes to speak, and I will do my best to ensure that this arrangement is strictly observed. Our first speaker is Mr. Andrey Fursenko, Minister of Education and Science of the Russian Federation. First, I would like to ask Mr. Fursenko a simple question. In your opinion, to what extent Russian education system is ready to respond to the challenges it is currently facing? Is it ready to deliver exactly the personnel that are required today by public and business entities, and to what extent? And, finally, how the dramatic changes going on today in Russian education system would help cope with the arising challenges and fill any gaps which might exist in our system? I hope 7 minutes will be enough to answer these questions. Please, Mr. Fursenko, you have the floor.

A. Fursenko:

Now, first of all, I would say that was the hardest question a minister can ever be asked. Because if my answer is "not ready", then, naturally, the next question will be: "What have you been doing over the recent 5 years, Mr. Fursenko?" And if my answer is "ready", then, first, no one will believe me anyway, and, second, it will not be true. No education system in the world today, in my opinion, is ready to resolve the issues you have just raised. Churchill used to say that military always prefer to prepare for the past war. This is true for our education system as well. The education system always prepares people for the past economic situation. What should we do to ensure that education system prepares people, if not for tomorrow's, then, at least, for today's economic system? This is the biggest and the most complex problem, which, as I think, could not be completely resolved today by any system.

The second problem: during today's plenary session a question about the future of economy was discussed which covered crisis and post-crisis economy. As I noticed, only two presidents here mentioned education system in their speeches. Issues that were discussed mainly included

marketing, competition, protectionism, etc. It is absolutely clear that crisis effects are substantially of a systematic nature. And it is also perfectly clear that solution to such issues may only be found using, as I would say, not new people but rather people with new qualities. And it is evident that this can only be achieved by introducing decisive changes to education system. It should be noted here that leaders, in my opinion, are not necessarily managers. However, in our country these things are considered to be about the same: a leader is a manager. Leaders may reveal themselves in technology, in engineering, in education. A leader is a person who assumes responsibility for promotion, and then implementation, of new solutions which are often unpopular. Any new solution is, in most cases, unpopular at initial stage when it really promises specific positive changes. The main issue is that we, as I have already said, are greatly prone to running into extremes and starting all over again and again. We all like doing foundation work. We like to make foundations. We all know how to make foundation for a change. But when it comes to substantial completion, major problems arise, and that is why each time we prefer to stop and start all over again. If we are to prepare good leaders, we should, first of all, teach them responsibility for final result, final completion. This issue mainly applies to managers, but, nonetheless, it also refers to any person in any domain to some extent. Is Russian education system ready to resolve these issues? Yes, to some extent. We have certain basic knowledge and basic qualifications. We have the environment which enables us to take culture and education to a common, relatively high level. In this regard, I would rather have a question than an answer. There has been much discussion, and I hope some conclusions will be made about the right proportion between the new and the historical approaches. To what extent approaches to education should be changed: should we switch to education based on case studies, goal-oriented training sessions, and to what extent we should retain our traditional fundamental system? I think in those cases where the person being trained has greater motivation to obtain new knowledge, techniques and processes are secondary. Moreover, freedom of education and choice of education is extremely important. To the point, such freedom was an essential characteristic of Russian university education, and it remains for some universities today. When we are to prepare well-qualified executives or workers (call them managers or whatever, but I still mean good people), who are to do qualified work, a rigid education system will be more relevant, with specific training being tied to specific qualifications and with a requirement to obtain certain knowledge and acquire certain set of skills. This is about who we are going to train: a leader or a follower? We know that both will be required, depending on specific conditions.

There is a lot more to say. The final issue that I would like to take up here regards both education system and everything in life. Generally, today we are more used to paying, obtaining, fighting for attributes rather than for underlying substance. This refers to our clothes when we pay extra money for labels. This refers to our cars when we pay extra for brands. And this refers to diplomas. The

fact is that as the crisis persists we slowly but surely start turning away from brands and labels and pay more attention to actual quality. While this may be the case for some physical things, for intangibles, however, including education, attributes are still more important for many of us. I think one of possible tasks in educating new leaders is to make them change their ways and teach them being nonconformists, truly independent persons paying more attention to substance rather than to brands and labels.

S. Guriev:

Thank you very much.

S. Guriev:

...President and CEO of Boston Consulting Group, one of the leading strategic consultants in the world and Andrei Fursenko mentioned several times: execution. I guess this is something that strategic consultants are supposed to be good at, but my question is –

H. Buerkner:

We are very good at that. Yes.

S. Guriev:

Sorry?

H. Buerkner:

We are very good at that.

S. Guriev:

Exactly! But my question is more general. What are the skills that business leaders need to succeed in the global economy? And I know BCG is doing a lot of work, doing research, serving managers and leaders and entrepreneurs. Maybe you can share your thoughts on this.

H. Buerkner:

Yes, thank you. First of all, let me emphasise that people and leaders are the most important resource of any society and of any company. They are more important than oil and gas, and factories and real estate, and therefore, I think putting a lot of effort investment into people development and to leadership development is really key for all of us, independent of the crisis.

Obviously, a lot has been said about leadership and leadership development. Let me emphasise three points. First, leaders need to take a long-term and global view. Secondly, leaders need to focus on value creation, and thirdly, they need to emphasise people development.

Let me dwell on those three points a bit. The first point is to take a long-term global view as opposed to taking a short-term and a more local or regional view. And I think it is very important that this is being emphasised in the companies as well as in society. Today we have this attitude of saying, "Well, quarter results count." Still, I think it is important to see that in most companies, I think they have three-, five-year plans; they have vision development; they have aspirations. And I think it is very important to clearly give those people whom we want to develop into leaders a feeling that they need to take really a long-term view, to be able to say: what is the long term aspiration, what are the objectives that have to be emphasised. And we need to really make clear that it is not sufficient just to look at short-term bottom line results that really make the difference between good and bad leaders; it's also very important to take the global view. The world is changing. Even if you are a local company, you may have suppliers who come from other parts of the world, or you could use suppliers from other parts of the world, and it is very important that leaders really have experience in other parts of the world for them to see what's possible, where our competitors are, what are the issues, in order to really get a perspective on where to position your own company.

Secondly, creating value. Value creation, shareholder value has been very much on people's minds, but when I talk about value creation, I think we first have to think about the real thing. And the real thing means providing products and services to your customers, either good quality products or, let's say, very inexpensive products, making sure that whatever you do, you differentiate yourself; you have a competitive advantage. And that is more important than the financial figures, and that should be on the minds of leaders first and most of all.

And secondly, when we talk about value creation, it is important to think in terms of creating values. That means integrity, making sure that there is a clear ethics and culture within a company, within a society, that allows people to deliver and to have a clear framework of what is right and what is wrong. Because without that framework of values there can be no value creation.

Now the results in terms of growth of sales, growth of revenues, profitability, will be good if you are really creating value for your customers and if you are really creating value for the various stakeholders and society.

And then thirdly, leadership is, above all, about people development. It is not about financial engineering; it is not about figures and facts; it is above all about people development. And I think the future leaders, as well as the past leaders if they have done a good job, I think have focused and

should focus a lot on people development. To get the best talent, to retain it, to develop it, and to give that talent challenges.

And that gets me to maybe the last point, I mean "the how." We have representatives from schools here, and I think it is very important to have the curriculum include the key issues on having a long-term view, having a global view. It is important to have the curriculum include the question of what is value creation and values, obviously ethics, but it's also important to emphasise the point that leadership and leadership development is about people development, and that as a leader you have to spend a large part of your time on people development: how to motivate them, to mobilise them and to enable them, and essentially to multiply yourself. I'm sure if we had this discussion five years ago, before the crisis, the results would have been quite similar, although I think taking a global view has become more and more important. I'm sure in five years time, when we will hopefully have overcome the crisis, it will be also similar. But I cannot emphasise enough the importance of really giving emphasis and focus to the people side, whether you are an administrator in the government, whether you are in education, or whether you are in a company.

S. Guriev:

The next speaker is Craig Barrett, Chairman of the Board of the Intel Corporation, who was the CEO of Intel for many, many years. We have been talking a lot and have heard a lot about knowledge-based society and about the innovation economy for Russia; it's one of the buzzwords that is driving not only economic policy but all the agenda of government policy in many areas. And we would like to hear from you as one of the leaders of the innovation economy in the world: what needs to be done? what are the people needs of innovation companies? What entrepreneurs and managers are needed, what skills are necessary to promote innovation within the corporate sector? And what should be done, what should businesses, governments, universities do from your point of view? Please speak.

C. Barrett:

Let me try to answer all of those questions and put them in the context of what I think world leaders or business leaders need to have in terms of a capability set. First of all, educated as an engineer, I always like to look at data associated with any problem or background and try to define actually what problem we're trying to solve. And so, if you do that, and you perhaps just take the top Fortune 500 companies or the top 500 companies of any continent and look at the leaders of those companies, and you look for their characteristics or their background, you'll find perhaps surprisingly, perhaps not surprisingly that the most common educational background of the Fortune 500 CEOs is not law, it's not business, it's not history, it's not political science; it happens to be

engineering. And I think there is a reason for that. I think engineers are educated as problem solvers. That is, if you look at problem-solution methodology and pedagogy, it in fact has you try to define what problem you're trying to solve, find an exact definition of the problem. One of the most common things in the world is having a dozen people speak about the same issue, focusing on different definitions of the problem they're trying to solve. But problem solvers agree on what problem they're trying to solve. They collect some information or data. They hypothesise the solution. They then test the solution to see if it works. They gather more data. They have a plan-do-check-act cycle, if you're familiar with that phrase. So I want to abolish all educational institutions other than engineering institutions as a start. Some of the other panellists might have a different opinion on that, but I think the problem-solving skill is one of the most important, and an engineering background does allow people to have a problem-solving skill.

The second characteristic, I think, is extremely important. One of the things we always ask our employees, our managers, our executives is: when you are looking at something, how do you change the rules to affect a different outcome or a different solution? Quite often, people look to solve a problem within a confined space, a confined set, and they don't try to change the basic rules of the situation to look for a unique solution to the issue. So changing the rules, being an entrepreneur in approaching problem solving, I think is extremely critical.

The last comment I would make in this area, especially in the shrinking or flat world that we have today, is to the previous speakers who've commented. International experience is, I think, of paramount importance, since I would always look for training or experience in different countries, not so much just to get an insight into a different country's approach to problem-solving or business, but to be able to look back at your own country through a different set of eyes. This is an extremely valuable tool. But I'd take it a step further. Not only is international experience important, but I think if you look at the business-government interaction, I would make it an absolute requirement for government officials to have worked in the business sector for a fairly extensive period of time – to understand what it is to have to run a company, to meet a payroll, to satisfy shareholders, to satisfy customers. I'm not sure that I would require businessmen to be in the government for an equivalent period of time, but that also might not be a bad idea, to get some experience of the difficulties involved in the governing sector. So, international-to-international experience, business-to-government, government-to-business experience I think is extremely helpful in rounding out leadership.

The whole issue of an innovation society – we just had a two-hour session on that a few minutes ago, and we concluded in that session that the important things about innovation are good education systems (no surprise, you need smart people), investment in new ideas, that's an investment in research and development and it is easily measured by the percentage of your gross domestic

product or gross national product. You reinvest in R&D to get smart ideas. But perhaps the most important thing, if you have smart people and smart ideas, is the environment that the people exist in, and the environment is dictated by government policy. And if government policy dictates tax law, intellectual property protection, the competitive spirit of a society, etc., etc., then it's perhaps even more important that those people in government who are studying the policy and studying the environment have had experience in the business side to see the impact of their decisions first-hand.

S. Guriev:

Thank you very much. Our next speaker is Birger Steen, who is Vice-President of Microsoft.

Birger, would you agree that we need to abolish all the non-engineering schools and just let people get experience in business and government in different countries? Would that be a good answer or there are other things that Microsoft may be doing differently from Intel?

B. Steen:

I partially agree with Mr. Barrett and partially not. The main result of new technologies proliferation is, according to Mr. Barrett, our new "flat world". Just remember all new technologies which come to the world market, for example, from China, from India, from Israel and even from Russia. But, at the same time, technologies, geopolitics and recent events have determined what could be possibly called the end of unipolar world. Capitalism built on free trade principles and individual aspiration of people for happiness still remains a model providing the greatest contribution to global growth. But the British-American variant of this model implementation is no longer unique and only one possible. Many would even say that it is not preferable.

At another today's session the following question was asked: Western companies such as General Motors, Chrysler, Citi which earlier were members of Dow Jones Industrial Average – they were heroes, their managers were heroes for the young people of fast developing countries. Who will be our heroes now? Considering flat and multipolar nature of this new world, we can state that cultural one-sidedness will inevitably lead to professional failures or at least, to increased risk for business. In the past business communication was maintained through channels which somehow gave an indication that on the other side of the message there is a different person with different values and different mentality. It is all different in the "flat world" now. So any Russian who works, say, for Microsoft should understand the personnel sitting in Redmond, in Seattle, in China who he communicates with. That is why these new conditions generate the need for leaders, managers of new type and not necessarily in the industries directly connected with IT, thought perhaps here they would be needed first of all. These are leaders possessing cultural universalisms, speaking several languages, capable of perceiving and sharing the feelings of others, and also those who are able to

study and adapt fast. Knowing rules of the game and skills acquired in one context only, for example, within the British-American variant of capitalism, or within say, Soviet management legacy, are no longer sufficient condition of success. We believe that organisations, which train and shape up such managers, are characterised, first of all, by the global scale of their business. Secondly, by interdisciplinarity, that is what Mister Barrett spoke about. These experts worked in different areas. Third, these organisations select merit-based approach to appointing on management positions. Such organisations include the best business schools presented here, the world's recognised companies, many corporations, consulting firms, investment banks and some governmental agencies of some countries. I believe that our Microsoft Corporation has remarkable examples, in particular our Chief Executive Director Steve Ballmer. It lived one year in Paris, learned the French language well enough and managed as Craig to get another view on his country before being appointed Chief Executive Director of Microsoft Corporation.

There are programmes for young personnel whom we provide with opportunities to realise their potential as well. For example, we help young specialists to leave Russia for a year or two if they want to work in the USA or other countries. But the condition is that they shall return to Russia after such work.

Therefore, in conclusion I would say that our high schools, companies, institutes are adequate to existing environment as they train players who equally well can play "equally with both feet". It seems that this is what I agree with today. Thank you.

S. Guriev:

We have some time for one or two questions to the speakers or very short comments. Does the audience have any remarks? No comments so far? Yes, Sergey, please! Please introduce yourself and name the person whom you want to ask a question.

S. Kravchenko:

To Minister Fursenko. Sergey Kravchenko, President of Boeing Company, Russia and CIS. Mr. Fursenko, in earlier years you said many times that Russia and our future economy will need people who possess knowledge of everything, what has been done rather than bring up those who will revolve the world of a science. You named them "the qualified users". And you mentioned importance of maintaining contacts with the West, transfer of technologies, management processes. Would you tell us please what has been done lately to ensure that these fine strategies of yours are fulfilled.

A. Fursenko:

Fewer than all think that these strategies are fine. I would like to warn you in advance. First, I believe that Russian universities acquired more technologies, including those from other countries. Anyway, among the criteria, which we put forward during High School innovative programmes competitions, at the Federal universities construction stage a mandatory condition we set is not only to increase mobility of students, but of professors as well. It means that professors come here.

Second, we expand teaching opportunities of people from practical areas both in high school and in professional training schools. It occurs because such people from practical areas are more inclined to formulate practical knowledge, qualifications, which will be required for a person to be successful in a real life, in real production, rather than theoretical goals.

Third, as you know, we have changed approach to the construction of educational standards. Now in educational standards the emphasis is being made not on specific programmes but on requirements to knowledge, qualification of a person who has covered this or that programme, to conditions of training and to the programme construction. In this way, we are pushing the education system towards the external order environment. I think that it is the most important. Such standards will be applied in full in professional training starting from next academic year, but they exist even now.

S. Guriev:

Let me add a few words. An unprecedented thing occurred in the Russian education system. In the programme of research and educating personnel advanced training, probably, Mr. Fursenko knows the correct name of this programme, there is a complete programme component, which is supposed to provide direct funding of Russian research and educational expatriate community for work in Russia. It seems to me, this is the thing which we long spoke about and at last, it is implemented. And such people will start coming to Russia this year. That is actually a big step forward which will provide specific assistance to Russian professors working in foreign high schools to share their experience and to support young researchers in Russia. It seems to me a big achievement which shall not be forgotten.

From the audience:

And if they cannot teach in Russian?

S. Guriev:

This is a good question. Our experience shows, that people who come and those who work for us, they are Russians with international education. Some of them can not teach in Russian because the international language of science, unfortunately or fortunately, now certainly is the English

language. That is why many programmes are taught in English, but new standards do not impose restrictions on teaching in English, therefore there is no trouble in it. One more quick question.

S. Vykhodtsev:

My name is Sergey Vykhodtsev. I would like to ask a question connected with such area of training as entrepreneurship. During two days here I heard many different ideas and call-ups to turn our economy towards entrepreneurship and innovative activity. I heard that fairly objective preconditions are created in banking, credit and other areas. I do not feel them yet but I do hope to feel them in the nearest foreseeable future. But what is confusing to me: my life experience prompts me that in innovative technologies there is such a key component as an “entrepreneur”. No sooner than we have people who are able to evaluate risks and convince investment and venture capitalists to invest and assume these risks, no innovative economy, in my opinion, is ever possible. I do not know who to address this question to, I wanted to ask panellists. In the West and in the USA in particular, there are many educational establishments having dedicated departments to bring up entrepreneurs. What can be expected in this country in this area? Thank you.

S. Guriev:

Thanks, Sergey. Actually, it is a question to be addressed to our following speakers, rather than the previous ones because they ask the same questions. Really, let us pass over to report of Mr. Andrey Volkov, Rector of Moscow School of Management Skolkovo which has been created to train leaders and entrepreneurs. Andrey graduated from Moscow Institute of Physics and Engineering. He is Doctor of Science in Engineering. Craig’s question is especially applicable here, who said that in general business schools are not required probably, but such institutes as Moscow Institute of Physics and Engineering, Moscow Institute of Physics and Technology which I graduated from with great pleasure are much required. Well, Andrey, what the School of Management Skolkovo is needed for, if the innovative economy requires problem-solving training just on an engineering level. And in general, what do you think will happen to business schools? Will business schools remain in contracts to what Mr. Barrett said how will they look like? What technologies will they be using and what skills will they teach? Please.

A. Volkov:

Thanks, Sergey. I accept this provocation of Mr. Barrett with pleasure because I am going to respond with other provocation. A new management engineering is required. Once a new management engineering is constructed the problem will no longer exist. There will be no need to start campaign for closing all 6,000 business schools of the world. Answering the previous question,

which really hit the mark, I share your point of view. Future belongs to those people who have entrepreneurship attitude or, in other words, other than functional approach whereby they are responsible only for finance or marketing or accounting but an integral view, an integral approach. It does not mean that everybody will go there, but there is another philosophical question behind this. They are born themselves? Is this a genetic aspect? Or they can be trained or prepared? And such discussion has been going on, as you know, in educational area during at least 10-15 years when many business schools raised a question in their agenda: do we prepare entrepreneurs or managers only? We, in particular Skolkovo School, Ruben Vardanyan who initiated this project together with other 18 leaders of business, answer it in the affirmative. And I am engaged in it. Yes, but I would remove phrase "to teach", as there many false impressions and connotations here, it can trained. Due to what? If we ask: what is a good educational institute? Why some are good and others are bad? It means that the selected students are the best ones, teachers are also selected. And from my point of view, it already makes for 70% of success. But there is one more component which becomes very important in the modern world: what is the technology? How does it work inside, what occurs inside the educational establishment? Answering the question which Sergey raised when starting this discussion, I want to believe that a serious revolution is coming in education system and in the system of educational institutes. In fact, educational institutes developed basically during the post-war period and during the recent 40-50 years they operate approximately equally and are approximately equally structured. Certainly, there are bright stars, we are not going to name London Business School, Harvard or Russian Institute of Physics and Engineering or Institute of Physics and Technology. But in average, it is system which has undergone no serious transformations during the last 40-50 years. Russia is no exception here. I see the future lies behind the change of technological paradigm, change of what is going inside educational process. And giving a direct answer to your question I must say that, the basic problem of business schools is that teach in a functional way. They chopped business to finance, marketing, and accounting and teach them one by one based on the assumption that everything will somehow collect together in a person's mind. We respond in the other way. Situations have to be invented in the educational process close to real conditions. As mister Buerkner fairly said: how are leaders prepared? They are the people who design vision of the future. They can transmit this vision to others and are focused on the result so they can accept risk. These are the three components which, in my understanding, are included in "leadership" concept. We made no agreements before the meeting, but pronounce one and the same thing. I believe that business schools must use engineering methods to design such approaches which will train this. Well, in particular, in Skolkovo we made up such a MBA programme whereby a person has to accomplish 5 projects – one in China, one in the United States, one in corporate sector, one in public sector and one start-up

project, that is to develop an idea until it is realised, and further there will be a venture fund, which will either support you if you have a success, if not – just leave with diploma in your hands. And I believe that this is a practical answer that we give to the question whether it is possible to train leaders. It is possible if an engineering approach is also applied to the education process.

S. Guriev:

I have the same question for Dr Bing Xiang, the Dean of Cheung Kong Graduate School of Business. It's the only private business school in China, actually, is that right? What do you think is right and what do you think is wrong with the current system of business education globally, and in emerging markets in particular? What should business schools do to bridge the gaps and correct the misgivings?

Dr. B. Xiang:

OK, Thank you. I was an engineer before and it was too complicated. It was all blah, blah, blah, blah, blah. I have now moved to accounting. Let me just share with you some experiments we have had in terms of new approaches in developing new business leaders. As said, we are the very first private business school in China, sponsored by Mr. Li Ka Shing, the richest Chinese person on earth, and one of the top ten richest people globally. We're going to be seven years old by the end of the year, so we're a very young school. At present we have 30 full-time faculty and we may have the most influential business alumna in China already, at seven years old. For example, this year our fees for an EMBA increased by 30% despite the global financial crisis. We're still taking in 240 new students. The tuition fee for an EMBA in China for our program is about USD 80,000, very expensive. So, we're talking about roughly 500 EMBA's a year. It is probably the most expensive EMBA program in the world. We are a young school - how could we achieve all of this? We had to compete head on with Ching-Hwa at Beijing University. So, we have done everything from scratch. We had to experiment, which helped to achieve what we have achieved.

Firstly, a look at the fundamentals. Yes, there are limitations in the old-school world of business, but we still need future business leaders who can understand financial statements. The basics of marketing, branding, HR, strategy, supplies, all of that. So, the first thing we did is to bring in, as of today, 30 full time faculty from leading business schools from around the globe, <inaudible>, Stanford, Columbia, and the leading faculty have joined us. This is absolutely essential. How do we compete with schools like Chicago and Stanford? We cannot. So what we do is we innovate in the following way: we look at the dynamics of competition, the collaboration among state-owned enterprises. This wasn't very big in the US in the past, right now it's very big, and the private companies and the multinational giants like Microsoft and Intel. So there are three types of players,

not just multinational like Intel and Microsoft. The platform in China is different. It's so fast changing. In China, you have a structure change every two or three years. It's fast changing, there is a high level of disparity and many different types of players. How do you compete and collaborate in that setting? This is a new idea. We have invested a lot of time and resources and we are the leader in that regard.

The second level of insight is, in the next five to ten years; one of the fundamental forces for change will be coming from the globalisation of Chinese companies. They will play the global game in many sectors. So how does a Chinese company go global? Maybe some Indian companies will go global at the same time. This is one force.

Another force is, companies like IBM, GE, Intel, Microsoft, Toyota, how do they integrate China into the global market? It doesn't matter whether China is a market, a producer, a research centre, whatever. How do you play the global game in an integrated way? Again, we invest a lot of time in these issues, taking advantage of having a full-time faculty residing in China.

And the third innovation we carry out - and I'm repeating some of the panellists here - is to do everything in a global perspective. The US system values shareholders more highly than other stakeholders. In Japan, employees are the highest priority. If you have \$100 <inaudible> how do you divide that in labour capital? If you were to ask Karl Marx, he would say, \$100 should go on the labour force. If you go to the extreme version of the American capitalist, then the \$100 would go to the shareholder, so, those are the two extremes. If you look at Japan and Germany, they're in the middle. So, we don't provide definitive answers. We do provide a global perspective to our participants, our students. Let them make a rational choice, in terms of what's best for them today and maybe five years down the road. And also build up a genuine appreciation of diversity. In Shanghai and Hong Kong the pace of life is very fast and in the coastal areas of China people work very hard. But when you work so hard, your space for creativity is limited. Maybe in St. Petersburg and in Russia overall the pace of life is slower than in some parts of China. There's not a strong sense of commercialism, and maybe that's the reason why Russia has turned out so many great scientists and ballet dancers. They contributed so much in art and civilisation. So, economically, we're so integrated that it's maybe more important to appreciate some of the diversities. At least we look at that really positively. There is a great level of diversity across China already. So when we have a faster pace of life in Shanghai, we don't look down on people from certain parts of China because they have a slower pace or a lower income. The first point is humanity. I was an engineer. One innovation we have done in our school is we have brought in humanity. In particular, history and religion systematically, to the EMBA curriculum. We believe that beauty comes from the inside. Yes, we talk a lot about regulation, but when you don't have beauty coming from the inside, then regulation will always fall behind. And also, we don't view our alumni or students as sort of

instruments for creating value for shareholders. We view them as a person; as people. We want them to live a very enriched life. So, humanity is so important, not only for their own life, but also for building up the capability to nurture human talents on a global scale. Technology is very important, but there's something else we value. We may be the very first business school to do all of this. So, taking this in combination, to summarise, I think we emphasise the basics. Then we use a top-down approach to innovation to reach the top of the pyramid, not the bottom of the pyramid. So, that's the essence of strategy. So far, this has been well-received in China. I hope it's useful too, for some of the colleagues here. Thank you so much.

S. Guriev:

Thank you very much. Let me now ask a representative of an established business school which has a long history and has actually been criticised today, at least a few times, for being conservative and nourishing that. Our next speaker is Will Kooser, Associate Dean for Executive Programs at the University of Chicago, Booth School of Business. Just a year ago, the school had a different name. It was called the Graduate School of Business at the University of Chicago and it was renamed the Booth School of Business because of a generous gift from Mr. Booth, something like \$300 million, correct? And apparently that shows a lot of confidence from the alumni in the business school. Apparently the business community in the US believes that top American Business schools are run very effectively. The other challenges are a bond. As we heard, many alumni in China work for state-owned companies. I suppose this is quite right, and possibly many alumni in the University of Chicago Booth School of Business will end up working for state-owned companies such as Citi or Bank of America, or maybe GM, if it exists in some form. In that sense, what are the challenges that the Booth School of Business is seeing in the coming years? And how will you actually use the gift from Mr. Booth to transform the school and make it better? If there is any change needed, what will be the most important changes you would like to introduce in such an established school as Chicago? Thank you, Will.

W. Kooser:

Well, thank you very much. To answer your last question first: Mr. Booth explicitly said that the money is to continue to do the great things you've been doing for over 110 years. There was not a specific request to go on and build a new building or start a new programmed or do something dramatically different. He wanted to support our faculty and the approach we've taken to business education since 1898. So, what are some of the things that...

S. Guriev:

<Inaudible> broken.

W. Kooser:

The system is not broken. The system may need a few tweaks here and there. And we're entering a very interesting time for business schools and companies across the globe. I'm going to set the context a little bit from my standpoint and in terms of what some of the key issues facing business schools are as we think about how we can help to create business leaders? And there are two things: one, we can't predict what the future is going to be. And two, professional development and the development of worldwide leaders is a life-long process, not one that takes place in a two year MBA program. So let me touch on each of those, in particular. I don't know about any of you, but I certainly cannot predict what industries, what functions, what geographies are going to be the most important, five years from now, ten years from now, fifteen years from now. So, what we do know is that the world is becoming more interdependent. Global issues dominate everything we do in most every business we might be involved in. Business is becoming more complex. It has more elements, more unusual things going on, particularly these days, and it's incredibly fast moving. I can't predict what's going to happen next week, let alone next year or five years from now. So, given that, as a result, a business school can't focus on providing specific skills and specific industries and specific functions only. We can't be successful if we're teaching everyone everything there is to know about the insurance industry or everything there is to know today about the automobile industry, because certainly those industries are going to change dramatically in a matter of days or months. What we can do and what we should do, and what we at the University of Chicago have been doing for a long time is providing a broader set of skills. So, things like global insights and understanding different cultures from around the world. Also, skills of analysis - we've talked about engineers and the vast majority of the students who come into our MBA programs are former engineers who want a little bit of additional training in business analysis. So, the ability to take ideas, to take data, to formulate problems and potential solutions and apply good, solid, engineering based solutions to those problems is critically important. We think building relationships and understand how to work in teams and to work with one another. How to motivate other people is critically important. We think asking the right questions and framing the right problems is an important issue and skill. We think creativity and developing entrepreneurial tendencies whether or not you plan to be an entrepreneur or simply need the creativity to drive your larger organisation forward. And finally, we want to make sure that our graduates learn how to learn. And I think there's a couple of great quotes that I've come across in some of the readings from around the school. This first one is from 1945; it was a statement I'd like to share with you from one of our professors many, many years ago. And he's talking about this broad-based

education model that we ascribe to, and he says. “Such an education will best equip the students for the task of attacking new problems which were unforeseen and which differ in principle from those studied in school.” So, if you think about today’s complex environment; the inability to predict what’s going to happen, a month from now, a year from now, ten years from now, providing a broad set of skills that allow people to think creatively, analyse problems successfully and bring solution together is incredibly important for any business leader. A second quote again, from 1956, by one of our former dean says, “Academic institutions can provide, at best, only pale and distorted actions of actual business. The business of schools of business is preparing for life-long learning from experience.” So, again, we can’t duplicate what goes on in corporations, or should we? We should be helping our students become better learners over the course of their careers. And that leads me to the second point that I made. Business schools, whether you’re in an MBA program, an EMBA program, or taking a short course, provide only one short period of time in the development of your leadership experiences. Becoming a world leader requires formal education, informal education, life experiences, mentoring, coaching, cultures from your corporation, a whole variety of things. And we in the business schools only have one small piece of that, and I think sometimes we forget that. We in the business school industry are sometimes our own worst enemies in trying to suggest that we can do everything and as soon as you come out of our programmes, you are ready to lead any organisation anywhere in the world, and that’s clearly not the case. So, I think one of the things we need to recognise is that business schools have a role, but that career development; professional development, is a life-long activity and the skills you need at 25 are different than the skills you need at 35 or 45. And you need to consider the role of the business school in developing those skills. At what time do you take up the business school programmes to develop those skills? And how does the corporation or the organisation, or other life skills, factor into the overall process as well.

So, what we actually need with business schools and to help develop these world leaders is more effective partnerships with companies to make sure that our students - their employees - are getting development throughout their careers, not only in the two years they may be in an MBA program. So we can work in partnership with organisations to make sure that from the time of 25 to the time of retirement students are learning each and every day and becoming more and more successful as they go through their careers.

S. Guriev:

We have time left for one or two more questions to deans and rectors of business schools. Yes, you are welcome.

O. Shakhov:

Good evening, my name is Oleg Shakhov, General Director of GiprodorNII JSC. I have a question to Andrei Alexandrovich. Andrei Alexandrovich, I finished Moscow State University's Physics and Math Boarding School No. 18, and I would say that knowledge and basics I obtained there have helped me achieve many things in life. The question is the following: How the state is currently regarding the issue of specialised schools, any current or future support of such schools?

S. Guriev:

This is a very good question indeed. There are people who think they must first study mathematics and physics, and then enjoy life-long learning believing it will be helpful in some way.

A. Fursenko:

Currently, the State is funding several types of business-oriented schools. I hope we will be supporting more of these. Furthermore, as you know, in view of realising ambitions by children who work hard at study, we have made a next major step forward in developing academic competition system which will help boys and girls exert themselves and be easy in showing their knowledge when applying for higher education at their choice. This issue also relates to my previous answer. People who are motivated towards obtaining knowledge should be granted with more freedom of choice.

S. Guriev:

Thank you, more questions please. Yes please.

A. Derlyatka:

Thank you, name's Anton Derlyatka, Ward Howell company. There were many discussions in recent days about the shape of future economy. I believe, everybody agree that this is a "knowledge economy" and "innovation economy". To be successful in such an environment, I'm sure, a future manager or entrepreneur must possess a very important quality – not to be afraid to make a mistake and experiment. Meanwhile, I would risk suggesting that our whole education system is designed to denounce and punish those who make mistakes. Many advanced companies are practicing encouragement of mistakes. In this regard, I would like to address a question to Andrei Volkov and Sergei Guriev. In which way our most advanced business schools and other educational facilities will be trying to modify the education system to include the encouragement

of experiments?

S. Guriev:

Thank you. Let me first answer the question as a part of the issue is important to me. Being a researcher and engineer by education, I like to view statistics. Our progress on the issue: Some graduates of Russia business school training facilities enter various businesses, some enter government service, and some of these become scientists. We decided to assess their response to risk situation. That was quite simple. You would need to suggest them risk game role playing, and see if they are scared or not by a risk situation. As you have suggested, people who are inclined to risk would sooner become entrepreneurs, businessmen, etc. But we have so far not disclosed the relation. It is quite possible that our officials are in a similar rapidly changing and risky environment as our businessmen. We have so far not identified the relation, at least with student community. Well, a student, whether or not he likes to risk would not depend on whether or not he will become a businessman. We are continuing the investigation and maybe will obtain more data on the issue and succeed with the decision. Andrei, you are welcome.

A. Volkov:

In my personal opinion and with no relation to education, a normal person would not like to take risk, while it is essential for a person to avoid any risks. But in real life, this is not the case.

A. Fursenko:

Please note this was spoken by the Volkov who have an experience in sky-diving and climbing the Everest.

A. Volkov:

But still I think a normal person would try to avoid such hobbies. As regards Skolkovo, and to answer your question, we have set up relevant situations (I mean the MBA programme). Our MBA Executive programme is much more standard and traditional like the Executive Education scheme. MBA programme is a total gathering of mistakes, because when designing a project you would inevitably make mistakes. Your company's board will not approve your project, you would fail at start-up, no venture funds will make you money, the city hall will not approve your project in a public domain, and you will fail in agreeing an issue with China partners, etc. And it would be a real wonder if our students make success in avoiding mistakes, but this is not our goal. This would be neither "excellent" nor "good". I mean this approach has been essential to the education

system. Making a mistake is a normal outcome of the education process.

S. Guriev:

I think it's a very important question for all in the audience and I would like Bing to respond to that as well.

Mr. Bing:

Let me share some of the experiences we've had in China. As you know, the Chinese are considered very entrepreneurial, but in many sectors that are dominated by SOEs, we're not entrepreneurial at all. So I think, a precondition, at least in the experience of China, for you to unleash an entrepreneurial spirit is to go through deregulation. Where you don't have any force, like in the case of China Telecom, China Mobile, that are so dominated and so powerful, pretty much forget about innovation, it's difficult. So, only in those sectors that are really deregulated can the spirit of entrepreneurship come out in a major way. That's the first point.

The second point, even in our school, we see a great limitation for the Chinese company to compete globally. We always compete in cost, in price, and the commodity thinking is really to the extreme. And we, since the 1840 Opium War, we Chinese think of the issue from the bottom up: the West is here, China is here, the West is here. How do you apply Western technology or management to China? There's no possibility of that way of thinking in China, there's no possibility of Starbucks. We only think about coffee beans, coffee beans, coffee beans. Five cent, two cents, one cent, that's it.

The whole space for thinking – there's no possibility of Microsoft, no Google, no MySpace. So, there's always something new coming up in the West, and we cover the low cost of producing it. Something's wrong with this way of thinking. It's not a great, indigenous tradition, or in terms of coming up with a solution. Our space of thinking is so constrained in certain ways. But we have done some experiments, because we have some tough entrepreneurs in China, in our programmed.

Our approach to helping entrepreneurs is to help them come up with insights, a new way of thinking, which sometimes may not be available from business. They are very innovative, but we have an advantage of seeing so many companies. We see far more companies than the CEO of any leading company. We see the forest, they see the trees. So, we're not competing, we really collaborate with each other. I think, maybe 20 or 30 % of the richest people in China are studying at our school, including Jack Ma, there's one good example. I mean, Jack Ma is Ali Baba or something. Those people usually do not go to school, but they come to our school to study. These are top entrepreneurs.

So, these are some of the experiments we have done, in terms of encouraging the entrepreneurial

spirit, but we cannot do a lot of things without deregulation from government. Those are the preconditions.

S. Guriev:

Thank you very much. Bill, do you want to add something, about how a 100-year-old school teaches risk taking?

B. Schneider:

Sure. A couple of things. One, in the United States we're blessed with an environment that, from a regulatory standpoint as well as from availability of capital, fosters entrepreneurship, and there's kind of a culture of taking risks, on the part of many people at any rate. But within the business school – and you will see these in a number of schools, I think it was mentioned from some of the others as well – there are opportunities within our school to undertake what we call experiential learning programs. Other schools call them action learning programs. You actually work on a project with the company or come up with a business idea that you can try out, so that you can get some experience being an entrepreneur or writing a business plan, getting feedback from venture capitalists and from other entrepreneurs without sacrificing your own money, putting your own money at risk, without putting yourself at risk and your employer. So there are a number of programs that we have established over the last 40 or 50 years to give our students a little bit of a taste of what it's like to be an entrepreneur without the risk associated with it. And through those programs, they develop the confidence to eventually go out on their own as entrepreneurs, as well as the opportunity to meet with existing entrepreneurs and financiers that might ultimately provide financing to them. So, as an example, for the last 10 or 12 years, we've run a program called "The New Venture Challenge," which is a business plan competition. It yields a very nice prize at the end, but the most important thing is that the judges for that competition are existing venture capitalists and entrepreneurs, who then often provide guidance, advice and financial support to the students in the program who have come up with very good business ideas.

So, again, they get to try out these ideas in a fairly safe environment, to give them the skills, the confidence and sometimes the resources to pursue that in real life.

H. Buerkner:

Well, I think we should not only talk about making mistakes in school or being allowed to make mistakes in schools, but I think society must be allowed to make mistakes, companies must allow people to make mistakes. In the US, certainly, you can fail as an entrepreneur and then you can start again. I'm not sure how this is done in Russia; certainly, in Western Europe, very often, once

you've failed, you are out. And I think that society needs to give people a second chance. I'm not talking about fraud, I'm talking about people who have tried genuinely and it hasn't worked out, and then you have to have the chance to try things again.

S. Guriev:

Yes, that's a very good point. Actually, there is research showing that indeed, in Europe there is a stigma attached, and in the US it's much easier to raise capital after you fail and there is much less stigma. Indeed, it shows that you like taking risks and that you are entrepreneurial. Let us move to our next speaker.

S. Guriev:

Ms. Teplitskaia, could you please, as a person who knows both the education system and the Russian-US business, answer the following question: what, in your opinion, do graduates from Russian universities lack? What do Russian and international corporations, where they are going to work, expect from them? And what should be done if such a gap between expectations and between demand and supply exists? What has to be done by both companies and universities to overcome this gap? Thank you.

H. Teplitskaia:

To begin with, it seems to me that quality of graduates from Russian universities, not just business schools, has always been excellent. Moreover, I can say from my experience without bragging that coming to the [United] States in the 1990's, educated in my past as a librarian, I have quickly managed to become a teacher in a US university practically without any additional training, quite a successful teacher based on opinions of colleagues. I hope, the Russian education system has still retained its approach. There is a fantastic rationale that allows learning easily, not to be afraid of anything and be self-assertive, which is quite justified. The self-assertion is not boastful and is absolutely adequate to a situation, where the life throws us to survive. That is the core underlying principle. I want to say that during my long teaching practice my Russian students, those coming to Kellogg, stand out for their talent and skills, and it is always a pleasure to teach them. I assure you that everything I said is from the heart, and those imperfections I see in Russian graduates are, generally, somewhat typical both for the US and UK people, with whom I work a lot. What we are trained for always lags behind the needs of today. And it seems to me that only those graduates and only those schools will survive, which will keep the pace with education process and do not stop even for a day. When you learn something yourself, and you don't wish to share the knowledge, then I believe you are not worth a cent. To me it appears that the best teachers, and I am not talking

about myself, are those, who are “playing coaches”. Those who suffered numerous bumps and bruises but achieved certain success through sweat, blood and tears. It is them who have got the right to train future leaders, warning about their own mistakes and somewhere sharing their dreams. This can be our contribution to raising the leaders of tomorrow. It seems to me that today Russia faces a very serious problem with the fact that there is an elite, and children of such elite get to the best Russian schools in Moscow and St. Petersburg, while there are concerns about the quality of education in the province: a huge problem with secondary education, as well as problems with higher education. And I would like to bring to the attention of the minister that it would be desirable to see more efforts for levelling the quality of education in Russia. Today, as the sources of investment opportunities have actually been exhausted to a certain extent in Moscow and St. Petersburg, they should be looked for in the province. And that is the place suffering from a keen thirst for personnel. “The right personnel solves everything”, and everyone is aware of this. It would be desirable for all of us, whether in Russian or American or European schools, to bring more opportunities into the teaching to learn ethics. We talk a lot about leadership, and less about playing in a team. A leader should be a team player him/herself, be capable to inspire people and be a playing coach. Ethics, respect, dignity, moral principles. Nowadays, the morals are often trampled and extremely harsh methods of play are often used in the pursuit of profit, but this is a rush for a short-term ruble and it always has a reverse effect, because the most valuable thing in business is still the reputation. May be, this is the reason why the West feels resentment towards Russian businessmen and is not always eager to let them in the markets, especially European ones. In America, it is different. Even Vladimir Putin, when he visited Germany in his capacity of the president of Russia, said, “We are coming here, not on tanks... we are coming with money”. Unfortunately, there is a gap in ethics, there is a gap in business conduct, there are some shortcomings in diplomatic skills. However, at the same time, let me finish by saying that Russian education today is of extremely high quality. Russian people are very talented and today there are all prerequisites for us to share experience in the world of globalisation on an everyday basis. I am proud to say that this year the number of my graduates in the USA has already reached 250 MBA specialists majoring in Business in Russia, Global Initiatives in Management course. I am inviting all interested parties for cooperation. I will be glad to share experience and is ready to listen to critics for any mistakes. Thank you.

S. Guriev:

Thank you, Elena. I would like, as a rector, to tell you that you’ve become a professor in America and this is actually the freedom for those who wishes to provide good education, which we yet lack according to Mr. Fursenko. Being a rector, I can tell you that it is a quite uneasy task to hire a US-

graduated person to teach in a Russian university, and in some cases absolutely impossible. On the other hand, such schools as Skolkovo and Russian School of Economics do it. So, everything is not so bad. But, nevertheless, we still have a lot in front of us to strive for to achieve the American level of flexibility.

H. Teplitskaia:

Forgot to say, do not be afraid to study. I received my MBA degree in Kellogg Business School, when I was 45, already being a professor in the USA. And it is worth to add that I had the two best years in my life, when I was a student. On weekends, I walked with a backpack, lived in a campus, while my son, also a student, lived at home. So, I urge everyone, who still has an ability to study, not to neglect this pleasure.

S. Guriev:

Ruben Vardanyan, Chairman of Troika Dialog Group and president of Skolkovo School of Management. Ruben, how would you answer this question: Is Russian education as good as education in other countries? According to Elena, there are some specific problems with Russian education, what can be done and should be done with it? Are you going to study yourself? You are not 45 yet, right? What a president of an investment bank should learn, what do you think?

R. Vardanyan:

Thank you, Sergei. Before I proceed with answering these questions, in the first place I would like to express my gratitude to all those who is still in the room, although it is almost seven o'clock. All are very tired, we've accomplished a lot. In the second place, as an investment banker, I would like to make a disclaimer, that's a standard practice in our business. I will speak harshly and not so tactfully. Right away, I want to apologise to everyone, who may dislike it, and say that it has nothing to do with personal attitudes, but rather with my worries and experience about things I will talk about.

From the audience:

Are you speaking on behalf of the group of companies?

R. Vardanyan:

No, I am speaking personally on behalf of Ruben Vardanyan. And third, I have to say that before answering the questions I need to talk a little bit about myself because in the given situation I feel myself as a black sheep being the only non-engineer among the attending people. Moreover, not

only a non-engineer. I am a business entrepreneur, graduated from school with a gold medal, while entrepreneurs usually studied very badly. I've graduated from the university with distinctions majoring in the securities market, which means I don't simply work in this industry, I follow my profession that I've chosen and I work with the main asset – people, people for me are the main asset. Because the investment and banking business has nothing else but people and reputation. Getting down to the point, I want to state that our business education is awful. In my understanding, we do not have education as such. And this is not a disaster, I don't want to blame anybody or anything. Very good attempts have been done, but this is already a problem with the education in general. I'll try to explain why I consider it awful. Problem number one: I think we have to discuss seriously, why people graduated as an engineer go and become businessmen. To me it seems wrong because if a person in a society, system or family chooses to be an engineer, and then is forced or deliberately realises to become a businessman, then there are two problems. Whether the engineer is not respected and cannot realise himself in this profession or he has chosen a wrong occupation. It appears to me that what we now have in our society, as well as all over the world, is a situation, where being an engineer, doctor, musician, or philosopher is not prestigious as before. We do not see movies anymore like "Nine Days of One Year" or other movies, where the profession of scientist calls for respect, but we speak about such success which is measured by money only and which pushes people to abandon their profession because his/her success is not recognised otherwise. This is an extremely critical issue of the best people flowing from those professions, which they were meant to fulfil in the society, into the business, which is absolutely not the best decision from the point of view of realising oneself. Second: It was said that people are the main asset. Not true. The main asset should receive the most spending of money and efforts. If we measure the time that a CEO spends on people or the amount of money that is spent to develop them, such measurements will not correspond to the "people are the main asset" concept. Therefore, this statement has nothing to do with the reality. It's a pity to say, but this is because the 21st century will require absolutely different attitude towards people, which we fail to implement yet. The third problem is double standards. We speak aloud that we teach business, but there is no school as of today, not only in Russia, or there is just a few of them, which cover some problems. For example, the Russian business is much criminalised. Is this topic discussed in a business school? Is the topic of corruption discussed in a business school? What about the topic that Russian secret and enforcement services play a great role in the economy? Or that China has a communist party that makes decisions? Many such topics exist in both the United States and Europe. So, without touching upon these topics, we are declaring that we teach real decision-making in business? This results in a gap between the real life and what a person is taught. I have asked business school graduates on their graduation day who would be ready to go to China and work in a company,

where they would have a Chinese national partner holding the same position, who would not communicate or share any information with them. He would come to a meeting alone and they would have to find a common way with him. Would they be ready to go upon graduation from a business school? Nobody was ready. Would they be ready to come to Russia and realise themselves in the system existing in Russia? Do you understand what I am talking about? Harvard business school has two cases on Russia from seven hundred cases they teach. The number of failure cases is less than fifteen. Is this the business education we talking about?

It seems to me this is a separate issue. It is a good industry of earning money, creating the right functions to enable people to learn a certain set of knowledge. All this is very good but, first, we do not have a competitive environment that would compel people to be leaders and really seek to obtain more knowledge. Second, we measure success in money and it is very wrong because all valuable things become absolutely depreciated. We do not measure people. When I read how many times Donald Trump is mentioned in all magazines, a question arises: how could this person be a case-study example for people? He is published in the Forbes magazine, but nobody mentions that this person has no values. He declares it in public. This is an instance of what people try to take as an example. Instead of condemning him and saying that from now on we would not shake hands with this person. I am not acquainted with him, but if what he writes is true, then a question follows: how can this be? Therefore, measuring success in money, when a person measures the success by the amount of money earned, is a matter of attitude towards values. Do we have an objective system of measuring people? No. All of them are measured in Forbes and Fortune based on how much a company is worth or how much money a person made. So, it turns out that all words about values are useless because if there is no system how to measure the success of values, it means that such values are not important. If you spend no time on people, it means people are not important. If you do not speak about corruption or criminal aspect, it means this is not a business education. If the society is not prepared to deliver other systems of measuring the success, it is not a journalists' fault. It is the system itself that today gives absolutely wrong signals. The next question I would also like to touch upon is the question of ethical values and signals which we deliver in the system. We had a discussion in Davos about an oil company. I will not name it. Its CEO said, "I am engaged in oil production in Sudan. I know that the money I pay as taxes go for killing people, simply a genocide. Now a question. Thirty chief executive officers from the largest companies sit here. What am I going to do: produce oil, pay taxes or close the business?" This would be followed by a two-hour discussion. The answer is as follows, "You have been employed by shareholders to increase your company's value. Just in case the US Government has not taken measures to wind up your company's business. According to your employment contract, you may not close the business, but must produce oil and increase your company's value. And it is not your responsibility to take

decisions on whether genocide is a good or bad thing”. That’s what am I talking about. Therefore, when we talk about business training and leadership: in my opinion, when we are not prepared to discuss these issues, although the required educational services such as universities or just mere discussion tables were well available. There is no a definitive answer to this as the issues are not that easy, rather painful, and there are no just unambiguous “Yes” or ”No”. Why is it so easy being an engineer? I think any problem in the profession has no relation with human health. You are allowed to make mistakes. You have either assembled a locomotive or not. It either functions good or just inoperable. But when you have ruined anybody’s life by chance, this will be going to become a tragedy. Therefore, mistakes including those associated with education issues are much more complicated, and, in this regard, an issue of educating leaders, let’s say future leaders in Russia, are most urgent. We have experienced a fearful 70-year period featuring destruction of leaders per se. When anybody was sticking one’s neck out, the person was immediately destroyed, as was regarded faulty and unnecessary to the system, because such person being prepared to be independent was different from what was expected. And this is a problem, which, without a due and serious discussion or trying to provide answers will not allow us to establish a good public education system. I would strongly object to an idea that we have a sound education system. Perhaps, it was good sometimes for something else, vital at a certain time. But today, it does not work, and does not produce leaders or stimulate a competitive environment, does not identify the best amongst the rest. It does not show or give them opportunity to fulfil themselves. And we are facing a big problem of competitive capability in the 21st century. We will never achieve anything without personalities with leadership attitude, able to take risks or responsibility. Our system has neither motivated, supported, nor been a background for the existence of these. Thanks for your attention.

S. Guriev:

Thank you very much, Ruben. By the way, Ruben did not mention that he is a leader, a leader with a certificate. He is a Young Global Leader of Davos Economic Forum. So I think we can rely upon his words in this discussion. I would like to support Ruben here. Quite recently, one of Russian Vice-Premiers said at a meeting of the Board of Ministry of Education and Science of the Russian Federation, “People are our second most important resource after oil”. It seems to me that the essence of Russian economy’s demand for people is embodied in this statement. Perhaps, there are companies where people are the main asset, however, oil, speaking correct Russian, is the “first”. Let us refer to...

H. Teplitskaia:

I have an objection.

S. Guriev:

Please, Elena, speak.

H. Teplitskaia:

First, I didn't say "people are the main asset". I said that personnel solves everything. As for the statement that people are the main asset, it is not true. I would like to ask Ruben if he is ready to drop his financial values today and keep only humanistic values. If we agree today that financial matters are not important at all, then we would, probably, have to let everything go and rush into pure humanism. I have much respect to Ruben, and I am ready to have a good discussion with him, but the truth is really grey, there is nothing that is purely black or white, there are exceptions everywhere. As to me, I met some perfectly trained MBA students with Russian education who could make a serious competition to their Western and Asian counterparts. Exceptions may be found everywhere, however, there is no doubt that the whole system is in need of improvement.

S. Guriev:

What we really wanted to hear, Elena, were opinions by active entrepreneurs and businessmen. What we heard were, perhaps, quite opposite points of view. You met good students, and so, most likely, Ruben did.

R. Vardanyan:

I met good students too.

S. Guriev:

But, Ruben, could you please answer the question. How much are values?

R. Vardanyan:

I will tell you how much. In the past, everything was very clear. The religion, the state and the system determined what was allowed and what wasn't. Now it is up to every one of us to decide. For example, I am 41 years old, and I've been making banking business in Russia for 20 years. I made a lot of mistakes and did a lot of things that I didn't really want to do. But I always had an understanding of what I would never do. I would never do things that I consider wrong. As of today, I have the luxury of using subway, walking in the street and having bodyguards at the same

time. And I think I have decided for myself what things I am ready – or not ready – to sacrifice in order to get a better financial result. Every one of us has a limit we set to ourselves, but I would like to stress once again the key point here. I did not say that finance is not important. I just said that there must be a system for measuring values to be used as important supplemental criteria for measuring success in addition to monetary ones. Capitalism is impossible without money. Money is a universal means for measuring success in the system called "capitalism". Aristocracy of the feudal times had family trees. Each system had its own system of measures. In our system, since we are leaving under capitalism, money is the measure of success. In the end, no matter how many good and right things I do, I will never hold my post as CEO if my company is unprofitable. By what means profit is secured is also important. Instead of trying to analyse, ignore or discuss list of our oligarchs by Forbes, we should see how many of them really do things which are totally inconsistent with our sense of fairness and dignity. Everyone should see clearly what is right and what is wrong, because nowadays our vision of such things is somewhat blurred. It is up to us to decide for ourselves what is right or wrong. Every man or woman is free to decide for him or herself whether it is right or wrong to eat other people. So I would like to stress once again: this is not a matter of financial values. We just need a system for measuring success referring to other systems of values, apart from money. It is a very difficult task because such other values involve qualitative, and not quantitative, criteria. And as for the "people are the main asset" statement, it was not you who said this, and it was not you who I referred to. You are not the only speaker here, there are other participants.

S. Guriev:

Let us not engage into personals here. I guess, we have about 20 minutes left for questions and answers. Oh, yes, please, Mr. Oleg Kharkhordin, Rector Elect, European University at St. Petersburg.

A. Volkov:

Yes, I would like to support Ruben, and I'll speak English so that our friend participants will understand without translation. But before I support Ruben, I just wanted to say that, instead of answering the question of what kind of leaders we need to deal with the crisis or what kind of leaders we should bring up to deal with the crisis, I can tell you right now what the market response has been to the crisis in educational terms. That is, what are the current enrolment records, and where is the trend going. We are a social science university, and we usually have 15 American and German graduate students coming to study with us in Russia: to study sociology, political science, history, and basically all of that stuff. Apart from Ruben, people haven't talked about this here;

maybe a little bit, mentioned by Birger. Suddenly, we have a threefold upsurge of Americans, Germans, right now Finns, Swedes and other people coming, submitting applications for graduate study on Russian soil. Does this mean that Russia is popular? No. Does it mean that the crisis might be behind it? Yes. What kind of explanation for that? I'll give it in a second. The second upsurge of interest is in the program we have called the Executive Master of Philosophy. It's something which is modelled on MPhil in Oxford, but also simultaneously on the Executive MBA. But it's not about business. It's for those businessmen who come out of their jobs and do not wish to speak about money. They want to speak about, once again, history, politics, philosophy, culture, ethics. So, do we have an upsurge because we are in crisis conditions? Possibly, because there are two new types of skills on demand by the markets right now, and people aren't foolish if they choose to invest their scarce resources into education (and we're expensive for students, like 8,000 Euros). So, the answer is, what they do get from us? One skill, mentioned by Birger, is intercultural skills, and another one is what Ruben was talking about: it's basically about such skills as building trust. Both are needed right now to solve the problems. And Craig Barrett, who left - he left because he knew he would be "the strong man to kick down" in our discussion. He left because they've been engaging in engineering, problem solving, the goal-oriented approach – and then the crisis came. And what's the answer? Let's do the same! Once, again, let's do better goal-oriented education, let's do better problem solving, let's just perfect it. Sure! Let's get more crisis. Because the solution of our students is obvious: let's invest in something else. Trust is something which you cannot build like you build a house. Trust is something into which you can just wake up, the way you wake up in love. You cannot get love by goal-oriented behaviour, right? I mean, who fell intentionally in love? Please raise your hands. So, that's the first thing. And the second thing is basically getting into cross-cultural skills. In a sense, if we need new financial institutions which are supranational, transnational, we need people for intercultural skills, and that is actually the new skills which we need.

S. Guriev:

Thank you. Questions? Carl?

S. Guriev:

Carl Fey, of the Stockholm School of Economics and Talent Equities. If you have a question, please...

C. Fey:

Yes, I have 2 questions for the panel. The first is that to me, one of the greatest problems in Russia may be that in earlier education one often gets a list of things one has to prepare for an exam. And

so we get students coming to us and saying, where is the list? Well, at the Stockholm School of Economics in Russia, you're not going to get any list, it's all about problem solving. You have smart people, but sometimes they have problems related to problem solving. Especially for the Minister, I wonder what you think about this, and if one might consider making changes to this. The second question is that, when we started here in Russia, one of the things that really differentiated us from others was that we were very practically oriented, as opposed to theoretically. Now, there are plenty of other players, including some players you see up here, that are also following that. But the thing that we failed in initially, and that I think we have gotten pretty good at recently, is that often in the MBA or an EMBA program, you have one person from a company, often a middle manager, and then he has to go back into the company, and he has to make the education he has learned work in the company. So, if you don't talk about corporate programs, if you talk about MBA and EMBA, I'd be curious to hear what tricks the panellists have used to try to address this problem.

S. Guriev:

From a problem of critical mass and...

C. Fey:

The problem of how can one person who is not a CEO change the company.

S. Guriev:

Okay. I suggest we collect the questions first, and then respond.

From the audience:

<inaudible> That is, there is no need to determine what knowledge people should receive. As long as people are motivated they can be taught differently, in accordance with different technologies. Yes, it seems that this question has been discussed several times.

From the audience:

<inaudible> Corporation, and I have a very practical question, a very quick one. First of all, it's great to educate leaders but then you have to have companies to employ those leaders. I have a great job recruiting hundreds and thousands of people, and now there is lots of new investment in Russia, recruiting 2 000 to 3 000 people. What we are finding so far, after very intensive searching and extensive interviews, is that it's extremely difficult to find even team leaders, not to mention department heads and so forth, really in the soft skills, meaning people skills. And actually, what

Ruben was saying about values, is really connected with that. So, my question is that now when the goal for the Russian Federation is to increase productivity, it's a key issue for the whole economy. So, is the Russian Federation now scaling up this part of education, I mean, business schools, number-wise? What sort of actions are being taken? Because from my point of view, there is no investment without skilful people, with people knowledge and top talent.

S. Guriev:

Other questions? Yes, please.

D. Stanaford:

Darrell Stanaford, CB Richard Ellis. If we look at Ruben's question of not dealing with the real issues, corruption, government control, I think if you address these issues with students when they are just entering, they're not really in a position to influence whether there is corruption or not. And if you look at the very top of a government or of a business, you would not find the CEO getting to those issues. You'll find it's really an issue for middle management. And I think if we look at the crisis in the United States, which, we could argue, is caused by regulators not doing their jobs at middle and upper levels; or at the United States' failure in Iraq, where you had advisers at the middle levels who just didn't have the moral courage to bet their careers on going against the general trends. So, if you were to address Ruben's problem, I think you need to look effectively at Executive MBAs and middle managers, the people that are facing those questions whether they are middle managers in governments or in business, where they are under a lot of pressure to compromise to get ahead. So, the question would be, to these business schools in your executive programs: do you deal with effectively ethical business case studies that you go through? Thank you.

S. Vykhodtsev:

My question.

S. Guriev

Yes, Sergey, just make it short please.

S. Vykhodtsev:

Absolutely short. Do we have any ideas? I heard much here about higher education, there are lots of problems there but I see light at the end of the tunnel. I hope that it not an approaching locomotive. As to that segment which earlier was called Technical Training College, of 300 staff members in

my company about 170 are workers of the field not requiring higher education. Are we going to increase power there?

S. Guriev

Yes, and we hope that the Technical Training College system will really reach the level where they will be training world leaders of the future. There is another question. The last question. You will have a microphone from the other side.

A. Gavrilova:

Thank you, my name is Alexandra Gavrilova, the Union of Jewellery Industry of Russia. This is my question: it is especially visible in our area, that whom employers want to get and modern graduates whom they see and who have just received a very good education are in a very serious discord. Employers want to see the young specialist. You, Sergey, spoke about it. They want to see young specialists with higher education and 5-7 years of work experience. It is unreal. How should we deal with this situation especially in our industry? It is practically impossible. Thank you.

S. Guriev

But the industry exists, is it correct? People are working. Well, we have time for panellists to give very short answers to the most important questions from their viewpoint. I will start from that side. I would like to say that Craig has left because he wanted to see Vice Premier. Other Vice Premier. Other than that who believes that people is our second oil. With that who thinks it is the first one.

S. Guriev:

Bing, would you like to respond to some of these questions or comment on what other participants said?

X. Bing:

Okay. China's experience may not be relevant, but in China, our EMBA is very different from the traditional American type of EMBA. About 65% of chairmen and CEOs of leading companies in China are entrepreneurs. So, they are in the position to make a powerful change in society. And what we have done with them, I agree with Ruben, I mean, there are some issues where character or value would come to play. But we cannot solve all the problems, and we want to do a marginal contribution. Let me just give you one example. Like in Xian, the ancient city of China, that may have some potential to become the Florence of China, but because of pursuing GDP, you know, with the exception of the bell tower and the city centre, many streets have been wiped out. Fifty

years down the road, looking back, we may not care about the GDP being 12% or 8%. But our issue is beyond the power of a business school. Yet, by having so many powerful business people in our programmed, by having a bigger dose of human history, they get a better appreciation of that. Some of them are making some changes, paying more attention to preserving trees, old houses, and relics within their power. We're not solving the whole problem, but we are doing the best we can to mitigate some of the problem. So, I think that the business school has a role to play. We can convey some of these messages to some of the most powerful businesspeople in the community. Some will listen, and some will say, "forget it, making profit is more important than anything else." But that's fine – we still make a marginal contribution that way. So, we feel it's valuable that the school do that.

S. Guriev:

Thank you very much.

S. Guriev

Mr. Fursenko spoke about training of people who can achieve results. A major skill for a moderator is to close the panel in due time. That is why I ask my colleagues to speak very shortly. Andrey, please.

A. Volkov:

I will try to give one answer to two questions. Is one person trained? Well, certainly. Subject-wise form of educations provides for the training of one person. The educational system whereby everything is divided by subjects, will train one person. We have a fundamental hypothesis that one person is being taught despite the fact that he/she is in a class or in a group. Modern forms of education require the group-type approach. And the answer to your question is very simple. When we perform training for a corporation – we train the entire team, instead of one person, that is why there is no problem of returning the person back to the corporation, in the new environment. I have another point of view on the Technical Training College system, however I would leave it to the Minister.

A. Fursenko:

It seems that I have been speaking too much. I will give a chance to others to speak longer.

From the audience:

Mr. Fursenko, you had many questions to answer.

A. Fursenko:

If you can answer them all in a minute I will give you a candy. The first thing, colleagues, is that many issues are mainly not connected with what we classically understand as training, education, and upbringing. Evidently, our education has lost this system on all levels, but we try to return it. I believe that team social training affects human mentality. Command game largely changes human mentality. The main problem that we spoke about is the problem of teaching responsibility. We have significantly lost responsibility on all levels of education. When a teacher does not want to be responsible for real knowledge of his student – this situation is much more educational than all other knowledge he receives. When a teacher fears external evaluation of knowledge, when a teacher of a high school fears it – this is the biggest loss of educational system. And all the rest is secondary consequence.

S. Guriev

Thank you very much, Andrey Aleksandrovich.

From the audience:

I think that all of us should feel our responsibility when values are on stake. And I think that we should bring up responsibility at schools, in business schools, in vocational schools. All we are role models for our students, for our trainees, and we should be responsible for it. I think, that we should make sure that all of us use our efforts and all our attention towards the goal whereby the school becomes a part of society and that all of us assume responsibility to ensure this.

H. Teplitskaia:

In my speech everybody heard what he wanted. I would like to repeat what I finished with. I believe that morals that I spoke about, honour and dignity are the qualities, which have to be developed both in Russian and foreign students. If we say that corruption has to be discussed we must discuss politics. In my school in Piloga in the global initiative course for Russian management we have one class on each of these subjects. I can share experience with Russian colleagues. We have a lot to be improved, but we do not begin with a clean sheet.

From the audience:

Thank you, Elena. I want to support Ruben. Once I was looking for a Harvard case on Russian finance. And I found such case about success of Bill Browder's Hermitage Fund. Really there was a case in Harvard on finance, on Bill Browder's fund.

H. Teplitskaia:

What year is that case? There were times when Bill Browder was successful, until he was helped to descend to the level where it is now.

S. Guriev

I would like to answer one question which has not been answered yet. Attempt to influence the companies through your students. Several times we did such evening courses for corporate students. The main thing that I would like to concentrate on: Closer relations between schools and organisations have to be established. Irrespective of what kind of companies these might be – private, public or governmental. Business schools should not be viewed as something independent, or depending on companies only – they all are mutually dependent. And all these schools, all these issues, ethics, leadership, fundamental problems to some extent are interconnected. We all should work and develop mutual relations between individuals and between groups of individuals. And this is the only way we must take to bring up leaders that we need. I think that leaders will distinguish goals when they see them. I would ask a question. We do not know which qualities and which capabilities of the student will be useful to him and which not. The schools should give their students as many tools as possible in order to enable them to operate in the interests of the company. I will now answer a small question, as my task of a moderator is to answer this question. Several years ago the Russian government established several business schools in Russia. These are such schools as Moscow School of Management Skolkovo or St. Petersburg Graduate School of Management. I would like to thank not only the speakers but also the audience for staying with us so late, it means, that these issues are interesting to you. I would like to ask you to do one thing. If it seems to you, that we did not discuss an important question, did not mention what skills or qualities are required for leaders, then I would ask you to do the following: please take this piece of paper and on the reverse side put down what you consider important. What we forgot to discuss and leave it here, we will review it when summing up the session. Many thanks for your coming and many thanks to our speakers. The discussion seemed to be interesting.