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LEARNING MANAGERS IN A TRANSFORMING ECONOMY: THE CASE OF ST. PETERSBURG

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Abstract: *Purpose* – The radical social and economic reforms developed in Russia from the beginning of the 1990s in many respects confirm the substantive provisions of the transition theory. Major actors in Russian economic and social life have undertaken significant efforts to generate institutions similar to those that regulate economic and social life in the advanced Western countries. In this regard, an acute problem in the formal and informal training of managers has arisen. The study aims to identify and analyse these problems. Many of the problems of manager training manifest themselves in the period of transition of firms towards innovative development. Accordingly, the main research question posed in the study is: what obstacles/hindrances must be overcome for the successful development of manager training, and what is the role of innovation systems in the development of manager training?

Design/methodology/approach – The general theoretical concept of the dissertation was based on the theory of modernisation and globalisation. During the analysis of practice managers, we used the theory of management. Analysis of factors in the success of firms was based on the theory of social capital. The triangulation method has been used: first, the empirical material was collected by questionnaire survey; second, in-depth interviews with representatives of different groups of managers were conducted; third, a case study of 14



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companies in St. Petersburg was conducted; and fourth, we used official statistics, as well as publications that describe various aspects of management.

Findings – We were able to empirically demonstrate that the activity of educational managers is a significant factor in accelerating the transition process in countries with transforming economies such as Russia. There is a strong positive correlation between the educational activity of a firm’s managers and the firm’s innovativeness. An analysis of empirical data revealed a positive correlation between educational activity managers and the internal and external social capital of firms. Two aspects of the informal training of managers were focused on: constructive training and unconstructive training. We were able to identify a trend: the greater the innovative potential of firms, the less intensive is the unconstructive informal training of managers. Empirical evidence has shown a tendency: trust of managers in major actors in the economic and social life of the country appears to be a very important condition for the effectiveness of both management development and manager training.

Originality/value – There is a strong positive correlation between the educational activity of a firm’s managers and the firm’s innovativeness. An analysis of empirical data revealed a positive correlation between educational activity managers and the internal and external social capital of firms. Two aspects of informal training of managers were focused on: constructive training and unconstructive training. We were able to identify a trend: the greater the innovative potential of firms, the less intensive is the unconstructive informal training of managers.

Keywords: *Innovation systems, Educational activity managers, Manager training, Transforming economies*

Paper type Research paper

INTRODUCTION

Transformation processes and manager training

Management is a special professional activity. Managers must be trained. These are two elementary truths. Even in ancient Egypt, during the construction of the pyramids, managers were trained. Accordingly, questions of *what* to be learnt/taught and *how* to teach managers have a history of more than 4,000 years. Yet these same issues are still relevant today. This can be confirmed by the case of Russia, taking the industry of St. Petersburg as an example.

What new answers can we give today to these questions: *what* to be learnt/taught and *how* to train managers? The answer depends on the specific features of the current society, on the current stage of the development of the society. What is this stage?

The modern world is heading towards a global information society. The Russian market, including the labour market, is in a process of integrating into the global market. Accordingly, the processes occurring in countries such as Russia can be viewed through the prism of transition, as shown by Carnoy (1993), Samoff (1990) Radaev (1997) and Zaslavskaja (1999). Processes of modernisation and globalisation have been revealed most naturally and clearly in the field of education. This can be seen from the following:

- During the last 15 years the system of training of managers has been greatly commercialised and expanded due to educational services provided by the private sector.
- In 2010, 101 universities operated in St. Petersburg, 46 if we include non-state institutions. 46.
- In 2010, 83,000 people graduated from university, including 27,000 with a major in management and economics.
- One-third of all university graduates are managers.
- The number of managers in Russia on average increased by 24% within 12 years (1994–2006).
- In 2006, the proportion of managers (businessmen and officials included) in the working population totalled 14.1%. Of these, owners of firms, entrepreneurs – 28.4%, top managers – 6.4%, middle managers – 11.3%, lower level managers (supervisors) – 53.9%.

From 1991 to 1995, the majority of Russian universities, business schools and special courses acquired/mastered the techniques of teaching programmes and courses for managers in western Europe and in the United States.

Russian teachers have been translating popular foreign textbooks into Russian and adapting them to the local conditions of their schools.

Formal and informal training of managers

Unfortunately, the process of transition in education looks successful only if one is talking about formal education. The analysis of informal education gives a different picture. In this regard, we need to mention three issues.

Firstly, the importance of informal education is indeed great. Managers themselves say that for their professionalisation, *communication with experienced professionals* was as necessary as full training at the university. Moreover, managers of firms refuse to hire university graduates if they do not have two or three years of work experience. It turns out that an additional two to three years is a necessary period of *continuing education*, but in the form of informal learning in a firm.

Secondly, the very informal education is a suitcase with a false bottom. In addition to learning/acquiring constructive legal business practices, it can also include acquiring illegal business practices, including bribes to officials, double accounting, kickbacks for placing orders, making fictitious/bogus contracts to evade taxation payments. According to our data, the prevalence of these illegal practices is more than ten times higher than the prevalence of such legal practices as benchmarking, SWOT analysis, purchasing software and patents, amongst others.

Thirdly, the prevalence of illegal practices is such that it inhibits/hinders the development of the country's economy, making many legal managerial practices redundant or unnecessary in the eyes of managers of firms. Why should they improve the quality of the product if a kickback wins the competition regardless of product quality? Accordingly, advanced and labour-intensive management practices become superfluous. Unfortunately, legal formal and informal training lose ground faced with the onset of illegal informal training. Therefore, the experts of the Global Competitiveness Report consider that in 2010

World Sustainable Development Outlook 2012 a high level of corruption in Russia was the main problem hindering the functioning of business in the country (p. 306). Thus it is no surprise that when we asked managers whether they need special managerial education for their jobs, three-quarters of them replied that they could manage without such education.

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What are the reasons for such a high prevalence of illegal managerial practices? To answer this question, we should mention two interrelated reasons.

The majority of Russian companies still lack orientation towards long-term goals in strategic development. For them, the main goal is increasing profit margins, whereas an increase in turnover is a secondary goal.

As demonstrated by our study, the level of trust between the actors of economic activity, including managers, is very low.

Table 1:
Usefulness of various kinds of experience (%)*

Kinds of experience	2003	
	Number	Importance
1. Communication with experienced professionals	97.5	95.5
2. Creation of one's own firm	40.1	84.2
3. Higher education	91.4	81.0
4. Parental education	97.7	70.3
5. Post-graduate course	18.8	66.7
6. Work in CPSU organs	18.9	67.4
7. Army service	37.4	62.8
8. Work in a big state enterprise	66.3	63.4
9. Work in student construction teams	39.7	56.7
10. Work in Komsomol	50.4	48.7
11. Correction institutions	1.5	45.5
12. Trade union	23.5	41.4
13. "Street education"	74.7	20.8
14. Other experience	52.1	91.3

*Data from Professor Mikhail Chernysh

Thus it is no surprise that on the basis of the characteristic feature “ethical behavior of firms”, the experts of the Global Competitiveness Report 2010 placed Russian firms in position 117 out of 142 (The Global Competitiveness Report, 2011-12).

Accordingly, to make manager training effective so as to meet the challenges of the global market, it is necessary to solve this problem simultaneously from two different sides. Both external and internal factors of training development should be activated simultaneously:

- external factors: the improvement of the external socio-economic environment, where the learning takes place: the increase of innovative capacity of the economy, the elimination of shady business practices;
- internal factors: the improvement in the organization of training, methods of training, the increase in the diversity of training itself in all three areas: formal learning, informal learning, hybrid forms of training.

Let us consider these two tasks one by one.

The first task: improvement of the external environment of manager training

The improvement of the external environment of manager training requires further development of the transition processes in Russia:

- Russia enters the World Trade Organization (WTO) in 2012.
- In 2006 Russia ratified the *United Nations Convention against Corruption*. It is expected that in coming years the 20th article of the Convention (illicit enrichment) will also be ratified.
- Government experts have developed a *Long-term Forecast of Science and Technology Development of the Russian Federation until 2025* (The Global Competitiveness Report 2011-12), aimed at creating an innovation economy.
- In St. Petersburg in the last 15 years, the number of innovative businesses has more than doubled.
- During the last five years research and development expenditure has been growing annually by about 330 million dollars (St Petersburg: Official statistics, 2008).
- In Russia, the infrastructure of the innovative economy is taking shape on both national and regional levels.

Thus, during 2011–2013, the federal budget allocates about \$2 billion for the establishment of Innovation Center “Skolkovo”, a version of “Silicon Valley” in the US. If the long-term forecast proclaimed by the Government turns out to be correct, it can be assumed that the socio-economic environment for training managers will become more supportive by 2025–2030, and the shady practices of management will lose their appeal for the majority of firms.

The second task: improving the system of educating managers means that the development of the system of training managers can also contribute to the solution of these problems. What do Russian companies need for their managers to be well-trained?

When organising the training, it is necessary to consider the fact that such training takes place through three channels: a) formal training, b) informal learning, and c) hybrid formal-informal learning. It is important that all three channels should be fully activated.

- a) As already mentioned, the formal training of managers in Russian conditions has almost reached European standards. The further development of this type of training is not hindered by any serious problems. Russian higher education institutions (HEIs) have access to the latest textbooks, curricula and teaching methods developed in Europe, the US and Japan. Students have an opportunity to study management abroad. In Russia, too, there are branches of foreign educational institutions offering managerial training that meets high Western standards. Therefore, there is no need to dwell on this in detail.
- b) Regarding informal training, the situation is different. A popular arsenal of methods for training managers in the workplace widely used in the West is used only to a very limited extent in Russian companies. This creates a need to organise the informal training of managers using the following practices:
 - The acquiring/introduction of methods of informal training practiced in the West, such as “Mentoring”, “Coaching”, “Networking”, “Workshadowing”, “Learning logs/diaries”, “Deputising”, “Performance review and appraisal”, “Secondment”, “Action Learning”, “Expanding customer contact”.
 - Tailored organization of benchlearning between managers from Russian and foreign companies, particularly companies operating in Russia.

- The use of telecommunication channels of informal learning:
 - communication of the staff via Messenger
 - professionals' chat rooms
 - Web/Skype meetings of experts
 - blogs by experts
 - wikis of design engineers in companies
 - internal social networks.

According to expert estimation, in American companies an employee learns 70% of what he/she needs to know for his job through a network of informal learning (Merriam *et al.*, 2007).

These channels of informal learning are not common in Russian firms. Of course, there is no doubt that the processes of modernisation and globalisation in the coming years will force Russian managers to develop them. However, it is important that today's managers of companies should act as initiators of the organisation of channels of informal communication among employees of firms.

- c) Without a doubt, the variety of hybrid forms of manager training will be increasing due to the development of the theory and practice of management. The very practice of introducing these forms will also be improving.

Some hybrid forms of manager training can be attributed to short-term forms and others to relatively long-term forms, as seen in Table 2. Short-term forms include a variety of short courses, conferences, seminars, training sessions and business games, which disseminate the experience of advanced management practices.

The long-term forms include three hybrid forms combining formal and informal education of managers in Russia today, which were tested in practice and have yielded positive results:

- The Presidential Programme
- The LOM Programme
- The St Petersburg Business Campus.

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The Presidential Programme

Operational for 15 years in the Russian Federation
About 250 managers trained annually in St. Petersburg
Training takes place in Russian HEIs
Number of training hours: 120–550
Training period: 3–6 months
Approx. half the students are trained in foreign firms

The LOM Programme

Operational for 15 years in the Russian Federation
8–12 firms participate in the programme annually in St. Petersburg
Groups of companies (managers and subordinates) take part in conferences to build a one-year project for improving the organisation of work
The project is carried out during the first year
Then a new conference is organized

The St Petersburg Business Campus – a benchlearning network

Operational for four years in St. Petersburg and Finland
Five Finnish member companies in 2011
Target group: top and middle managers of Finnish companies operating in St Petersburg
Exchange of experiences between Russian and Finnish managers, between Russian and Finnish HEIs.
Triple helix model applied

Table 2:
Methods of long-
term hybrid training
of managers

Common to all three of these hybrid forms of learning is that managers of different companies share their experiences, including advanced management practices, and learn from each other.

Here, universities and consulting firms are invited to train clients – members of the business campus – on very specific issues hindering companies from becoming successful. The analysis of problems and the process of problem-solving are more often approached in the form of a game simulation.

Correlation of the success of firms with the educational activity of managers

What is typical for the training/learning managers? How are they different from their colleagues who are not involved in training?

Statistical analysis revealed two syndromes: first, a syndrome of passive educational activity; second, a syndrome of active educational activity.

- The first syndrome: educational passivity; tolerance of shady connections; tolerance of corruption; identification with the nation.
- The second syndrome: educational activity; orientation to innovativeness; distancing from corruption; cosmopolitanism.

Educational activity is associated with a number of positive characteristics, as shown in Table 3.

Success factors of firms	Correlation with the educational activity of managers
External social capital of firms	
Participation in programmes of the Administration of St Petersburg	0.282
2. Participation in the tripartite agreements	0.311
3. Participation in international programmes	0.339
4. Collaboration with techno parks	0.329
5. Participation in regional venture innovation projects	0.284
6. Participation in associations (business associations, holding companies, consortia, etc.)	0.183
7. Participation of firms in the shadow economy, corrupt ties	- 0.222
Internal social capital of firms	
Organisation of quality circles effective in Japan	0.236
Organisation of joint holidays for the company's personnel	0.229
Spending weekends together with personnel	0.260
Improving structural reflecting by employees – improving their understanding of the role of different departments in gaining the firm's success as a whole	0.270
Improving individual reflection by employees – improving understanding and acquiring his/her own role in firm	0.253
Usage of group (team) work methods	0.155
Internal policy of the company: staff are a united family	- 0.148
Innovative potential of firms	
R&D expenditure	0.344
2. Introduction of organisational innovations	0.328
3. Introduction of technological innovations	0.242
4. Participation in training programmes for introduction of innovations	0.370
Final success indicator of firms	
The projected improvement in the economic situation of the company	0.349

Table 3:
The educational
activity of managers
and the success of
firms (the Kendall's
rank correlation
coefficient - τ)

The first six lines in the table represent the external social capital of firms – the breadth of contacts with the actors of the environment. The pattern is clearly visible: the higher the educational activity of the managers, the wider the network of firms' contacts. The same can be said of the internal social capital of the company. Its structural elements are shown in the next seven lines of the table.

Consequently the educational capital of managers is successfully converted into both types of social capital of firms: external and internal.

The other four lines represent the innovation activity of firms. They show a significant correlation between the educational activity and innovation potential of firms.

In conclusion, it is possible to mention a number of positive tendencies in Russia today. At present, the learning/training managers are the real engine of transformation in the Russian economy. Therefore, it is very desirable that the number of managers is growing rapidly, by 20% over 10 years. After all, this means an improvement in the social structure of Russian society. It means an increase of the middle class in Russia at the expense of the well-educated, creative middle class. The majority of managers still have a great need for continuing education, for higher education activity. This results in the increase in the social capital of companies and regions. In particular, it creates a favourable climate for partnerships with Western firms, with Western actors in economic and social life. If these trends continue, the most favourable scenario for Russia in 15–20 years is that Russia will be more like a classic market country, and its well-trained managers will be effective partners of Western companies and Western managers.

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