Flexibility-Based Competition: Skills and Competencies in the New Europe

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ABSTRACT

In this paper the competitive strength and weaknesses of unifying and enlarging Europe in the global economy are examined. The focus is on people at work, their skills, and competencies. The idea of flexibility-based competition is developed implicating product and services portfolios, technologies, volumes, quality standards, distribution networks, and development cycles. Flexibility calls for speed maximizing management and special work force and labor markets characteristics. A new employment policy should change European labor markets making them more flexible and enabling “high-speed management.” People able to adjust to flexible labor markets are described as “niche finders.” Those who are equipped to excel in such markets and to win the competition game are presented in this paper as “top performers.” Educational systems and particularly management education and development have to undergo deep restructuring to meet the challenge. An outline of new management education is provided. © 2005 Wiley Periodicals, Inc.

1. INTRODUCTION

The idea that we are entering a new economic order is widely shared. In this paper the emerging new economy from the point of view of people at work in Europe is examined. Are Europeans ready to meet the challenge? What skills and competencies are needed? What needs to be done to acquire them? How should management education adjust?

In the post-WWII era of unprecedented economic growth and prosperity, Western Europe was able to offer to its work force very high levels of security, pay, benefits, and social services. Despite very distinctive differences between European models of capitalism, deeply embedded in national cultures and history, the overall European quality of life has become the envy of the world. Now, European workers gradually price themselves out of global markets. High wages (for example, a German steelworker makes per hour almost 10 times more than a Korean steelworker using the same technology and the same level of skills), social benefits, and inflexible labor regulations undermine European competitiveness in most key industries.

High costs coupled with relatively low labor flexibility and inability to focus R&D efforts on market needs, put into jeopardy European prosperity. High unemployment rates observed in recent years cannot save the high living standards of those who remain...
employed, especially when unemployment benefits are high and practically permanent. European statistics show that countries, which employ a higher percentage of their work force on a more flexible contract basis, have higher per capita incomes.

Competitive standards of the new globalized, free trade economy impose flexibility requirements associated with such output characteristics as price, quality, variety, customization, convenience, and timeliness. Capturing higher value adding, high skill jobs will require considerable changes in labor markets, organizations, and networks providing goods, services, skills, and competencies of the work force (Carnevale, 1991).

As a result of globalization of the competition, Europe is facing tough choices between stability and flexibility, security, and personal responsibility. These dilemmas will have to be solved under severe constraints of European social solidarity values. The main argument presented here is that simultaneous changes in the labor markets, goods, and services providing systems and people’s skills and competencies can boost the competitiveness without compromising traditional European values. Under one condition, however—the European work force must acquire new skills and competencies enabling the build-up of traditional European economic strengths and must adjust to the new requirements of global competition. The most typical pieces of advice given by the outside (mainly American) observers are the following:

- Europe must promote greater labor mobility, wage moderation, and more flexible employment rules. More worker retraining will be also needed to capture high-skilled jobs.
- In the area of social policy, Europe’s “safety net” needs dramatic downsizing and restructuring. “Commercialization” of a large part of social services provided now by European governments seems inevitable.
- European governments should accelerate privatization of state-owned industries. Remaining state-owned enterprises should be subjected to full-fledged competition in private markets.
- Europe should direct its considerable R&D potential to market-driven applied research in such areas as high-speed communications. To accelerate technological progress and increase global market penetration, European companies must forge strategic alliances with American and Japanese companies.
- European governments must resist the temptation to protect troubled industries. Farm subsidies especially need to be cut to avoid global trade war.

2. EUROPEAN STRENGTHS

Implementation of this ambitious agenda will be almost certainly concentrated in the new countries of the European Union (EU) joining the “Old Europe” in 2004. These countries will be forced to adopt much more radical economic and social policies if they are to close the gap between them and the core of the EU. In the region of Western Europe the change will be slow because of political reasons. To what extent the slow pace of change can be compensated by common strengths of the European economy, shared by most of developed European nations? Do these strengths really exist? One should look for them among qualitative, nontangible characteristics of European economies and European enterprises.

1. Europe has unique “snobbish appeal” providing a considerable competitive advantage in the rapidly growing luxury goods market (cars, watches, garments,
accessories, wines, spirits, cosmetics, etc.) worth hundreds of billions of Euros. In
every category of luxury goods Europe has a unique collection of the most valu-
able brand names such as BMW, Mercedes, Chanel, Vuiton, Dior, Dom Perignon,
Rolex, etc. Even generic European products in wines, cheeses, silks, spirits etc.
can be premium-priced on the global market. Even if some of these brand names
are owned by non-Europeans (as “Jaguar” or “Gucci”), they still remain European
in character. An emerging new affluent elite is a rapidly growing market base for
luxury goods. Europeans have marketing skills to penetrate these markets. Two
relatively recent developments in the wine and spirits industry confirm existence
of these skills: the launch of “new Beaujolais wines” by the French (promoted
worldwide every year on the 21st of November) and the increased market share of
recently launched single malt whiskeys. In luxury goods only the imitation of Euro-
pean concepts and the “European spirit” can bring success and put into jeopardy
European domination. The “Lexus” automobile is an example of such European-
like product. However, the magic of the “real thing” will long remain a source of
European advantage.

2. European culture, art, history, landscape, and “quality of life” will certainly con-
tinue to contribute to the unique attractiveness of Europe as a top tourist attraction
of the world.

3. Several leading European industries such as Italian knitwear and the clothing indus-
try, or German machine tool industry are already organized as networks composed
of several small, highly competitive, and highly sophisticated players. Such net-
works are highly flexible and highly responsive to market needs. They are much
less centralized and less paternalistic than Japanese networks composed on one
finalist and several first-, second-, and third-tier suppliers. Knowledge and core
competencies are more equally distributed in European networks.

4. Since the Middle Ages (when craftsmen were organized in guilds), Europe has
cultivated a tradition of small, family-owned enterprises. Such enterprises often
belong to voluntary associations, cooperatives, or networks. These superstruc-
tures, such as cooperatives of French wine producers or German trade associa-
tions grouping small machine-tool shops, make European small businesses more
competitive and more sophisticated than similar enterprises in other parts of the
developed world. As a result, Europe has more self-employed workers and more
entrepreneurs among its active population.

5. The European educational system, especially the European model of a university,
although not precisely focused and narrowly specialized, offers broad perspec-
tives of general education. Such a system produces intelligent people capable of
quick learning.

6. Europe has several unique industries based on natural resources plus tradition and
work culture. The Finnish paper industry or wine and cheese industries in several
European countries are good examples of that category. Several European enter-
prises of that category, such as the Dutch brewer, Heineken or wool products man-
ufacturers in the UK, are aggressively entering and forming global networks.

7. Some European industries such as French perfume industry or Norwegian mari-
time industry are difficult to compete with because they are based on tradition and
knowledge accumulated for generations.

8. Specific European industry–government relations are based on 18th century mer-
cantilist tradition of protectionist tendencies and an active industrial policy. It
produced mixed results: in some key industries, such as computers and electronics, it led to European decline. In some, such as high-speed trains, telecommunications, or civil aircraft, it gave Europe considerable competitive advantage and made possible the rise of such global leaders as Airbus (aircraft), Alcatel (telecommunications), and Alsthom (high-speed trains TGV).

9. Europe has still some very strong technology and market-based industries, such as the German auto or British pharmaceutical industry, where competitive advantage comes from technological superiority and global market penetration.

10. Several European locations have become global hubs for important economic activities. London is such a hub for financial services, Amsterdam for crude oil and diamond trading, Rotterdam for maritime transport.

11. European enlargement offers unprecedented opportunity to push down inflated production costs because of the inflow of much cheaper skilled labor, access to cheaper second- and third-tier suppliers, and leveraging the economies of scale on considerably enlarged markets populated by “ambitious” consumers strongly motivated to catch up with Western European standards of living.

12. Can these strengths resist new rules of global competition? To answer this question, the European labor force and European labor market have to be explored.

3. FACTORS SHAPING THE LABOR MARKETS

It is significant that among the more prosperous European countries (those with GDP per capita above the EC average), the variation in productivity is much smaller than the variation in the per capita income. The name of the game is flexible, quick adjustments of:

- Product and services portfolios
- Technologies
- Volumes
- Affordable quality standards
- Customer focus
- Distribution networks
- Product development cycles

Once again, management comes out as the key factor, more precisely, adjustment management and “high speed management” (Cushman & King, 1993). The fastest are the winners. Such adjustments have as a common denominator changes in the work force sizes and structures, peoples’ job contents, skills, and competencies. Lifetime employment with the same employer, the same set of skills, and one clear career track are increasingly becoming the thing of the past.

There are three ways to enhance the speed and elasticity of response to market signals:

- Movement of capital closer to the markets, towards better infrastructure, higher skills and cheaper, more flexible labor resources;
- Movement of people (including highly trained scientists and managers) towards higher paying jobs, benefits, career opportunities, better quality of life, and work environment;
- Building networks, where synergies result from combining specific strengths (core competencies) of many different organizations.
All three help to achieve higher competitiveness. All three call for liberalization and opening of commodities, capital, and labor markets.

In practice, European Union policy is based mainly on capital flows as a means to assure convergence of labor market conditions across the community. Substantial movement of labor from depressed or less-developed countries to more prosperous countries (new entrants from The East) are considered undesirable because of political and social reasons.

Labor mobility is usually addressed from a humanitarian point of view. Looking at it pragmatically, the level of skills of a migrating work force emerges as the key issue. Assuming that labor mobility will remain low, a question should be addressed: Whether movement of capital alone will boost sufficiently European competitiveness? Since the answer to this question is likely to be negative, more attention should be devoted to the creation of the new unified European labor market including new member countries. This point is still absent in the Brussels enlargement agenda for 2005.

Promotion of Pan European networks and alliances seems politically less sensitive than a more realistic solution of labor market constraints.

Increasingly successful companies do not just add value, they reinvent it. Their focus of strategic analysis is not the company or even the industry but value creating system itself, within which different economic actors—suppliers, business partners, allies, and customers work together and co-produce value. Their key strategic task is the reconfiguration of roles and relationships among this constellation of actors in order to mobilize the creation of value in new forms and by new players. (Norman & Ramirez, 1993, pp. 65–66)

Organizations no longer compete as single entities with clear national identity, but more and more often as members of stateless competitive networks linking partners across national and industry borders (Kozminski & Cushman, 1992). Networks can help to overcome difficulties impending mobility of capital and labor. For example in the automobile industry a network combining German skill (at $35 an hour) and Czech work force (at $3.50 an hour) helped to rebuild one of the most successful European automobile brands, the Czech Skoda member of the Volkswagen group. However, this is possible only if the labor market has the following characteristics:

First, all involved partners have to be capable of quickly adjusting their skills and competencies structures to the requirements of compatibility and smooth cooperation. This can be achieved through flexible employment policy (lay-offs, hiring, part-time employment, etc.), and effective job training. Second, partners should have information processing capability and compatible management skills and styles enabling effective cooperation. Third, there should be enough service and business service people around to enable network members to concentrate exclusively on their core activities and on developing their core capabilities. Fourth, individuals entering the labor market have to accept inevitable plurality and fuzziness of jobs, positions, and career tracks. In other words, people should be willing and able to do many different things, undertake many endeavors, take many risks, and constantly adjust to market conditions. It translates into many part-time jobs and temporary assignments. This trend is already visible in all industrialized OECD countries: part-time employment of men sharply increases, mainly in service industries.

These are key characteristics of competitive labor markets conducive to sustainable competitive advantage. They are far away from European highly regulated and
noncompetitive labor market conditions. The impact of today’s competitive standards on the work environment, however, might be even more dramatic.

4. FACTORS SHAPING THE WORK ENVIRONMENT

Europe is rightly considered to be the birthplace of modern bureaucracies. They take many different forms—from caricatures of rationality in the communist countries to highly efficient machine-like organizations. Division of labor, hierarchies, privileges, and chains of command are deeply entrenched in the European mentality. However, even the most rational computerized bureaucracies are not able to compete in today and tomorrow’s global markets because of their inherent lack of flexibility.

Lessons from the most advanced companies in the United States, Japan, and Europe itself tell us that tomorrow’s work environment will have to be quite different from today’s economic “dinosaurs.” The new work place will be, in many respects, dramatically different from the present one:

First, autonomous organizational entities will be much smaller than today and, to achieve specific goals (such as the launch of a new product), they will be loosely linked in different cooperative network forms such as “oligarchies,” “federations,” “families,” or matrix organizations (Kozminski, 1993a). These networks will be temporary and constantly changing. The structures of today’s corporate giants will have to be broken down or considerably loosened. The traditional chain of command will be replaced by multi-channel two-way interactive networks throughout the organization. First-, second-, and third-tier suppliers are considered increasingly important elements of the networks.

Second, elaborate multilayer vertical hierarchies will be transformed into flat structures, based on horizontal cooperation (Qinn, 1993). Such structures are process-centered, based on such integrated core processes as order generation and fulfillment, logistics, or commercialization of technology. Processes have measurable results enabling precise performance assessment. In such organizations, permanent and formalized power distribution is no longer needed. Market relations penetrate and dominate the inside of organizations replacing bureaucratic regulations. Group and individual contributions are perceived by other network members as goods and services to be purchased. Those who have nothing to sell in a given configuration, have to move to some other place. They can also be forced to acquire new skills and competencies.

Third, in the new economy organizations have to develop aggressively quality, service, and people’s orientations, moving away from former fascinations with production, technology, and short-term profits.

Fourth, in the organizations of tomorrow there will be no place for permanent privileges and “corporate mandarins” just giving orders. Everybody will have to do things and “get their hands dirty.” Life-long climbing of the corporate ladder will be replaced by plurality of shortened careers in flat organizations.

Fifth, processes carried out by organizations will be “owned” and serviced by highly autonomous work groups and crossfunctional teams. In such groups individuals will perform ever-changing tasks including management, conception work, and implementation. Rewards will be based on individual skill development and team performance. The new era of “post-heroic leadership” is coming. Its essence is getting things started and facilitating change (Huey, 1994). It involves true delegation, employees’ empowerment, vision, and charisma (Erez & Earley 1993, pp. 172–195). New leaders will have to be self-confident enough to “take a chance that employees will lead them someplace they don’t
want to go” (Huey, 1994, p. 22). As Patricia Pitcher (1997) puts it, leaders “technocrats” will have to be gradually replaced by “artists” (p. 57). To make it happen, the moral crisis of leadership due to ENRON-like scandals will have to be overcome.

Sixth, in new organizations, information is replacing authority. Peter Drucker gives an example of a company treasurer using outsourced information technology and helped by a staff of two or three. His decisions in foreign exchange, however, can lose or make more money in a day than the whole company makes in a year. A scientist, who decides what research should be done in the company lab can have more impact on the company’s future than the CEO, even if he does not have any formal title (Harris, 1993, p. 116).

People populating these new organizations, and often moving from one process or network to another, cannot be labeled any more as “executives,” “middle managers,” “clerks,” “support staff,” “workers,” or “IBM employees.” They will be rather identified by broad and fuzzy sets of skills such as “finance,” “computers,” “advertising,” etc.

The “Organization Man” is being phased out (Kiechel, 1993). In the new organizations, groups and individuals will be on their own selling their skills to whomever will buy them at the market price, and constantly adjusting their skills portfolios to the changing market demand. Does that mean that purely managerial careers and people performing exclusively managerial functions will become increasingly rare?

This new upcoming work environment might seem very scary to the third generation coal miner living in the company town or to a Siemens or Fiat employee with 25 years of seniority, as well as to most of today’s managers. Such emotional shock is potentially dangerous to the social fabric of Europe. In the new EU, member countries emerging from communism and paying high social cost of transition such shock can have devastating and explosive effects.

5. NEW EMPLOYMENT POLICY

It is quite evident that some organizations, industries, regions, and people will not be willing or able to adjust quickly to the new competition requirements. In fact, some will never adjust.

The question remains open whether everybody should be forced to adjust. A positive answer to this question implies that those who will not adjust will be strongly penalized by market forces. It means gradual, but accelerating impoverishment and marginalization of large groups of permanently unemployed and increasingly unemployable people. Such a scenario is in clear contradiction with European social solidarity values and political equilibrium requirements. Is Europe really facing the choice between economic decline and social conflict?

Modern society is based on work as a fundamental value. Keeping people at work provides stability and increases national wealth as long as marginal productivity remains positive. People who cannot meet today’s competition requirements can find employment in such lower productivity sectors as small retailing, crafts, social services, traditional ecological agriculture, phasing out, and dismantling of heavy, “smoke stack” industries, etc. A number of people employed can also be increased through combining part-time work and part-time training along with the increased offer of such part-time jobs.

An active employment policy can provide such shelters and simultaneously offer to more active individuals exits to fast-track competition through training. Europe was always and still is characterized by harmony of old and new, traditional and modern, soft and
hard. This harmony is to be maintained to provide sufficient diversity of employment opportunities.

The tradition of the European small business and self-employment is undoubtedly one of Europe’s strengths. This tradition was surprisingly fast retrieved in the most advanced transition countries joining EU in 2004 (Johnson & Loveman, 1995; Kozminski & Yip, 2000).

An active employment policy has to be based on common understanding and cooperation between major “social partners”—labor unions, governments, employers, and the financial community, pursuing the common goals of sustainable economic development and social and political stability. Such an approach is in accordance with the European tradition of blurring of boundaries between business and society, management, capital and labor, private and public, markets and politics. However, the question remains open, how fast and how smoothly will this approach be adopted by new member countries in the region of Central and Eastern Europe?

The sheltering of a certain number of jobs is possible when a growing number of highly competitive networks operating in the global markets generate enough income. The success of such networks depends primarily upon the quality of the work force, which has two principal dimensions: (a) people’s ability to find the most attractive niches in the markets, and (b) the capability to perform to the highest standards and constantly improve.

Both of them have a common foundation of “enabling skills”—good general education producing people able to think and to learn quickly. European educational systems (including post-communist countries) are certainly in a good position to provide such quality of education for the entire population of young people, if sufficient investment is made. Making it a top priority, however, is once again an ideological and political choice.

In this context, it seems particularly important to ensure similar and compatible educational standards throughout Europe including post-communist countries. Quality and educational levels of the work force (including management education) is the key factor conditioning the network-building process. Such networks should involve major European corporations and Central and Eastern European companies after restructuring. These companies can participate in the networks as low-cost, high-quality third-, second-, and eventually first-tier suppliers, subcontractors, providers of services, etc., conveniently located and culturally close.

Such a solution turns the “Eastern European threat” (as it is still perceived by some Western Europeans) into an opportunity. It enables Europe to overcome the high-cost manufacturer handicap and gain considerable competitive advantage, with the ability to re-conquer global market share. It forces leading European manufacturers to concentrate on their highest value-adding core competencies. It creates new markets and new jobs in Europe as a whole. It also seems inevitable: It is the only way out for high-cost manufacturers such as Germany. And it is confirmed by today’s experience of German firms opening manufacturing facilities in Eastern Europe, China, or South Carolina to tap into cheaper labor (“The New Economic Era,” 1995).

For the post-communist countries, pan-European networks provide a unique opportunity to accelerate the process of restructuring of their uncompetitive companies and industries, to use productively existing resources, to finance restructuring, to develop managerial capabilities, and to move gradually toward higher value-adding processes and better paying jobs. It seems to be the most realistic development path for these countries.

Such an optimistic scenario cannot be materialized, however, without effort, patience, and resources invested both by Western and Eastern Europeans in building new partnerships.
Research on restructuring of the post-communist enterprises (Kozminski, 1993; Kozminski & Yip, 2000) shows that management factor plays a key role in providing working interface between local and Western firms. Management training and development can enhance it.

6. BREEDING NICHE-FINDERS

Good general education, from elementary school to the university, is a pre-condition for a successful niche-finder, but it is certainly just the beginning. People who can successfully identify and exploit niches in today’s markets have to share certain individual characteristics and have access to certain resources.

Among individual characteristics the following seem to have key importance:

- Self-reliance and acceptance of individual responsibility for one’s success or failure;
- Active and innovative attitudes, tendency to take calculated risks;
- Ability to communicate, to network, to cooperate, and to negotiate;
- Strong achievement motivation and self-discipline.

It is true that the national cultures of European nations to different degrees enhance such individual characteristics. Studies of such dimensions of the European cultures as power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation (Hofstede, 1993, 1997) can certainly help to clarify this issue and to choose the most efficient acculturation strategies. However, incentives offered to individuals seem to play an even more important role. European welfare states and overprotective paternalistic employers do not send right signals. As Swedish economist, Assar Lindbeck (1993) puts it: “the basic problem with welfare states is they tend to disconnect the relationship between effort and reward by creating disincentives to work, saving, and entrepreneurship.” The same can be said about paternalistic employers.

If successful niche-finders are to be bred, these disincentives have to be eliminated. Partial commercialization and privatization of social services and benefits (health, education, welfare, recreation, etc.), with the state providing the bare minimum and leaving the rest to the individuals, seems to be the most promising way. This would considerably reduce fiscal burden and enable reallocation of resources toward education and marketable new technologies. Is it a politically acceptable solution? And under what circumstances?

Among resources to which successful niche-finders have to have access, at least the following need to be addressed: (a) a training system enabling quick acquisition of needed practical skills; (b) seed money enabling financing of individual endeavors (especially leading to process and product innovations) both within the networks (organizations) and outside of them, as stand-alone entrepreneurial ventures; and (c) information systems enabling instant access to the markets and processes, where individuals look for niches.

A training system and skills acquisition merit special attention. Skills needed by the niche-finders have to be precisely focused and niche-specific. For example, somebody in finance wants to specialize in the pricing of underwritten securities and needs training in this area. A restaurant owner wants to start an operation of industrial production of his most successful dish as a frozen food and needs skills in manufacturing, freezing, storing, and distribution. An engineer experimenting with Teflon wants to use it for computer ribbon cable insulation and needs to learn about computer cables manufacturing.
Such skills are difficult to acquire in traditional, rigid educational institutions such as universities, where people are being told what to learn and thus are taught subjects irrelevant for them. Greater flexibility can be achieved through combination of job training, consulting, and research, vocational training including apprenticeships and internships, building educational programs around problems, not academic disciplines, and selling them as specialized modules.

Unprecedented economic success of the high tech nation-corporation of Singapore is attributed to such educational experiments conducted on massive scale (Sisodia, 1992; Wilkinson, 1986).

7. BREEDING TOP PERFORMERS

There are three inter-related dimensions of performance: profitability, productivity, and quality. They can be improved through a combination of measures (such as flattening organizational structures or providing consumer feedback) and management techniques (such as benchmarking or supplying chain management).

In the group of top performers, empowerment of the employees is believed to be the key success factor. It translates into the encouragement of independence and interaction among people. It especially applies to such customer-interfacing functions as: sales, service delivery, and after-sales. Individuals should be empowered to take decisions on the spot without supervisory approval. People capable of doing it successfully need to have highly developed communication and interpersonal skills. Strategic plans are developed with wide participation and are communicated broadly.

Top performers are strongly externally oriented toward customers, suppliers, technology providers, and the world-class practices. They use benchmarking to identify new products, services, and process improvements and cultivate extensive contacts with clients and suppliers. Such external orientation often becomes a source of innovation.

Skills needed by top performers in the new economy are dramatically different from traditional skills developed in old economy companies. First, simple, highly specialized skills on all levels (from machinist to CFO) are being replaced by complex sets of skills. General skills are more needed than specific ones, because they enhance adjustment and ability to learn. A CFO needs to know a lot about production and marketing, and a machinist needs to have knowledge about costs and marketing. They have to share active involvement in the company’s strategy. Second, skills are becoming increasingly detached from physical processes and more service-oriented, more personal and people-driven. Specific group situations lead to the emergence of appropriate skills. Third, skills capable of handling repetitive processes are being replaced by exceptions’ handling skills.

Workers who are best adjusting to new organizations’ experience skills have to master the organization from the top down and from the bottom up. More and more today’s “non-supervisory” employees and workers have to take managerial decisions and perform managerial tasks. On the other side, flexible and powerful technologies and the necessity to provide tailored goods and services, forces top management teams to embark on operating tasks, to develop, implement, test, and adjust process and product innovations (Moss Kanter, 2001).

Skills leading to top performance in today’s global competition can be mainly acquired through in-house tailored training programs involving a lot of empirical learning. We have to assume, however, that people, who undergo that kind of training, have strong
general educational backgrounds and possess niche-specific technical skills (are capable of performing highly specialized functions).

Organizations of tomorrow will not be able to offer people security and lifetime employment guarantees. They will be offering instead skills that enable them to find a niche in the volatile competitive environment and to achieve a top level of performance.

8. CONSEQUENCES FOR MANAGEMENT EDUCATION AND DEVELOPMENT

New skills and competencies have a powerful impact on management education and development. It touches its content, structures, and forms, as well as general rational and “ideological foundations” of managerial training.

In future organizations there will be very few managers, especially middle managers, but many, many people, nearly all of them will need some managerial skills. It means that people will learn management not to become managers and “automatically” acquire power and privileges, but to perform better in teams. It is a fundamental shift from elitist to democratic notion of management training. “Creeping credentialism” as Peter Drucker calls it (Harris, 1993, p. 118) evaporates in front of our eyes. It is significant that some top performing companies follow the policy of not employing graduates from the most prestigious business schools. The notion of performance is also affected. We are accustomed to the idea of managers protecting interests of their organization at any cost, against everybody else. This is the notion of the past. The new performance results from serving better the customers and the whole network. It matters little whether customers are technically inside or outside the organizational boundaries. Customer focus brings network solidarity ideology instead of adversarial “us against them” mentality. Also, the notion of competition changes since competitors have to cooperate more and more often.

New European management education should certainly enhance the already existing European advantage in international management. It should have broader focus including Central and Eastern European parts of the emerging business networks.

Such new “philosophical” foundations of management education and development have powerful practical implications:

1. The whole population of school leavers should receive general education in fundamentals of management and entrepreneurship, enabling them to become conscious economic actors.
2. All university curricula should have a management education module build-in, enabling, for example, a medical doctor or an art historian to understand the management practices of hospitals or museums. The management module should also prepare them to participate in problem-solving teams such as autonomous work groups, crossfunctional teams, or top management teams.
3. Organizations should offer their members practically unlimited opportunities to acquire specific technical managerial skills such as, for example, inventory management, machine maintenance scheduling, statistical quality control, or cost accounting. People should be also advised to improve their competencies such as coping with stress and pressure, communicating, negotiating, or understanding others (empathy). Such focused programs can be developed in-house, outsourced, or offered by completely independent external providers.
4. Postgraduate management development programs should be developed jointly by business schools and companies. It means opening and improving both academic institutions and corporate education. It also means much more flexibility in management education and development obtained through differentiated, tailored programs serving specific needs of specific organizations, not necessarily “golden standard” MBA. Such programs should have at least four distinctively different components:

- Theoretical knowledge providing framework for understanding how teams, organizations, industries, markets, and governments work;
- Tools to do things such as production management, human resources management, cash-flow management, crisis management, or securities analysis;
- Training aimed at improvement of competencies such as communication, negotiation, self-diagnosis, empathy, ability to work in teams, information absorption, risk assessment, or coping with conflict;
- Transformational leadership training to initiate and facilitate radical change through forecasting, diagnosis, developing a vision, mobilizing people, and engineering structural adjustment.

Only the first of the above components of management training can be carried out in a purely academic setting. All the remaining elements of management education require real-life, learning-by-doing experiences. To meet these requirements management teachers will have to act as consultants, to go out to the corporate world and to analyze and solve real problems together with students. Cases, although quite useful for many different purposes, are not substitutes for real experiences carrying real pressure. Such a new approach to teaching calls for broader perspective than offered by narrowly specialized academic disciplines in the field of management: operations, business economics, consumer behavior, capital markets, etc. Can it be achieved without compromising depth and precision?

A new approach to management education must lead to re-thinking of the business school model (Lorange, 2002). New business schools should become similar to the new highly competitive companies. One can imagine business school of the future as a hub, meeting place for the flows of people coming from different directions. People from the business networks and other organizations, academics, experts, consultants, researchers will meet there, stay for a while discussing future journeys and depart to meet again in some time, but in a different formation. A core must be equipped with the most advanced information systems constantly generating new outputs, support staff, and facilities enabling highly divergent partners to meet, to design, and to implement new, adventurous itineraries.

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