

## **Źródło: Management Education for the Realities of Emerging Markets**

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### **New Demands on Management Development Institutions**

**Krzysztof Pawlowski**

In my opinion, the period of the aggressive setting up of business schools in Central and Eastern Europe is over. We have entered a new period of substantial change. One of the dramatic developments that we observe is a population decline. For example, the number of students in Poland is going to fall from about 2 million at present to 1 million in some 10 years. Besides, Poland's accession to the European Union opened up all European universities to Polish students and gave them access to European funds, especially the European Social Fund. This has turned the market of training and graduate programs upside-down. Apart from that, private higher schools in Poland must still compete with state universities which offer free programs for a growing number of students.

This means that competition for each new student is becoming increasingly fierce. Under these conditions, it is not unlikely that up to 90 percent of private universities will disappear.

What can be done in this difficult situation? There are several potential solutions. The easiest way out is simply to quit. You give up and wind down the institution's operations.

Another solution is to use the brand, organizational experience and faculty, and focus mainly on continuous adult education, such as graduate programs, training, and consulting.

The third solution is to continue on the path of building a prestigious academic institution with a growing focus on scientific research.

Finally, it is possible to move forward by searching for a new niche and a new competitive advantage in the new circumstances.

Let me present briefly some information about my school in Nowy Sacz. We implemented the first round of innovation in 1992 when we transferred American know-how into Poland in the form of curricula and organizational culture. The school is located in a small town, far from the traditional academic centers. Quite unusually for Poland, we had to develop our own faculty. Currently, more than 80 percent of all lecturers are employed exclusively by our school.

During the 1990s, we were the only private higher-education institution in Poland with the number of full-time students dominating the student body. Sixty percent of them came from other regions of Poland.

After 2000, we started developing new English-language programs and set up new majors in political science and psychology, in addition to the still dominant programs in management and computer science.

The school gained prestige by building a strong and easily recognized brand in business circles as well as the political community. However, we are still very much dependent on tuition fees.

Since Poland joined the European Union, we have faced strong competition from European universities, mainly British ones. Due to the strong zloty, tuition at our school costs as much as in the United Kingdom. The effect of this has been a significant drop in the number of full-time students at our school.

We tried to react to this situation by increasing our efforts to attract foreign students from China, Ukraine, and Belarus. However, this proved very difficult because of the strict European Union visa regime that Poland has adopted.

This resulted in a very awkward situation: a combination of excellent facilities, highly-qualified faculty and tested programs with falling enrollment and a disappearing competitive advantage.

This was followed by some positive developments. We were invited by Optimus - a computer company located in Nowy Sacz - to set up a joint research and development center. In 2006, the Polish government drew up a so-called Indicative List of Projects Essential to the Development of Poland, financed with European Union money. Finally, our computer science experts were successful with the implementation of a large project under the EQUAL program, including the construction of our own e-learning platform and developing our own business simulation games.

In mid 2006, we created a Multimedia City project, which is a cutting-edge science and technology park. This was done with the substantial intellectual contribution of the school's alumni.

In February 2007, the Multimedia City project was added to the government's Indicative List. The government pledged to provide serious funding for that project: 28 million EUR under the operational program called Innovative Economy - Action 5B.

The main goal of the Multimedia City project is very ambitious: building a large corporation, or a group of companies, capable of competing with the world's leaders in multimedia and information systems. Another goal is to transform our school into a world-class university. Thirdly, we aim to contribute to the development of our town and region.

The Multimedia City project will result in the creation of a non-profit company that will build a science and technology park, covering a total area of 10 thousand square meters. This will include a compound of specialized laboratories, workshops, and studios. They should be ready by 2009-2012.

We started this project with a cluster of 60 Polish small and medium-sized companies operating in the sector of multimedia and information systems. We have worked with them for two years. We have now set up a venture capital investment fund and a joint-stock company, which will act as an operator of the whole project. The Multimedia City project is independent of our school, but we are its main shareholder.

I think that this project will result in several important contributions. First, it will help build a network of cooperating companies and reduce their transactional costs by creating resource synergies. Second, our students will have a place for internships and work during their studies. It will also help them set up their own firms. Third, our faculty will be able to do research together with the personnel of the Multimedia City project. Additionally, the project provides a strong impulse for our faculty to focus on research application and create a center for the transfer of knowledge, innovation and technology. It also gives them an opportunity to cooperate with practitioners representing the cluster firms. This is still unusual in Poland but I think it is very important.

How is the execution of this project possible in a small town in the middle of nowhere? What makes it possible is the Internet. That technology has changed the world completely. It has practically abolished location.

Actually, our town is not so badly connected to the outer world. We have two airports within 100 km. And, very importantly, we are situated in one of the most beautiful regions of Poland, an excellent place to live and work creatively.

The Center must be open to people and ideas coming from the outside. Quite often, Polish institutions are closed, especially when they are state-owned universities. Success requires a complete openness to change.

I think that Poland is in a good position in terms of research and development because the funds for such activities are going to double in the next few years. In October, our government will present its five-year plan for the financing of science.

When do we expect results? I think that we have already achieved some. The rejection of the old paradigm and the existing momentum are already a success in its own right. We expect the business operations to intensify as of 2010. By 2020, Nowy Sacz should be one of the world's leading regions with respect to research, education, business and investment in the multimedia sector.

Associations with Silicon Valley do not make sense in our case because that was a completely different technological reality and environment, created more

than 30 years ago. At that time, Stanford University enjoyed a position that was hundreds of times stronger than ours today. Yet, 100 years ago, Stanford was just a small provincial school.

The average age of the people working on this project is 31 years. I am twice as old as my co-workers.

Our seed money amounts to 111 million zloty. When I launched the school project in 1992, we collected 2,000 US dollars from 27 people. Talk about a difference!

I have written a paper entitled "The New Generation University", for "Higher Education in Europe", CEPES-UNESCO. The paper will be published in 2009. It presents the case of the higher education institution that is trying to boost its development, and transforms its environment so that it can reach the rank of the world-class institutions.

### **Danica Purg**

Can you tell us how your employees felt when you launched your new project?

### **Krzysztof Pawlowski**

This reminds me of Ichak Adizes's statement about this stage in the development of a company when the employees love and hate the founder at the same time. That is where I am now. I think that it is normal. People need stability, especially when they work in academia. However, I have been trying very hard, especially during the past few years, to destroy stability and choose completely new goals. The reason for that is that the market is absolutely different and the opportunities for development are in new areas. Besides, the successes of the past are not important. They are finished.

I am happy to have the best alumni of our school among the organizers of the project. Compared to my faculty, they are more likely to think like me.

Another consideration is the state of the Polish economy. At present, it is quite good but the international financial crisis could harm us even if it cannot bring us down. Our estimates show that we need half a billion zloty to bring the project to a successful end but we have only 20 percent of that money right now.

Ultimately, this will make it possible for us to have an endowment fund which will enable us to copy the approach of American universities such as Stanford or Harvard. We would like to identify some of the most gifted young people in Poland and have them study at our school without any tuition.

The future of the world's economy will depend on knowledge. Therefore, I think that the combination of business and research and development is the best possible solution.