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**T**RANSFORMATION, **I**NTEGRATION and **G**LOBALIZATION **E**CONOMIC **R**ESearch  
CENTRUM BADAWCZE TRANSFORMACJI, INTEGRACJI I GLOBALIZACJI

## **TIGER Working Paper Series**

**No. 89**

# **Globalization, Transformation and Management Education**

**Grzegorz W. Kolodko**

Warsaw, May 2006

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**Globalization, Transformation and Management Education<sup>2</sup>**

**Abstract**

This is the time of great change. The way we manage the business, the way we lead the policies, the way we trade and invest, the way we exchange information and culture, the way we interact with each other is going through a process of dynamic and vast change. Such change has a paramount implication for conduct of macroeconomic policy and microeconomic enterprise. It makes a lot of impact on business management thus it must have also a significant influence upon the way we study and teach management.

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<sup>1</sup> Dr. Grzegorz W. Kolodko, professor of economics, has been actively involved and played a key role in the difficult task of transforming the Polish economy. In 1989 he participated in the historic Round Table debates and in 1989–91 was a member of the Polish Government's Economic Council. As First Deputy Prime Minister and Minister of Finance in 1994–7, he brought about an increase of growth rate in Poland to a record level among all post-socialistic countries and Poland's membership in the OECD. Holding the same posts in 2002–3, he restored the economy to a path of fast growth and played an important part in the integration process between Poland and the EU. In his research, he mostly deals with the theoretical and practical problems of globalization and post-socialistic transformation, as well as development policy. He is the Founding Director of the Transformation, Integration and Globalization Economic Research – TIGER ([www.tiger.edu.pl](http://www.tiger.edu.pl)), and professor at the Leon Kozminski Academy of Entrepreneurship and Management in Warsaw. He has taught the courses at the leading universities in the USA: Yale, UCLA and Rochester, New York. Professor Kolodko has written and edited 35 books and over 300 articles and research papers, published in 23 languages, of which over 140 in English (see: [www.kolodko.net](http://www.kolodko.net)).

<sup>2</sup> Draft paper of Distinguished Lecture presented at the Nagoya University of Commerce and Business Administration <http://www.nucb.jp/en/index.html>, in Nagoya, Japan, on the Matriculation Ceremony on April 1<sup>st</sup>, 2006.

This is the time of great change. The way we manage the business, the way we lead the policies, the way we trade and invest, the way we exchange information and culture, the way we interact with each other is going through a process of dynamic and vast change.<sup>3</sup> Such change has a paramount implication for conduct of macroeconomic policy and microeconomic enterprise. It makes a lot of impact on business management thus it must have also a significant influence upon the way we study and teach management.

That is true, however to a different extent, in all regions of the world. That is as much true in Japan, and in Nagoya, as it is in Poland, and in Warsaw, where I am coming from. The Polish people do admire Japan, and this is so not only due to the remarkable technological and economic progress your country has accomplished over the years, but also because of the great and widely appreciated Japanese culture. Yet you may be sure that if we don't have – not yet – as big Toyota factory as you have here, at the outskirts of Nagoya, we do have a Toyota direct investment in Poland too.

It did even happen that a quarter of century ago the then leader of “Solidarity” trade union, and later the President of Poland, Mr. Lech Walesa, had declared that “We will build a second Japan”. By the way, I had a privilege to pay together with him an official state visit to Japan in December 1994. However, building “a second Japan” out of Poland has not happened thus far due to many reasons, including also, unfortunately, economic mismanagement when “Solidarity” and her followers took over the economic policy, first at the onset of the 90s and then again at the end of the last decade. Nevertheless, in the meantime we have built a relatively well performing market economy.

Poland is already – since two years – a full-fledged member of the European Union. At the final stage of the reforms leading us to the Union, and at the time of the concluding tough negotiations about the terms of our accession, I was the Deputy Premier and Minister of Finance of Poland. Earlier, in 1996, under my stewardship in the same capacity, Poland has joined the OECD – the Organization of Economic Co-operation and Development – where we have been working since, together with Japan and other countries, on several issues and challenges faced by the advanced industrial economies.

One should know that the Poland's way to the market economy and membership in the European Union, to the nowadays competitiveness with fast growing export-oriented

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<sup>3</sup> See, inter alia, Douglass C. North, “Understanding the Process of Economic Change”, Princeton University Press, Princeton and Oxford, 2005, Benjamin M. Friedman, “The Moral Consequences of Economic Growth”, Alfred A. Knopf, New York 2005, and Grzegorz W. Kolodko, “The World Economy and Great Post-Communist Change”, Nova Science, New York 2006.

economy being able to export the goods and services of a total value close to 100 billion dollars per year, has been quite bumpy. After the initial “shock without therapy” in 1990-3, when we had lost almost 20 percent of country’s GDP, without sufficient progress *vis-à-vis* stabilization and institution building, there was a successful period of “Strategy for Poland” in 1994-7. I had a chance to lead at that time the course of structural reforms and macroeconomic policy and I can assure you that the precondition for a sound policy is a sound economic theory. The same can be said about the successful business management.<sup>4</sup> Unfortunately, in the subsequent four years, in 1998-2001, the economy had been overcooled, if not just overkilled by too restrictive financial policy, so economic growth had come a still by the end of 2001.<sup>5</sup> Later I had joined the government again and soon the GDP was getting momentum one more time; it was growing by 7 percent in the first quarter of 2004. After subsequent slowing down to only 3.2 percent in 2005, this year, in 2006, we may expect the rate of GDP growth hovering around 4.5%, yet it could be higher if only the proper policies have been executed, as it happened already twice during transformation years: in 1994-7 and again in 2001-4 (Chart).

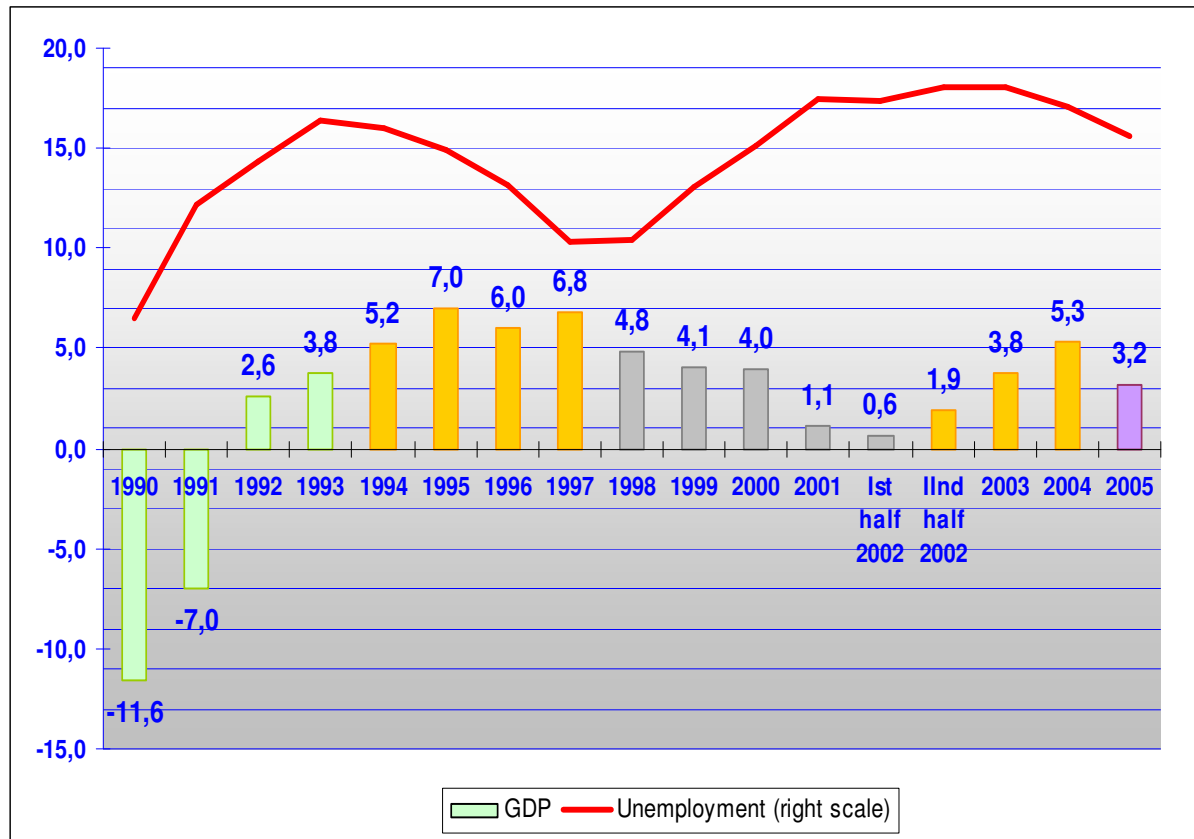
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<sup>4</sup> On this topic see interesting considerations in Mary Jo Hatch, Monika Kostera and Andrzej K. Kozminski, “The Three Faces of Leadership”, Blackwell Publishing, Malden, MA, 2005. On the major difference between the American (that is the USA) and the European (that is the EU) way of managing the business, see Donald Kalff, “An UnAmerican Business: The Rise of the New European Enterprise Model”, Kogan Page, London 2005.

<sup>5</sup> The annualized rate of growth of real GDP per capita in the fourth quarter of 2001 was a meager 0.2 percent, what in Japanese terms implies just a recession.

## FROM SHOCK TO THERAPY

The rates of GDP fall/growth and unemployment (in %) in Poland in 1990-2005



Source: Central Statistics Office, Warsaw.

To be sure, a part of the credit for the progress of Polish economy goes to our entrepreneurs and managers. They are very keen to learn and work hard, they are not afraid of openness and competition with other firms, they are able to adjust all the time to the permanently changing conditions and ups and down of the global economy. These are also the features we teach the students at our commerce universities and business schools. If only the business people and the political leaders are able to tackle the issues in a well co-coordinated way, a country can be fond to sail forward into a better future.

It is widely assumed that the post-communist transformation started in Poland. This is true, but only in part. Although it was indeed in Poland that various processes contributing to this dramatic change gained in the 1980s the greatest momentum, things were not at a standstill in other countries of Central and Eastern Europe, either. Another widespread assumption is that the post-communist transformation was set in motion in 1989, when – first in Poland and then, through a chain reaction engulfing the entire region – ‘real socialism collapsed’ or, as others would prefer to put it, ‘communism was defeated’. There is no doubt

that later on Poland has handled the challenges of the great transformation better in many respects than other countries. Hence, after 17 years of an ongoing post-communist transformation toward democratic polity, market economy and civil society, there are certain lessons that other countries, especially the so-called emerging markets, can learn from the Polish experience.<sup>6</sup>

Hence, it is worth to have a closer look at what works and why and what does not work and why.<sup>7</sup> By all means the most important lesson is that the institutions, that are the transparent and clearly defined rules of the market economic game, do matter.<sup>8</sup> But so does the policy. The Polish experience shows without the doubts that the country is able to sustain high speed growth and catch up with more advanced economies only when there is a good combination of both – good quality of institutions and sound policy. I believe the same must be said about the Japanese experience over last dozen or so years. The economy would do much better if only certain structural reforms, aiming at more sound financial sector and more flexible labor market, were carried on time. So, it is a remarkable achievement and good news that Japan's economy is taking off again. After GDP growth of 4.0 percent in the last quarter of 2005 the pace of growth was approaching 5.0 percent in the first quarter of 2006 and it may be forecast that it will stay close to at least 3 percent in both 2006 and 2007.

However, in Poland – as well as in the other post-communist transition economies in East Central Europe and the former Soviet Union – such a pace of growth hardly could be seen as a satisfying one. It is so since we must expand much faster for the simply reason of catching up with the more developed economies.<sup>9</sup> Systemic transformation to a market system, ongoing in a wider context of globalization, gives us, the post-communist countries and societies, a chance to catch-up. Yet only a chance it is, and not all of the countries

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<sup>6</sup> See Grzegorz W. Kolodko, "The Polish Miracle. Lessons for the Emerging Markets", Ashgate, Aldershot, England-Burlington, VT, USA, 2005.

<sup>7</sup> More on these issues see Grzegorz W. Kolodko, "From Shock to Therapy. The Political Economy of Postsocialist Transformation", Oxford University Press, Oxford and New York 2000. . The book has been translated in several languages (see [www.tiger.edu.pl](http://www.tiger.edu.pl) and [www.kolodko.net](http://www.kolodko.net)), including Japanese, in which it has been published as "Shock kara Ryouhou he – Touou ni okeru Post-Shakaishugi no Taisei Ikou kara EU Kamei he", San-Kei-Sha, Nagoya 2005. The other author's publications in Japanese language include: "Shinko shijo niokeru gurobaruka to kyachingu-apu", Ritsumeikan Kokusai Kenkyu, 2003, Vol. 15, No. 3, pp. 409 (111)-453 (155), and "Seido, Seisaku to Keizai-seicho", Okayama Economic Review, 2005, Vol. 37, No. 1, June, pp. 151-172.

<sup>8</sup> See more on the meaning of institutions and policies in economic growth in, inter alia, Elhanan Helpman, "The Mystery of Economic Growth", The Belknap Press of Harvard University Press, Cambridge, Massachusetts and London 2004, and Grzegorz W. Kolodko, "Seido, Seisaku to Keizai-seicho", Okayama Economic Review, 2005, Vol. 37, No. 1, June, pp. 151-172.

<sup>9</sup> More on this subject see Grzegorz W. Kolodko, "Globalization and Catching Up in Transition Economies", University of Rochester Press, Rochester, NY and Woodbridge, Suffolk, UK, 2002.

involved, most often referred to as the “post-communist emerging markets”, are able to take advantage of such chance. This is so because the globalization brings both, not only the new chances and possibilities – for the individuals and businesses, for the regions and nations – but it also creates a new risk and threats.<sup>10</sup> Hence, there is a necessity to exercise a great deal of professionalism in both, the policy-making on macroeconomic scale and business management on the enterprise level.

The momentous changes in Poland at the turn of the 20<sup>th</sup> century also teach us quite a few lessons on the borderline between business management, economics and politics. This is a compulsory curriculum for all, since everyone has to learn the hard way the relevant interrelationships. Even so, it would be unreasonable not to examine the experiences of others. The Poles have learned a great deal, too, analyzing other ‘interesting cases’, but some persons in charge of the governments’ policies and business management could have done better in this respect. In particular, each of the four stages of the Polish transformation of 1989-2005 enumerated above demonstrates that in order to attain economic success, it is necessary to combine a technocratic and a social approach. And that is what we pay a lot of attention to in our management education. Business professionalism does matter! But social responsibility and political accountability do matter no less.

First of all, aside of my political involvements and engagements as the consultant to such global organizations as the World Bank and the International Monetary Fund, I am an academic researcher and a lecturer. I am a professor at the Leon Kozminski Academy of Entrepreneurship and Management in Warsaw, Poland, where I am also the founder and Director of the TIGER – Transformation, Integration and Globalization Economic Research. My lecturing and policy-oriented research is hence based not only on the theoretical studies, but also on vast own experience from active policy-making, practical exercise, and traveling a lot worldwide. I have explored 120 countries and I have visited Japan several times in different capacities – as a researcher, as Polish Deputy Premier and as a tourist. Since I was here for the first time in 1989 – the year when we had started our transformation to the market economy – the things have changed tremendously everywhere and I believe that much more in my country and region than in yours. Yet than and now one can learn a lot from the experience of the others. Be sure to remember about it all the time. The more you learn, the

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<sup>10</sup> See, inter alia, Will Hutton and Anthony Giddens (eds.) “Global Capitalism”, The New Press, New York 2000, Joseph E. Stiglitz, “Globalization and Its Discontents”, W. W. Norton & Company, New York-London 2002, and Grzegorz W. Kolodko (ed.), “Emerging Market Economies. Globalization and Development”, Ashgate, Aldershot, England-Burlington, VT, USA 2003, and Grzegorz W. Kolodko (ed.), “Globalization and Social Stress”, Nova Science Publishers, New York 2005.

more you are keeping asking the questions and looking after the proper answers, the more you know and understand. And the more knowledgeable a person becomes, the easier it is to be successful in one's professional life, especially at the era of expansion of knowledge-based economy and at the time of fierce competition.

Since the onset the Leon Kozminski Academy of Entrepreneurship and Management has been committed to education in a wide range of business and management related areas. Our quest for excellence has been recognized several times when the Academy has been ranked as the best among the private higher education institutions and best among over hundred business schools in Poland. The Academy employs outstanding scholars from Poland and from abroad, and is frequently visited by distinguished professors, including the Nobel Prize winners as well as renowned members of the business community and political leaders. A set of outstanding scholars and politician has contributed to the Academy & TIGER Distinguished Lecture Series and TIGER Working Paper Series and both these papers series are available on our website at [www.tiger.edu.pl](http://www.tiger.edu.pl).

The Academy offers a bachelor program in finance, to be followed by a graduate program leading to a master's degree in finance. We also offer a master degree in management and marketing, administration and business-oriented psychology as well as a bachelor program in sociology. Another opportunity to study is a graduate program organized under the auspices of the Alliance for Business Education, which includes four renowned universities and business schools: Audencia Nantes Ecole de Management from France, Bradford University from the United Kingdom, Escuela de Alta Direccion y Administracion-EADA from Spain and the Kozminski Academy. As one may read at our internet website<sup>11</sup>:

*In addition to offering the skills and knowledge, our educational offer is designed to expose participants to the regimen, commitment and sense of urgency that companies demand from their executives, while maintaining a balanced, equitable approach to the community at large.*

*Regardless of your specialization we pay special attention to developing skills such as leadership, team building, decision-making, communication and presentation.*

The introduction of these new programs represents an important step forward in our dynamic development. It complements the existing programs offered in English such as MBA in International Business, Postgraduate Diploma in Marketing, Bradford University MA in

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<sup>11</sup> See more details on [http://www.kozminski.edu.pl/business\\_school\\_europe.jsp](http://www.kozminski.edu.pl/business_school_europe.jsp).

International Business and Management and bachelor studies in marketing. Our Rector and the founder of the Academy – distinguished professor Andrzej K. Kozminski – is convinced that “...these new developments will satisfy the ambitions of those who wish to become successful professionals, entrepreneurs and responsible leaders in the demanding international business environment.”<sup>12</sup>

Internationalization of the Academy constitutes an integral part of the European Union policy enhancing the mobility of students. Exchange programs create an exceptional occasion for the students to develop their international and worldwide contacts and get the multicultural experience. In the reality of the ongoing globalization and still growing interdependence, and in our regional context in the reality of the process of European integration, understanding of different cultures is necessary to operate successfully on the market. This factor is so obvious in Japan and many other Asian countries, yet is somehow different in the context of young, emerging markets of East Central Europe and the former Soviet Union. The same can be said about emerging China where, together with the soaring economy, the business schools and management studies are mushrooming.

As it is stated on our website<sup>13</sup>, which I invite you to visit from time to time,

*In the area on internationalization the Kozminski Academy not only wants the students to be prepared to work and live in an international, or even global, environment, but also to contribute a specifically Polish element to the international mosaic. Therefore we send and receive students under the EU Socrates/Erasmus programs, as well as under bilateral agreements (to the countries not involved in the Erasmus program, or institutions not able to sign more Erasmus agreements).*

The Academy's involvement in the Socrates/Erasmus exchange program started already in 1999/2000. Since that time, during last seven years, almost 400 students have been studying abroad. We enjoy the co-operation with best universities of commerce and business schools in several countries, including Germany, Spain, France, Denmark, Finland, U.K. and Sweden in Europe as well as some leading institutions in USA, Canada, China and Japan. Agreements that have been signed between the universities and schools play a key role in conceding the full academic recognition of courses taken abroad. Such co-operation has been very successful. Thus the growing network of working together teaching institutions consist

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<sup>12</sup> See his statement on the Kozminski Academy website at <http://www.kozminski.edu.pl/resources/?rid=11489>.

<sup>13</sup> See more details on [http://www.kozminski.edu.pl/business\\_school\\_europe.jsp](http://www.kozminski.edu.pl/business_school_europe.jsp).

of most of Europe, including Russia and several former Soviet republics. The Academy also cooperates with teaching institutions in the USA, India, Israel, Mexico, Costa Rica, and – of course – in Japan.

From this perspective our collaboration with the Nagoya University of Business and Commerce is very fruitful and greatly appreciated. We are looking forward to continue this cooperation on both fields, the research and education, and I do hope that some of the young students which start today their education endeavor at this distinguished university, will have a possibility to visit my beautiful country, Poland, and will pay a visit to our Academy, to learn what's new there and how we are tackling the issues of business management in the environment of still growing international and global competition.

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## Website links

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