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Realizing Russia's Potential
NEXT-GENERATION MANAGEMENT COMPETENCIES
Panel Discussion

JUNE 23, 2012 — 10:00–11:15, Pavilion 4, Hall 4.3

St. Petersburg, Russia
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Moderator:

Dmitry Peskov, Young Professionals Project Director, Agency for Strategic Initiatives (ASI)

Panelists:

Edward F. Crawley, President, Skolkovo Institute of Science and Technology

Sergei Guriev, Rector, New Economic School

Wang Huiyao, Director-General, Center for China and Globalization; Vice-Chairman of China, Western Returned Scholars Association (WRSA)

Dmitry Livanov, Minister of Education and Science of the Russian Federation

Nikolai Pryanishnikov, President, OOO Microsoft Rus

Stanislav Shekshnia, Senior Partner, Ward Howell; Professor, INSEAD

Andrei Volkov, Dean, Moscow School of Management SKOLKOVO

Louisa Wong, Executive Chairman, Bo Le Associates, Ltd.

Zoya Zaitseva, Regional Director for Central Europe and Central Asia, Quacquarelli Symonds Ltd (QS)

Front row participants:

Arvinder Desi, Group Talent Director, Towers Watson

Isak Frumin, Academic Advisor, Institute for the Development of Education, National Research University of the Higher School of Economics

Natalya Ionova, Vice-President, Human Resources, Evraz Group S.A.

Sayasat Nurbek, President, Center for International Programs JSC

Sergey Vorobiev, Senior Partner, Co-founder, Ward Howell

D. Peskov:

Colleagues, we have a very interesting session today. We invite you all to an open and honest dialogue with minimum political correctness and maximum candour, because we are counting on the results of today's discussion. We have many strong speakers on the stage and in the audience, so the event will be strictly moderated.

The discussion will go as follows: first, we will conduct a short survey of all the participants present on the stage. We will discuss the results of this survey at the end of our session. Then, we will consider the questions regarding management competencies and attempt to leave the maximum amount of time for discussion. A short video clip, and then we will move on to the survey.

Video clip

Next generation management competencies. We live at a time when professions that did not exist three years ago are most sought-after, and markets that emerged since 2009 are experiencing a real boom. An extensive resume is becoming a positive evaluation of one's professional history and young specialists are getting accustomed to easily changing companies while striving to diversify and gain more experience in a variety of fields. Retiring directly from one's first and only place of employment is an outdated strategy from the last century. Now every fourth worker leaves their employer's company in the first year, and every other worker leaves within five years. Business is unappreciative of past achievements. Success in the marketplace comes to those who quickly advance on a previously unknown path and, at the right moment, end up in a place where the economy is stable. Modern competition is interchanged with collaboration as open innovation and crowdsourcing models are dispersed in business. For example, in the technical business, out of all the corporate employees who are a party to performance results, 40% work in-house while 60% are effectively freelancers.

In science, the amount of technical information doubles every two years. If you are a freshman now, then in two years half the knowledge you gain today will be outdated. Specialists no longer compete for positions of employment. Today, it is

the corporations who vie for the best specialists. Before long this will all change as countries that create the most accommodating conditions for professional migrants will enter the fight for the best specialists.

In the midst of the deteriorating situation within the labour markets in Europe and the USA, developing countries are becoming increasingly attractive to the graduates of the world's leading universities. The Russian governing authorities are faced with an ambitious objective to transform the country from a donor to a recipient of a highly qualified workforce. Which competencies does the future Russian economy need most and how do we import them? What can Russia learn from the BRIC countries' experience in the recruitment of highly qualified specialists? Which steps are necessary to take in order for the country's economy to measure up with the common trends?

D. Peskov:

Now that our agenda is clear, we would like to begin with a short poll of our panelists. Three questions each and very short answers. Which competency was essential for effective leadership twenty years ago? Which competency is essential today? Which competency will be essential twenty years from now? The Minister of Education will answer last. You will summarize this discussion, Sergei, so let us start with you.

S. Guriev:

I did my advance preparation for a different question. In my opinion, being prepared for the unexpected is the essential competency. If we knew what to expect from each foreseeable prospect in the past, then today we need to be ready for things to turn out a little bit differently. The key competency today is not what it was in 1992. Today, it is necessary to understand how the world changes and how to prepare for possible changes.

I would say that tangible knowledge, such as how to manage a project or build a company, was given more consideration in 1992, whereas, the ability to learn and

work with new information is the primary concern today. Namely the knowledge and the view of the world gained at a university or another place help to cope with new information. What will be in twenty years, I do not know. Your video clip began with a demonstration of exponential processes. This is essential. People usually extrapolate the world linearly, but certain fields change exponentially; especially those fields where new values are created. The inability to step outside the bounds of today's problems and challenges restricts growth. I hope that by 2032, people will be more prepared to go beyond extrapolating on-going problems.

Today many think that nothing will change in Russia and that everything will remain the same. Yesterday and the day before, we heard many negative things said about Russia. We criticized the investment climate, saying "In order to work in Russia, we must be able to work within a predominantly regulatory state that limits corruption." If we plan on living in 2032, then we must realize that life will be completely different at that time. We have to live on the basis of our long-term vision of the future.

E. Crawley:

So, since we were asked, I will take a contrarian view, which is that I think the important competencies are timeless and do not depend on 20 years ago, now or 200 years ago, or 2000 years ago. That what we seek in society is people who are able to lead, quite distinct from people who are able to manage businesses. So I want to make that distinction for the communities of business schools here. And in my business, I think about how to prepare people to be leaders of technology and innovation. So, what does it mean to be a leader in technology and innovation? Well, I think you have to think first about what leadership is, and other people here will be much more expert about that. But, let me tell you my view, which is that in addition to relating to others well, it includes sense-making – making sense of complex situations, and for a technical leader, that involves understanding the needs of society, understanding the needs of the market and understanding the status of technology. Now, my friend, Guriev here has said things are accelerating.

Well, the world is exponential, so at any time when you are in the world, it feels like it is accelerating, which is the definition of an exponential.

D. Peskov:

It depends on how you measure the speed.

E. Crawley:

Right, it depends on how you measure the speed. So what we live in is an environment where the rate of technology change is accelerating. Leaders of technology have to work harder and harder to understand the rate of the emergence of new technologies.

D. Peskov:

And that will still be the case in 20 years, right?

E. Crawley:

It is still the same, except the pace will just have gone up.

D. Peskov:

Okay, you are quite optimistic. Let us go further.

E. Crawley:

I am always optimistic. Then, I think the other important part of leadership, which is very, very important and very difficult for technically oriented people, is vision. I think that the technically oriented people are able to work very well in environments where someone else has set the vision. But, we have to bring out this quality in technically capable people. As Steve Jobs would say, the best way to predict the future is to invent it. So that they themselves create these visions of how technology can serve society and improve society.

D. Peskov:

Okay, thanks. Nikolai.

N. Pryanishnikov:

I will try not to repeat what has been said already. The year 1992 can be described in terms of people's professional competencies and accomplishments within their respective fields and industries. Today, the competencies to process vast quantities of constantly emerging information and to adapt to a new and rapidly changing environment are essential. It is becoming increasingly difficult to make the right decisions, be they regarding a new product launch or entry into various markets. New technologies undoubtedly aid this process because any person, and especially a leader, must be given the opportunity to process information in order to make the correct decisions. I would also like to add that judging by the latest technological developments being carried out within our own company, robots will perform all the routine operations in 2032. Everything will be completely automated. Therefore, it is necessary for all of us in Russia to cultivate creativity that leads to inventions, developments, and absolutely new approaches. Creative professions that never appeared in management before will be front and centre. Everything else will be automated. Our competitive ability depends upon how we uncover that creative potential, which exists in Russia.

D. Peskov:

Thank you; Dr. Wang.

W. Huiyao:

I think this is a very good question. I would say that 20 years ago in 1992, the world was busy learning a lot of the basics, particularly for China, so management skills at that time were very important. You had to do a lot of management; you had to do the marketing, branding, finance, and human resources. So, everybody was learning these basic skills and MBAs were everywhere. So, that was probably 20

years ago. However, now, I think that cross-cultural management and global management skills are probably more important as we are entering into a more globalized world and as we interact with other countries much more frequently than we did 20 years ago. This kind of skill has really become more important now. Now, if we look another 20 years into the future, I think by that time the world will be even more globalized. In 20 years I think leadership probably will play an even more important role. How can we lead the world? How can we lead this globalized community into a better situation? So, that will probably be very crucial. I think these three skills, at different times, have had different importance, but of course I also agree with the previous panelist talking about some lasting skills, creativity, vision, and others. So, also basically they are very important for the long term. But currently, right now I think the most important skill is crisis management. How we can get better communication among countries and coordinate countries together to really lead the world out of this financial and debt crisis?

D. Peskov:

Thank you. Andrei?

A. Volkov:

I think that the competency scope has not changed in two thousand years. The most important one remains unchanged. What Edward called vision, I call reasoning competency or the ability to construct the future. This is always an ideal construction. Concerning Russia and the difference in competencies; in 1992, the key competency was to distinguish money from finances. Those who figured out this difference, also figured out any loans for shares auctions and the rest, and ended up where they ended up. In 2012, the emergence of the tangible object, or operations, has been of the foremost importance. In other words, it is the ability to construct and recognize long technological and operational chains in their entirety. I think that those in the service or manufacturing industries who possess this ability are the top people in management. And in 2032, the skill to turn an idea into

technology and technology into a working business while ensuring economic feasibility and security will be essential. Those who will know how to construct these chains, which are sometimes called innovations, will be the best. That is how I would answer this question.

D. Peskov:

Thank you. Natalia?

N. Ionova:

Continuing the discussion, I will say the following. In 1992, it was the ability to learn and apply formulas to problems. Currently, it is the ability to devise formulas and ask ourselves questions, which no one has asked before. This is similar to predicting the future. And when thinking of the year 2032, aside from the question of knowledge, we will have to address the necessity to teach people how to manage their own energy because a leader must be able to inspire himself and everyone around him. Everything that happens and all the changes in our volatile world obligate us to always be in good form and responsible for our own psychological and physiological states.

D. Peskov:

Thank you. Arvinder?

A. Desi

Hello. I think some of the things that have really set the BRIC economies apart over the last 20 years, without a doubt, have been courage, creativity, and work ethic. And I think that it is really wonderful to see that this is something that the Western world can really learn from. Right now, I would say the key competencies are resilience, and I define that as the ability to use adversity as a fuel for greatness rather than something to be managed or controlled. Another is personal responsibility, this is to come back to Ed's point, it is a shift in the way we think

about leadership. Rather than looking upwards and waiting for inspiration and direction to come from those higher above me in the hierarchy, we need people who are first willing to look in the mirror and take action when they see action that needs to be taken. The third one that I think is really important right now is learning agility, which is the ability to acquire new skills in the moment. Learning how to learn. What do I do when I do not know what to do, because that is the reality of the current world? Twenty years from now, as many other speakers have said, I think it is a comfort to deal with uncertainty. Rather than people saying, "Give me the answer", we want people to be saying, "I am willing to find a new answer where one does not already exist." We should also be prepared for the free movement of human capital in the way that we have become prepared for the free movement of financial capital, and that requires all nations to have a much higher appreciation and awareness of people of different backgrounds, different ages, because we will have a multi-generational workforce, and we need people who are able to work comfortably and competently in that kind of situation.

D. Peskov:

I see a continuation of the optimist parade concerning 2032... Isak?

I. Frumin:

This question had been formulated in such a way that it is impossible to answer it without a comprehension of the scope. When I first heard it, I thought that for me, this is a question about Russia. Remembering 1992, I will say that despite the affection I have for that time, reaching success back then can best be described by a famous Russian saying, 'impudence is bliss'. So, those who were independent and impudent in 1992, became successful. Today, in 2012, in order to achieve success we have to ask ourselves, why do our children think that Gazprom is the best place of employment? Let us think about the type of competency required for this kind of success.

And about the year 2032, I can only say that I would like the competencies that guarantee success to be self-sufficiency and self-reliance rather than dependence on connections and the government. This is very important.

D. Peskov:

Sergey?

S. Vorobiev:

Adding to what Isak said, essentially, we have three main competencies. In 1992 it was loyalty, in 2012 it is loyalty and in 2032 it will be loyalty; so, things are stable. A further examination reveals that there is an obvious shift towards humanization. IQ, EQ and SQ. Although I am not certain that in 2032 SQ or spiritual intelligence will dominate, the process is moving in that direction. Considering that humanization and globalization are inevitable, the necessity for leadership of any kind, regardless of the situation, skin colour, weather, nature and so on, is becoming clearer. Basically, there is exponential growth and I will agree that nothing really changes.

D. Peskov:

We will come back to the conversation about loyalty, I think. Stanislav?

S. Shekshnia:

Thank you. The basic requirements for business leaders hardly ever change. There are three competencies, which we call meta-competencies. They are business intelligence or a business intellect, social intellect, and leadership energy. These qualities are always necessary in enterprise management, be it the beginning of the 20th or the 21st century. After that, contextual factors come into effect. Speaking of Russia at different points in time, I think that the key competency for business leaders in the 1990s was value capture.

Later, when a more prosperous time arrived for our economy, in terms of development, the conversation about value creation ensued. At that time the

essential competency was the ability to manage growth, and moreover, profitable growth. We had to learn how to increase revenues and control expenses.

Then, unfortunately, a sadder time arrived. Today, the main competency for business leaders is the ability to manage their relationships with the government. On the one hand, this is value protection because we need to preserve the assets and companies that we created. On the other hand, even value creation, to a large extent, depends on how we build our relationships with the government.

Nevertheless, I hope that the exponential change that Sergei talked about will occur and we will again learn to compete and create value. Among many competencies, I would like to mention one, which I consider very important. This is globality. Our leaders do not have enough globality. Let us look at today's conversation. All the Russian speaking people present speak English perfectly well. I do not see anyone in the audience using headphones to listen to the translation either. But, we are all still speaking Russian for some reason.

D. Peskov:

Thank you, I think this is right. Zoya, please go ahead.

Z. Zaitseva:

I completely agree that not only do perceptions differ between Russia and the world, but so does the understanding of competencies. When talking about 1992, almost everyone mentioned entrepreneurship, risk, and creativity with a hint of risk. It appears to me that creativity today is becoming more sensible. I am referring to emotional intelligence. I do not think that Russia has already attained it, but I would like to believe that by 2032 or maybe even sooner, this will be of utmost importance to our leaders.

I would not rip 2032 from the overall context because competencies like a flexible mind, expecting the unexpected, readiness to accept whatever may happen or market challenges are important to build up today as well as in 2032. Here is an example including Russian statistics. We conduct a yearly MBA recruiter survey

where we ask employers, which competencies they would like to obtain from business school graduates; which competencies satisfy them and which do not. Five, seven, ten years ago everyone focused first and foremost on technical and quantitative skills. In the last three years, though, soft skills have been looked at more, because technical skills have become a priori, meaning that leaders and managers are assumed to already have them. I am not convinced that these are sought-after in Russia, but I would like to believe that inspirational leadership will be in demand in the future.

Speaking of the future, I would also like to believe that a holistic view will emerge. Although Russia has its own essence that some do not understand, the realization that we are a part of the world community, that the world is becoming flat and pliable and that the ability to effectively work in any place in the world will be a necessary quality of Russian leaders, is growing.

D. Peskov:

Thank you. Among all the hand-out materials we have today is the World Bank's recent research, which shows that the Russian employers are in demand of soft skills. Louisa, please go ahead.

L. Wong:

Hello. I believe we lead by purpose. People follow you not because of you, people follow your purpose. I believe in today's world, there is too much emphasis on vision, on mission, but companies' purpose – if you look at some of the biggest and greatest companies – they have a clear purpose. I think leaders must self-consciously consider what their purpose is. Hence, you need to lead with purpose; you need to be with a company with which you share the same purpose. Other competencies, I think empathy is very important today. Maybe some may consider this not to be a competence, but a value. Empathy – the ability to feel for others. Today we are going to employ employees with diverse backgrounds, we are going to sell to poor people who are going to use your products for the first time. Today,

feel for others. Put yourself in someone else's position, and think about how others' circumstances today may be extremely different from yours, perhaps more than in the past. Also, today, I think there has been an over-emphasis on educating, promoting, the top one percentile of employees and the top one percentile of students. I think to close the income gap and the inequalities of life, more emphasis should be placed on how we continue to boost productivity and lead the next 20% to 50%, so they can lead the next 20%-50%. Of course, small and medium enterprises, I am from an SME. I think about big businesses versus small businesses, and many also emphasize how we innovate through good ideas and starting a business versus building a company. Perhaps management philosophy and management training should be more about training people how to build a company, versus starting a business. So, I think all of those things are very important for our future. Certainly Russia is no different from others in the developing world, where there is inequality as well as diversity.

D. Peskov:

Mr. Livanov?

D. Livanov:

It is unlikely that I will be able to comprehensively summarize everything that has been said already, so I will not make it my goal. I have a somewhat philosophical view on this question. I suspect that people have a tendency to overestimate the rate of contemporary change. Although I barely remember 1992, it was a time of fundamental transformation. One hundred years ago may have been such a time as well.

We fixate on the enormous increase in the amount of available information, but I always wonder whether people increasingly value this information. My answer is not always positive. To answer the question directly, I would say that it has always been important for a leader to perceive the world as a whole. And not the world that existed before or that exists today, but rather the world that will exist in the future;

because people conceive, and consequently, shape the future. Depending on the conceptions, the future takes a particular shape. That is why having a clear, true and positive view of the future world is the principal asset in a leader, in my opinion.

D. Peskov:

Thank you. Honestly, I expected to hear two other competencies pertaining to the year 2032, but they were not named. I think that a competency associated with overcoming the consequences of introducing new technologies will have to emerge. Specifically, what will we do with the people whose jobs are taken by robots? We will have to fill in the Gulf of Finland and hold a BBQ there. Many different things can emerge from this situation because the exponential curve always leads to radical changes. The last time we had such changes was back in the 1930s.

I would like to continue the discussion, with more time allotted to the speakers, and talk with Mr. Livanov about the education system. Should the education system form competencies? We say that today's business spends more money on training university graduates to become specialists than the government does. All the employers constantly repeat that graduates possess neither soft skills, nor these skills, nor those skills; not even a comprehensive world view or pretty much anything that the speakers talked about. Is this, maybe, not the education system's responsibility? And if it is, then how is it possible to resolve these problems through the institutions of higher learning?

D. Livanov:

What was happening with professional education at the end of the 20th century and is still happening now reflects that the function of higher education is shifting from training people for specific work to preparing them for broader social functions. The time people spend on education is increasing and I think that today's learning institutions no longer connect the requests for admissions to specific work functions the graduates will perform. This is happening because a work function can be

mastered by faster, cheaper means and not necessarily at the formal learning institutions.

As far as I can see, people's perceptions within the education system are changing. This is likely an objective process and struggle with it is probably unnecessary. However, demanding a certain level of professionalism and personal standards from these people is a different matter entirely. They have to meet our expectations by means of a high intellectual potential, communication with the students and top-level research or project leadership. In this manner, they must serve as role models to the students.

D. Peskov:

So, there is no profession left in professional education?

D. Livanov:

I think what has taken place in professional education over the past 30 to 40 years bears witness to this precisely.

D. Peskov:

Then the question becomes, where is the view of the world supposed to come from? From the short involvement by coaches, mentors and project leaders? Does the education system consider the formation of a comprehensive world view as one of its goals? Is this its social function?

D. Livanov:

This is certainly one of the functions of the education system. This system, though, is not the only social institution that forms the complete view.

D. Peskov:

An understandable point of view. Let us attempt to test it by way of examples from other countries and regions. I have a question for Louisa. She is a high level head

hunter working in many Asian countries. Which competencies are being purchased in Asia in 2012? What do employers pay for?

L. Wong:

Asia is obviously as diverse and as complicated as Russia, and perhaps more so. I think that you can say perhaps today that if you succeed in China, you can probably succeed anywhere else, because China has all the problems that the world has today. So, in order to compete and to succeed in this diverse, complex, and obviously fast-moving environment, as I mentioned, I think it requires government and business to work hand in hand, and I do not think education alone is solely responsible. I believe that the values of students must be first and foremost implanted by the parents, which is also a reflection of the societies that we live in. I think government and private enterprise very much ingrain into us the values of the society that we live in. In Asia, of course we have China, the giant in the region, but we also have many others, such as Southeast Asia. I was just in Myanmar a few days ago, talking at universities and with government officials. In Myanmar education is solely government controlled today, and so therefore I believe that nowadays the bulk of the responsibility to produce the next generation of leaders tends to fall on business. And where businesses are going to continue to train people in what the university has not trained them in, also it is very important in terms of the leaders. Not only the CEOs, but leaders of businesses, leaders of divisions, leaders of projects, to continue to help us to funnel through these values as well as the skills that we do not gain within education. I think that it is very difficult to train people who are 50 years old, but I believe that we learn from the young, and the young from the old. I think that continuous learning and education are definitely crucial. China is a very good example of a multi-pronged strategy, not only higher education, primary education, or vocational training. They have got to work hand in hand, all together, to produce the results that you need.

D. Peskov:

So, do we need an independent track of business education for soft skills, or could universities still be the place where we get these soft skills?

L. Wong:

Yes, I think that it may be difficult for us to think that we can train empathy. I believe that universities themselves have to set a good example, from the dean of the school as well as the rector of the university. If you look at an educational institute as you would any other business, education must, as I said, lead by its purpose, the purpose it serves in society, the purpose it serves in the country. So, I believe that it is important that these soft skills be learned over time and be learned through setting a good example. This is not going to stop when you graduate. I think that a lot of these soft skills and the ability to feel for others cannot be learned in one hour, and definitely not in one year. It takes an entire lifetime. So, I think all of these should not only be handled by educational institutions, but obviously by the country itself, working hand in hand with businesses.

D. Peskov:

So, countries and businesses are like educational systems themselves?

L. Wong:

Yes.

D. Peskov:

Okay.

D. Peskov:

I would like to give Zoya Zaitseva an opportunity to speak. Zoya is one of the people who will grade the Russian government's exam because Zoya is responsible for the QS rating of West European and Russian universities. During a very interesting discussion yesterday, Ed Crawley presented the opinions of many university

Chancellors. They consider the ratings to be unrepresentative and unreflective of the economy's involvement. My question to Zoya is this, does your rating, like other ratings, really accurately measure competencies? Or does it just summarize formal accomplishments?

Z. Zaitseva:

Thank you. This is the first time I am an honorary examiner, a very flattering responsibility. Although this may sound strange coming from a person representing a ratings agency, the truth of the matter is that ratings can be quite a dangerous instrument in some situations. Especially when people flaunt them and say, "Our goal is to get into the ratings."

A university rating, regardless of how outstanding it may be, cannot be the university's main agenda. If the university itself, the country or other consumers of the educational services provided by this university consider the rating in question relevant, then it is only one indicator of success. It is only one indicator out of many, so it is dangerous to consider it the most important one.

As far as how ratings work and whether the Russian education system needs them, I would like to, first and foremost, examine the indicators based on which these ratings are built. There is no one universal rating. Each one solves its own problem. The Shanghai rating, for example, is an academic indicator. Therefore, it would most likely be important to those companies or projects requiring research skills, publication skills and so on. The number of Nobel laureates who worked at the university 50 years ago, however, has little to do with the competencies students receive today.

Our rating is often criticized because 10% of the overall grade is based on employers' opinions. However, we feel that in our case this rating not only serves the academic world, but also the consumer of the product put out by the university. What does the university produce? It produces new knowledge; and the Shanghai rating evaluates this academic 'emission'. The university produces a work force or

economic power as well. And the rating reflects the extent to which today's employer is satisfied with the graduates of a particular department or university. Last year upward of 33,700 professionals participated in the academic survey. More than 10% of the answers came from the USA. When the ratings come out in September they immediately cause uproar, "You do not know anything about our market. We have our own, particular situation." We say, "Yes, absolutely true. That is why we invite independent experts to comment and participate in the survey." How many responses do you think come from Russia? I checked it again last night. Only 1.1% of the replies out of over 33,000. Russian professionals, including employers and the academic world, do not provide any feedback. So, of course, the Russian section ratings are sometimes lacking. In addition, I do not think that ratings can evaluate competencies. And if a university uses ratings, then the preference must be given to the specialty ratings and not to the general ones.

D. Peskov:

Thank you. I heard that ratings do not measure competencies and do not reflect employer's involvement; yet, you are in solidarity with those who think that a fourth rating evaluating the integration of a university into the economy or its ability to produce a highly qualified work force is needed.

Z. Zaitseva:

There can be an unlimited number of ratings on an unlimited number of indicators. As I already mentioned, each of them answers a specific request. If we need to create a rating examining the areas in which the Russian universities supersede the entire planet, we can do it.

D. Peskov:

This rating already exists.

Z. Zaitseva:

Thank God it came out only once.

D. Peskov:

We have Stanislav here, who works in one of the more famous business schools. Let us return to competencies. Which competencies are lacking in students being admitted to INSEAD? What do you teach the most? What, out of what is being discussed here, can you offer them?

S. Shekshnia:

I wanted to answer this question effectively, so I thought about it for a while and even discussed it with Dmitry. Unfortunately, the exact answer turns out to be rather banal. According to the people who enter our MBA program, the most interesting and sought-after competency is the ability to build a business. A business that would create assets. Approximately 30% of our graduates become entrepreneurs after finishing the MBA program. Some remain entrepreneurs, some only attempt to become one, but this is the overall setup. I think we learned how to help them acquire this competency.

But, what happens then? Fifteen years later they return to INSEAD and say, “We learned to build a business or business parts, but that is not enough. Now, help us build a business that we can be proud of.” For the past five to ten years we have been actively developing executive education. The focus of this education is on ‘soft’ skills, which Louisa called ‘empathy’ and we usually call ‘emotional intelligence’.

According to the research, emotional intelligence is not required for building a successful business. Social intelligence is enough. Still, at INSEAD we strive to teach people that in addition to being super effective they must bring some brightness into the world. I think our experts confirm that this competency is necessary in order for our companies and our society to improve.

Today we talked about ‘soft’ competencies and about the social functioning skills broadened by higher education. I may be contradicting myself, but it is imperative

that we do not forget about the necessity of so-called hard skills. The recent economic crisis demonstrates that companies led by people who are well-versed in their fields succeed most. There are no universal leaders; therefore, comprehensive knowledge of the object being managed is essential. Technology will not rid us, managers, of the necessity for hard skills.

D. Peskov:

Thank you, Stanislav. Colleagues, considering the time deficit, I will limit my commentary because there are several important speeches we have yet to hear. The question is to Andrei Volkov. Which management competencies can Russia offer to the global market? Are we only the recipients or can we return to the time when we were the donors of new technologies and approaches?

A. Volkov:

Personally, as a citizen of this country, I would like to see Russia transform from a recipient or a follower, to a trend-setter. The USSR succeeded at this during the 1950s and 1960s when it cultivated a modern, world class scientific education in technical engineering. I think that time has come to develop something good in education, and not only imitate and carry things over.

We became involved in management competencies only twenty years ago. At first everyone imitated and there was nothing wrong with that. Zoya talked about a holistic approach, Ed Crawley spoke of vision, which is an ability to construct the future. I call this the technology of thinking. Russell Ackoff in the USA created and discussed this concept in the 1950s and 60s and a Moscow university logics group did it in the 1960s and 70s. There is an excellent 1961 article about this concept also. It's called *Technologies of Reasoning*.

If Russia can turn this technology of thinking, which contains a project approach, team work, cross-cultural issues, into educational technology, then we will have a chance to be among the world's leaders in 20 to 30 years. The country that will install the technology of thinking into the education process will sprint ahead. It is

difficult to say how many years this will take, but of course, it is not 10 or 15 years. I think that with this proposal Russia can and should enter the global market. At my school in Skolkovo, we are modestly experimenting with this concept while not forgetting all those standards that my colleagues talked about; marketing, accounting, corporate governance, and others.

Dr. Peskov:

Excellent. Now I have a question to Dr. Wang. Which management competencies does China buy today on the global market?

W. Huiyao:

Yes, actually China has undergone an enormous development in the last number of years, particularly with regard to talent. For example, since 1978 China has actually sent about 2.3 million students overseas, and quite a number of them have come back to China. For example, last year China had 180,000 students return to China. So, this actually has accelerated China's competence in the world. For example, China also launched the Thousand Talent Programme, there is also the Youth Thousand Talent Programme, and there is also an expatriate Thousand Talent Programme. China has also set up in addition to economic zones, special talent zones, so you can see China is undergoing a lot of activity. China is also undergoing international education cooperation, for example the China-European Business School has been very successful in China, and there has also been a University of Nottingham Ningbo in China, and Duke University is setting up a campus in Shanghai in the Pudong area and having a new presence there. So, we see a lot of talent going on. Actually, talent is probably the most important resource in the next 20-30 years, and right now there is fierce talent competition among many other countries. But there is no coordination, there is no management. I would like to propose that maybe we should set up a new WTO, World Talent Organization. Talent is the third wave. We have the trade movement, the WTO; we have the financial movement, the IMF; but for the talent movement, there is nothing, no

international organization to coordinate that. So, talent will be the key issue and if we have a global talent organization to really coordinate and to give credentials and recognition, also educational exchanges and international cooperation, that would be really be a big benefit to the world.

D. Peskov:

Global talent organization sounds impressive. There is a hypothesis that world government will start with education. Let us ask a global corporation, which management competencies do you buy and how do you take them out of the country?

N. Pryanishnikov:

We are bringing them back in, for now. Allow me to comment generally. When thinking about the companies that will dominate in the future, the leading role of powerful international corporations comes to mind. Business is becoming global and these companies obtain economies of scale, so their value is obvious.

I suppose that a large niche will emerge for start-ups creating new technologies, ideas and projects. There will be service and small business niches as well. We need to be ready, though, for the situation to become more difficult for the large companies working in some separate markets and for the average businesses.

The future leader is a person who worked in a large corporation, mastered management and corporate values, and then created his own successful practice and realized some social project. I say that because large corporations often provide certain dividends while teaching management and inoculating a value system. But they have issues with reaction speed. That is why the combination of work in a large corporation and in a start-up provides optimal development of managerial and leadership competencies.

We are trying to increase our presence in Russia. In particular, we organized an R&D centre and are now attracting specialists in order to develop projects here. Honestly, this has not been easy. One of our problems is our reputation; the image

of Russia through the eyes of foreigners. The image is worse than the reality. I think that the talented people we would like to attract see Russia as a company that is undervalued in the market. When a company and its capitalization are undervalued, what does it do? It takes a road show around the world. Everyone knows of our shortcomings. It is cold here, we either have democracy or we do not, and many scary things happen constantly. Something happens and all the foreigners panic. As if they have not faced unusual situations. But, they judge us for these exceptions. Those that come and work here, though, perceive Russia entirely differently; everyone is very satisfied.

D. Peskov:

I would like to talk more about the unpleasant. I have a question for Ed. Try naming the competencies that are important today, but will be harmful in 20 years. Are there such competencies?

E. Crawley:

I would say an understanding of the world as it is, because an understanding of the world as it is, is very important for making sense for creating value, for building companies today. And an understanding of the world as it is will be almost without value in 20 years.

D. Peskov:

A genius answer. Thank you very much. I understand why you came to Russia. Let us continue the conversation about the unpleasant. I have a question for Sergei. We are talking about management competencies that can be good and bad. Out of all the competencies existing today in Russia, what does a model of the most disgusting ones look like?

S. Guriev:

I would rather not use the word 'disgusting' as the overly harsh epithets are out of place here. 'Harmful' is more like it. For obvious reasons, many of Russia's leaders graduated from scientific universities and even worked in the science field. There are even several among them who studied mathematics, applied mathematics or modelling. Believing that every problem has a correct answer is a harmful competency. Actually, it is a dangerous competency. I immensely respect mathematicians, but they often do not understand that the models we build are not reality and it is not always possible to measure the necessary parameters.

When these people build a business and make business decisions, they often do not quite grasp the random and uncertain character of modelling. They ask the investment banker, what will be the return? He says, "Five". They need to know, with what certainty? The banker does not provide the standard error or the mean-square deviation and this makes them uneasy. As people who perform experiments know full well, this does not happen in physics. Being too certain in one's models is a dangerous competency.

There is another harmful competency. It is, as Ed said, the extrapolation of our world. We often think that everything will be as it always was. We are certain that things we are ashamed of will sooner or later be forgotten. In actuality, when making a decision today we should remember that in twenty years we will have to answer for this decision to our children. This is what Stanislav was talking about. Leaders started thinking whether they will be ashamed or proud of their business. We are planning on living in twenty years, are we not? We are planning on talking with our children and grandchildren, are we not? This is what is missing in Russia today. People think that they can behave unethically because it is advantageous today.

And here is another thing that relates to extrapolation. We all know that the Soviet science and technology education was excellent. But we should also remember that today young people can choose different careers. In the Soviet Union, Professor of Mathematics and member of the RAS was a very nice status. All the talented people in that large country strived to be in the scientific field. That is why Russian scientific universities received exceptional students and the Russian Academy of Sciences

got exceptional graduate students. This does not exist today. Some just leave, and some enter business. We should not think that it will be easy to reconstruct or build this system; moreover, there are no guarantees that we will even be able to do it. I wish tremendous success to the Skolkovo Institute of Science and Technologies; but the challenge is enormous because the Soviet system, in which no other careers were present, no longer exists and does not need to be extrapolated. It is necessary to work like the global universities work in this field. Thank you.

D. Peskov:

Colleagues, we will now move on to the next stage. There are some panelists in the audience. If each of you could show your support for the position you agreed with the most. Natalia, we will start with you. Which of the theses are you ready to vote for with both hands and put a million dollars on?

N. Ionova:

I will continue what Sergei was saying. On the one hand, Russia quickly covered a long distance and we accomplished a lot; but on the other, a successful business and managers of large corporations, as are the corporations themselves, are too well protected by their success stories. Sometimes problems arise when we stop questioning the accuracy of our decisions and withdraw into our cocoons. I would like to tie that in with the graduates we receive. We strive to select the strongest, the brightest and the most successful university graduates. And as a rule, we get people with slightly elevated self-esteem who have no doubt that they deviate from the mean. Oftentimes, they come with ready answers that are not adjusted to specific situations. Not extrapolating situations based on one's past successful experiences as well as the ability to doubt and see other possible paths of development are extremely important competencies.

D. Peskov:

Thank you. Arvinder?

A. Desi

I would echo some of the points made on the differences between so-called hard skills and soft skills. I do not believe that the financial crisis was caused by a lack of hard skills. I believe it was caused by a lack of leadership and courage. Whether you would call this a soft skill, but one which requires an absolute core of steel in the individual, is the ability to speak truth to power. I think this will be an essential competence, to avoid situations where we have another crisis like the one that we had. Because if you talk to most people who were there at the time, and worked in these organizations, an unbelievably high proportion of those employees knew what was going on and knew the problems that could happen, but there was this collective unwillingness to speak truth to power. So, this is something that all of us should be encouraging in everybody. It does take humility, but it also takes this inner strength, to be able to do it well.

D. Peskov:

I took these words as a concrete suggestion for business schools to begin by making students memorize 'If' by Kipling. There are verses in it precisely about this. Isak?

I. Frumin:

I agree with Andrey Volkov regarding the technologies of thinking. We often easily skip over important issues. Andrey basically talked about the guaranteed production of this ability, or competency, which then provides what Ed and Sergei talked about. If a person has sound reasoning, he will not base his decisions about tomorrow solely on past beliefs.

D. Peskov:

Thank you. Sergey?

S. Vorobiev:

We mentioned physics at one point. I am sitting here crying about how well I was taught at the Polytechnic University here in St. Petersburg! When I arrived at Jack Welch's in Crotonville, I often thought, I heard a lot of this before. And then I remembered where I heard it. In my department. That is what they taught us! And Sergei is right. It will not happen again.

The second thing I wanted to say is that education is faced with a colossal challenge, which has not yet been named. I think this is the same story as the digital divide ten to twenty years ago. Now we have a competence divide and there are 2-3% of people, or 1% as Louisa thinks, who everyone is fighting for. 'Eternal spring', the rich getting richer and the smart smarter. Further is a dead zone. There is no need for the universities, the polytechnics, the technical colleges, the white collars; large corporations that feel they are undervalued. It is boring there. But, there is a shiny, unspoiled, and still cheap work force, especially in Asia. And in the middle, there is a dead desert. Possibly, this competence divide will be eliminated. I would like to believe that those who are behind the barrier are altruistic, empathetic, and are ready to share the opportunities and pull the other 15–20% over the barrier. I think that 80% of the work force is in imminent danger.

On the other hand, humanization is inevitable, and I believe that the world will become better. Who is going to guess how that will happen? I do not believe in any 'technologies of thinking'. We should not encroach upon God. Nevertheless, this will resolve in some genius way and it will be a big present to humanity.

D. Peskov:

Thank you, colleagues. We have time for two questions from the audience. Go ahead, please. Victor Kozbanenko, State Councillor on Management.

V. Kozbanenko

The discussion on management competencies led me to think that there is a social request for training the new generation of managerial human resources. We could

put forth the idea to conduct a wide-scale management forum where everyone interested in competencies in the areas of rights, politics, social and technological studies and so on, would be able to find themselves.

D. Peskov:

So, exactly the same thing, but for a week? I have no problem with that.

A. Alyasov:

Andrei Alyasov, Changellenge Academy. While conducting the National cases league that now includes 10,000 students, we discovered that the main problem specified by employers is the absence of hands-on experience. How do you plan to develop hands-on education in Russia and what will be the basis for this education? Maybe business games?

D. Peskov:

Thank you. I think this question is to the Minister of Education.

D. Livanov:

I do not quite understand what sort of hands-on experience you have in mind. Education must be practical in the sense that after a person receives it, he must be able to do something. That is how we understand it. And then the question of what exactly he can do and on what level arises. Here, there may be many variants.

S. Guriev:

I think we have to teach specialties, at least in information technologies. Look, for example, at very successful people like Bill Gates or Zuckerberg. Leaders will break through on their own. And the rest, we must properly teach a specialty. This will not hurt them later. Dergunova has recently been appointed. What did she finish, the CMC? It did not hurt her. And leaders will grow on their own if they are not oppressed.

D. Peskov:

This is a question of constant discussion. How did Oleg Alekseev formulate it, we have to teach the best at the expense of the worst or the worst at the expense of the best? That is the dilemma! If leaders can break through themselves, then it is possible to place them on an assembly line and hope that they do not jump off at an inopportune moment and get their legs, arms and head chopped off.

S. Guriev:

There are many people here who studied Marxist political economy. It has almost been forgotten already. There was a statement there about the labour theory of value, that a commodity is worth as much as the labour needed to produce it. If we worked a lot for this commodity, then it must cost a lot even if no one wants to buy it. This is how Socialism was organized. If you do not want to buy, then what can we do? Do not buy. In Pelevin's *Generation P*, boots made by the Skorokhod Factory in St. Petersburg play an important role, because as they lie there and no one buys them, the lead character feels as though he is one of these boots, not needed by anyone.

So, it is possible that we will teach people something they will not need later, thereby, wasting our and their time. Even if we teach them well. How do we escape this? We do not need to invent the bicycle as there are systems already in place. University ratings, for example, provide employers and the community with information. Company ratings provide investors with information. Investors do not use them blindly, they think over this information. When you invest in a company, you study its business model, reporting, and team. This is the same thing. If the education system is organized correctly, then the university chancellor and the university management understand that their graduates will be in demand because employers need such and such. That is precisely what the university must teach its students. And if the university feels that it teaches well, and the market, which includes the government, the employers, the parents and the philanthropists does

not appreciate it, then this is Marxism or a traditional labour theory of value. “We taught them well, yet no one needs them; meaning, that the world around us is wrong.”

S. Shekshnia:

I think that any society which thinks of its' future has to teach its leaders. Although they will nevertheless break through if you do not teach them, you will find that they will break through to a side you did not want.

D. Peskov:

Colleagues, I think we put a lot of effort into our product. I call upon you all to put on your 'thinking caps' and move ahead into the world which does not yet exist. Thank you.