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JUNE 21–23, 2012

Realizing Russia's Potential
HOW MUCH DOES A MANAGER COST?
Round Table

JUNE 23, 2012 — 10:00–11:15, STARBAR

St. Petersburg, Russia
2012

Moderator:

Vladislav Raskovalov, Director, St. Petersburg Budget Institution St. Petersburg Interregional Resource Centre; Vice-Chairman, St. Petersburg Regional Commission for Training Management Personnel for organizations of the Russian Federation national economy

Panelists:

Vladimir Gloukhov, Vice-Rector for administrative and economic activity, St. Petersburg State Polytechnical University

Benedict Haller, Consul General of the Federal Republic of Germany in St. Petersburg

Ichiro Kawabata, Consul General of Japan in St. Petersburg

Mikhail Oseevsky, Deputy Minister of Economic Development of the Russian Federation

Alexander Vatagin, Executive Director, Klimov JSC

Front row participants:

Aleksander Khodachek, Director, National Research University of the Higher School of Economics, St. Petersburg

Yana Klementovichus, Director, Higher Economic School, St. Petersburg State University of Economics and Finance

Vladimir Markin, Vice-President, NP 'The Association of Power Engineers of North-West of Russia'

Terenty Mescheryakov, Head of Administration, Frunzensky district, St. Petersburg

Pavel Rozov, Director, Lyceum No. 126

Natalia Solovyova, Director, St. Petersburg branch of MAN Truck and Bus LLC RUS

Anatoly Turchak, President, Union of Industrialists and Entrepreneurs of St. Petersburg

Dmitry Volkov, Associate Vice-Rector for Management Education, St. Petersburg
State University

V. Raskovalov:

I am Vladislav Raskovalov, Vice-Chairman of the St. Petersburg Regional Commission for Training Management Personnel in St. Petersburg. Our topic is, 'How Much Does a Manager Cost?'

I will start our 'talk show' in an unconventional manner. We were looking for a moderator for the event and chose a manager whose speaker fees ended up being so high that I realized that a manager costs a lot. Then I decided that I would run it myself for free. I have been in the Presidential Programme for Training Managers practically from day one, for 15 years, and I know everyone and everything.

Let me begin our meeting. We are reviewing 15 years of the Presidential Programme. During this time, more than 60,000 managers have been trained in the Russian Federation, and about 4,000 in St. Petersburg. These are all very serious and creative people. We have calculated how much a manager costs and assessed the effectiveness of the programme. Every RUB 1 invested by the government several years ago has brought in RUB 150, owing to the implementation of the project. People reported to Vladimir Putin about the German contribution to the Presidential Programme during his visit to Germany, and they said that every EUR 1 spent by taxpayers of the Federal Republic of Germany had earned EUR 15–20 from the projects and from contacts with the Russian Federation.

I think that over the past 15 years, we have increased the value not only of the management team itself, but also of universities, companies, organizations, the city, and the country. The main clients of our programmes are companies, and today their representatives are participating in our 'talk show'. I would now like to introduce the participants: Alexander Vatagin is head of the major consortium Klimov, and, incidentally, is one of the largest investors in manufacturing, having invested about five or six billion. Is that correct, Alexander? Even more! He is investing more all the time; it is impossible to keep up with him. I present to you Galina Makhakova, the Head of the Department of the Ministry of Economic Development, who, as a government client, is the person at the Ministry directly responsible for the implementation of our Presidential Programme. I would like to introduce Mr.

Miyagawa, Minister of the Japanese Embassy in Russia. I also have the pleasure of presenting Benedict Haller, Consul General of the Federal Republic of Germany in St. Petersburg. Mikhail Oseevsky, Deputy Minister of Economic Development, is now approaching. Vladimir Barkin and his assistant represent the Chamber of Commerce of France at our 'talk show'. Graduates of our programme, representatives of universities, and Terenty Mescheryakov, a member of the St. Petersburg Government as Head of the Administration of the Frunzensky district, will also participate in the discussion.

I want to plant a seed. It is a common saying that every man should plant a tree, have a son, and build a house. A manager chooses which and how many trees to plant: for fruit or for greenery; a linden tree or something else. What do you have a son for? Why do you raise a son? In order to build a house together, and not just a house, but a big home to a community. A manager is a person who takes responsibility for all of these functions. How much does he cost? Let us look at the course of the discussion that will arise during our 'talk show'.

I would like to give the floor to Alexander Vatagin. He is one of the leading members of the Presidential Programme, and he always sends us trainees. There is career advancement in his company for programme participants. He will tell us himself how they conquer the market. Please, Alexander.

A. Vatagin:

I have a slightly different approach to assessing the value of a manager. How do we assess it? I would like to say that a trainer is interested in the provision of more money for training, and we, the clients, have an interest in whether the quality and qualifications of specialists after the training meets the needs presented by the companies. We train a lot of people; more than 50% of all company employees undergo training of one kind or another during the course of the year. Given the fact that many of our costs are compensated, it is not that expensive for the company.

What result do we get from training? According to our company's statistics, out of the managers who have been trained, including in the Resource Centre and in other

educational institutions, 5–10% of them flourish. Out of 100% of those who have undergone training, the real effect we see is a growth rate of 5–10%. This seems like a very small percentage. I do not know whether educational institutions have these kinds of statistics, or how they make assessments. We believe that if the outcome is 6% or more, then it is very effective, and the expenditures on training have been paid off completely. Clearly, everyone who has undergone training receives more knowledge; their expertise grows, but they usually do not rise to the next level of management, though they become a little better. The percentage of those who rise to the next level is small. I would like to hear if there are any statistics from other companies and government agencies, and whether educational institutions keep these kinds of statistics. Those are the results we have.

The training has the best results if the training programme is based on qualification requirements established by the client company for training services. The programme is more effective when it is in 100% compliance with qualification requirements that we put forward. We will not obtain the 5% or 6% effect if the programme is created based on principles that are incomprehensible to the enterprise, or if it has very high goals, but the list of skills that the trainee acquires is not what we need.

I can add that in addition to training issues, motivation is very important for the manager: that is, the existence and awareness of career growth. The task of a leader who sends people for training is to orient people towards learning, and to show the potential of such training. This is not enough, because even very large companies and associations are unable to ensure 100% growth in managers if they are confined only within a certain structure. I believe that educational institutions and programmes, especially the Presidential Programme, should include this component so that, having undergone training, people understand where they can move in addition to the company from which they came to receive this additional training.

I cannot assess what effect we get from each rouble contributed in monetary terms, but I think that if we could display the results with some kind of formula, they would

be higher and better than what was named in the previous speech. The effect is different by an order of magnitude, or maybe even a few orders of magnitude: that is, to every RUB 1 we should add one or two zeros.

V. Raskovalov:

Thank you, Alexander. You have reassured us that the government will potentially support our future programme.

We have listened to a company, so now I would like to hand over to someone else. Professor Glukhov, unfortunately, has been delayed in Africa. He is a permanent member of the competition committee, and Vice-Rector of the Polytechnic University. If he appears, I will ask him to speak.

The UK has Cambridge and we have Canalbridge (FINEC) and Nevabridge (St. Petersburg State University). Here are two professors who are representatives of those institutes of higher education in St. Petersburg. Dmitry Volkov is one of the oldest members of the Presidential Programme, a Doctor of Economic Sciences, and a professor at St. Petersburg State University. Please give him a microphone.

D. Volkov:

Good morning, colleagues. Our topic is 'How Much Does a Manager Cost?' I will not be talking about the cost, but about the value: about how valuable a manager is. I believe that this issue should be considered from different points of view: from the point of view of institutions of higher learning, from the point of view of companies, and from the point of view of managers themselves.

The first point is that I absolutely agree with Mr. Vatagin that a programme can be effective only if it is aimed at the interests and competencies proposed by the client. Very often, the client cannot articulate these competencies. We begin corporate programmes by defining the results of the training, and by identifying what should remain as a product of this programme upon its completion. Based on this analysis, we build the training programme.

The second point is that, as I always say, good education is expensive. In the present circumstances, when institutions of higher education and educational institutions must change their role, they must also radically change their approach to the implementation of training programmes. We live in the age of the Internet; we communicate with Generation Y, not Generation X. The instructor in the classroom is no longer the only expert in his field, as there is a lot of literature, so the main task of the educational institution when preparing and implementing programmes for corporate clients is the creation of a full range of opportunities.

V. Raskovalov:

Thank you, Dmitry.

D. Volkov:

The programme will create opportunities, and the more the better: training abroad; projects at the company's site; invitations to foreign specialists to teach; and foreign instructional modules that can be held in the leading international business schools. All of this is quite expensive. I have already talked about the...

V. Raskovalov:

Yes, Dmitry. The government has voiced a rallying cry about the need to attract leading international experts to the learning process. The estimated cost, apparently, needs to be reconsidered. A representative of the department is here: can we make that kind of request?

D. Volkov:

We will definitely make a request. At the Higher School of Management of St. Petersburg University, there are 65 full-time instructors, and we hire more than 45 foreign teachers each year to implement our programmes.

V. Raskovalov:

Thank you. There is some experience, and we will review it.

Yana, maybe you would like to add something? You have a very good working relationship with France and other countries.

Y. Klementovichus:

It would be my pleasure, although my colleague has already mentioned some of what I was going to say. We are now experiencing a new qualitative change in education, and we feel that our clients are developing entirely new needs: especially business, but the government too, because representatives of the civil service attend training programmes, too. It is very nice that there is cooperation between civil servants, the business community, and institutes of higher learning, and that that cooperation is being preserved.

I would like to draw attention to another aspect. Until recently, when devising educational programmes, we would orient the preparation of our specialists more so that they would learn to act in the face of uncertainty, because our economic environment has a very high degree of uncertainty, and many processes were in the formative stage. Today, the process has been strengthened, and we are seeing some promise. The theme of this year's Forum is leadership, and striving toward new qualitative levels. We can prescribe the stages of development, or the so-called road map. Today, in talking about preparation and the value of new specialists, we need to change approaches to building the programme so that managers – senior managers especially – become the leaders of the era. Yes, the participation of foreign specialists is also needed.

V. Raskovalov:

That is absolutely correct. Yana, please tell me: maybe the low tuition fees for the Presidential Programme do not represent good value for the university? Maybe it is time to end the programme?

Y. Klementovichus:

Absolutely not. Just the opposite: we need to approach the development of each individual programme in a better way.

V. Raskovalov:

Still, is this already a brand, the Presidential Programme?

Y. Klementovichus:

There can also be corporate formats. For example, this year we are beginning a programme in conjunction with Ust-Luga Company in the format of the Presidential Programme. This is a very interesting approach.

V. Raskovalov:

Everyone listen: this is where you need to go to study.

Y. Klementovichus:

And there is definite demand from the business community. You know what kind of tasks are faced by Ust-Luga Company...

V. Raskovalov:

Thank you. Yana, I think we will have a separate 'talk show' on this subject. We have listened to representatives of the universities. The Higher School of Economics, the branch in St. Petersburg, was a brilliant new part of the programme this year. Alexander Khodachek is here. I was at the defence of graduation theses at this institute of higher education. They delighted me: this was the first year of participation in the programme, and there is work of such quality. The director of a nursery school creates a programme for educating children before they reach school age. This is our future, something with which you can start. Thanks to these programmes, people will be motivated to study in school and at the university, consistently realizing the principle of lifetime education.

The educational part of the programme was developed over the course of 15 years, and after study at educational institutions, we send participants to on-the-job training. The country that receives most of our senior managers for overseas training is Germany. Thousands of trainees have been trained there, there are a lot of results from joint ventures, and most recently the German senior managers come to us for training.

I want to offer the floor to the Consul General of the Federal Republic of Germany in St. Petersburg, Benedict Haller.

B. Haller:

Gentlemen, it is a pleasure to be here and share with you a little bit of the German experience in this field. I have been asked to convey some ideas about how the German managerial culture functions and what is behind its success. That is why I would prefer to talk, not about the question of what a good manager costs, but rather about how to invest in good managers. I would like to focus on the soft factors of the managerial culture. I think your Presidential Programme on Training Managers is a very good programme. I think it is working very well, and Germany is happy to participate. It is part of the regular dialogue between our governments, so that is a good experience. Germany has a long experience in investing in this city and in Russia. Our companies are here to stay. They are not here to earn money on quick fixes, but rather are here to stay on a long-term basis. During the crisis in these countries, our companies have shown that they are here to stay and that their commitment is serious.

Let me mention one portion of this investment experience, about the relationship between production and management, between workers and management, or blue collar and white collar, call it what you like. I would like to draw your attention to this particular German experience, because it has been crucial for the success of German companies, especially of small and medium-sized companies. Southern Germany is very rich in small and medium-sized companies, and their success and

expertise seems to be due to a particular factor, which is professional training of both workers and managers.

When I visit companies here, for instance German companies, I learn that one of the weaker points in the Russian education system is professional training. Russia has a very solid school system, it has an excellent university system, it can produce Nobel laureates and it has developed high technology research, but one of its weaker points is the training of workers and middle management. It seems to me that this is a field where Russia should invest. The production processes today demand an intimate knowledge and understanding of technology on all sides.

In Germany, this is provided for all of those participating in production by what we call *duale Ausbildung*, or dual education, *dual'noe obrazovanie*. This means that general education and technical education is realized during the same lifespan of an individual, which means at the age of 15-20, when our minds are particularly impressionable and when we take in those soft factors of culture. This means the intimate understanding of technology is something which comes in these ages.

On the workers' side, this means that they get used to flexibility, to innovation, and to using their own initiative. So technological innovation is developed at this stage in life, and it starts at the workplace. It is not only a result of research, but it is the result of practical experience at the workplace. This helps people to identify, not only with the company, but also with the product. The product is something they have been working on and they are trying to improve it because they love it. This is something which helps to shape success.

On the managers' side, it seems that those managers that achieve the most in business are also those who have had practical experience, who have gone through both technical and management training. Of course, business administration as taught at special academic institutions is necessary and will continue to be necessary. There is no doubt about that. But it seems to me that the extra success shown by German small and medium-sized companies may come from this intimate familiarity with the production process itself. I think this is one of the soft factors that

are part of German managerial culture, which might be studied by other countries as well. Thank you.

V. Raskovalov:

Vielen Dank, Mr. Haller.

We have conducted several projects with Germany. The first joint project in which I participated was the withdrawal of troops from East Germany. The German side has made a brilliant contribution to the establishment of centres for training of military personnel for civilian jobs. Several years ago we implemented a Russian–German project to adapt the system of vocational education for small businesses. The dual system that Mr. Consul General referred to was developed methodologically, and we can implement it in our educational institutions and industries.

The partner that ranks second in the number of trainees received for a foreign training programme is Japan. We are pleased that, along with the Minister of the Embassy, the Consul General of Japan, Mr. Kawabata is here.

I shall now give the floor to the Minister of the Embassy of Japan, Mr. Miyagawa.

M. Miyagawa:

Thank you, Mr. Raskovalov, and good morning ladies and gentlemen, *dobroe utro*. First of all, I would like to express my heartfelt congratulations on the 15th anniversary of the Russian Presidential Programme for Managers. I would like to pay tribute to all the efforts made by our Russian colleagues and colleagues from countries in the international community.

If I may perhaps start with my conclusion in order to answer some of the questions that were raised in this seminar session, I firmly believe that this Presidential Programme should continue beyond 2015. Having said that, I think that I should make best use of my five minutes to elaborate on why I believe so and what should be done for the Programme to develop with its evolving mission over time.

If I may use this slide, Japan and Russia have positively cooperated with each other for the implementation of this Presidential Programme for Managers since its

inception in 1997, utilizing the function of the Japan Centres. The Japan Centre is an organization established in 1994 that has been engaged in promoting Russia-Japan economic cooperation. Today, our good friend Mr. Kawabata, Consul-General of Japan in St. Petersburg, is present in the first row of the audience. He is the former Director of the Japanese Ministry of Foreign Affairs, and was in charge of cooperation with and the implementation of this very important Presidential Programme. This is part of the proof that we attach importance to this Programme by providing continuity of cooperation with the Programme. Let me indicate some figures. What you can see in the video is the figure in the past 15 years. About 55,000 people have participated in the lectures organized by the Japan Centre and more than 4,100 Russian managers have visited Japan through study tours, out of which the majority, 2,178 people, have participated in the framework of the Russian Presidential Programme.

Now, if I may, I would like to look back at the initial stage of the Programme 15 years ago which was started by then-President Yeltsin. The importance of the Programme seems to have been attached to a small shift in the Russian economy to a market economy. We organized a series of management training courses during that period of time. As time went by we found that it was necessary to take Russia's emerging new needs into account, as well as having the know-how to respond to such needs on the part of Japan.

On top of management-related themes, we added new priority industrial sectors such as housing, construction, social and medical care, tourism, and so on. In short, the priority has been transformed from assistance to a kind of facilitation to enhance business-matching opportunities.

The economies of both Japan and Russia are highly complementary. On the one hand, the modernization of the economy is high on the agenda in Russia. Russia seeks to diversify an energy and resource-oriented economy into an innovative manufacturing-oriented economy. On the other hand, Japan lacks its own resources and energy, and innovative manufacturing has been a necessary way for Japan to develop its economy. Both countries will be able to collaborate to promote a

mutually beneficial modernization of the Russian economy by jointly developing high-tech medical services, energy-saving businesses, and so on. The Presidential Programme is a successful vehicle to realize such synergy between our two countries and it has created excellent, qualified managers in various business sectors.

Finally, let me try to conclude my initial intervention by suggesting what the necessary prescriptions for further successful cooperation between the Presidential Programme and the activities of the Japan Centre might be. Firstly, determination. Japan is of course determined to continue to contribute to the Presidential Programme as much as possible, and I am sure that Russia is too. Secondly, appropriate priority-setting that responds to the needs of the time. Japan has identified four priority themes for future collaboration between the Programme and the Japan Centre's activities. The first area is small and medium enterprises, the second is energy-saving and environmental technologies, third is medical equipment and pharmaceuticals, and fourth is the promotion of inter-regional exchanges. The last but not least important prescription is of course people, in particular ex-participants of the Programme, as well as those who have visited Japan. Ladies and gentlemen, if I may conclude my statement by wishing further success to this Programme beyond 2015. Thank you for listening. *Spasibo vam.*

V. Raskovalov:

Thank you, Mr. Miyagawa.

The Japanese contribution is a significant augmentation of experience for the Presidential Programme. We recently returned from Japan. After Fukushima, after such a tragedy, basic vital facilities were 100% restored over the course of a year. Transportation, infrastructure, energy supply, and the factories have started to work. We looked at the attitudes of people: senior managers and ordinary people. There is something to learn here.

The French are also taking part in the Presidential Programme. I have already presented Vladimir, the coordinator for receiving trainees through the Chamber of

Commerce in Paris. Finland, Norway, and another 12 other countries are also our partners. There will be a great conference in late October called 'The 15th Anniversary of the Presidential Programme'. I think that is where we will discuss all the issues, and international cooperation as well, in more detail.

Mr. Miyagawa said that the programme began with Yeltsin. I would like to recall the main leaders of the Presidential Programme. They are Yasin, Khristenko, Svinarenko, Sharonov, and Lushnikov. Nikolai Gorelov was responsible for the programme in St. Petersburg. FINEC started this programme, and it was a great start. Vice-Governor Vetlugin led part of the programme. Vice-Governor Mikhail Oseevsky led the programme for eight years, which is more than half of its life. I was his deputy in two positions: Deputy Head of the Department and Deputy Chairman of the Commission. You know that a deputy needs to prepare a lot of documents for the principal. You just tell him the date, time, and location, and four hours later everything is prepared.

I would like to hand over to the winner of the Russian Federation Government Prize in Education, Mikhail Oseevsky, a former head of our project.

M. Oseevsky:

I think I need to turn our discussion in a direction that is closer to the subject. It is necessary to talk about knowledge, its value, and about who should pay for it. This discussion has returned again. The new Minister, who is sitting here, is a great expert in secondary education, but we will be talking about higher education. The new Minister of Education said that it is necessary to reduce the number of students enrolled on a budget-funded basis. In this sense, it seems, he is a supporter of the liberal model. This discussion will continue for a long time, because the money issues may get worse, and we will start to think that we can cut back again. Budget consolidation is being pursued in Europe now: everyone is working to reduce costs in order to cover some of the debts. The problem of government spending will always concern us.

Knowledge has its price. This is an intangible asset: when a person gets more knowledge, its value, the value of his intangible asset, undoubtedly increases. The Presidential Programme should be discussed from this point of view. Who is interested in added value? The possessor of knowledge himself (his value increases in the market), and the company at which he works – whether it is private or state – because the added value of this intangible asset will also allow it to improve its efficiency, its competence, and its competitiveness, and to become more profitable and cost-effective. The government is also interested, because it increases its competitiveness as a whole: it is capable of producing more high-tech products with a higher share of value added. Based on this model, it seems to me that all three parties should pay for the training: the person himself, the government, and the company. It is a public–private partnership model, and it exists in different forms.

Financing the Presidential Programme usually involves two parties: the government, which incurs most of the expenses, and the company. Trainees of the Presidential Programme pay for participation in rare cases, if the company is unable or unwilling to finance training. I think we should move towards an understanding of the necessity of programme participant's mandatory co-financing. This is fair, because he increases his own value, but most importantly, it will increase the responsibility of the trainee and the efficiency of learning. We cannot always be satisfied with how trainees of the Presidential Programme attend lectures and how actively they work on their graduate theses. Such a move will reduce competition in the first stage, and perhaps even lead to a decrease in enrolment, but it can improve the quality, as it will attract those who understand why they need this additional knowledge, and why they need this added value. The money that has been freed up should be spent on developing the programme to make it more meaningful and to increase the opportunity for overseas training. I am not talking about the need to reduce the levels of government support, but it is necessary to reformat it, increasing the efficiency.

Galina will speak as the main representative of the ideology, a person who is responsible for this programme within the Ministry of Economic Development. I think that you should talk about this topic. Thank you.

V. Raskovalov:

Thank you, Mikhail. You have already practically given the floor to Galina. I have a request to Galina: let us keep Mikhail in the federal commission.

Galina is the Head of the Department of Economic and Social Development of the Ministry of Economic Development, which is responsible for our programme. She knows the essence of the programme very well; she has participated in international meetings several times, as well as in the Russian–German Committee on Training; and she oversees the organization of Russian–German relations in the area of professional training. Galina is fully informed of developments in the Presidential Programme. Galina, please.

G. Makhakova:

Thank you. Ladies and gentlemen, I would like to say that today the Presidential Programme for Training Managers is one of the drivers of the Russian economy. This is absolutely true. I would like to provide a few numbers that characterize the programme today. The programme has trained about 100,000 managers over the 15 years of its existence; in the past year we trained 8,000, and this year, 9,000 are being trained with government support under the Presidential Programme for Training Managers.

The programme has become more expensive over the years. Two or three years ago, only RUB 500 million was spent on it, and this year, the programme costs RUB 2.5 billion. This, of course, is very little when compared with the size of the funds allocated for such programmes by other governments, but for us it is great progress. Since last year, we have sent about 1,000 managers for training abroad at the expense of the federal budget alone.

Over these years, the programme has received great encouragement, both material and moral. We have acquired and strengthened ties with foreign partners. Today, we are able to pay for targeted project training with our own funds. We send trainees for training in innovation, which costs us a great deal, about USD 30,000. Previously, we had never imagined that we could do it, but it has already happened. Today, the programme has a very flexible approach to sending managers for training. The crisis of 2008, about which much has been said at the Forum, has allowed us – or rather, forced us – to reset the programme. We were forced to take these measures. We thought it was bad, but it turned out that it was not so bad. We have introduced short programmes of 120 hours and have begun to prepare managers for those specialities that the economy urgently needs. This is firstly small and medium businesses, innovation, city managers, housing services and utilities, and so on.

The programme very flexibly adjusts to the type of professional training that the Russian economy needs as part of its modernization. These include IT technologies: they are in great demand in our programme, and there are very good foreign training courses. They include efficiency: we provide training on energy efficiency and organize overseas training in Japan, which out of all of our partner countries has been realizing energy-efficient programmes and projects for the longest time. We are working very actively with Japan, with Germany and with other partners.

Issues involving Russia's accession to the WTO are very relevant today. We have started to prepare instructors who will teach specialists on the subject of the WTO in institutions of higher learning. This trend will grow. It is also very important because we have created a single economic space; competencies are changing, opportunities are changing, requirements for managers are changing, and the scope of managers' work in our programme is expanding. This is extremely important for managers who are trained in our programme.

Since last year, the Regional Programme of Modernization of Health and Education has been in the implementation process in the country. Our programme has not

been out of the picture: we have started to prepare civil servants. We had never trained civil servants, but last year, 3,000 were trained, and today we have 4,000: these are civil servants, school directors and their deputies, and chief physicians at hospitals and their deputies. This involves the training of specialists for the modernization of social services, education, and healthcare.

We want to work and are working on further development of the programme. In what areas do we work? Today, Mr. Vatagin said that training programmes should correspond to the expertise the manager should acquire and the needs of the manager, as designed for a specific company. This is true. You probably know that Russian President Vladimir Putin wrote articles during the election campaign saying that we are hopelessly behind in the preparation of professional standards. We have an order, and the Ministry of Health, the Ministry of Education, our ministry, and the Ministry of Industry and Trade are working very actively. In a short period of time, professional standards should be worked out with the participation of employers. All businesses can actively participate in this work. Training programmes will be prepared on the basis of new professional standards and new areas of expertise. We need to prepare those managers who are in demand for specific employers on the basis of these training programmes already.

These articles stated that we have to reset the activities of educational institutions. This is extremely important for our programme. The President said that an audit should be conducted of training programmes that are taught in educational institutions. One hundred and two educational institutions work in our programme. When I took office, there were many more. Our advisory council is working, and I think the higher education institutions know about this. We will actively move in this direction, because the format of our programme does not allow us to teach something that is no longer in demand. A business comes to us that already has economic skills: it has higher requirements, so we are conducting this work, and we will continue to conduct it in earnest.

The next issue that concerns us and the graduates of our programme is that of post-programme work. We raised this issue in March at a meeting of the government

commission, and received an instruction to identify the projects developed under our training programme that received high marks after training abroad. We will work to support and maintain these programmes, and to earmark funds from the grants allocated to support small and medium-sized businesses. We are just beginning this work, and various formats are being considered. This should be a public–private partnership. The quality of these projects should be very high, and appropriate funding has been allocated in order to support the realization of these projects. Project pools will be established, and the best projects can be replicated and copied. We believe that this will drive the economy.

The next issue, which we have already begun to address under our social programme, is testing the participants of our programme for recommendations for placement in candidate pools of all levels. Recommendations will be accompanied by specific test results. This work started with managers in the field of education and health. We have already started to create these lists. We will offer candidates to the candidate pools of companies, organizations, or institutions, and then to a candidate pool for the municipal level, the executive bodies in the regions, and, finally, I would like to emphasize, the federal candidate pool.

We are actively working on this now. I am very glad to hear suggestions; I have already learned a few things. The programme will develop. I want to say that for institutions of higher learning, the standard for funding will be higher this year.

A manager today is very expensive, depending on the level at which he can implement his expertise. The labour market today is extremely responsive to managers. There is a very rigorous selection process; the competition is extremely high; but it is worth it.

V. Raskovalov:

Thank you, Galina. Do we have any doubts?

From the audience:

Can I ask a question?

V. Raskovalov:

Yes, but wait, we are having a 'talk show' here, not a round table. Doubts were expressed about whether the programme will continue, but Galina, as a representative of the Ministry, has clearly stated that the programme will live. I think that in that case, you may ask your question. Please.

From the audience:

Hello. I am the owner of a large medical holding company which includes a training system and an industry-specific institute of postgraduate education. I will provide a little preamble so that the essence of the question is clear. In 2000, I had a serious need for managers, and the company was in a transition period. I hired a manager, one of the senior managers from TRIEN. He nearly ruined the company, as he could not work in our environment. We both agreed that I had to let him go. He is now the owner of a good medical organization in America, because he was capable of leading there.

The question for the distinguished leaders of educational institutions is, do you think a manager who does not know how to work within a restrictive system can be an adequate manager? If you understand that you do not know how to teach this, then how should we cooperate with companies in order to not train managers, but cultivate them? That is my specific comment for you.

V. Raskovalov:

OK. I think we will interpret it as a comment. Yana, do you want to say something? Just two seconds, please.

Y. Klementovichus:

I would like to repeat what I said at the beginning. There are at least two models of training a specialist who works under certain conditions according to the procedures. That is the education that Western universities provide. I studied in

France and received an excellent education, but I also studied in Russia. I think the Presidential Programme allows a person, if he is serious about his education, to learn to work in uncertainty, as you say, in our restrictive Russian system.

V. Raskovalov:

That is correct, Yana; this person should have been sent to study in the Presidential Programme.

M. Oseevsky:

This is a good question, because those professional skills that we obtain at universities in the Presidential Programme do not practically relate to issues involving the relationship with the government in all its forms, both formal and informal. This knowledge, as I see it, is built up by empirical means. And there is no need to pursue efforts to study them. Mr. Khodachek and I were looking at a chart of administrative barriers half an hour ago. We must fight not for a situation in which we, as managers, or those who will replace us, know how to solve these problems, but for a situation in which these barriers are becoming less and less common.

The ASI Road Maps, which were discussed at length at the Forum, are intended to allow us to make substantial progress. Russia is in 120th place in the Ease of Doing Business rating, and an ambitious goal has been established to move up to 20th place. We will need to put in quite a bit of effort to do that. It is necessary to adopt a lot of structural solutions, to give up a lot of things, and to be ready to move from government regulation and government control to institutions of self-administration and public oversight and control in different areas, primarily in construction. Now the idea of avoiding the need to undergo a government audit for construction, and transferring this to individual engineers and companies is being discussed. This should greatly simplify and expedite procedures for construction. Your example is good. TRIEN is a good company, but an inexperienced person, of course, would find it very difficult to dive into the world of our submarine, surface, space, and all kinds of other currents.

V. Raskovalov:

Thank you, Mikhail. We talked today about the organizers and the hosts for training programmes, but we forgot about the actual programme participants who have already been trained. Representatives of the participants are here, and they will share their success. I would like to hand over to Natalia Solovyova, Director of the St. Petersburg branch of MAN Truck and Bus LLC RUS.

N. Solovyova:

Thank you. Welcome, ladies and gentlemen. I am Director of MAN Centre Northwest, part of the major MAN Group. In my example, I can tell you how to combine the European and Russian experience of training: I have both. The MAN Group opened an academy in Europe, and I studied there. I was lucky that I was able to enrol in the Presidential Programme at the last moment last year.

I completely agree with Mikhail, as the time has come to talk about changing the system. Any student of an institution of higher learning should be aware that the government and his company are not the only ones investing in him; he is making an investment in himself. In our company, a contract is concluded with every employee, and we understand that the company will invest in us. The same thing happened when I entered the Presidential Programme, because the project that I put forward for this programme was needed by our company. This experience and the demand for managers also suggest that there is no universal path, but it is time to change the structure of education and our approaches to it.

The Presidential Programme allowed me to try out everything that was possible, including distance education. Because MAN transferred me from St. Petersburg to Moscow, I had no time to finish my studies here. Distance learning has allowed me to more quickly respond to the programme, and to study and pass the necessary subjects. It is well-suited to mobile managers and to those who work in extreme conditions like the ones present in our company.

Of course, training is expensive – everyone needs to realize that – but ignorance is even more expensive. If we are talking about managers and about the plans that are facing our country, then in my opinion, now is the time when both the Presidential Programme and companies can unite and talk about corporate programmes and the demand for specialized sciences, and abandon the standardization that existed in our country's educational system for many years.

I congratulate the programme on its 15th anniversary and hope that, as of the beginning of its 16th year, it will exist in a modernized form, bringing even more value not only to us, the students who successfully complete this programme, but also to our government.

V. Raskovalov:

Thank you. After your exhortations, Galina will not give us any peace; she will say, "Let us modernize."

This Forum is held under the banner of energy efficiency. We have a doctor of economic sciences and graduate of the Presidential Programme, Vladimir Markin, who is the Vice President of energy efficiency companies and a holding company. He has a lot of job titles, and now he works a lot both on an international level and on a national level in Russia. Tell us, what did the programme give you, and how much is it worth?

V. Markin:

Good afternoon. Thank you for the opportunity to speak.

According to the protocol, the topic is 'A First-Person Account of Success'. It is difficult to speak in the first person about what success is, because success cannot be evaluated personally, but only by an outside party: it is an assessment that must be objective. What counts as success? Our business is almost 20 years old, but this is not a threshold that can be called success in the market, although 20 years in our market is a difficult road to travel. For over 10 years, we have employed more than 1,000 people in St. Petersburg and Leningrad Region: this is success, perhaps; it is

the benefit that we bring to the government. We also have branches in Moscow and Chelyabinsk, and we cover the Urals region. We collaborate with organizations; we spend time, funds, and money; and the Northwest Union of Power Engineers has fully supported us for 18–20 years.

This week, representatives from Germany and Japan will be coming to us for free training under the Presidential Programme. The real success is that we are now well-rooted and in demand, and that our work is interesting on different levels: to industries for which we are doing our projects, to the administration, to housing and utilities services, and to regional authorities. I really liked the question that was asked about today's training of specialists. My personal success is that yesterday I happily reported to FINEC for four hours about what just now came up in that question. I was there talking about how the practice of energy conservation, real projects, real business that is in demand today, and ways to generate demand for energy-conservation projects are different from what is happening on the basis of generic concepts that are far from business. Once again, I will be happy to give a lecture on this topic today.

I think the success of a particular manager lies in whether he is harmonized, in demand, developed, and adapted to society.

V. Raskovalov:

Thank you. There we have a portrait of a graduate of the Presidential Programme. We have a number of speakers. I would like to hand over to a member of the St. Petersburg Government, Terenty Mescheryakov. You were involved in our business game, which was called Government and Business: from the Project to the City. In the past you were a very active legislator, and now you are a representative of the executive branch. Tell us, do we need the Presidential Programme?

T. Mescheryakov:

I would like to say a few words, not only about the Presidential Programme, but also about the topic stated in the title of the round table: 'How Much Does a Manager Cost?'

The theme of the St. Petersburg International Economic Forum is 'Leadership that Works'. When we talk about government power and the system of governance, we must understand that good governance is impossible without effective leaders and without knowledge. Every company strives and waits for innovations that come along with competent people, competent specialists. We cannot implement all of the tasks that face St. Petersburg and the Russian Federation without the involvement of qualified specialists in management.

We are facing a serious challenge, which, in my opinion, is very accurately reflected in the topic of our meeting today.

How much does a manager cost? Unfortunately, the system of remuneration of civil servants that now exists in the Russian Federation is largely inherited from the past: there are no criteria relating the salary and the quality of education, competence, and skills of the individual civil servant. Accordingly, there is no serious incentive to invest any money in one's own education. I fully agree that knowledge is a very important, very valuable resource. People should be interested in investing time, effort, and money to obtain this knowledge.

It makes sense to move to a different system of payment for civil servants. It is necessary to ensure that time spent in the civil service, formal compliance with the criteria for certification, and receipt of a diploma (especially a diploma of unproven quality) are not the only meaningful things. There is no relationship between ratings of universities and the salary of employees. By changing this mechanism, we can get better managers; we can create incentives for investment in order to increase the number of people willing to be trained. The motivation for civil servants to obtain an education should not be in the direction of his superiors and the inclusion in some kind of list, but in every civil servant's recognition that time, effort, and money spent on training will lead to a substantial increase in wages and to opportunities for further career growth.

The Administration of the Frunzensky district is currently conducting experiments with regard to changing the funding model. To be honest, it is not very easy; there are many different points of view; but I think this is the direction in which we have to move.

Answering the Forum's question of 'How Much Does a Manager Cost?', I would say that the government is interested in qualified managers receiving decent salaries and seeking to move into civil service.

V. Raskovalov:

Thank you, Terenty. In Japan, the queue for admission to the university begins at nursery school, and 80% of government employees have graduated from the University of Tokyo. There are issues that should be discussed with the universities and with the government.

The organizers have allowed us to remain a little longer; I would like to listen to two more people. Vladimir Barkin, a Representative of the Chamber of Commerce and Industry of Paris in Moscow wanted to speak: I do not want to offend him as our foreign partner and colleague. Vladimir, please.

V. Barkin:

Thank you very much. I would like to explain why the Chamber of Commerce, the operator of the Presidential Programme in France, meets participants in this programme and conducts training activities with them. Almost every participant is looking for a company in France that is of interest to him, where he will undergo his training. The Chamber of Commerce and Industry of Paris has very close links in the field of education. The Higher School of Management is cooperating with the Higher School of Economics of France, and the Moscow Higher School of Economics is cooperating with ECP, which is also a school of economics. We have another level of the educational system: professional technical schools, which are also members of the Chamber of Commerce and Industry, and they are not involved in the exchange programme.

The programme is not something academic and frozen: time changes and the programme changes. I think the Chamber of Commerce will also be able to respond to changes in the future.

V. Raskovalov:

Thank you very much.

I will take this opportunity to address three countries: there are representatives and heads of the Consulates of Germany and Japan, and you as a representative of the Chamber of Commerce and Industry of Paris.

The task of training civil servants on a completely different level in St. Petersburg has been established. Can we come to an agreement on a programme for the preparation and training of civil servants?

V. Barkin:

You know, I am not ready to answer this question, but I think so.

V. Raskovalov:

Work it out, please, Vladimir.

V. Barkin:

The 15th anniversary will be celebrated in October. I think by that time, we will have come to an agreement on that.

V. Raskovalov:

Education and training begins with basic things, with nursery school. We will not consider nursery school, but we do need to pay attention to the level of the academies and colleges.

Pavel Rozov, Director of Academy No. 126, is here. The former president's last visit to the school showcased the effectiveness of the youngest academy director. Please, Pavel, tell us about your success.

P. Rozov:

As has already been said, I was until recently the youngest head of an educational institution in St. Petersburg. I graduated from the Presidential Programme last year and started to apply the methods that were taught to me in practice. It was quite difficult when I became the head of the academy: an academy with established traditions, with its own difficulties. I was not only the youngest director in St. Petersburg, but also the youngest member of the team. Everyone knows that education is a very conservative field; introducing the innovations we were taught at the Higher School of Management was initially quite difficult. However, the group accepted the attempt to introduce something new without burying the old. The knowledge that I received enabled me to win the title of Best Head of an Educational Institution in St. Petersburg last year.

Dmitry Medvedev, who visited us at the academy, held a meeting with the Minister of Education on April 19 and noted that new methods are already visible in the building itself and in the organization of the educational process itself. He asked, "Why do you not train presidents?" I had to reply that we have a focus on the natural sciences, and for now secondary education does not train presidents, but future presidents are also studying somewhere. In the words of Mr. Haller, our secondary education is highly developed, and higher education is also very good. Let us dwell on this 'good': we will do our work, and secondary vocational education will follow after us.

I would like to return to the topic of how much a manager costs, and to support the speech of the head of the Frunzensky district administration, who talked about the need to evaluate managers in terms of their education and achievements. I am a civil servant working in a government organization, and my salary does not reflect whether I completed a programme of study. It would be very good if the young heads of district administrations were to recognize this and include it in the candidate pool, and understand that the personal achievements of the leadership demonstrate the level of the district and the city as a whole. I am glad to hear that

graduates, including those in the education sector, are tested. I think we should continue to develop the management programme specifically in the social sphere, as business is business, where the strongest survive, and the government has to survive as it is. If there are competent managers in the social sphere, everything will work out for us.

V. Raskovalov:

Thank you, Pavel. In his time, Napoleon said, “We do not need talented generals; we need successful generals.” You are a successful young head of an academy. In addition to you, Konstantin Khostov of Academy No. 359 is here. Konstantin, could you please say a couple of words?

K. Khostov:

Good afternoon. I first want to thank you for the opportunity to participate in the Presidential Programme. I am a 2010 graduate of the programme. There are a number of components in the success of a manager that form the basis of training in the Presidential Programme. One is age; another is the experience of the instructors, who, being active managers themselves, work with prospective managers and teach them theoretical material and convey practical experience. Yet another component is the dedication of those who come to the Presidential Programme and subsequently implement all the knowledge they receive in the learning process. Also, there is dedication to your work, which is another integral part. Without this element, all education leads to is obtaining a diploma, just a formal piece of paper with no prospects for development.

I am grateful to the Presidential Programme for the opportunity to abandon the conservatism (in the words of my colleague) of the education system, and for the opportunity to develop interdisciplinary cooperation in healthcare and other areas. This did not just give an impetus; it provided a certain programme of development, not only to the institution that I am heading, but also to the structures that work with me: in particular, the dental business. We have implemented a project for

cooperation between state educational institutions and private dental clinics, and we will put this programme into action in educational institutions in St. Petersburg free of charge.

V. Raskovalov:

Thank you, Konstantin. I think this is music to Galina's ears.

People from the regions are here. I must now give the floor to Galina, Deputy Director of the Tver Regional Resource Centre.

G. Marogulova:

We are one of the first resource centres supporting the social programme called A New Component. We are cooperating with our branch of the Russian Agriculture Academy and Civil Service, and quite successfully protecting social projects related to training chief physicians and school directors. Many of our social managers have gone for internships. They are very satisfied and believe that this programme is one of the most successful.

I hope that the Presidential Programme does not end in 2015. We are creating a union of resource centres in order to continue to cooperate and collaborate not only across regions, but also internationally.

V. Raskovalov:

Thank you, Galina, for reminding us of the union of resource centres. You all have in front of you a resolution for our 'talk show' today; look at it carefully.

I want to give the final word to Alexander Khodachek, who has become very active in the Presidential Programme and knows the strategy of development not only of St. Petersburg and the Northwest Federal District, but also of the Russian Federation as a whole. He knows how much a manager costs.

A. Khodachek:

I think the first thing that must be done for the programme is to have a test of the knowledge of the students entering the programme, then in the middle of the programme conduct another appraisal by independent experts, and then conduct a final assessment by independent experts in the context of the graduate thesis. I think that would improve the quality of the training and increase the effort of those who came to the programme to get real knowledge.

With regard to the barriers to business that Mikhail spoke about, it is necessary to conduct workshops on the topic of cooperation between business and government in the implementation of investment projects and conducting one's business, and officials should be invited to this.

With regard to evaluation of the managers' work, we are one of the authors of the new salary system in the field of general education. The head of an educational institution has six coefficients; he can increase his own salary. Officials now have a criterion for evaluation: the coefficient of performance discipline. An official may approve a programme for the development of a region and not close the control record. The coefficient would then be 0.99, and the officer would be a bad manager according to the formal indicators. We need to introduce new criteria for evaluating the work of managers, both educational criteria and criteria for competence.

I always pose this question to students of master's programmes in government and municipal management: "Is the civil service a profession or a vocation?" The answers are divided to a ratio of 50:50, but I think it is more a vocation, like for doctors. Thank you.

V. Raskovalov:

Thank you, Alexander. That is a brilliant conclusion to our discussion.

You have a resolution. I will allow myself to read it very quickly. If you have additions, give them to the assistants here. They will work them out, and we will submit them to the federal level.

'Leadership that Works: Realizing Russia's Potential', a resolution of the St. Petersburg International Economic Forum.

One. Propose to the Federal Commission for Training Managers for Enterprises that it make changes in the methodology for assessing the effectiveness of the Presidential Programme for Training Managers to include interviews, focus groups, and other modern methods of analysis of similar programmes.

Two. Prepare regulations for the modernization of the Presidential Programme for Training Managers and its continuation beyond 2015.

There is not much time remaining in which to develop regulations and procedures; this is very serious work.

Three. Consider pooling the resources of the Ministry of Industry and Trade and the Ministry of Economic Development for management training in industry, the real economy, agriculture, and the social sector.

Four. Propose that leaders of the Russian Federation work on the formation of a candidate pool that includes specialists from primary, secondary, and higher vocational education, followed by the training of that pool under the Presidential Programme for Training Managers.

I think that that will exist after 2015.

Five. Propose that educational institutions involved in implementing the Presidential Programme for Training Managers recruit foreign experts to the learning process.

Six. Continue the establishment of institutional management structures of the Presidential Programme for Training Managers in the regions (resource centres).

This item has arisen because the leadership of the Presidential Programme has repeatedly noted that the places where resource centres were established have the most effective implementation of the government plan for training managers.

I think that is it, Galina. Are there any additions, or is there anything else in general?

Resolved: to adopt the resolution as it is, just like at a party meeting.

I would like to thank all the participants: our Consuls General; the Minister of the Japanese Embassy; Mikhail, who found the time to visit us at his alma mater; Alexander, who left the plant and devoted his Saturday to us; and Galina, who stayed here after the Forum especially for this.

I would like to thank all the participants for a good session. I suggest that all who came from different regions and resource centres stay here and work out some organizational issues.

Thank you very much.