

## EDUCATION FOR BUSINESS IN LATVIA

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### Dynamic Environment for Education

The Latvian Popular Front (LTF, for *Latvijas Tautas Fronte*), the political alliance which controls the electoral vote in Latvia, is starting a process with a clear objective to regain independence for this Baltic state.<sup>1</sup> Together with the popular movements in Estonia and Lithuania it has a commitment to a peaceful parliamentary and democratic change identified as the "Baltic Way" to liberty, equality, and fraternity.<sup>2</sup>

In this context, the state of Latvian education for business is an important factor in a search for political freedom and private and public choices in economic decisions. This review supplements well-known studies of recent developments in Latvia and in the other Baltic states.<sup>3</sup> This assessment is based on observations made in August of 1989, after a year of dramatically rapid political developments.<sup>4</sup> Personal discussions with Baltic economists, educators, and executives supplement these observations.

Decades of a major Latvian investment in the preservation of the Latvian cultural heritage gives the host population a strong base of shared values. Some of these values, such as the deeply rooted concern for the maintenance of ecological systems, are shared with minority groups, including recent immigrants from the Soviet Union. Other, more conservative and democratic values are those developed in centuries of close Latvian relationships with Western neighbors. As a consequence, Latvian leaders have a remarkably strong political base and a good sense of political goals. These values often clash with those held by Soviet managers who favor a highly centralized system of public economic management.

Latvian economic life is closely integrated with the Soviet economic system. There is little agreement on the dimensions of acceptable economic relationships with the Soviet Union. Although there is an emerging preference for a mixed economy with a Western orientation, this choice is severely limited by existing critical attitudes. These doubts are based on both the intricacy of close economic ties with the Soviet Union, and critical views on social acceptability of uncontrolled private business activities. The situation is aggravated by impatience. Latvians, who comprise only one half of Latvia's population, feel a great urgency to disassociate from the Soviet Union for demographic reasons.

A frequently expressed fear is that individuals, groups, and economic organizations of all types, are not well prepared to make free choices. Possible exploitation is seen as one disastrous alternative; Soviet premature entry in the Western markets is the other. The gradual shift away from Soviet dependence by Finland is seen as a long process incompatible with the urgency perceived by many Latvians.

In this sense, there are marked differences in the educational strategies chosen by Estonian and Lithuanian leaders. Through Finnish media and personal contacts, Estonians maintain a close cultural affinity with the Finns directly, and with modern Western cultures indirectly. It is not surprising to see a very strong Western orientation among Estonians. Moreover, English is a common means to further acquisition of Western ways. Indeed, the private Estonian Business School in Tallinn,<sup>5</sup> an educational enterprise with English as the only language of instruction, is admirably suited for the extension of critical language and business skills. It is designed to help build joint ventures abroad for Estonian companies. This postgraduate institution intends to graduate about fifty executives from a forty-week graduate program annually. Typically, participating executives have work study arrangements abroad for a full semester.

The larger number and the dominant majority of Lithuanians favors a different strategy in Lithuania. There, the expectation is for a slower economic and more deliberate change. The orientation to the West is intended to be more gradual and more comfortable. The reconstituted University of Vytautas (Witold) Great in Kaunas<sup>6</sup> is intended to bring Western learning to Lithuania with the help of regents and faculty from the West.

### Issues in Economic Development

It is readily conceded by most observers that the economic development in Latvia is in need of a substantial change and redirection. It is currently crowded with many factories inappropriate for the Latvian resource base. They are distant from both raw materials to be used and markets to be served. Moreover, local natural resources, very limited to begin with, are depleted. The natural environment is dangerously polluted. The infrastructure and social over-head facilities are overtaxed by excessive immigration and industrial demands.

Capital assets, urban and rural, industrial and agricultural, are run down. They need replacement and improvement.

Traditional markets in the West are lost. Moreover, there is a strong belief that the Latvian factories are currently unable to deliver products of acceptable quality to Western buyers.

About nine tenths of Latvian industrial output is controlled by central management located in Moscow. In forthcoming reforms this is to drop to about two thirds, passing uncertain authority to local managers of the Latvian economy. This change, however, is minor in comparison to overdue price revisions. The prospect, together with currency reforms, and continued Soviet demands for output also make Latvian leaders apprehensive about their ability to make good and timely economic decisions.

The combination of the factors discussed here, puts the development of Latvian human resources on the highest priority. In essence, this strategy combines the freedoms of political and economic choice with workmanship and productivity. The future of the Latvian economy is based on high quality, high-productivity human resources. This double emphasis requires a national commitment to educational improvement.

This strategy fits well with the objectives of LTF and the other Baltic popular movements. The essential characteristic of freedom is choice. Political choices must serve a number of purposes, including those of the economic sphere. There is no economic freedom without real decision options on what to design, finance, make and market. The choices must include priorities as well as a selection of suppliers, allies, and customers. In this shift to the West, Latvia and other Baltic states follow the countries of the Eastern Bloc.<sup>7</sup> To be successful in gaining real freedoms and choices, a massive information and technology transfer must take place.<sup>8</sup>

### **Higher Education System**

Higher education in the Baltic states has a tradition of early pioneering and innovation. The leading institution in Lithuania, the Vilnius University, is the oldest under Soviet administration. Tartu University, founded by Gustavus Adolphus to serve Estonian and Latvian provinces of his kingdom, is in the process of major upgrading of information and communications facilities. The Riga Polytechnic Institute, founded on a Swiss-German model in 1862 as the first technical college in the Russian empire is the matrix of Latvian institutions. This innovative tradition is reflected today in a vigorous debate on diverse aspects of needed academic reforms. They range from topics of basic knowledge required of students to learning methodologies. Reports from students who have recently studied in the United States are read widely and are part of the debate. The discussion generally favors the adoption of many American practices.

At this time, the Baltic institutions still reflect organizational and academic arrangements typical of late nineteenth century Russian empire. Modified to meet the unique requirements of the Soviet state, these antiquated institutions have highly specialized and standardized curricula and rather outdated facilities. Most of all, they are designed for quick training and short term preparation of various technicians and specialists. Beyond these tasks, they are ill-prepared to meet new demands. They show symptoms of a long isolation from Western academic communities. They are out of touch with much of the world.

Latvian higher education is concentrated in Riga, the locus of the Latvian State University and the Riga Polytechnic Institute, the Latvian Medical Center, the national art academy and the national conservatory. Two teachers' colleges are located in smaller cities, as is the Latvian Academy of Agriculture. Activities of these colleges and universities are coordinated in monthly meetings of college presidents. Outside this system, other institutions include a union-wide civil aviation college and several military schools serving Soviet forces of occupation. Research functions tend to be separated from the teaching institutions. They are concentrated in the institutes of the Latvian Academy of Sciences.

### **Education for Business**

Business culture is foreign to Latvian decision makers today. Strictly speaking, there is no education for business on the college level.

There are no proud Riga Polytechnic Masters of Business Administration, (or the *cand. rer. merc.* degree holders) living. Few of their successors, Masters of Commercial Sciences and Masters of Economics (*mag. rer. merc.* and *mag. oec.*) from the University of Latvia are still active. Their places are largely filled with Soviet graduates of engineering and technical disciplines from the Riga Polytechnical Institute and economics graduates from the Latvian State University.

Today's economics graduates are, of course, equipped with knowledge and skills suitable for economic planners and controllers in a Soviet system. Thus, much of their educational background reflects dogmatic principles, prescriptive

procedures, and relatively simple techniques identifiable with this system. Management subjects included—in the curricula are presented with simplicity. Accounting, too, represents a particular system and is taught in a procedural manner. Although there is policy interpretation, it is derived from Soviet policy directives.

Technical graduates are expected to have skills to use technologies made available to them. They may excel in their highly specialized technical knowledge. Many of these engineers have risen high in the Latvian government. As managers, however, they often serve best not as much as policy planners as policy implementers.

To prepare for a new age, makeshift arrangements are made to fill in gaps at the Latvian State University. Thus, a department of external economic relations is planned. At the Riga Polytechnic Institute, a postgraduate extension division provides supplementary courses, seminars, and lectures. Compared to American business school graduates who are said to have too much preparation in analytical skills,<sup>9</sup> Latvian managers are perceived to have disturbingly narrow and extremely applied education for modern business decisions. They are especially weak in their ability to manage in an interdisciplinary environment. The system of supplementary education, although supported by new clubs of economists and managers, does not even meet the knowledge demands of the day.

These arrangements do not appear to be adequate for the comprehensive business management tasks of the next century. This is not a new phenomenon in societies where dramatic political and social changes are taking place.

### **Tunisian Model**

The experience of modern Tunisia provides a good illustration for anticipating changes in Latvian needs for business education.<sup>10</sup>

Originally planned as a small, very select management school on the graduate level within the University of Tunis system, the Tunis business school meets far more complex demands. A change from a predominantly socialist economic model to mixed system is recognized as the main impetus for the Tunisian explosion for collegiate business education. Much larger than originally planned, this school today offers instruction on lower and upper levels for undergraduates. It also prepares academics and administrators on the graduate level. Moreover, this University of Tunis school is now serving the country together with a flock of other business schools.

Today, several years after the economic policy shift, the Tunis business school is in a commanding lead over others as a source of well-prepared managers and business specialists. In this sense, graduates in law and in economics are no longer the main candidates for business leadership. The business school plays a vital role in the development of the Tunisian economy, in improving business practices, and in building business relationships with other countries, especially those in the European community. It is accomplishing these tasks quite well.

Still, the emerging entrepreneurial Tunisia can be served better. The priorities and educational functions are not easily sorted out. Thus, a goal of social mobility imposes on students and faculty alike a difficult language requirement. They are expected to be fluent in Arabic, French, and English. Relatively low academic salaries force faculty away from applied research into consulting, leaving junior faculty and students to fend for themselves when analytical skills have to be applied in practice. There still is an emphasis on a unilateral lecture mode in teaching. There is little in interactive seminars, workshops, or even faculty work circles. Without stronger research linkages to teaching and learning, much of the knowledge transfer is sterile and ineffective.

### **Riga Commercial School**

The Riga Commercial School, also indirectly related to respected and useful predecessors of an earlier age, is a new, 1989 vintage Latvian answer to calls for managerial and commercial talent. It is the first of several commercial schools planned.

The founding of the Riga Commercial School is a great positive step in building an education for business in Latvia. It is intended to have a relatively clear concern for business. It is destined to be a school in transition for some time: it also has an uncut umbilical cord to the disc<sup>^</sup>lines of "planning and managing the economy".

The background of the Riga Commercial School's director, a former manufacturing management professor of the Riga Polytechnic Institute, gives the school a rather applied character. Other influences include the demand for junior managers, some historical patterns, and anticipated changes in Latvian economic systems and business practices. In educational policy, the school also conforms to legal standards for Latvian secondary education.

The school admits students for the fifth grade. Following nine years of study, with the completion of the thirteenth grade, graduates are expected to be ready to begin their commercial careers with an education which exceeds the Latvian secondary standard of twelve years. Graduates may also go on to further education at the University level. Alternatively, graduates may eventually enroll in a yet undefined higher school for managers, a free-standing business school on the college level.

In many ways, the school is currently designed to do both, support existing business and commercial patterns, and to serve new relationships. Thus, in addition to standard Latvian and Russian language requirements, the school's curriculum also includes instruction in English for the full nine years of schooling, as well as German for seven years.

In common with other Latvian secondary schools it still provides for military instruction, handicrafts, and other traditional subjects, including natural and social sciences. Returning to the educational scene after many years are the subjects of philosophy, ethics, and the history of religion.

Information sciences are planned for every year of study;

in respect for realities, typing is mandatory for the first three years. Unusual in a secondary curriculum are the subjects of oral business communications, mnemonics, and elective speedreading. Field trips and internships add applied emphasis to the curriculum.

There is a range of elective courses from ecology to field research, and games.

The regular business subjects, concentrated in the last four years of the curriculum include some accounting, law, market economics and international trade principles, and basic principles of human relations and management. Missing are much needed fundamental strengths in marketing and strategic business planning. There is no explicit emphasis on quality and productivity.

The school wisely does not provide advanced courses for either general managers or specialists. It does not have room for them.

The Riga Commercial School is an experimental institution. The curriculum designers of the school know that they have spread thinly many subjects across the disciplines. They anticipate changes as they go along in the brave new world, but they also provide for supporting activities.

The supporting activities are located in the Latvian Managers' Club, and include programs to raise the professional qualifications of practicing managers. They supplement the instruction given the students of the Riga Commercial School. The club and the school jointly plan an active program of academic exchanges, building of a multi-language library resource center, an extensive lecture program, and international testing program. It is exploring a relationship with the Ontario Science Center, and it seeks contacts with business clubs and professional associations abroad.

## **Conclusions**

Concluding this review, the observer of Latvian education for business must perceive a rather bewildering situation. In a world of political and social changes, it reflects little prior planning and concern for such education. The higher education systems, overdue for a massive overhaul, are currently preoccupied with major reforms and improvements of existing programs. In this context, education for business falls between the cracks in the academic structures.

The Riga Commercial School is unlikely to meet most of the anticipated needs. For example, it is virtually impossible to provide adequate instruction for business in the four years of the American undergraduate curriculum. In Latvia, however, education for business must be a major source for the generation of a supportive business culture. Although the ingenious affiliation of the Latvian Managers' Club with the Riga Commercial School helps, the school cannot do everything. It is most likely to become a limited source of junior staffers and lower level managers, a function performed by the commercial schools in independent Latvia. For the moment, the school is an important model. It is destined to accomplish much pioneering work.

The system component still completely missing is a graduate level business program.

It may well be that the search of higher education for business will eventually find a way to the Napoleonic solution of a *grand ecole* for business. Should American influence manifest itself in the redesign of the Latvian university and college system, there will be business schools at both the Latvian State University and the Riga Polytechnic Institute. Emerging relationships with the European community may also favor the independent school approach. Pressure for quick results may also keep the business schools out of the universities. Less likely but also possible is an unfettered exploration of and experimentation with several models in the contemporary German fashion.

To help weight these educational options, the leaders of LTF need to clarify their own strategic purposes and economic commitments. These strategies will probably provide for a range of options to Latvian economic decision makers and managers of enterprises. For this reason, the future development of higher education for business is best characterized as filled with dynamic uncertainties. As always, freedom should begin with choices to be made.

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\* Pacific Lutheran University — Presented at the 14th Annual European Studies Conference, October 14, 1989, University of Nebraska, Omaha. Reprints available from the School of Business Administration, Pacific Lutheran University, Tacoma, Washington 98447.

1 Keller (1989, p. A2); Quinn-Judge (1989, p. 4).

2 Riga Radio broadcast, August 23, 1989; see also Latvijas Tautas Fronte, pp. 3-18.

3 Misiunas and Taagepera (1985, 1989).

4 Chronology of events in Dreifelds (1989).

5 Fowler (1989, p. C2); Shipler (1989) gives a general perspective on the Estonian situation.

6 See "Academic Exchanges" (1989, p. 14).

7 Newman (1989, p. A1)

8 Simurda (1989, p. 9).

9 Byrne (1989, p. 77).

10 Casstevens, et al (1985).