

Poland's Transition In Business Education

Bozena Leven, The College of New Jersey, USA

ABSTRACT

Prior to Poland's transition from central planning to a market system, which began in 1990, schools of business were non-existent in that country. Instead, university level instruction on economics during the socialist period was closely tied to ideological priorities, and limited to imparting skills suitable for planned economy. All universities were owned by the state, heavily politicized, and solely focused on supporting a centrally planned economy. There was no meaningful attempt to impart, or even describe, market oriented theories, leaving Poland almost wholly without the basic human capital needed to run a market economy. This backdrop makes higher education reform particularly crucial for Poland's continued economic development and, to date, marketization has fundamentally transformed that sector. Poland's current higher education system is now compatible with those of many Western European countries, relies on standard Western curricula, and enjoys significant academic autonomy, which exceeds that of some more developed Western countries. This sector has also seen an unprecedented growth in economics and business programs enrollments, along with the formation of private universities. Indeed, the depth and rapidity of Poland's progress in reforming higher education stands in marked contrast to that of other former centrally planned economies, and may serve as an interesting case study for potential reforms in Russia and other former Soviet republics. In this paper we describe the progress and effects of several major reforms in Poland's higher business education, examining changes in funding, potential funding sources, the structure of faculty governance, educational programs and degrees granted, the formation of new curricula, and Poland's system of faculty promotion. Following this examination, we identify and discuss a number of continuing systemic obstacles to further progress in this area, and discuss how they might be addressed. In addition, we apply Western metrics to assess and evaluate the impact of reform on the current and future quality of Poland's business education. One consequence of Poland's transition to a market economy is its high level of governmental involvement in income redistribution policies, and a quasi-monopolistic position regarding the provision of such services as for example, health care, and quality higher education. Because these governmental policies have parallels in the experiences of European countries, those experiences provide insights into possible outcomes upon which various policy recommendations for Poland may be drawn.

Keywords: Higher education; Poland's Transition; Poland's privatization reforms.

INTRODUCTION

The depth of systemic change that the Soviet Union collapse precipitated for Eastern Europe is well-known. Faced with business and economic structures that were painfully obsolete, each former bloc country has tried (with varying degrees of success) to make the fundamental changes required by a new, competitive reality. Underlying these systemic changes is the human capital needed to implement them. And obtaining that human capital requires sufficient investment in higher education and appropriate infrastructure.

In Poland, the reforms needed to meet these requirements have been profound. Universities were transformed from a state-owned enterprise model characterized by centrally determined enrollments, budgets, and curriculum to institutions with financial and managerial autonomy that respond to market demand, funding, and costs. In addition, new curricula have been adopted, new degrees created, new courses developed, and existing faculty trained to deliver that content.

Economics and business related disciplines were uniquely disadvantaged under socialism and have made the most progress, using blueprints from established western educational institutions to establish market-oriented programs in response to rising student demand. This sector of Polish higher education continues, however, to face significant problems - particularly with regards to faculty training and development, program quality, and funding.

In this paper, we put these problems in context and generally discuss how they might be solved.

LITERATURE

Despite the number of economies in transition, country specific literature on higher education reforms is quite limited. For Poland, the most comprehensive work was authored by the OECD (OECD 2007), which catalogues major changes in Polish tertiary education and generally describes the current strengths and weaknesses of that system. The most significant positive development cited is institutional autonomy, evidenced by a degree of academic decision-making freedom exceeding that afforded to educators in a number of established EU member countries. A major weakness that the OECD study identifies is the lack of reform in the training, promotion, and career progression of Polish academics.

A work by The World Bank (Tertiary Education in Poland, 2004) describes ongoing changes in how Poland's tertiary education is financed, without disaggregating that sector by type of school or area of study. After critically evaluating changes in financial aid, the World Bank Study concludes that the reform process has substantially increased the financial burden of education on students and their families.

Much of the remaining literature on Polish education generally describes the need for more, and better, business programs as part of a broader discussion of reform in transition economies. In particular, a number of works mention the need for more well-trained business students when describing the scarcity and economic impacts of insufficiently skilled managers and professionals.

Wankel (1992) observes that rapid privatization and transformed financial markets create an acute demand for managers with expertise that was not provided during the socialist period. For instance, the magnitude of investment inflow needed to fill Poland's savings gap called for experts to create a transparent compatible accounting system, and newly formed firms faced an acute shortage of marketing specialists needed to help them compete for new consumers.

According to Dixon (1992), Poland initially had no choice but to heavily rely on foreign marketing, accounting, finance, and management consultants to prepare domestic firms for a market economy. By the late 1990s, however, this situation eased as the first market trained graduates graduated and a number of qualified Polish expatriates returned to take advantage of this market gap.

Adamcik (2007) demonstrates that one outgrowth of the shortage of business experts in Poland was that those who were qualified received a major compensation premium. Despite persistent double digit unemployment rates for the population at large, business graduates entering the labor market in the 1990s were often hired months before graduation at starting salaries that substantially exceeded those paid to seasoned workers in other sectors. Indeed, some estimates suggest that Polish business school graduates have enjoyed a return on their educational investment of roughly 9.5%, (Strawinski 2007), which is among the highest in Europe.

A more focused analysis of higher education is presented by Beliakov, Lugachov and Markov (1998), who assess changes in Russia against the New-Institutional approach to economic organizations, emphasizing problems in academic administration. The Russian approach to reform has, however, been far slower and less comprehensive than Poland's, and does not involve significant changes to academic decision-making, financial autonomy, or degree structures. Osipian (2008a) further underlines the profound systemic educational differences between these two countries in exploring the widespread corruption that characterizes Russia's doctoral education, which is largely non-existent in Poland. In a second study, Osipian (2008b) critically evaluates the lack of higher education reform in Ukraine. In cases of both Russia and Ukraine, Osipian attributes failures in education to general government unwillingness to institute comprehensive reform in those sectors.

HISTORICAL BACKGROUND

By contrast, the pace of Polish reform since 1990 has been rapid and wide-ranging. Before the Soviet bloc collapsed, Poland's higher educational system, like those of all other bloc countries, was designed to support central planning and communist ideology. There was no training on, or even a meaningful explanation of, how market systems operate except to "prove" that they didn't. Since central planners focused on growing heavy industry, educational resources were skewed towards supporting engineering, mechanical engineering, mathematics, chemistry and other "hard" science areas.

The one exception to the state's higher education monopoly was the Catholic University in Lublin. Otherwise, all institutions of higher education were completely state owned, state funded, and governed, in effect, as state enterprises. Students were placed according to state planning quotas. Funding was allocated according to the central plan based on student enrollments and the number of faculty whose pay, like that of many other state workers, was often supplemented by such non-salary incentives as subsidized housing and other durable goods.

A key feature of this centrally planned educational system was the depth of control developed to implement it. All rectors were appointed by the Ministry of Higher Education. Each itemized budget, enrollment quota for each program, and new program chair was also approved by the same ministry, as was curriculum content, the sufficiency of contact hours, and use of educational materials. And all of these assessments were performed without the basic outcomes measures (e.g. quality of graduates, placements data, exit exams, etc.) upon which Western accreditation is based.

Consistent with this tightly constrained, ideologically driven approach there was no "need" for western style business schools, and therefore they did not exist. Instead, various schools offered economics or management programs based on principles embedded in the central plan, which was a political document drafted by instrumentalities of the state. Perhaps unsurprisingly, the demand for economists, managers, or finance majors was quite limited and the quota for those majors was far lower than for engineering graduates, who were more directly involved in industrial development. For example, in the late 1980s, 40 percent of all university students were in math and science programs, while economics, business, management and related majors combined constituted approximately 8 percent.

While western style business schools did not exist prior to the 1990s, their alternatives -- economics, management, finance, accounting programs differed greatly from their Western equivalents. With a few exceptions, the economics programs were considered the least competitive and easiest to enter. Much of the economics program curriculum was generally divided into the Economics of Capitalism, which centered on Marxist criticism of the market system, and the Economics of Socialism, in which plan optimization techniques were taught along with Marketing in a Socialist Economy and Input-Output Tables as planning and forecasting tools. Program content, delivered by departments such as finance, management or accounting, was dogmatic to an unusual degree. In all business related disciplines, course content was scattershot, and included extensive study of political science (rooted in Marxism), mandatory Russian language, and actual ROTC like military service.

GROWTH AND TRANSFORMATION

Poland's "shock therapy" reform program, which followed the Soviet collapse, is both well-known and far reaching. On the education front one consequence of this broad based reform was that demand for business expertise grew rapidly, precipitating the formation of new private educational institutions (Kwiatkowski 1992) and an unprecedented increase in business enrollments. Between 1990 and 2005, the total annual number of Polish college students increased from 394 thousand to 1.9 million, business related majors increased by a factor of 15 (Rocznik Statystyczny 2005 and 1991), and the number of business schools grew from 5 in 1990-91 to 93 in 2004-05, 65 of which were private. In addition, 169 general universities (130 being newly formed private institutions) also began offering degrees in economics, finance, banking, management and marketing, and schools that had traditionally not offered business courses (e.g., technical and agricultural schools) tried to benefit from this rapid growth in demand by creating management programs and/or separate business schools to stem dwindling enrollments in their core programs.

Notably, this business school explosion was not just a response to rising labor market demand. It was also driven by cost calculations. Business schools do not require extensive capital investment in infrastructure, laboratories, expensive equipment, or even libraries or research facilities, which can instead be accessed (for a small fee) at public institutions.

There can be little doubt that, in the aggregate, many students now undergoing western business training will provide Poland with substantially more of the human capital that it needs. It is equally clear, though, that the exponential growth rate of higher business education presents complex (and often overlapping) funding and program quality issues.

FUNDING

Before 1990 all higher education students in Poland paid no tuition and, under the Polish constitution, that privilege continues for qualified students today. Student eligibility, though, is determined by each school's entrance exams, which are highly competitive, and only those with the highest passing scores are admitted to tuition free public universities. All other students have two options: either enroll in tuition based private schools or pursue tuition based evening degrees offered by public institutions. In 2007, over 70 percent of all tertiary business students enrolled in public institutions, 58 percent of whom pay tuition. Unfortunately, the average tuition - about \$2,600 per year - is roughly comparable to the average annual income. Moreover, Polish students have very limited financial aid.

In 2002 Poland ranked 26 of 26 OECD countries in the number of students receiving financial aid (OECD 2007, p. 146). This low ranking was reached despite a preferential Student Credit program introduced in 1998, designed to use commercial banks as conduits for government funded low interest students loans. By 2008, only 3.4 percent of Poland's students relied on such loans to finance their education (Komunikat 2008).

For schools, reforms in higher education have also created substantial funding issues. By the mid-1990s, public universities enjoyed substantial fiscal autonomy, owned their own facilities and equipment, determined the number of student enrollments, hired their faculty, and were permitted to take out loans. The freedom to spend money has, however, been coupled with a greater responsibility for raising funds. Throughout the 1990-2008 period state expenditure on higher education, measured as a share of GDP, has been rather stable at 1.2 percent. But the growing number of enrollments meant that per capita student expenditure has dropped by 16 percent, placing Poland (at \$2,864) far behind the OECD average (at \$10,724) in 2006.

Having no tradition of obtaining outside funding through fundraising or NGO grants, Polish universities continue to rely on the state as the primary source of public school funding, which in 2007 accounted for some 60 percent of their budgets. A further 18 percent is now derived from tuition paid by night students, and 12 percent from research initiatives paid for by private sector.¹ Private schools receive no state monies and rely on student tuition for some 95 percent of funding, with the remainder coming from private research initiatives.

These figures generally indicate that much of the financial burden of attending business schools is being borne by business students. The policy questions and social choices raised by such burden shifting are certainly not unique to Poland. But, in a society where university endowments do not exist and corporate giving is in its infancy, that burden is a substantial one that will continue to discourage many potential business students from making full use of their human capital.

PROGRAM QUALITY

Other challenges to Polish business schools speak to the quality of individual programs. Because that characteristic is quite broad, it has many aspects. Several quality related issues are highlighted below:

¹ . A third funding source, state grants, is highly skewed towards supporting the arts and humanities. Business and economics rank last as state grant recipients.

(a) Fragmentation

It is now quite common for a small city or region to host several institutions with overlapping teaching and/or research activities. Many economics and business schools are duplicative, ignoring economies of scale. There are no incentives to collaborate and there have been no attempts to consolidate programs by pooling resources to improve overall efficiency.

(b) Staffing

Staffing business programs has also proven to be problematic, as the growth in student enrollments have significantly outpaced the number of qualified faculty. In 2005, the relevant faculty to student ratio was 1 professor per 332 students (including untenured faculty and those with emeritus status). Substantial obstacles will, however, likely inhibit the ability to decisively address this problem in the near term.

Foremost among them is the sheer length of time required to become a professor. Currently, teaching in tertiary business programs requires what is, in effect, a lifetime of educational advancement. Successful PhD candidates emerge as “instructors” who work under temporary contracts. To reach tenure and, thereafter, enjoy salary increases, a series of additional post-PhD degrees are required, beginning with “habilitation,” which roughly equates with a second PhD defense, followed by two additional levels of Professorship. On average, faculty do not complete their habilitation until they are 45 years of age, or become full professors until they are 65.

Post-PhD degrees are also granted by a faculty member’s home institution, with no outside peer review. Many of the same senior faculty trained under socialism are therefore tasked with assessing the work of junior business faculty. And, while we do not here suggest that all, or even most, of these assessors are unqualified, it seems clear that these senior faculty are unlikely to be able to base their assessments on real world market expertise.

Moreover, the same senior faculty are encouraged to teach beyond their normal retirement age to maintain a moderate living standard, as well as their home institution’s funding eligibility. Regarding living standards, academics face two overlapping issues. The first is that income in academia lags behind that of other highly skilled professionals and, for faculty that have yet to attain the rank of professor, is actually below the national average² (Rocznik Statystyczny Pracy 1999, p. 168). The second concerns pensions. To “supplement” faculty incomes, the state has reduced state pension fund taxes for academics by about 50 percent. Since all pension payments are driven by contribution amounts, academics often receive lower pensions than other skilled workers.

And, with respect to funding, public institutions are required to employ a certain minimum number of highly qualified staff. Senior professor, even if semi-retired, count towards that number.

The length of academic apprenticeships now being debated in Poland. The focus of that debate, however, is whether the full professorship “clock” should be shortened across all disciplines, given the stark differences between Poland and Western countries. How low incomes, pensions, and limited internal peer review affect program and faculty quality is an issue that remains unaddressed.

(c) Degree Structures

Substantially more progress has been made in the area of degree structures, which began to change in the early part of this decade. Under socialism, Poland’s academic degree structure mirrored that of other socialist bloc countries. There were no BA/BS degrees and all college students completed their education with a Masters degree after 4-5 years of study. Those few students that subsequently entered PhD programs matriculated in the same school from which they had received their MA, unless they were willing to undergo a new set of competitive

². Indeed, many academics in the 1990s held several teaching positions, often in different geographical locations, leaving them with little (if any) time for scholarship or research. Since 2003 all faculty have been required to sign “loyalty acts” declaring a primary institution and promising not use their name for the faculty roll of another school. This “request” to limit employment to one college has prevented many, but not all, faculty from supplementing their incomes by teaching at multiple schools.

entrance exams at a different institution. Changes of majors within the same school were also highly restricted, requiring students to begin new courses of study as freshmen.

To increase student mobility, the 2005 Law on Higher Education created instruments to facilitate inter-institutional cooperation, permit public and nonpublic institutions to engage in transfer agreements (including mutual recognition of degrees and degree components), and establish joint degrees or jointly-delivered units. Poland has also engaged in the Bologna Process, which is intended to create a unified European Higher Education Area by 2010. Once created, students of participating countries will be able to choose from a wide range of high quality, transparent courses, in pursuit of degrees that transfer easily between programs and institutions.

Inherent in the Bologna Process, are changes in the structure of degrees granted. In Poland, this will involve replacing the MA with a three cycle degree structure of BA (or BS), MA, and post graduate degrees. That change has begun, but is still in process.³

(d) Awarding Degrees

An area as yet untouched by reform is how degrees are actually awarded, which remains highly centralized and, at times, counterproductive. Under socialism all advanced graduate degrees (beyond PhD) were awarded by the Ministry of Education, and not by individual schools. That centralization continues, with Poland's President now awarding those degrees. The current process, though, does not distinguish between degrees earned from well-known research institutions and those from provincial night school programs. This tends to degrade the value of all degrees, while diminishing the incentive for academics to seek out rigorous training at the most demanding schools.

(e) Curriculum

A more mixed picture is presented by changes in curriculum, which have in some ways run ahead of the economic conditions actually faced by business program graduates. Rapid marketization made Polish texts on central planning and socialist economics irrelevant virtually overnight, leaving educators with the need to quickly find, and adopt, new texts and devise new curricula. Unsurprisingly, course content was modeled on material used in established Western business schools that Poland sought to emulate. And, in the main, that program content has provided Polish students with a solid foundation in market principles. However, certain important structures of the Polish economy do not yet adhere to the model of efficiently functioning markets and limited government involvement that standard business textbooks assume exist. Mortgage markets, as well as pension and private insurance funds, are at different stages of development and a great majority of Poles still rely on government institutions inherited from the previous system to allocate basic resources much more actively than in most of the countries where current Polish business curricula originated.

Insofar as transition from centrally planned economies was a new, highly country specific, phenomena there was no good alternative to modeling Polish business curricula on Western equivalents. It is equally true, though, that Polish business students also need to understand the evolution, underpinnings, and expectations associated with the unique challenges and structures that remain part of their transition economy. At present, that Polish specific course content is often lacking.

(f) Metrics

The need for an accepted methodology to evaluate overall business program quality is fully accepted in the West. Normally, that process involves either a rough measure of quality compiled by one or more established media

³ . As that process continues the ability of Polish students to study abroad, which was substantially broadened upon Poland's entry into the EU, will be further enhanced. Student demand in Poland for studies abroad is currently among the highest in the OECD (ranking 4th of 27 in 2006).

outlets and academic publishers⁴ or a more formalized accreditation process. To date, however, neither of these outlets is being used in Poland in a systematic way.

Instead, a hodgepodge of outlets and standards have been employed. In late 1997 a consortium of Polish universities voluntarily established an independent University Accreditation Commission. The following year, various institutions of higher education created two different bodies: the Accreditation Commission of the Conference of Rectors of Polish Academic Schools (the “Conference”) and the State Accreditation Commission (the “Commission”).⁵ Five years later, in 2002, Poland's most prestigious daily newspaper, *Rzeczpospolita*, began ranking Poland's top universities, and has continued to do so. And, by 2003, there were independent accreditation commissions for all types of schools, including, management and economics.

Each of these bodies deal, however, with all manner of programs. At present, the only evaluation of business programs per se is conducted by a mere 12 business and management schools pursuant to the Business School Agreement on Quality of Education, which was entered into in 1994, and no business school has yet reached out to any external bodies, such as for example, the AACSB. More generally, while all top public universities in Poland have obtained state accreditation, many other schools have not, as its value in validating the quality of the degrees granted is not yet widely accepted.

This chaotic situation may also have indirect impacts on program quality. For instance, in 2007 less than 2 percent (Rocznik Statystyczny 2007, p. 246) of all tertiary education students in Polish schools were foreign. Of those, about a third declared Polish ethnic roots, and approximately half were enrolled medical schools, with only a small fraction studying economics and business. While the relationship between a lack of accreditation and foreign student enrollment is inherently speculative, it is not illogical to assume that differing standards and consequent lack of readily transferable courses play a role in foreign student choices

CONCLUSION

To be sustainable, marketization requires sufficient numbers of well-trained human capital. And the primary source of that capital – Polish higher education – has made important progress towards laying the foundation for future economic growth. Yet areas of concern remain.

Although the problem of funding tertiary education defies simple solutions, a straightforward and necessary step that can be taken to make progress in this area would be to task schools with a greater role in mitigating the burden of student tuition. In particular, business schools should proactively seek outside funding by forming direct links with industry, providing consulting services, and entering into joint research projects. Institutions should also consider targeted efforts to raise funds from alumni, and use Business Advisory Boards (or similar entities) to facilitate the local community's involvement in fundraising efforts.

A concerted attempt to enhance the quality of business education is also needed. One step forward is to change the way degrees are awarded. That is, instead of the current system, in which Poland's President awards all advanced degrees, that power should devolve to individual institutions so as to clearly differentiate night school degrees from those earned at top Polish universities.

Other steps to improve quality that should be considered are:

⁴ . Such “informal” rankings are typically based on broad criteria, which may include admission rates, faculty scholarship, physical infrastructure, retention rates, and other quality indicators.

⁵ . The Conference monitors bachelor's and master's degrees and the Commission (a group of faculty and academic administrators) is responsible for post-masters education. By the end of 2002, about 1,000 accreditation applications were received by the Commission, which are still being processed. In 2006, 100 programs received positive grades, and 40 were granted conditional accreditation. A negative grade (37 of which were given in the 2002-2004 period) can result in the Education Ministry suspending student enrollments in the relevant program, or revoking the institution's right to offer it.

- (1) helping academic institutions deepen their talent pools by allowing faculty pay to be driven by market forces. Over time, labor market competition for academic scholars would also force graduate programs to either consolidate or innovate;
- (2) moving towards the routine use of internationally recognized accreditation bodies, such as the AACSB; and
- (3) closing the gap between curriculums being taught to Polish business students – which were transplanted from developed market economies - and the reality of Poland's transition economy. This suggests developing courses that focus on the problems unique to that reality as a required supplement to standard Western offerings.

AUTHOR INFORMATION

Bozena Leven graduated from the Central School of Planning and Statistics, Warsaw, Poland with an M.A. and Ph.D. in from Cornell University. Her primary areas of study included Comparative Economic Systems, International Economics and Economic Development. She has interspersed her academic duties with consulting stints at the Ford Foundation, International Affairs division assisting in their Soviet-East European program, the United Nations, office of the Under-Secretary-General, Department for Economic and Social Information and Policy Analysis. Her publications and research focus on two areas: international trade of Eastern and Central Europe and the welfare effects of recent marketization reforms in that region.

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