

The Enterprises Education System in the Process of the Economics Transformation in the Czech Republic

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Abstract - Paper deals with the proposal of an effective system of education in the enterprises in and after the transformation of the Czech economics with technical university interactivity. Problems of enterprises restructuralization can be successfully solved only with first-rate educated employees especially managers. The author works as a part time Associate Professor at the 2 universities and at the same time as a senior consultant and expert of investment companies especially in the sphere restructuralisation of enterprises. On the basis of the theoretical knowledge, experience and new pieces knowledge acquired during various projects he has successfully realized his propositions and recommendations in many enterprises. This successful project has resulted in his appointment to the boards of directors of these and others enterprises. The paper can be the basis for a goal-seeking offer of new programs and curricula, methods of teaching, teaching aids etc., too. The author calls the attention of educational institution to the needs of these types of enterprises.

Foreword

The Czech Republic has become part of the global market. Global market means revolutionary changes in world markets. That subsequently puts pressure on changes in corporate strategy. Relations to the competition, suppliers and customers sharpen. But it is the customer who is going to feel this most of all.

Global market further aggravates the already complicated conditions for companies in the Czech Republic. What I mean by these conditions is dissolution of the original markets, new ownership relations, the search for new markets, creation of legislation and the like.

Privatization in the Czech Republic

The basic element of economic transformation of the Czechoslovak Federative Republic and, after 1993, the Czech Republic, was the transition from the centrally planned economy to a market one.

The first precondition for successful transformation was the adoption of new laws. These new laws made it possible for three basic classes of new owners to form:

1. a group of people whose property was returned in restitution – the property of these people was nationalized after the communist coup in February 1948. On the basis of the new laws, the people could regain their property or that of their ancestors back into private ownership.

2. a group consisting of individuals or companies that came into property on the basis of successful privatization projects.
3. a group consisting of individuals, companies or privatization funds that came into property on the basis of the big and small coupon (voucher) privatization. This happened through auctions, direct sales, public tenders and the like.

For your information, the property privatized in the big privatization had a book value of CZK 861 billion. Foreign investors, banks, individuals and private companies participated and participate in the transformation of the macroeconomic structure. These processes occurred with maximum intensity mainly in the years 1991 – 1996. Strong diffusion of property structure took place. It is evident that concentration of property followed as a vital precondition for effective execution of ownership rights. A capital market started to emerge.

At the end of 1995, out of the total number of 1700 companies privatized by the coupon privatization method, 800 companies already had a majority shareholder (i.e. roughly 45%). It was presumed that in the remaining 55% of the companies, investors would push forward their blocks of shares within two years [1]. As of the beginning of 1998, this estimate proves to be generally correct.

Conditions and notions about the ongoing concentration of capital are the following:

- The process of concentration of capital is totally different from the conditions in standard market economies,
- low liquidity of shares,
- minimum or distorted information about economic situation in companies,
- ineffective functioning of the capital market,
- lack of domestic capital (we may, on the other hand, say that for instance in 1995, foreign portfolio investment reached the amount of CZK 36 billion, i.e. more by 47% than in 1994 [1],
- substantial part of the shares is not traded
- the privatized companies are still strongly influenced by their past, it is very complicated to change the way how people think, people lack education in the area of strategic management, marketing management, finances, capital market and the like, and companies carry the burden of ineffective technologies and over-investment mainly in the area of tangible property which cannot produce anything, low liquidity,

- Mr. Klaus's government created a very wide ranging and generally favorable space for both shareholders and future investors,
- there is a satisfactory number of mediators in the area of restructuring transactions, i.e. 2 capital markets, 56 banks, 160 investment companies, 280 investment funds [1].

An integral part of the process of transformation of our economy is the need of new theoretic and mainly practical knowledge, know-how, and the like. These had to be modified - and still have to - to the specific conditions in the Czech Republic. I would like to note that it would be unrealistic to work according to some instructions elaborated in advance or on the basis of a scientifically founded theory.

We have to realize that: *Everybody can produce. Everybody on the market can produce in proper quality and time. Only those who can sell with proper profit will survive on the market and have a chance to develop.*

Education

It is clear from the above mentioned, that the situation in the Czech Republic after the Velvet Revolution of 1989 required fast and decisive steps toward changes in education.

First of all it affected university education in the area of economics, law and other humanities and social sciences. In practice, we found ourselves in a situation when "the old truths" died and we - most of us - in principle knew nothing about the new ones.

A new university law was passed in 1991. The schools were given a wide platform for internal changes both in the curriculum and the personal area. Opinions about this law vary. The positive aspect was that the law was highly liberal. The main negative aspect - owing to a certain euphoria after the revolution - was that everything which had worked until then was abruptly changed and disbanded without anyone realizing the changes afterwards.

At that time I held a position at the Faculty of Economics of V_B - Technical University Ostrava and there I met mainly with the so called first wave of teachers from western Europe, the USA and Canada who had come to help us. With regard to subsequent discussions with them, we may say that they had been entering my country with partially distorted ideas about our educational process. The "white spots", as we mostly agreed, did not lie in the educational system as a unit itself. We lacked and we still do elite private and public educational institutions. The gap was most evident in the area of economic education, especially business education. Unfortunately, exactly in that area which has unquestionably seen the most turbulent development.

The standard of the technical and especially university technical education was on a good level (the shortcomings lay and still lie mainly in the outdated and insufficient technical equipment, lack of modern school aids and methods of instruction).

We may say that much has been done for this area and the economic school system has reached a

better level. However, if I should evaluate the effectiveness of the changes, I would be much more careful and modest. [2, 3].

It may be said that all universities changed their curricula more or less successfully with their aim being the adaptation to western standards. As an example, I described this process in my article Business Education in the Czech Republic [4]. In view of the topic of that article, I focused right on the most pressing area - that is business education and system education in companies. I.e. in that segment which, with the openness of our economy to the world, is swaying as a ship on a stormy sea. To the companies for which the idea of privatization would lose any sense if they would not operate successfully. To the companies without successful operation of which successful operation of the whole Czech economy cannot be assured.

Market with the Educational Products

I first want to say that at present we cannot speak about the market with educational products in the sense of market environment. A deeper analysis of this question would overstep the scope of this contribution. So what can members of our target group who work or want to work in the area of microeconomics choose from. The target group consists of:

- a) present managers of all levels (or those who want to be managers)
- b) future managers of all levels
- c) experts and other employees of a company

Following types of business education are available for the above mentioned group:

- university and doctorand postgraduate education
- high school education
- short-term courses and training

From the point of view of educational institutions, these are:

- A. Transformed traditional universities (for instance V_E Prague, Faculty of Economics-Technical University Ostrava).
- B. Newly established faculties either within traditional universities or in newly established ones (Silesian University of Opava, School of Business administration), higher-level vocational schools.

These types of schools providing business education offer a well-rounded, mostly three-degree education. At the same time, they offer a number of specialized courses. They are designed for students who smoothly (almost all of them) continue after finishing secondary school and after passing the admission proceedings. The positive aspects are:

- ❖ well-rounded education with an academic degree after graduation
- ❖ the possibility of postgraduate doctorand studies
- ❖ traditional education known to all
- ❖ education is free of charge
- ❖ provides a wide scope of knowledge (but to the prejudice of the depth of knowledge and its application in practice)

- ❖ the possibility of scientific work; both the professional and organizational standard of the specialized courses (which are not free of charge) comes close to the standard of type C institutions.

The negative aspects are:

- instruction is organized in the traditional way (frequent memorizing of literature)
- minimum extent of effective and intensive link to the practice (a minimum number of projects with outputs that can be utilized in practice)
- the standard is maintained or even increased mainly by the teachers who come into close contact with the practice (companies, domestic as well as foreign investment companies, funds, banks, insurance companies, political life, companies providing consultancy, and the like), with type C. institutions or who held or hold at present positions at renowned universities especially in the U.S.A., Great Britain or western Europe.
- the standard of knowledge and know-how of experts from the practice often exceeds that of the teachers, especially in areas of management, marketing, strategic marketing, accounting, taxes, information systems and information technologies
- financial evaluation of top experts is non-existent (flat system of evaluation)

- C. New educational institutions offering well-rounded education specifically in the area of economics (e.g.: CEPC – Central European Productivity Center, The Open University Business School, and the like).

The positive aspects are:

mediation of theoretical knowledge together with experience from the practice
 mostly high professional standard in the required areas (management, marketing, financial management, strategic management, and the like)
 effective educational methods, modern school aids
 structured and specialized education
 participants (students) usually went through A. or B. and they are only complementing their education
 teachers are in close contact with the practice or they are experts from the practice
 well prepared instruction both what concerns the organization and contents
 instruction is accompanied by case studies
 possible also in the form of correspondence / external courses
 superb contact with students

The negative aspects are:

often much too specialized education
 graduates mostly receive only a certificate confirming that they finished their studies, which is an unknown document in our conditions

instruction partly in a foreign language (however, this is often an advantage)
 very expensive

- D. State-supported as well as private schools.

Traditionally, state-supported schools, especially grammar schools, have a very high standard in our country. The offer in this area was extended by secondary private schools but there is no sense in trying to evaluate them – they are incomparable.

- E. Educational Institutions.

These focus mainly on short-term, narrowly specialized courses in areas required topically as for instance taxes, accounting, concrete information systems, project management, selected techniques of management, and the like. Flat evaluation is impossible. The criterion for selection is:

- the institution organizing the course
- the concrete person teaching the course

Evaluation is based on:

- a) as a university teacher, I hold positions at two universities and thus I am in close contact with students. It is a well known fact that if one cooperates with students as with future colleagues, that creates an informal space for discussion and the students then give you a perfect portrait of the school and subsequently of the whole school system.
- b) as a financial manager of an investment company exercising stockholder's rights through supervisory bodies, of which I am an active member as well, I am in permanent contact with management of a number of companies. Based on this work, I get acquainted regularly and in detail with the problems in companies. At the same time, I can follow the work of a number of new graduates from all types of the above mentioned schools.
- c) another source of information is in the discussions with colleagues from both the university field as well as from the practice.

Companies and the Educational Process

At present, in the time of abrupt and growing changes and demands made on future employees, it is worth noting that what we used to hear in the socialist era: "Pass out from a school and you will learn in practice..." has absolutely no validity any more.

Today, the employer provides the employee with minimum time and space for orientation in the problems. The person applying for work finds himself in a situation in which he offers what, to a certain extent, he already knows and not something he is going to learn when he starts working.

To be accurate, I'd like to note that this is still not so true mainly in organizations in which the state owns a majority.

We should realize that in most cases a privatized company faces restructuring. It becomes a source of new, specific and until now never-

encountered problems. And these problems can only be solved with well trained employees, especially those from the management. Both partial changes and the whole transformation of the company may then be realized.

As we can see, good-quality, effective and structured educational process is one of the prerequisites for the success of the transformation process.

In order to realize changes in companies and for further successful work of the companies, good education of those involved is essential.

Characteristics of the target group:

- a) a1 top management
- a2 middle management
- a3 low management
- b) b1 top management
- b2 middle management
- b3 low management

The aim of Business Education is not only to mediate appropriate knowledge, skills and know-how but also, and that is typical of the Czech Republic, to change the way of thinking.

The positive aspects are:

- very good standard of professional knowledge and know-how (most people have technical education)
- familiar with the specific environment
- great opportunities for young people
- ambitions to assert oneself
- wide scope of knowledge

The negative aspects are:

the feeling of "belonging to" a company is limited to social benefits
 little knowledge of techniques "how to assert oneself", "how to become successful"
 people underestimate motivating of inferiors (equalitarianism prevails especially in middle and low management)
 shortcomings in knowledge and know-how in the areas of management, strategic management, financial management, marketing, communications, technologies, and the like.
 relatively little knowledge of languages (English is necessary)
 little knowledge of the market environment
 feeling that they are socially secure prevails in people
 people do not feel that business education is necessary and are not able to set up their own plan how to extend education in this area
 lack of system and project approach to problem solving (people prefer the old "well grooved" procedures and these are mostly ineffective and loss-making)
 people are not able to prioritize problems

The recommended course of education at a generally selected instant of time for a target group is shown in Table 1. I used the generally selected instant of time as a starting point because education must be understood as a process. It is necessary to

complement it all the time and by that to generally increase the standard.

Table 1. Proposal for the course of education

Educational Institutions for Business Education	Target Groups					
	1	a 2	a 3	a 1	b 2	b 3
A or B		x	x		x	x
C		x			x	
D				x		
E		x	x	x		

I would like to note that specialized education at all levels is also necessary. When selecting the educational institution, we may base our selection on a wide spectrum of technical universities and vocational schools which traditionally have a good standard. It is advisable to complement this with a wide range of offers for courses and training.

Educational Process in the Company

The following are the basic conditions for the educational process to begin in a company:

- the company has a majority owner
- the majority owner is interested in the development of the company
- the majority owner has a clear vision of the future of the company
- the company has a future

If all the above mentioned conditions are fulfilled then a vast majority of the companies faces restructuring. Now I would like to focus on pinpointing the areas in which the group must undergo testing a (a1,a2,a3) and in case of insufficiencies the individual members must be engaged in the educational process. We presume that in case of group b (b1,b2,b3), most of the knowledge available to them will be that freshly gained at school.

The points 1 – 7 mentioned below are basic for Business Education in companies, and knowledge and know-how are required to be on an appropriate level for the individual target groups and subgroups. It is good to emphasize that these 7 groups include roughly 70 managerial techniques.

Managerial techniques are applied in all aspects of planning, leading, organizing and supervision [5].

1. General Management

This requires a number of managerial skills rather than techniques. However, general management skills and the effectiveness of the results achieved depend on the understanding and utilization of a wide spectrum of managerial techniques (for instance SWOT, object management, effective conduct of conferences, time management).

2. Marketing Management

One of the key activities of every company.

3. Financial Management and Managerial Accounting

Analytical, planning, budgetary and supervisory techniques all have a key role in planning of financial means, their economical acquisition and utilization in such a way that the objects of the company are achieved.

4. *Efficiency and Effectiveness*

Techniques like Management Audit monitor the efficiency of an organization and corrective techniques of cost reduction and productivity improvement are available for the improvement of efficiency and results.

5. *Personal / Human Resources Management*

Utilization of various techniques as for instance Human Resources Audit, Plans and their Development, Career Planning, Employment Position.

6. *Operational Management*

Operational Management plans, uses and checks inputs using such managerial techniques as for instance CAD/CAM, JIT (just-in-time), TQM, Logistics, Reengineering, and the like, so that required outputs are achieved.

7. *Information Systems and Technologies*

A set of quantitative techniques and special support systems as for instance Management Information System, Methods of Operations Research, EIS, Knowledge System, Expert System.

Conclusions

The need for further development of managers increases exponentially with regard to the globalization of the world economy (globalization of the world market) and with its absolute influence in the economy of the Czech Republic.

In the centrally planned economy, managers in the Czech Republic were engaged mainly and most of all in organization of production, in which improvisation and knowledge of the environment played a key role, including appropriate political contacts. There was no need to think about the market. What was produced was sold – distributed among pre-defined objects. A market economy did not exist.

During the transformation of the economy, managers found themselves in a brand new role for which they had absolutely no preparation. The rehashed affirmations that in the practice they will automatically make up for everything they lack in education were very soon proved wrong.

Technical education with only cosmetic modifications a la business education is insufficient for successful functioning in all managerial positions.

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