

Business education as an object of state regulation in Kazakhstan

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Аннотация

В статье рассматривается вопрос совершенствования государственного регулирования системы образования с акцентом на бизнес-образование. Предлагается использовать модель ГЧП, как эффективного инструмента государственного регулирования. Автор, на основании результатов собственного исследования, а также имеющихся данных, подчеркивает необходимость развития партнерства между государством, бизнесом и учреждениями образования. Делается вывод, что эффективное трехстороннее партнерство сможет устранить имеющиеся недостатки в развитии человеческих ресурсов и ускорить экономический рост.

Abstract

The article discusses the importance of state regulation of educational sector with the focus on business education. The use of public-private partnership mechanisms in educational system as an effective instrument of state regulation has been suggested. Based on research findings as well as previous studies, the author highlights the need to develop partnership between the government, business and educational providers. It is emphasized that effective tripartite partnerships can eliminate the existing gaps in human development and accelerate an economic growth in Kazakhstan.

Ключевые слова: государственное регулирование; бизнес-образование; государственно-частное партнерство.

Key words: state regulation; business education; public-private partnership.

Introduction

For any modern economy to function effectively and competitively, government needs to ensure that there is strong educational system enable to produce highly skilled and entrepreneurial workforce. State regulation of the educational sector in Kazakhstan is of great importance today for the following reasons: (1) education is the key to developing human capital, especially higher and postgraduate education. Universities have triple roles as providers of the high level skills, advanced research and path-breaking innovation; (2) there is a lack of entrepreneurial and managerial skills that constrain economic development; (3) higher education providers still face difficulties because of corruption and other challenges. Apart from this, in the context of modernization of public administration system, state regulation of educational reforms becomes crucial since education is strategically important economic sector along with the industry.

In many advanced economies government and business along with education system see joint responsibility in the development of human resources. Universities and business schools have close relationship with industry and government. Cooperation of higher education institutions with business and government enhances the relationship between these three critical segments of society and leads to innovations and development. In Kazakhstan, such a close relationship is absent, although some initiatives and attempts have been undertaken to connect education and business with public policy.

This paper focuses on the development of business education and the importance of state regulation in tripartite partnerships in Kazakhstan. Although many publications addressed challenges in business education and social partnerships (Mordovin, 2001; Steinberg, 2003; Lambert, 2003; Isobel van der Kuip, Ingrid Verheul, 2003; Zhang, Yevenko, 2004; Mintsberg, 2004; Varnavsky, 2005; Mao, 2007; Deryabina, 2008; Silvestrov, 2008; Kozhakhmetov, 2011; Wilson DL, 2012; Esposito, 2012, Svyatov, 2013), relatively little research has addressed mechanisms of partnerships between business education providers, government and business sector, particularly with respect to Kazakhstan. Although the present article builds its analysis on the findings of previous studies, it emphasizes the importance of not only examining the current problems in business education sector and its compliance with the need

of the labour market, but also considering the possible ways to improve the situation by attracting all stakeholders into the education development strategies. Therefore, this paper focuses on the need of active interaction between government, business and academia in order to produce highly skilled professionals to meet job market needs.

This paper primarily seeks to address the following set of questions. First, to what extent the business education outcomes meet the labour market needs in Kazakhstan? What is the current state of education – business partnership? Second, what are the main challenges in formation partnerships? What is the role of government in such partnerships? Third, why many partnerships have disappointed results? Within the framework of the questions mentioned above, this study will investigate the possibilities of creation a platform for policy makers, academia and business to join their efforts in order to eliminate the existing discrepancy between education outcomes and job market needs.

The primary message of this paper is that proper state regulation is needed to consolidate the efforts of government, business and education in the development of human capital. Proper state regulation of educational sector is crucial to accelerate economic growth and competitiveness. It is extremely important for each side to realize their responsibility in achieving the common socially significant goal. Methodologically, this paper builds on previously published studies on partnerships and higher education in Kazakhstan, and utilizes the results of survey (questionnaires) of 100 students and 100 university graduates, as well as the results of the extensive interviews (involving semi-structured questions) with directors of the career development offices (of 5 Kazakhstani universities) and 5 CEOs of local companies.

Overview of the current situation in business-education

Nowadays, the role of business education has been steadily increasing along with the growing influence of human capital. Review of international economic studies suggests that there is a close link between the economic growth, quality of human capital and education, wherein professional business education serves as a basis for human capital and a key factor of economic growth. Educational approaches in western countries have been strongly influenced by New Public Management (Bologna process as an example).

Kazakhstan government has focused considerable efforts on education reform. Quality education and integration into the world educational environment is a strategic goal of Kazakhstan's system of education. By joining the Bologna process, accepting its standards and requirements, Kazakhstan has made significant steps toward modernization of its higher and postgraduate education. However, despite significant achievements, education is still not aligned with the job market needs. International reports on economy competitiveness and Kazakhstan investment attractiveness note the significant gaps in personnel training. Thus, according to the Kazakhstan investment attractiveness survey conducted by "Ernst & Young", only 25% of respondents (investors) are satisfied with the local labour skills level while 35% believe that further improvement is needed [1]. This survey found that there is an insufficient number of potential employees with practical skills and knowledge of modern technologies. It is also noted that a shortage of human capital with the industry-specific knowledge and skills may challenge the growth potential of technology-intensive manufacturing and business services. In accordance with the study "Status and level of human capital development in Kazakhstan" conducted by the local research group, almost half respondents rated the existing education system in the country as ineffective. Most respondents expressed dissatisfaction with the ongoing reforms in higher education. Among the main reasons of dissatisfaction they indicated inability to calculate the need for professional personnel, the weak relationship between educational institutions and employers, absence of professional standards, etc. [2]. The OECD report on competitiveness of the Central Asia economies suggests that development of human capital is the main priority in improving the investment attractiveness of the region. It is recommended to improve training quality and to involve the private sector in education development strategies [3]. In addition, Innovation Performance Review of Kazakhstan held by the UN Economic Commission for Europe notes that the shortage of qualified personnel across a range of sectors remains a constraining factor in economic activity [4].

According to the Global Competitiveness Report 2013-2014, Kazakhstan improves by one position to rank 50th this year (out of 148 countries). On the category "quality of educational system", the country is on 88th position (for comparison: in 2005, the index was 49). In terms of the quality of management schools (business schools), Kazakhstan holds 98th position out of 148. Compared with other post-soviet countries, Kazakhstan in this category leaves behind Russia (113), Ukraine (115), Armenia (120), Moldova (133), Azerbaijan (134), Kyrgyzstan (139), skipping ahead the Baltic countries [5].

Significant backlog of business schools in post-Soviet countries from Western counterparts is due to the fact that for the CIS countries business education is a relatively new trend in higher and postgraduate education. While in the United States and Western Europe, the first business schools appeared in the late 19th - early 20th century, in the former Soviet Union first business education programs appeared only in the 90s of the XX century. That was due to the collapse of Soviet Union and transition from the planned to the market economy. Currently, within the framework of the Bologna process, the educational system of the former USSR countries reoriented to Western, mostly European, education standards. However, the effects and the presence of the elements of the old Soviet education system and lack of managerial skills in educational management constrain the development of business education.

Today, the business education sector is still in the formation process. Among the most recognized local business education providers one can note KIMEP, International Academy of Business (IAB), International Business School at Ryskulov Kazakh Economic University (IBS), University of International Business (UIB). There are also more than 200 training and consulting companies that offer short-term business courses and seminars. Many training programs for small and medium enterprises are provided by Entrepreneurship Development Fund "Damu".

In spite of the fact that substantial efforts have been made by the government to modernize the higher and postgraduate education system and to improve its quality, universities still face challenges. The problems of business schools, in many ways, are related to the lack of legislation support. There are no state standards for MBA and DBA programs; the approach to refer MBA to the specialized Master's degree, and DBA to PhD degree did not prove its effectiveness. In addition, business (employers) is not sufficiently involved into the education process. The existing partnerships between universities and business community are often fragmented and not systemic. To address the existing gaps in education, the new approaches and effective measures have to be undertaken. First of all, there should be a clear understanding that it is a responsibility not only of academia, but also business sector and government to improve situation in higher education in order to meet the labour market needs. Therefore, universities, business and government must consolidate their efforts in producing highly skilled manpower.

Research findings

With the purpose to study the satisfaction with the quality of training in institutions of higher learning in Kazakhstan, and to learn the situation with partnerships between universities and companies, the author carried out the research. As a part of the study, five universities' representatives (100 students, 100 graduates and 5 directors of career development offices) as well as senior and top managers of five local companies have been surveyed and interviewed. Questions to university students and graduates have been related to the extent of their satisfaction with the acquired knowledge and skills as well as the practical training (internships). University representatives have been asked about graduates' employment and the existence of partnership relations with companies. Questions to company executives have been concerned primarily with the extent of satisfaction with the skills and knowledge of university graduates as well as with the readiness to cooperate with universities in the partnership framework.

Results of the study revealed the existence of some contradictions and discrepancy. Thus, the data on the one hand positively characterize the training system in universities: 70% of the students and graduates surveyed positively assessed the educational process in universities. According to the data given by university officials, 85% of graduates find jobs after graduation. However, only 45% of employed graduates confirmed that the knowledge and skills gained in university came useful at work. Almost half of the students surveyed expressed doubt regarding the finding job in the field of study after graduation. Concerning student practical work, only 20% of respondents positively assessed internships; most of students left this question without any answer.

The results of interviews with company executives showed that employers are often not satisfied with the skills of university graduates, so they prefer to hire persons who have the practical work experience after graduation. Cooperation of the companies with universities is mostly provided through student internships. None of the executives surveyed were not members in any University Council or Board (Academic council, Board of Trustee, etc.). Only one respondent (vice-president of the company) supervised Master's thesis and conducted master-class for the graduate students; other respondents were not involved in any projects with universities. At the same time, the results of interviews revealed that CEOs have an understanding of the need for serious cooperation of employers with universities. All of the executives surveyed agreed that the programs and curricular should be communicated

and assessed by the experts - practitioners in order to comply with the job market needs. Regarding participation in advisory councils for quality assessment in higher education and the development of professional standards and competencies, corporate executives expressed their interest in participation subject to the certain motivation conditions.

Thus, results of the study (1) revealed the existence of gaps in training, (2) identified the need for a motivational mechanisms and incentives for business organizations and private entrepreneurship to participate in organization and management processes of educational system. (3) identified the need in bringing together government, business and educational institutions to ensure that the education content and student learning outcomes meet the requirements of labor market.

The results suggest the need to consolidate efforts of all stakeholders (universities, business and government) to achieve the common socially significant goals.

Challenges

A major challenge in the development of business education and formation of partnership between the government, universities and business is inadequate legislative framework as well as a lack of the holistic concept of business – education. There is no systematic planning and forecasting the market needs in professional personnel and there is a lack of mechanisms to forecast future labor market demand for new professions and new competencies. The country also experiences a lack of the national qualifications framework, as well as professional standards for higher and postgraduate education. Universities and business schools have weak and fragmented links with companies. Therefore, education is not aligned with the job market needs. Government should encourage the partnerships between education and business, create a relevant environment and provide all necessary conditions for that.

Findings of the researches on local labour market confirm a shortage of human resources with the industry-specific knowledge and skills. This is mostly because of the weak links between academia and employers. Universities and companies have different values and goals; they operate in different cultures. In other words, the two partners often speak “different languages”. In Kazakhstan, there is a lack of motivation incentives for employers to interact and cooperate with universities. Professional associations of employers should take initiatives on the strengthening links and establishing partnerships with educational institutions. Education outcomes are not aligned with the job market needs. It is known from the employers’ feedback that they are not satisfied with the student learning outcomes; many employers note a lack of the so-called “soft” skills (communication and leadership). There is also insufficient attention to interdisciplinary communication. In business schools students conduct mostly theoretical researches. There is a low degree of implementation of research findings into the real business. This is a result of weak links between academia and business. There should be a clear recognition of the importance to create partnerships between academia, business and the government in the field of higher and postgraduate education.

Model of Public Private Partnership (PPP)

Today, public and private sectors have become more interdependent than ever, especially in a key area such as education and skills training. However, to improve relations between public and private sectors the mindset of leaders on both sides has to be changed. The 16th Annual Global CEO Survey of PricewaterhouseCoopers (PWC) “A new contract between business and the state: Government and the Global CEO” highlights the lack of skills as a barrier to success. It suggests changing relationship between government, business and society. It is emphasized that government should help to eliminate uncertainty, enhance the flexibility and stability of companies and interact with the business and society. “It’s time for a new social contract between business and state that requires a shift the mindset and engagement of public sector and business leaders from co-existence to mutual collaboration” [6]. Undoubtedly, such collaboration will strongly influence all social spheres including education.

Kazakhstan is facing significant shortage of qualified skills. To address the existing gaps, PPP mechanisms can be used in the educational system, especially in the implementation of large-scale projects aimed at solving the social and economic problems. PPPs enable educational institutions to involve employers in educational decision-making and to interact more efficiently with the state and local governments as well as non-government organizations. The use of PPP principles enables each party to effectively use the available resources, and to

strengthen positions of all stakeholders. The relevance of this issue to the national economy is caused by such factors as limited budgetary funds for implementation of social projects and programs, the need to attract extra-budgetary sources of funding, and to provide motivational incentives for private sector. *PPPs can provide* effective ways to deliver economic support to educational institutions, to further research and developments, and to involvement of employers into education process.

In accordance with the Programme for the development of public-private partnership in the Republic of Kazakhstan for 2011 - 2015 years, the PPP is defined as "a system of interrelations between the state and private businesses on conditions of the balanced distribution of rights, responsibilities, risks, costs and benefits to achieve results in the traditional area of state responsibility, indicated in the relevant agreements [7]. As for the PPP in the education sector, it can be described as "alliance between government and business to implement educational projects on the basis of special legislation and agreements" [8]. The Russian researcher Elena Dmitrieva defines public-private partnership in education as "a system of mutually beneficial long-term relationships between government and business with the purpose of the efficient allocation of roles between the partners in the field of higher education to improve the competitiveness of higher and postgraduate education [9].

The characteristics of PPP suggest that government (public sector authority) is not a dominant party but an equal partner in achieving common socially significant goals. Usually government and business are considered the main two parties in PPP. However, taking into account the key role of universities as the main instrument of government policy in the field of education, and society as the major consumer of education services, it is reasonable to include these categories into the major parties in public-private partnerships in education (Figure 1).

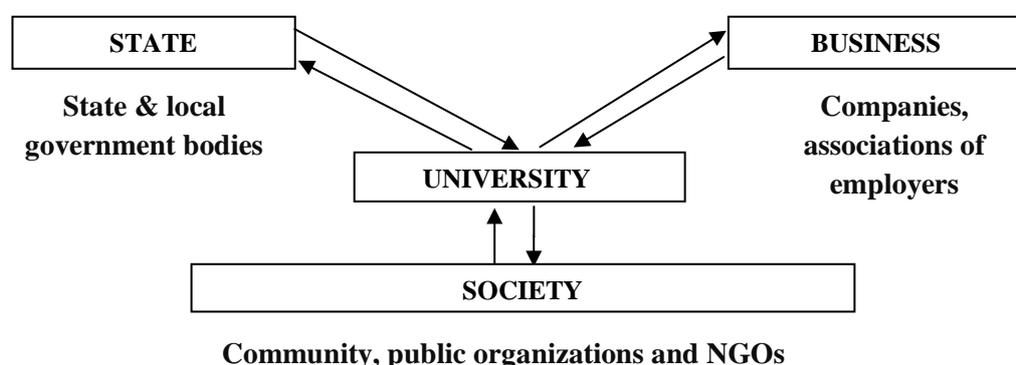


Figure1. Entities of PPP in higher education

Currently, some forms of PPP are successfully used in the country. The joint project of the National Bank of Kazakhstan (Central Bank) and Ryskulov Kazakh Economic University (former Almaty Institute of National Economy) on realization of Master's degree program in Finance is a good evidence of PPP. Some universities have Boards of trustees with participation of representatives from government and business (in few universities). Activity of industrial parks and business incubators are another evidences of existing partnerships. However, many partnerships have disappointed results; in most cases, partnerships of universities with business structures are formal, fragmented and not systemic. Parties do not fully recognize their responsibilities and do not envisage the risks. To be successful, it is critical to develop a regulatory framework with clear allocation of all stakeholders' rights and responsibilities.

Implementation of the principles of public-private-partnership in the field of higher and postgraduate education is intended to bring together all stakeholders to create an effective partnership to quality training of highly skilled personnel, the development of fundamental and applied sciences and, ultimately, to the human capital development and improvement of the investment climate in Kazakhstan.

Recommendations

Recommendations for the government:

to improve the legislative framework of business education; to provide legislation support to the initiatives on creation sustainable partnerships (University-Business-Government); to create the national qualification framework, professional standards in accordance with the current international trends; to provide support to initiatives aiming at

creation the public management of business education and evaluation of its effectiveness; to ensure a stable and predictable environment of funding and regulation for long-term strategic partnerships to thrive; to launch reward system (introduce economic incentives) for companies investing in the development of business education. Government policy should reward companies and universities that form strong partnerships; to use win-win approach in partnership; to ensure equity in partnerships.

Recommendations for business:

to develop a strategy for the knowledge transfer partnerships; to create a dialogue with education on R&D collaboration; to share strategic plans and provide education institutions with the confidence to invest; to provide students with well-developed work experience and internship opportunities; to get involved into the educational development strategy; to participate in the curricular development (planning and evaluation of learning outcomes); to mentor and coach Business students, to supervise student diploma projects and dissertations; to encourage educational leaders (scholars) to serve as non-executives directors in companies, and to participate in company strategy development. Professional associations of employers need to form the national team of experts to engage with the professional business education.

Recommendations for universities/business schools:

to create a taskforce to examine the key issues of business education development, and to create the sustainable partnership with the government and business; to update the content of business education programs on a regular basis, and to adapt them to the constantly changing conditions in the labor market; to be more customer focused; to embed University-Business cooperation in institutional strategies; to ensure the relevance of student learning outcomes and competences to the needs of job market; to practice team-teaching with industry experts (practitioners); to widely adopt the latest research findings and achievements into the learning process; to work closely with the National Chamber of Commerce, Chamber of Entrepreneurs, Associations of employers to involve employers into the educational projects; to focus efforts on assessing the quality of business education, to improve the system of public accreditation of business programs; to consolidate efforts of business schools to create a professional association for business education to jointly solve the existing problems.

Conclusions

Kazakhstan strategy - 2050 suggests entering the 30 advanced economies. To achieve this goal, it is critical to have advanced education system and highly skilled human resources. Despite substantial efforts have been undertaken by the government, education is still not aligned with the job market needs. The shortage of qualified personnel across a range of sectors remains a constraining factor in economic activity. In this context, it is extremely important to improve the state regulation in terms of consolidating efforts of the government, industry and education sector in achieving the common socially significant goals. Public-Private Partnerships could be an opportunity to improve the quality of education system and increase funding possibilities in order to allow the government to offer a better educational system. *Partnerships* enable educational institutions to involve employers in educational decision-making and to interact more efficiently with the state and local governments as well as non-government organizations. State role is crucial because it is a responsibility of the government to design policies and regulatory frameworks for partnerships.

The further development of Kazakhstan, its prosperity and economic growth, depends on a healthy knowledge-based economy. To eliminate the existing gaps in human development and to accelerate economic growth, business, education and government should consolidate their efforts to form effective partnerships. There should be a clear understanding that education by itself cannot produce talented and skilled workforce. Only in collaboration with business and with the support of government, the Kazakhstan education system will be able to respond the market needs.

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