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# Business Education Market In Russia: Current State And Development Outlook

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## Abstract

The article analyzes the state of the Russian market of business education. Particular attention is given to the Moscow business education market that has its specific features and is a trendsetter in the development of the whole system of Russian business education. This article describes the formed models of business schools and corporate universities in Russia, their advantages and disadvantages, as well as the lead role in this sphere for the innovation economy of Russia.

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## 1. Introduction

Building an innovative economy in Russia is impossible without the formation of the modern system of life long learning. The scope of business of educational services aims at meeting of corporate training needs and development of staff is an effective lever of change and creates the preconditions for economic growth. Today the market of business education is one of the fastest growing in Russia. Currently there are over 100 business schools in Russia, including more than 50% - in Moscow and about 10% - in St. Petersburg. On average, 63% of corporate employees undergo at least one training event per year. Training budget per employee was 1.0 to 2.3% of payroll in 2008. "The budget for the purchase of external services to corporate learning systems was 52% of the total budget

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for education." The number of corporate universities, business schools, training companies increases every year. The potential of the Russian market of business education is significant and has great development outlook. The most active players in the market of business education are: business schools, corporate training system, corporate universities (CU), corporate training centers, training companies, higher education universities. The main lever of development of the business education market is a real demand in the labor market, when a learner to acquire the necessary knowledge and skills for a job. An order by business education services with the selected input parameters and quality of service (output) determines the external environment. The process of providing educational services to business corporate client includes the step "development of educational services provider". This is an effective mechanism to improve the quality of education. The post-training specialists are necessary part for estimate of the training program effectiveness. The main objective of the sphere of business education services is eliminating the gap of existing competencies of employees from of needed to perform their tasks and work within the framework of the functions defined a specific position. This sphere outlines a set of logical categories of employees who are the most active in business education. The first group includes the reserve (employees with high professional potential), young professionals (employees having experience up to three years), beginners (probation period), mentors, coaches and teachers, i.e. all categories of staff, which necessarily must have individual development plans. The second group consists of the categories of employees with a half-life of competences is about 2-3 years, leaders, officers of a "contact zone" (managers and sales consultants, secretaries, etc.) and other categories of staff who work in a dynamic, innovative environment (workers and technical staff , employees in the financial services and information technology). According to view of experts, 70 % of the Russian business education market is in Moscow. Moscow market of business education services has distinctive features that contribute to its faster development compared with other regions. Among them: highly developed cooperation with public authorities, with businesses, and international partnerships, business schools has the largest number of international accreditations (higher quality training). In Moscow is the high cost of education (the cost of one day of training in 2008 ranged from 140 000 to 175 000 rubles for top managers, from 50 000 to 80 000 rubles for line managers, from 30 000 to 65 000 for professionals, from \$ 6 000 to \$ 25 000 - MBA programs, about \$ 100 000 - in the Skolkovo School of Management, from \$ 30 000 to \$ 35 000 - DBA programs. The quality of teaching in business schools is determined by the presence of their accreditation. In Russia it is considered prestigious to have a foreign accreditation and a lot of them. The competitive advantages of Russian business schools may include membership in international professional organizations, high professionalism of teachers, including management experience, doing research, the possibility of additional training and internships abroad, international cooperation and partnership, cooperation with government authorities, the participation in competitions, the average salary of graduates at the end of the business school, the availability of classrooms equipped with the latest technology, a guarantee of employment. Consider the models of the business schools that have formed in the Russian Federation:

*Model 1.* Business school is a structural subdivision of university. In this case business school is licensed to conduct educational activities and have state accreditation (in some cases international accreditation). Upon completion of training issued by state diplomas with qualification MBA, DBA. Most often it is a diploma of additional education.

*Model 2.* Business school is a separate legal entity. In this case business school is licensed to conduct educational activities and state accreditation (in some cases international). Upon completion of training issued by state diplomas with qualification MBA, DBA. Most often it is a diploma of additional education.

Analyze of the financial mechanism of the business school shows that all of business school programs are offered on a fee basis and are self-sufficient, they are not funded by the state budget, with the exception of the Presidential program management training. Competition to the Russian business schools creates a foreign business school. Despite the fact that the cost of education in them exceeds the cost of education in the Russian business schools at times, many students choose it them because do not rule out the possibility of getting to work abroad. The results of the comparative analysis of business schools in Russia and abroad are presented in Table 1. The prevailing models of the functioning of business schools have a number of disadvantages: often organizational culture is a sub-culture of the university, which has been operating since the command-and-control system, the structure of diverse students, as many business schools lowered the bar entrance tests and the group may be consist of students without experience of management, lack of situations taken from the Russian business practices, as Russian business isn't

open and transparent, can not compete with foreign business schools, as Russian diploma isn't recognized by the international business and it does not make job opportunities abroad. First CU in Russia was established in the late 90s of the twentieth century by foreign corporations: «Coca-Cola»; «McDonald's»; «Motorola». The Russian company "VimpelCom" opened its CU in 1999 (University of "Beeline"). At the present time there are three formed models of CU in Russia:

Table 1. Comparative analysis of the performance of the business schools in Russia and abroad

№	Criterion	in Russia	abroad (Europe, USA)
1	2	3	4
1.	Apprenticeship (years):		
	BBA (Bachelor of Business Administration)	-	4
	MBA (Master of Business Administration)	from 1 to 2	2 (1– in Europe)
	DBA (Doctor of Business Administration)	3	3
	mini-MBA	from 4th monthes	-
2.	Tuition fees:		
	<b>BBA</b>	- from 6 000 \$ from 30 000 \$ from 1 500 \$	from 10 000 \$ from 20 000 \$ from 40 000 \$
	<b>MBA</b>		-
	<b>DBA</b>		
	mini-MBA		
3.	Features of the organizational structure of the management of business school.	more likely to be a structural unit of the university, have career centers [1]	a division of marketing and PR departments with business
4.	Quality control technology of training programs.	state, public and international accreditation	state, public and international accreditation
5.	Form of training.	Full-time, evening (on the job), modular (with partial separation from work); e-learning [2]; program of the day (for mini-MBA) [3,4]	part time (with a short-term separation from work); full time (with a long separation from work)
6.	Employment assistance.	not always	always guaranteed
7.	Type of students.	private individuals, corporate clients	private individuals, corporate clients
8.	Requirements for applicants to the students of the MBA program.	experience of 2 years, to have a diploma of high education, sometimes essays	experience of 2 years (from 5 years - in the prestigious business school), 2-3 recomdational letters, an essay (400 words), TOEFL <sup>†</sup> and GMAT <sup>‡</sup> tests
9.	Working language.	Russian, sometimes English	English

1. Model 1. CU stands out as an independent legal entity, which is included in the company's infrastructure. CU is registered in the state bodies in the form of non-profit educational university additional professional education. CU receives this type of license for educational activity and state accreditation, which give them the opportunity to

<sup>†</sup> TOEFL (Test of English as a Foreign Language).

<sup>‡</sup> GMAT (Graduate Management Admission Test).

conduct training and provide by state educational documents. CU "Norilsk Nickel" has a license to train personnel (for 240 working professions, 38 programs for specialists, five specialties in the field of management, finance, and information technology). Such a model allows to teach not only staff for the company but also for external customers.

2. *Model 2.* CU is a structural unit of personnel management's subsystem. This type of CU interacts with providers of educational services by signing an agreement on joint educational activities. In that case students' documents (sertificat, diploma and so on) are valid only in the company or in a particular area of the industry. This type of CU allows a systematic approach to training and an organizational culture throughout the period of operation of the company.

3. *Model 3.* CU is created on the basis of a university. As rule, the university creates of Faculty, Department or Institute. After training employees receive state diplomas.

Training services market is quite stable and demand. Compared with business schools and CU, training companies are the most mobile, as in most cases the training progror takes an average of two to three days. They don't need a license for educational activity, or state accreditation. In rare cases, they are licensed to conduct educational activities (in case that training program lasts more than 72 hours), then they can issue a certificate of professional development state model. Many Russian companies have a staff of "coaches" who carry out training activities. These are some reasons for this decision: an expanding training needs in company, a reduction the cost of training program. The monthly salary of full-time coach in the Russian company ranges from 1 000 to 5 000 dollars a day's work. The company spends from 800 to 1 500 dollars on outside coach with a group of 10-15 people. The high cost of training programs has spawned the emergence of free trainers (freelancers) who are actively involved in the provision of this type of educational services on a contractual basis. That is why so difficult to determine the actual volume of the market of training services. As the results of research, the Moscow market of business education has its own distinct characteristics that affect its faster development compared to other regions. Thus, it is highly developed cooperation with state authorities, with businesses, and international partnerships. Moscow business schools have the highest number of foreign accreditations, which also determines the quality of education. The highest cost of education is in Moscow business schools and on training programs (the average purchase cost of one-day training course in 2008 ranged from 140 000 to 175 000 rubles for top managers, from 50 000 to 80 000 rubles for line managers and from 30 000 to 65 000 rubles for professional specialists. This is due to the fact that Moscow is a business financial center with higher financial capability of consumers of educational services business. The representatives of Moscow's organisations of business educational services came to the regional markets earlier then other ones. Now they continue of their regional expansion, in particular training companies are the trend of launching of new training programs. Given the increased attention of the managers of all spheres of business to the issue of human resources development we can predict the growth of the number of corporate learning systems. In the future, can be predicted further differentiation of training companies by industry sector and thematic specialization and differentiation of educational programs by level of complexity (eg, training to improve the effectiveness of communication with the client for beginners, with the average level of professionalism, and for the "stars"). Experts in the field of business education predict the formation of strategic alliances, domestic and foreign business schools. Russian business schools will aim to recieve an international accreditation, and therefore, they will improve the quality of education. Also, the international quality system (ISO) will be realise in business education services organisations, which will facilitate their access to the international market.

The results of the analysis of the status and trends of development of the business education sphere show that it is rapidly developing. Given the role, place and function of the scope of business education services, it should be noted that it is the top priority in further strengthening the position of social responsibility and improving the social effectiveness of education as a whole. All of this will facilitate the development vector for closer ties organizations of the business education services sphere to business entities, joint departments, research laboratories, innovation organisations. That all will increase the quality of business educational services and will bring the system of business education on a new stage of development.

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