

End of State Control Leaves MBA Market Uncertain

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Civic organizations, rather than the state, will accredit MBA programs. **Sergei Nikolayev**

As of Jan. 1 this year, Russian business schools can no longer issue government-certified MBA diplomas to their graduates. The change comes out of a reform that will transfer the regulation of MBA programs from the government to civic organizations, which typically regulate such programs in the West.

On Jan. 20, the Russian Association of Business Education, the Russian Union of Industrialists and Entrepreneurs, the Chamber of Commerce and Industry of the Russian Federation, the small and mid-sized business association Delovaya Rossia and the Association of Russian Banks signed a declaration to create a consortium for the development of business education in Russia. The consortium aims to take over the development and enforcement of professional business education standards, after which the government will give up its role as regulator of this area, said Sergei Myasoyedov, dean of the Russian Presidential Academy of National Economy and Public Administration's Institute of Business and Business Administration.

Representatives of Russia's largest business associations will be included in the consortium so as not to favor the interests of any certain market players, Myasoyedov said.

Market's Future Murky

Revisions to the law on education that came into effect with the new year canceled the issuance of government-certified diplomas to graduates of professional education programs. A new version of the law, which was developed by the Education and Science Ministry, goes further to set all such programs completely outside government control. Government quality standards and accreditation procedures will be canceled for programs of all levels.

MBA by the numbers

2,500 people applied each year to Russian MBA programs (not including individual training exercises and courses) before the financial crisis, with about 5,000 people studying at any given moment, since programs lasted two years.

1,250 people are applying now, according to Begin Group. The business education market's sharp drop began in 2009, and demand remains unstable.

The time frame for the implementation of the new version of the law remains unclear: The document is undergoing an approval process and may be introduced to the government this spring, a ministry official said.

On the whole, the government's decision to stop regulating MBA programs and willingness to hand over these functions to civic organizations is a positive development that corresponds to worldwide practice, Myasoyedov said. But the market has been thrown into a state of complete uncertainty, he added, because it's not clear how new programs will be accredited or how current students will be evaluated. The newly created consortium, with the assistance of international experts, will hopefully be able to protect the market from possible problems, he said.

One important facet of the new legislation is that it allows for the creation of an unlimited number of regulatory bodies, said Andrei Barkin, head of the Skolkovo Education Development Center.

"If other market players want to create another association and also accredit MBA programs, what's stopping them? In the wider world, not just one, but several similar organizations are at work," Barkin said.

Cutting Off the Excess

The number of MBA students will decrease following the end of government accreditation of MBA programs, making life difficult for business schools, said Olga Gozman, head of the analytical firm Begin Group. Those who previously came with the primary goal of obtaining a "sheepskin" (a government-certified diploma) will forego an MBA, she said.

Nonetheless, the change will most likely be a positive one for the business education market, since the diploma-oriented candidates will leave and only those who want to expand their career horizons and who truly need the knowledge and connections on offer will remain, Gozman said. The average competence level of people in classes will rise, which in the long term will result in an increase in the prestige of MBA programs and possibly the demand for them, she explained.

Without the government emblem stamped on their diplomas, graduates won't be able to position their certificate abroad as one from a full-fledged master's program, as they theoretically could have done in the past, Barkin said.

"If I studied in a master of business administration program at a Russian university, and I want to find work in the United States, for example, only the diploma I received before my MBA will count as my higher education," he said. "Is this bad? Probably not. A master's degree rarely gives you an advantage abroad when seeking a residence permit, employment, etc."

Artistic Freedom

Taking the government's claws out of business education is a big plus, said Yelena Beshkinskaya, vice president of the private business school Mirbis. "Effective MBA programs should be outstanding and authoritative, and strict state regulation of their content did not permit them to promptly adapt to the demands of the market," Beshkinskaya said.

Under the new version of the law, business schools, training centers, corporate universities and other institutions would have a lot of artistic freedom to shape the content they teach, Barkin said.

"You can develop any program to help turn a regular employee into a leader, but in the end the one who will evaluate it is the market," he said.

Market players have constantly criticized state requirements for not being flexible enough and limiting the diversity of MBA programs. The new terms will be less restrictive of the length and content of programs without diminishing their core purpose, said Leonid Yevenko, president of the Graduate School of International Business at the Russian Presidential Academy of National Economy and Public Administration.

It's important that as a whole the legislative changes lead to development of competition on the market, Barkin said. "An obvious consequence of approving [the amendments] will be the reduction of obstacles for any player, including international ones, to enter the MBA market," he said. "There will certainly be more players over time, which means that students will have a wider selection of schools to choose from, and schools will have more competition."

Nice Status

Not all market players are ready to say goodbye to state-approved MBAs. Major universities that the government has permitted to develop their own educational standards will be able to issue state-certified MBA diplomas, Myasoyedov said. These include the Russian

Presidential Academy of National Economy and Public Administration, Moscow State University and St. Petersburg State University. By virtue of this status, diplomas from these schools will be state-certified.

The academic board of the Russian Presidential Academy of National Economy and Public Administration in December reviewed a new version of the requirements for its state-certified MBA programs, Yevenko said. In addition, another version of the MBA program was considered that could become one of the main master's degrees in management that come with a state-approved diploma, he said. The first could be chosen by those interested in increasing their organizations' effectiveness; the second is attractive to young specialists, he said.

"For a graduate degree, you're going to study for two to 2 1/2 years, but for the MBA [you're going to study for] 1 1/2 years and not be distracted by anything insignificant for a business education," he said. "Why would a 35-year-old man take exams for a graduate degree and sit behind textbooks? If he wants to, of course, let him do it. We offer both options."

Others will also be able to get their "master's of management" program accredited and to issue a government-certified master's degree, Barkin said.

Barkin noted that although state requirements for the MBA have been around since 1999, the program was not considered a graduate degree and, in essence, was never more than additional training for people who already had at least a bachelor's or specialist's degree, as well as work experience. Skolkovo doesn't intend to get graduate school status for its programs because it believes that the market should evaluate its quality, he said.

The future of the market will depend on whether business schools will be able to learn how to quickly tailor the content of programs to the needs of students, Gozman said. She noted that the main criterion for choosing an MBA program in the United States is the school's position in well-known rankings.

"The main factor in favor of my business school was that it is a strategic partner of Britain's Open University in the CIS," said Anna Sidomonidze, a Strategy MBA graduate of the International Institute of Management LINK.

The quality of the program is most important, Sidomonidze said, although employers will probably need to see a diploma with a state certification.

Barkin stressed that the new law would not completely remove state control from business education. Schools would still need to get licensed, and the Federal Inspection Service for Education and Science would still be able to check any training company or business school for infringement of students' rights, he said.

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