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**Realizing Russia's Potential
GROWING TALENT: GLOBAL EDUCATION FOR RUSSIAN ENTREPRENEURS
AND OFFICIALS
Briefing**

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Moderator:

Dmitry Peskov, Young Professionals Project Director, Agency for Strategic Initiatives (ASI)

Panelists:

Edward F. Crawley, President, Skolkovo Institute of Science and Technology

Alexander Ivlev, Managing Partner, Ernst & Young

Konstantin Korotov, Associate Professor with tenure, European School of Management and Technology (ESMT); Director of the Center for Leadership Development Research (CLDR)

Ivan Nechaev, Chief Executive Officer, Russian Navigation Technologies

D. Peskov:

Dear colleagues, welcome to the second day of the St. Petersburg International Economic Forum. Today, we will present and discuss the Global Education programme designed by the Agency for Strategic Initiatives. It is my pleasure to welcome you all to this conference hall. We will try to be as brief as possible, while still remaining open and honest. That is our policy. Therefore we welcome your most difficult and most awkward questions. We will give an award to the journalist who asks the most awkward question today. Use your imagination. In other words, if you find holes in our programme, or potential for corruption or failure, please let us know in your comments. We welcome these types of questions.

Our panelists are: Ernst & Young's Country Managing Partner for Russia, Alexander Ivlev; Associate Professor at the European School of Management and Technology, Konstantin Korotov; President of the Skolkovo Institute of Science and Technology, Edward Crawley; and Director of Russian Navigation Technologies Plc., Ivan Nechaev.

If you do not mind, we will get started.

The Global Education programme was first proposed two years ago during the St. Petersburg International Economic Forum by a group of originators from the so-called Harvard Club who organized a panel and discussion for this very purpose. I see a few representatives of this group in the audience today. I must say that despite the fact that the programme was not implemented as such, nearly all members of the initiative group have built brilliant careers in Russia, rising to the posts of leading members of development institutes or high-ranking state officials; and some have opened their own companies. In other words, as a social elevation mechanism, the Global Education programme has already yielded positive results in Russia. So we can safely say that it has succeeded.

Nevertheless, in September of last year, the programme was submitted to the newly formed Agency for Strategic Initiatives. We designed the programme; stress-tested it; gave it a significant facelift based on the thousands of comments we had collected as part of various Russian projects. The government and the Cabinet held

a number of discussions with major companies and corporations and with all Russian regions. As of now, the structure of the programme has been completed and approved. A draft of the Decree of the President of the Russian Federation is available on the Ministry of Economic Development website, and is currently undergoing analysis to weed out corruption elements. Of course we invite you all to take active part in this analysis.

We expect the Decree to be signed in the next few weeks, within a couple of months at the most; and next year, we will begin to send our first programme participants to be educated abroad.

I would like to say a few words about the structure of the programme. The programme is focused in four directions that deal with integration of graduates of the world's leading higher educational institutions into the key spheres of Russia's economy.

The first direction is higher education and science management. From the perspective of the costs-to-results ratio, we think the key impact of the programme will be on Russian higher educational institutions that will train managers who will then go on to ensure that our higher educational institutions are highly competitive on the global stage. In other words, the current situation in which the education system gets its money primarily from the government is completely unacceptable. With time, we would like to develop the system similar to that of Australia, where the education system currently brings more money into the national economy than tourism, second only to mining and agriculture. To do this, we would like to invest in our Russian universities; but rather than invest money, which, as history shows, is ineffective, we would like to invest competencies: in other words, people who graduated from the world's leading schools.

The second direction of the programme is high-tech companies. The Global Education programme will provide human resources for key technology platforms. We are positioning this programme to train highly qualified personnel for these platforms.

The third direction is social institutions.

The fourth is federal and municipal governance.

How is the programme shaped from the perspective of a potential candidate? Programme participants can study in one of the best universities of the world which appear in three global rankings recognized by the government, the Ministry of Education, and Russia in general. These are the QS, Times, and the Shanghai Ranking. Actually, right now there are only 215 universities that appear in all three rankings simultaneously, not 300.

The programme covers Masters degrees, MPA, MPP, PhD, and postdoctoral fellowships. In other words, our programme will not cover Bachelor degrees. Why not? We believe that the probability of the student remaining abroad rather than returning to Russia is highest during undergraduate studies.

There are three ways to take part in the programme. The first is to simply enrol: go abroad to study.

The second way is for students already enrolled in a university and paying with a student loan: they can apply for the government to repay their loan, promising in return to spend three years working in Russia after graduation. We analysed the experience of similar countries. We took a particularly close look at Kazakhstan, China, and Brazil, which have similar, but much more far-reaching programmes. They have various levels of flexibility. The Kazakhstani programme is the least flexible, and requires that participants pledge their apartments as security. Ironically, the Chinese program is the most flexible one: it requires nothing at all. In our case, we chose the structure that requires candidates to sign an interest-bearing loan agreement. If the student decides to stay in the country of study after graduating from the foreign university, he or she must repay the entire loan with interest in one lump sum. And if the student returns to Russia, the loan is written off gradually over three years: 10% in the first year, 20% in the second year, and 70% in the third year. This is the general outline of our structure.

Let us move on. Preliminary testing determines who can participate in the programme and who cannot. This is the only testing that takes place before the student actually enrolls in a university independently. For preliminary testing, we

chose the General Evaluation exam. The thousand candidates with the best scores will participate in the programme.

After that, they must independently enrol in one of the universities on our list. After students are independently accepted into the university, the state, as a designated fund, has the obligation to sign a corresponding agreement with them.

We expect that a Board of Trustees will be formed, and will include independent experts with solid international reputations as science and education management professionals. To make this system as transparent and easy to navigate as possible, we expect that no more than 20% of members of the Board of Trustees will be state officials.

We signed letters of intent with companies, corporations, regional governments, and universities ready to hire graduates of this programme after its completion: a total of several dozen regional administrations, major Russian and multinational companies, and a number of leading higher educational institutions.

This, in brief, is the essence of the programme as we see it today. But we realize that the extent of the programme might not be sufficient. In its first stage that will last until 2015, the programme is expected to be allocated RUB 5 billion. It might be risky. It is possible that we have a flawed understanding of what kind of specialists we need to train and where, who we should rely on, how we can make sure participants will return to the country, and whether they will actually get hired.

These are open-ended questions, and we would like to discuss them with our panelists present at this briefing. I would like to give the floor to Alexander Ivlev. Here is my question: If we define education as a tool for developing human capital, then education seems to be Ernst & Young's sole focus. In other words, education is the foundation of the company's profits. How do you deal with this in conditions of, as we say, severe human resources shortages?

A. Ivlev:

Thank you very much. Initially, when I was invited to take part in this discussion, I thought of telling you how we work with people, how we hire young specialists,

organize their training, send them abroad, and how they return with better skills. After all, people are truly our most important asset – or rather people’s knowledge that we literally sell to our clients. This is reflected in finances and in hourly wages. But the Forum events I attended yesterday gave me the idea to speak more from the heart, more emotionally: not as a representative of a large global consulting company, but as a regular person who must routinely solve his professional challenge of finding personnel.

To be perfectly honest, the search for personnel, for qualified people in all spheres, is currently the main factor limiting our company’s growth. Many people believe that Russia already has too many accountants and lawyers. Trust me, that is not the case. We simply have too many people with accounting and law degrees. But if you look at the quality of these people’s skills, something like 90% of the young people we interview for a job do not even meet the basic formal criteria. If we look at the number of people we hire, the company hires around 300-400 new employees a year. This requires tremendous effort: we visit universities, and travel the regions in search of people.

In other words, before we can hire 200-300 people, we have to hold 3000 job interviews to make sure we hire the right people.

Therefore, the most important question is not whether or not Russia has people with specialist degrees. We have plenty of people with degrees. But unfortunately when it comes to specialists as such, there is a great shortage, and the accounting and professional tax consulting spheres are not the only ones which suffer from it. It is hard enough to find an office assistant who can competently perform the duties of a junior secretary.

You might ask: how are we supposed to keep going? This is where education comes in. As Herman Gref said during yesterday’s Sberbank breakfast meeting, we have to examine the education system as a whole and find ways to improve it. He is right. Look at what happens to children beginning with kindergarten. Kindergarten age is when 70–80% of our personality is formed. But as Mr. Gref said yesterday, our kindergartens are like storage rooms: parents drop off their young people in the

morning and pick them up in the evening, and nobody knows what goes on in there during the day.

D. Peskov:

It is the same with our secondary and higher educational institutions. What is this, a country-sized storage room?

A. Ivlev:

You are generalizing: we do have good higher educational institutions that offer high-quality education and give people an opportunity to enter the business world with confidence. And companies continue to invest in these people, training them in various skills. We spend something like 4% of our profits to train our young employees. And in the process, we choose the best of the best: people who speak English, who pass various accounting and economics tests. Still, they require serious further investment.

I currently know a number of large players in Russia's business community, large corporations, companies, oligarchies, the owners of which simply buy vocational schools and turn them into training centres, because they cannot find ordinary workers who can operate factory equipment and produce the simplest commodities. This is how bad things are. People invest tens of millions of dollars in reorganizing our existing educational institutions. That is a fact.

D. Peskov:

Do you know which Russian company currently sends the highest number of its specialists to study abroad?

A. Ivlev:

No, I do not.

D. Peskov:

I never would have guessed: it is AvtoVAZ.

A. Ivlev:

AvtoVAZ and the automotive industry is a separate issue. I think we should also send our football players to study abroad. We have a problem with that as well.

As far as our work with people is concerned, we really do invest a great deal of resources and knowledge into training our specialists. And this programme remains in effect for the entire period from the moment a student begins an internship at our company: he or she immediately gets down to business, so to speak, working with managers and senior specialists in the Auditing Department or the Taxation Department, and begins to take part in various projects. After students finish their internship, we take a look at their work and decide whether to hire them outright. If we hire them, then within a few months they actively dive into the training course, getting completely immersed in Ernst & Young's educational and scientific world. Eventually, they reach the level at which they can begin working with clients, and that is where the problems start. First of all, we really are in the business of forging human resources: specialists trained by higher educational institutions cannot hold a candle to those trained by us. As a result, our clients or other companies in need of piece goods – a well-trained specialist – come and try to steal our specialists.

There is also the issue of people leaving the country. This is part of our training, an essential component. Many of our specialists go abroad for several years to work on various projects. And to be honest, in the past many people never came back. I will give you a simple example: the 1998 crisis. Our company employs around 300 people. The crisis greatly damaged the company. We had to do something. We felt terrible firing people. Imagine how much we invested into employing a certain number of qualified specialists in 1998 – specialists that were practically non-existent on the market. We decided to send 60 people to work in various countries: Germany, USA, England, France, and Australia. Four-five years later around 40 people came back, and 20 people remained there.

D. Peskov:

These are interesting statistics. Alexander, let us ask one of the defectors.

A. Ivlev:

I would not necessarily call him a defector. This is our colleague Konstantin Korotov. We used to work at Ernst & Young together. At one point, he decided to study abroad, but he continues to assist us on our Russian projects.

D. Peskov:

I have a question for Konstantin.

Konstantin works with leaders. Critics of the programme are constantly asking what is stopping us from designing a unique programme that will handle all education inside the country, including leadership training; why we are using Russian money to support the economies of other countries when we can do all of this domestically. Can we do all of this domestically? And if not, then what factors do we lack?

K. Korotov:

We could probably use the experience of the school I represent here as a starting point. I represent the European School of Management and Technology created 10 years ago when 25 German corporations, 25 German 'blue chip' companies grew concerned with one question: why is it that not one business school in Germany, the European Union's leading nation, is included in the Financial Times ranking? Several people gathered together and decided that they must create this kind of school. The newly created school opened its doors in 2004-2005. By 2008, Gazprom became the first foreign company to join the venture as one of the school's founders. Today, we are among the 10 leading European business schools and the 13th best business school in the world focused on manager training and continuing education.

But the question is, why did Germany decide to create a business school that primarily attracts foreign students and managers? On the one hand, I believe they

wanted to see the human resources potential offered by today's globalized world as a solution to the issues facing organizations; and on the other hand, I think they wanted to shake up Germany's existing education system a bit. I must tell you that we are located in Germany and working with a great number of German companies; but we mostly operate in English, which is also a very interesting and important fact. The school's teaching staff includes 30 people from 18 countries. I guess the school's teachers had the same challenge we are facing right now, along with the people teaching or conducting research at the school: to see what the world has to offer, what is lacking in the practices of German companies, and what one can draw from the practices of foreign companies or from studies conducted virtually all over the world. Since our objective has been to create a teaching staff that would represent the highest number of leading Ph.D. preparation programmes, we are looking for people from all over the world. And we try to use our experience to solve the issues that might currently be impossible to solve within the limitations of the national education system.

D. Peskov:

How many Russian students do you have?

K. Korotov:

Our MBA programme currently has approximately 50 full-time students. Probably four or five of them are from Russia. One Russian student is currently going through the management MBA programme. This number is quite small, but our short-term education programmes include several hundred Russian students each year. We work with Rosatom and with Russian Railways. We have also worked with the UEC, Sibur, and with British American Tobacco Russia.

D. Peskov:

Do you believe that short-term programmes have a real capacity to change the nature of leadership and the competency model?

K. Korotov:

You know, I actually think that it is not up to the short-term educational programmes to change the nature of leadership. As a representative of our teaching staff, I recently took part in a tender with a certain major global company which asked us to create a two-day programme that would lead managers to completely change their approach to business organization and to process management within the company. When we presented our theory of constraints, which included the limitations of this two-day programme, I was asked how the results of our work, of our two-day programme, will be measured. I said that measuring the results will be quite simple: we can measure the students' weight gain, because we offer excellent coffee breaks and wonderful dinners. If a company and its management really expect to outsource corporate change and hopes that a third-party organization can change its leaders in two days, I say they must be smoking something. A school can stimulate the process; can help it along; but if the company's management has no interest in implementing changes, people will simply have two wonderful days, get great information, and some of them will begin to think about leaving the company they work for and getting a job somewhere else. But the company will not get any benefit from it.

D. Peskov:

This is why our Global Education programme does not support short-term programmes and management MBA degrees. Our goal is not to make Russian managers gain weight.

Let us move on. The key objective of the Global Education programme is to offer high-tech training. You know, we recently put this into practice when we selected students from Russia's leading higher educational institutions to study at the Open University Skolkovo. We created a competency model: what kind of students we would like to see there. This was a very simple model. We talked about enrolling small trios that could form embryos of future companies. In other words, we are

looking for Perelmans, Perelman sales people, and Perelman managers. This was our competency model for high-tech companies. But the question is, where, in which foreign higher educational institutions, can you currently earn these competencies, and how much does this cost?

I would like to address this question to Ed Crawley, who is probably the first person in the last 300 years since the time of Peter the Great to follow the trend of Dutch and German specialists moving to Russia. He is even building his own German settlement in Skolkovo. What kinds of high technology competencies exist in the world today; which are the most in-demand; and where can one get them?

E. Crawley:

Thank you. First, I want to reassure you that Russia is not the only country in the world that worries about this problem. Within the last decade I have worked in the United States, in the European Union, and in China, and now in Russia, addressing exactly the question of what set of skills were necessary in order to develop leaders for high technology ventures. Let me propose first that there are really two questions. There is a fairly easy one and a more difficult one. The easy one is: what do we want our students to be able to do? The more difficult one is: how do we prepare them to do it? There are objectives and design. Let me give you a framework for the objectives which you can see here on the screen, is that they are really about four components, four sections of this. If you start down on this corner there is knowledge. This is what universities are very good at teaching: facts, theories, theorems, approaches. This is not the problem area. This is what, as our colleague from Ernst & Young said, all of the students who come through for interviews have knowledge, it is the other parts that you are looking for. On the other side, there is an important part which we claim we teach students at universities, which is how to think. How to think critically, how to think creatively, how to think in a systematic manner, what to believe, how to have moral guidance and ethics, and how to have the attitudes that you are willing to take risks, that you are willing to try new methods. These are important things for students to learn in

universities and I would say in nursery schools as well. This is a result of their entire education. Then there is a section which has to do with how to work with other people. Let me tell you most university professors are not expert at this. Universities are places that recognize individual talent. There is no incentive in universities to work in large collectives and to relate effectively. Here we get to a fundamental problem, that the role models of university professors are not particularly good at teaching about relating. And then we get in fact here to the pinnacle, which my colleague from Berlin would say is the leadership theory: teaching students how to create visions. Where you will be able to go in life? What will your system be able to do? People who can make sense of context — what does the customer need? What does technology allow us to develop? And people who can actually deliver, and here again is another problem because university professors on average do not deliver anything except education. They, as role models, are not very focused on delivering and yet over and over in industry we hear people say, “We need students who can deliver, who can come in on time with quality products and services.” Now, this problem has actually been studied so many times that there are papers and even meta-studies of this problem. And here is one, which is the framework study created by UNESCO about the four pillars of learning. You see it has the same answer. Learning to do: can people actually do things? Learning to work with others: can they relate to people? Learning to know: do they have the knowledge base? Learning to be: do they have the internal attitudes and values that are necessary? You can actually find this study done over and over in countries with very thoughtful writing about it. This is not the difficult part of the problem. In fact, at Skolkovo Tech we have in the last four months already done this study, engaged with Russian industry and learned from them what the profile of attitudes and skills that they want from Skolkovo Tech graduates. The difficult part is designing an education that actually produces this. Let me tell you one or two important features of this education. One is that it has to have a combination of theory and practice in about the right balance. There is some of this that can be taught in the classroom, but there is some that can only be learned through practical experience, either at the

university site or in industry. The second important thing is that universities have to acknowledge that this is what they do. Because if you read what most universities say they do, it is just knowledge. And they will not prepare the students in the broader set of attributes. The final thing and the most important thing is that students have to leave the university being confident that they can do these things. This is what is called self-efficacy. It is the confidence that you can apply the knowledge that you learn in university to your work place and that is only done by giving students repeated cycles so that they can learn and be successful. If students leave the university without ever having tried this, they will never try it. I am asked, "What universities will do this?" I will not give you an answer of what university, but I will give you these characteristics of the university that they say they will do it, that they use a combination of practical and theoretical education and that they actually educate students who leave with self-confidence.

D. Peskov:

Still, how can we measure it? How can we understand what universities we should recommend our students to go to, except MIT and Skolkovo Tech?

E. Crawley:

Maybe Stanford. I think that this is an area where there are basically no incentives in the system to measure this. And all the organizational behaviour people in the room will immediately recognize: if there is no incentive, there is no action. If you look at these scales that you quoted, QS Times Higher, these scales are almost entirely done on research output. First, we have to create an incentive and then we devise ways in which we actually measure this. The simple answer is you have to track the success of your students for the first five to ten years. But that is a difficult thing to do, as opposed to counting citations and computing H-indexes, which is trivial to this.

D. Peskov:

We do not have ten years to track the success. We need success immediately, as usual.

E. Crawley:

That is a statement by a political figure, not an educator.

D. Peskov:

Well, the President of the Skolkovo Institute of Science and Technology was much more diplomatic than I expected. But we are still going to ask a businessman, who, I believe, can speak more openly and directly: Ivan Nechaev, who represents the company that will conquer the world. This is a prime example of Russian business entering the global markets. My question is: what is your opinion of the programme, and are you prepared to use it?

I. Nechaev:

First of all, I would like to say that Mr. Crawley mentioned one word I consider critical from the perspective of Russia's education system. This word is 'vision'. Our experience is very simple: we work on the high-tech market, in which the key component of any company's capitalization is its people. What is more, I will note, for my part, that I consider high-tech companies small and medium-sized business. You mentioned Russian Railways, Sibur, and so forth. These companies need people. These companies will grow, and will eventually occupy global positions. The majority of people who come to us and who actually end up hired are people with a traditional technical education. The reason for this is simple: these people were given one fundamental skill, the skill to learn. In our country, it is practically impossible to find people who are ready, who can be hired and immediately put to work. Our training process takes, I believe, six months. So we invest at least eight months into each person. We design our own programmes internally to allow people to work in this segment.

How have we grown? In two years, our market has grown to include 22 countries. We operate in Latin America, in the Arab countries, and throughout the CIS. Currently, we are actively moving into the developed countries. We can see that they have a shortage of specialists who can work in small and medium-sized companies, who understand small and medium-sized business. This is, in essence, a crisis of management. If you have to face new challenges daily, you must be very flexible, dynamic, and have the ability to predict the market's future moves. We would love to participate in the programme if we could submit candidates who already have the basic understanding of what they need to know.

Another significant facet of the issue goes virtually unnoticed in Russia, and as a result people have to be re-trained. This facet is personal growth. This is a key aspect, because when you hire a person, you are hiring a certain set of dogmas. Current education lags behind high-tech markets. You will not be able to find fully trained people. You will have to train them no matter what. People who have taken some sort of basic personal growth training, who know what they want in life, have a much easier time mastering new skills and integrating into the company.

D. Peskov:

I would like to note that the Higher School of Economics estimates that companies currently spend more than RUB 500 billion a year on immediate re-training of graduates of higher educational institutions. In other words, companies spend more money annually on higher education than the government does. You two have confirmed this fact. But my question is actually related to the competency model mentioned by Ed: if the universities cannot teach people, then maybe we need a different system that would give us the competencies required by Russia's economy?

In other words, if higher educational institutions cannot give us these competencies, then where can we get them quickly and precisely? I would like to hear your response to this question, and the other panelists can join in if they wish. But please be brief.

I. Nechaev:

I said this earlier: I believe that traditional education available today used to be very powerful, but has grown increasingly weaker. I believe that whatever happens, no matter how our education system changes, we must at least retain the skills people used to get in our basic colleges.

D. Peskov:

You are talking about the two legs of Ed's model?

I. Nechaev:

Yes. I would envision the rest of it for my own company, because I have this experience: I have a traditional technical education and an MBA, plus a little bit of psychology education. All these elements combine to help me memorize the structure Edward was talking about.

I believe the ideal option would be a training course in which people can select a study direction of their own, and which, of course, includes practical training. Practical training is the key component of education that helps turn all this knowledge into real-world skills.

D. Peskov:

Would your company be willing to train students from other organizations?

I. Nechaev:

Yes, that would be very interesting. What is more, we are moving in that direction: we are in discussions with schools, trying to establish university departments we can use to select and train people ahead of time.

D. Peskov:

In other words, the line between universities and companies is becoming somewhat blurred? Universities create internal companies, and companies train outsiders. This is a new, never before seen organizational form.

I. Nechaev:

Traditional education is unlikely to catch up to the growth of high-tech markets. The average amount of time it takes for things to change on this market is a year. Schools do not have enough time to redesign their curriculum, but companies that offer this type of education are forced to redesign theirs and subsequently pass these competencies on down.

D. Peskov:

Thank you, colleagues.

K. Korotov:

In our experience, the majority of requests for education have to do specifically with the subject of leadership. When we ask a company how they define development, their answers have to do primarily with the necessity to teach people how to use the available time and resources to examine what is going on and where we are headed. This is the main thing we are asked when we deal with experienced managers, people who, as a rule, already have several degrees, and who must now decide which direction their company will take. People must stop and think and get their bearings by asking themselves certain questions and by listening to others. This is why we work together with companies.

But why do companies invite a school to work with them? Because in the context of a school, it is much easier to ask improper questions, or wrong questions, or politically incorrect questions. This is something you cannot do in a company or a corporate university, because those places have rules of behaviour and standards on ethics and loyalties. Consider German or Russian companies, where loyalty is a quality more valued than creativity, originality, or the ability to rock the boat and

think outside the box. This is why we need platforms, something like laboratories where people can step outside the limits imposed on them, and think from a slightly different perspective or express things in a different way.

D. Peskov:

Thank you. In other words, loyalty is a detriment and a disadvantage of corporate universities. Yes, good point.

K. Korotov:

I would say we must on no account replace higher educational institutions as institutions that prepare business specialists. Because if we consider the Western model, the system does work. Which is to say, higher educational institutions can offer excellent education. But the technology for training graduates is another thing entirely. Two years ago, we conducted a study to see in which respects Russian higher educational institutions lag behind their Western counterparts. Our students do not have a shred of what is called interpersonal communication skills. For example, while students in a Western university are forced to work as part of a team, develop certain leadership skills, work on presentation, negotiation, and persuasion tools, young people graduating from our schools unfortunately have none of these skills. There are rare exceptions: a few higher educational institutions practice this, but the majority do not. This is another aspect where we must improve the quality of basic education.

D. Peskov:

Ed, I saw you poaching Cambridge professors for the Skolkovo Institute of Science and Technology. It was beautiful to behold. You told them that soon, students will consider Skoltech more prestigious than MIT. Do you still believe this? Do you think that 10 years from now the Global Education programme will be rendered unnecessary by Skoltech, which will be setting the standard for global competencies?

E. Crawley:

I think I said that the goal is to have students go to Skolkovo Tech and not to Cambridge or MIT if they are given the choice. But, let me tell you that this topic today is why I think that is possible. Because I think that if, we design an education at Skolkovo Tech that prepares people very well in science and technology, but also give these other skills, it will attract some of the best students. And I want to make an important distinction between business and leadership. Leadership is the ability to persuade people, to move people, to influence people. And you can have leadership in business, but you can have leadership in engineering and science, and you can have leadership in government, and we have governmental figures who are leaders and governmental figures who are not leaders. I think it is very important to distinguish these and to say, how can we prepare students in science and technology to be leaders of science and technology just like business schools would claim that they prepare people to be in business and be leaders of business? And actually, in the last five years, we created a programme at MIT that did exactly this, that prepared students, specially chosen students, to be leaders of science and technology.

D. Peskov:

Thank you. Thank you. This is a great additional objective for our programme: to place the emphasis on making sure that in addition to being exceptionally knowledgeable, all our graduates are indisputable leaders. They would have Mr. Crawley's two legs and share the middle. One of our programme's unique features is that all our graduates will have public blogs. In other words, they will sign an ethics agreement, and one of their programme requirements will be to keep a blog while studying in the foreign university and after returning to Russia. We expect 3,000 to 5,000 people to take part in the programme in the next three years. Each of them will be a transparent public figure. We encourage transparency in their own

work and their team work with other students. Our general task is to turn them into leaders, to prepare them to work in teams working for change. We must send out individuals so they can return to Russia in the shape of formed or partially formed teams. We must make sure our country provides what representatives of Ward Howell call 'platforms for heroism': places where people can swiftly build a career in a topical field, the same way nearly all originators of this programme have done since they unveiled it two years ago here, at the St. Petersburg Forum.

I would like to move on to questions. Does anyone in the audience have questions for me about the programme or, even better, to panel participants about their remarks? Please go ahead.

A. Potemkin:

Hello. My name is Alexey Potemkin. I am here as part of the Youth International Economic Forum. I am sure you've heard of it. I just graduated from the Moscow State University. While in school, I went to study in France and Germany on my own, so I know full well what foreign education can mean. I work in the public sphere, in our Russian student movement, as well as deal with short-term student exchanges: I get our young participants involved in student exchanges with the United States, Germany, and Poland. And I will tell you that, first of all, since the last forum a year ago, I have been keeping an eye on the programme to see how it is developing. It is really great that this initiative exists; that there is a desire to send our young people abroad. We have heard several people today ask the question, why not use this money to teach people here, in Russia? I can easily answer this question based on my experience talking to young people who come to the Youth Forum from Ivy League universities, from schools in Germany, in Great Britain. They have a completely different communication culture, mentality, attitude towards life, sense of responsibility, and civic involvement in the processes taking place in our country. They become completely different people. This might sound over-the-top, but these people are ready to work for the betterment of their nation. Their patriotism has grown. They form a completely new layer of society: we do not even

have the right name for them yet. They are the true cream of society; wonderful, educated people.

Now, let us talk about the concern that these young people might then stay abroad. Of course they do have an opportunity to do that, but the majority of these Harvard, Princeton, and Stanford graduates tell us that with their education, they have much better prospects in Russia than in the USA, Great Britain, or other countries. But in my opinion, here is where we run into one very difficult question. I am not sure whether we will manage to solve it within the Global Education programme. How do you plan to involve young people with foreign education in government work? I will give you an example. I have wonderful, talented friends working on their Doctorate or Masters of International Relations at Cambridge and Stanford Universities. I have asked them time after time whether they would like to work at the Ministry of Foreign Affairs. And the answer I get is very often "Yes". But then the problems begin: the salary is too low; professional growth prospects are murky; the system is riddled with nepotism; the hierarchy is too rigid; and so forth. How do we combat this?

D. Peskov:

Thank you for your question.

First, let me point out that one of the programme originators, Mikhail Ponedelnikov, has already built quite a solid career in the Moscow government. Several of the programme's active supporters work in the Ministries and in various government organs. And the state is making consistent steps to lift limitations, such as limitations on recognizing diplomas, for example.

As part of our open government, we developed a set of measures to reform civil service and government employment, aimed, among other things, at getting graduates of this and similar programmes involved in government work. Therefore, I believe to have a brilliant career in Russia, a person has to work in the non-profit sector, in civil service, and in the private sector. In other words, we need a spiral model. People who understand what a career really is and know how to set strategic goals, often consider this a necessary step. This is why I think this is a practical

trajectory; but we are actively working and will continue to work in this direction. Thank you.

V. Sedov.

My name is Victor Sedov. This is an excellent programme. But I think while it addresses one issue, it does nothing to solve the main problem with our education system. And you are not using a multiplier. In our case, we send our teachers to higher educational institutions like Harvard and AIS. This summer, we sent them to Cambridge. These 10 wonderful teachers return ready to teach 1,000 students. If you consider expanding the programme in the future, you might want to try, first of all, to address the issue of higher education as a whole, and to improve the system. And secondly, you might want to consider using this multiplier element, when upon returning, well-trained teachers can pass their knowledge to students in the country. So 5,000 people will not make a big difference in Russia. Thank you.

D. Peskov:

Thank you for your question. Let me clarify two points. First, our country has a new Minister of Education, who supports this programme, and who, I believe, will implement sweeping measures to update our teachers' qualifications abroad. This is already being done. The Agency for Strategic Initiatives is not responsible for reforming the entire higher education system. We are focused on one step: it is necessary, but does not address the entire scope of the problem.

And secondly, teachers will also be taking part in this programme and going abroad to update their qualifications. This is more than possible: we are already in talks with Russian universities. A young teacher can go abroad as part of the programme and get, let us say, a Masters degree in state governance, or some kind of education management specialization. So this is definitely in the works. Thank you.

Z. Zaitseva:

Good afternoon. Zoya Zaitseva; I represent KIAS, which has already been mentioned earlier.

D. Peskov:

This company is busy lowering the rankings of our Russian universities.

Z. Zaitseva:

Thank you very much. I must say, our ranking includes a lot more Russian universities than the Shanghai and Times Education rankings. My question is addressed directly to the government representative. You mentioned that you plan to enrol a high number of students, and so forth. Do you plan to work with Russian universities to support and inspire their students to apply for the programme, and if so, then in what ways?

And the second question is probably to our colleagues on the panel. I would love to hear your opinion. Two national initiatives emerged virtually simultaneously: one is Global Education, the state programme; and the other is the wonderful Resolution issued on May 7 that by 2020, five Russian universities must be included in the global top-100 rankings, though no indication was given as to how and at whose expense this can be done. Do you think the state will back Russian universities that have the desire and resources to do this? Or will Russian higher educational institutions feel sceptical and defensive, and will have a tendency to say, "I have mine and you have yours"? Thank you.

D. Peskov:

Thank you. I will answer the first question, and will pass the second one on to someone else. We are working with Russian universities. We have been signing agreements with a number of universities allowing them use our Global Education programme to create 'breakthrough teams' that will help these universities increase their ranking. We have signed agreements with all leading higher educational institutions in Tomsk. Just recently, we signed an agreement with the Academy of

National Economy and Public Administration. We work in close cooperation with the State University of Management to hammer out a similar agreement. By the way, our panel includes heads of this school. In other words, we are working in this direction. Generally speaking, when we talk about putting five universities in the top-100, we have to ask ourselves: where are these universities, and how do we get them in there? Should we pick five universities to invest in, or pick 50 and see which ones survive? I would like to see if our colleagues have recommendations in this regard for the Russian government. Please go ahead.

K. Korotov:

Maybe we can offer recommendations to the universities, rather than the Russian government?

First of all, each university must begin to hire people, hire teachers, who did not graduate from this same university. The thing is, the majority of programmes around the world have a fundamental stipulation that Ph.D. and Doctorate graduates cannot work in the school they graduated for at least 7–10 years. In other words, if your graduate cannot find work in any other school, then chances are the quality of your Doctorate degree is not very high. So until we make sure we have the desire and resources to hire people from other academic schools; until we make sure our Ph.D. and Doctorate graduates can find a job in another school, I doubt we will be able to increase our rankings.

D. Peskov:

I have a question for Konstantin. If a rector of a Russian university comes up to you after this session and offers you a job at his school, what will you say?

K. Korotov:

I will ask who else is working in this sphere; who is handling the same academic question I am working on; and consequently whether I will enjoy working with them,

whether I will be able to learn something from them, and will we be able to design, publish, or create something interesting together.

D. Peskov:

We can conduct an experiment: I have a feeling you have just such an offer coming your way, and then we will tell everyone how things turned out. Edward.

E. Crawley:

I think the question has raised a very important point. I think actually the desire to have five universities in the Top 100 and the desire to graduate students who are ready to be innovators and leaders of industry might actually be intentional. If you produce a very specific index like QS and you give me the freedom as a rector to design my university to win in the QS scale or Times Higher Education scale, I know exactly what to do. It is to completely ignore the needs of industry and optimize the publication record of my faculty, which will produce very knowledgeable students, but not the well-rounded students that industry asks for.

So, I think in the strategy of the Russian Federation we have to be very careful to achieve both of these goals: to achieve the goal of satisfying the needs of the economy, while also advancing the ratings of these universities in these established scales. I would prefer to create another scale, which recognizes the contribution of the graduates to the economy and then evaluate our programmes that way.

D. Peskov:

Edward, you are doing a terrible thing. What you just said is horrible. You have just used your international prestige to vindicate the opinion popular among representatives of Russian higher educational institutions: they talk in this vein, saying that the rankings are wrong, that in reality things are very good in Russia. This is a very dangerous position. Here, as usual, we run into the issue of criteria. Yesterday, we discussed the results of Russia's World Bank ranking in terms of the investment appeal of our regions. This ranking puts Moscow in last place. Naturally,

representatives from Moscow said that the rankings are simply deficient. We will not change because the rankings are wrong. The issue is that you cannot use the same gauge to measure a leader, and I am positive Skoltech will be a clear and undisputed leader in Russia's higher education sphere, and the mass of organizations with no ability to adequately evaluate their performance. I am afraid people will quote what you said. And then later, you will be asked to design a Russian independent ranking of world universities. This is a dangerous path.

From the audience:

Dmitry, can I comment on something? Just to continue on that comment. It is quite funny you have mentioned the impact of employers and the economy because QS is actually most often criticized because we value employers' opinions. It is included as a 10% share of the tool to index, whereas for Shanghai Jiao Tong and for THE, they actually take pure academia and citation index, but the academy itself says that the employers are not really the buyers of our products. That is why your ranking is wrong, because you also consider them, not just us, not just academia. Thank you.

D. Peskov:

Let us not get into a debate.

N. Ionova:

EVRAZ Plc., Natalia Ionova. Instead of asking a question, I would like to offer a suggestion of sorts.

First of all, dear colleagues, I want to take part in the programme: please send us your students; we will be glad to help. But we are not a high-tech company. We are in metallurgy, ore, and coal. We are going through industrialization, so I was very surprised to hear you begin your presentation by saying that we need people with higher education degrees to work in municipal and federal organizations. I agree with Ivan Nechaev that in order to change things, we need techs capable of building the future.

But I would suggest that our colleagues, and especially you, Dmitry, think about the following issue. We, as employers, have long been training people to work with us, and have been personally shaping them into professionals and leaders. These are the basic difficulties and the main challenges I believe you will face as soon as your first class graduates. You want to end up with people who have the skills, the desire, and the ability to change the world around us: not just apply their knowledge, but manage the changing world. You will end up with people who know exactly what they want, but have no real authority or life experience. And these people will have to manage others. This is not just a question of management skills, but of authority and ability to spearhead changes. For example, when your programme addresses social elevation mechanisms, I think you will have considerable difficulty retaining these people and integrating them into the cold reality of Russia. The thing is, as we taught a generation of leaders, we quickly ran into the fact that the end result is immature, somewhat snobbish people who feel removed from things but are still ready to make judgments and offer their appraisals. But they cannot lead, apply their knowledge in the real world, or change that world.

We already heard the question: what can we do to somehow marry practice and theory? I also think we must think about combining practice and theory. The answer to this question possibly lies in some sort of cycles: study-work, work-study, and, possibly, joint programmes developed together with employers. Because when we send our young people to a coal mine to manage men who have seen death, who know what it feels like to save your friend's life, who have lived through the crisis into which we were dragged in 1991, then within literally 3-4 months, our young people truly become adults. And some lose heart because they cannot do anything about it and realize that their knowledge cannot help them. The ideas you are proposing are excellent, and I want to once again seriously offer support on behalf of the EVRAZ Group, so that we can put these ideas into practice together. Let us think about how we can train sensible and mature people.

D. Peskov:

Ok. I hear you, and I completely agree. Konstantin wants to address your comments.

K. Korotov:

If we analyse enrolment in MBA programmes, Zoya will probably confirm that the number of students who enrol in full-time MBA programmes is falling, while the number of students who enrol in management MBA programmes is increasing. These are programmes for more mature people who come to study in modules while they continue to work. This is probably the way of the future. This practice is not widely used in the USA: American business schools enrol people without requiring any work experience. And I doubt these people will be able to go work in a coal mine. But a 40-year-old person with 15 years of work experience behind him will probably be able to go down into the coal mine and manage men.

N. Ionova:

Dear colleagues, let me briefly clarify and elaborate a bit. I believe that the union of education, theory, and practice must be rooted in the real-life challenges of the business world. An MBA for managers with a certain level of administrative experience is not quite what I am talking about.

D. Peskov:

Thank you. Let us not start a debate right now, so we can answer as many questions as possible. Please go ahead.

S. Lawson:

Thanks. I have sort of been bouncing up and down here. My name is Stuart Lawson and I am with Ernst & Young. For 16 years I was a banker in Russia and I have recently become involved with the educational process here and I teach at three or four of the universities. I want to make a general point, which is that I think listening to the new initiatives, to these new concepts is fantastic, and it is wonderful that this

is developing now in Russia and it obviously links with some of the other priorities. I think something that is extremely important that needs to also be focused on is the syllabus that actually exists inside the traditional universities. Your traditional universities have always excelled in academic excellence in certain areas. I think I can see coming a disconnect between the superb product that you produce out of your traditional universities and the new expectations that are both in the external world and also being created in these new initiatives. And what has to happen, I would recommend, is that people look hard at the existing syllabus inside the traditional universities to see how these can be aligned with the new desires of the government and the new universities.

D. Peskov:

Dear colleagues, any other questions? We probably have enough time for two more questions. Please go ahead.

V. Solovyov:

Vladimir Solovyov, Senior Editor of *Petersburg Teletext*. I am speaking as a journalist. I listened to the discussion very carefully, and I suddenly made a completely unexpected discovery: what you are proposing will begin showing results by 2030-2040. But who knows if we will still be around to see them. Leaders are still piece goods. No matter what we do, we cannot have a million leaders, because every leader needs followers. Our country has one president, and every company has one director. And of course they have subordinates who have to carry out their orders. This is especially obvious in schools that train creative specialists. I am not talking about metallurgy or engineering: I am talking about the creative sphere.

D. Peskov:

Please be brief, if you can.

V. Solovyov:

Well, everything you talked about fails to take into account one very important aspect: the wisdom of our graduates. Naturally, then our education will be a service: a garden-variety service, although it should not be a service, and wisdom should probably be paramount.

D. Peskov:

Excellent, thank you for your question. We are not prepared to buy wisdom. I do not know any school curricula, other than the Taoist teachings, that teach wisdom. But maybe we can think about it, and next time we can send people to China, to Tibet, to study Taoism. I know that some major Russian corporations actively strive to offer their employees wisdom by bringing a certain amount of spirituality into the workplace.

Two more questions. This one is for Carter.

C. Johnson:

Carter Johnson, Country Director at the American Councils for International Education. We work with the government of Kazakhstan as part of the Balachak programme, and with the government of Tatarstan as part of similar programme called Algarysh. I have two short questions.

First, did I understand correctly that the list of universities to which programme participants can apply will change from one year to the next? How often will this list be updated?

And the second question is based on our work in Kazakhstan. What will happen if thousands of winning candidates are not accepted to the university? Will this money roll over to the next year? Or if not, what will happen if they are not accepted?

D. Peskov:

Thank you.

First off, I believe the list will be approved until 2015. It will not change every year: it will change after 2015. The Board of Trustees is responsible for compiling this list.

As for the second question, the money will not be given to the student; it will be paid directly to the university after successful enrolment. Currently, tens of thousands of Russian students enrol in foreign universities every year. For example, last year 1,500 Russian students enrolled in Australian universities alone. This means that if, let us say, 200 people from the first thousand are not accepted, we will simply give the money to accepted students who appear lower down on the list. In other words, regardless, right now the programme has more candidates wishing to study in the world's top schools than money.

Dear colleagues, one last question from the stands on the right.

From the audience:

Tatyana Zelenskaya, Vice-Mayor of Krasnoyarsk, Professor at the Siberian State Aerospace University. I would like to continue the discussion from the perspective of our current need for techs and leaders. The thing is, based on our experience working with the New York, Nottingham, and Budapest universities, and other higher educational institutions teaching our students, and based on our experience implementing joint programmes together with aerospace companies, I believe these programmes shape new character traits in engineers and in managers. This is why it is crucial that curricula include self-management, which is something that exists in American universities, but is not always present in our standards, even the latest ones. Because contemporary creative techs who are currently training to work in innovative fields really need self-management. This is what gives a person extra flexibility in terms of employment, creativity, and recognition by various technology companies. Thank you.

D. Peskov:

Yes, I completely agree. We played sports with your students during the Krasnoyarsk Economic Forum. I can tell you that from our perspective, the most important thing they lacked is the so-called risk culture. They were completely unprepared to take risks: they preferred to get quick, cheap competencies that can

guarantee them a job, rather than long-term plans that will allow them to build a career and become effective leaders. I completely agree. We will take this into account.

Dear colleagues, thank you very much for taking part in our discussion. Thank you, and goodbye. We will see you on Saturday.