

CEU Business School
Study on the Impact of Business Education on the
Georgian Economy

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1. Goal, objectives and methodology of the study

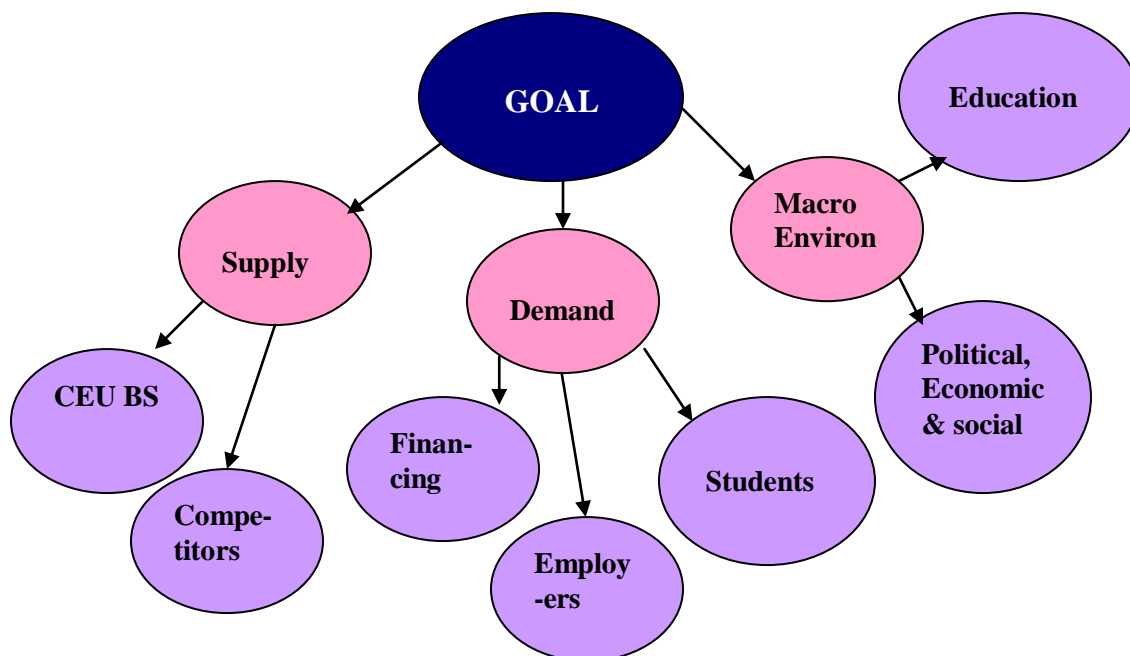
1.1. Overall Goal:

To assess impact of international business studies on Georgia's political and economic situation and evaluate current and future demand for international business education.

1.2. Objectives:

- To study supply side of international business education by analyzing and comparing products offered by CEU Business School and its major competitors in Georgia and abroad.
- To study demand for international business education in Georgia by analyzing needs of existing and potential students, labor skill/knowledge requirements of Georgian employers, availability of complement products such as financing of education.
- To analyze macro environment i.e. political processes and reforms, economic and social trends, education system in Georgia.

The following diagram summarizes the approach taken in this study:



1.3. Methodology

The methodology chosen for research consisted of formal survey of major Georgian employers, informal interviews with CEU business school students and desktop research.

2. Analysis of Macro Environment

2.1. General Political Environment

Since the collapse of Soviet Union in 1990 Georgia has been haunted by political instability. In the last 18 years two out of three elected Georgian presidents were forced out of office following public protests. Civil wars in early 90 have brought 15 percent of the country's territory under the control of unrecognized governments in Abkhazia and South Ossetia. These "frozen conflict zones" have been major barriers to Georgia's development as they are viewed as threats of new violence, thus hindering the process of political and economic stabilization.

Since 1995 Georgian government started to incorporate major democratic principles into Georgian legislative system. However, under President Eduard Shevardnadze, the executive power was ineffective and corrupt, and elections were increasingly rigged. "Owing to incomplete territorial control, extremely low public revenues, and an inability to provide public goods, Georgia was often referred to as a *failing state*."¹

Falsified parliamentary elections of 2003 sparked broad public protests referred to as Rose Revolution, which brought to power Western educated, young and ambitious Georgian politicians led by Mikheil Saakashvili. In the period of 2003-2007 some important reforms in the field of education, taxation and general investment environment, public service, corruption elimination have been carried out. Joining NATO and the European Union (EU) was declared as major national goal. At the same time, constitutional amendments hurt democratic balance of powers. The president of the country was granted more power at the expense of Parliament and judicial branch. Taking into consideration inexistence of credible opposition to the ruling party, Georgian ruling style has become somewhat more autocratic.

¹ Freedom House, "Nations in Transit 2007", Georgia.
http://www.freedomhouse.hu/images/fdh_galleries/NIT2007final/nit-georgia-web.pdf

2.2. Macroeconomic Analysis

Georgia is relatively poor country. According to World Factbook² in 2007 per capita gross domestic product (GDP) in Georgia was \$4,200 (purchasing power parity), the lowest among South Caucasus countries and behind almost all other East European neighbors.

Nevertheless, recent years have seen significant expansion of economy. In the last 5 years GDP grew by 45% in real terms with average annual growth rate 9.7%. Growth in 2007 has exceeded 12% (see chart 1). Major reason for GDP growth is large inflow of foreign directs investment (FDI), which has reached 15.4% of GDP in 2007³.

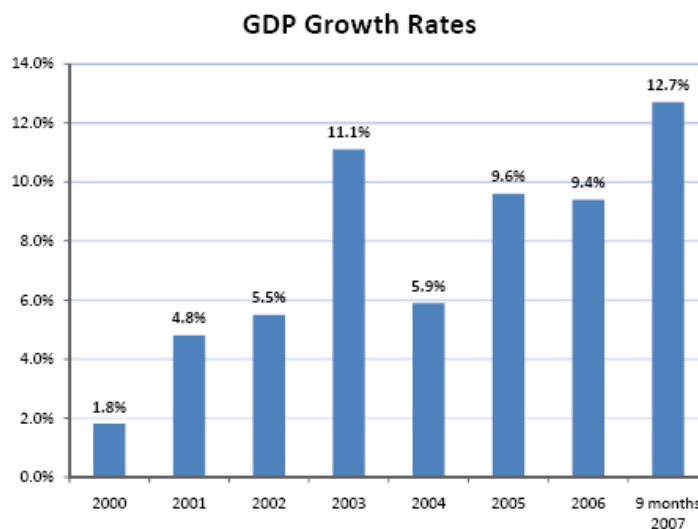


Chart 1. GDP growth rates

Concerning the composition of GDP, Trade is the largest (13% of GDP) economic sector in Georgia since 2006, while Financial Intermediation is the fastest growing. The most rapidly developing economic sectors (and therefore creators of new working places) in Georgia are shown on the chart 2. All together these sectors account for about 50% of GDP.

² <https://www.cia.gov/library/publications/the-world-factbook/geos/gg.html>

³ Presentation of Macroeconomic Development of Georgia, http://progressbank.ge/files/macroeconomic_yfdwdrqe.pdf

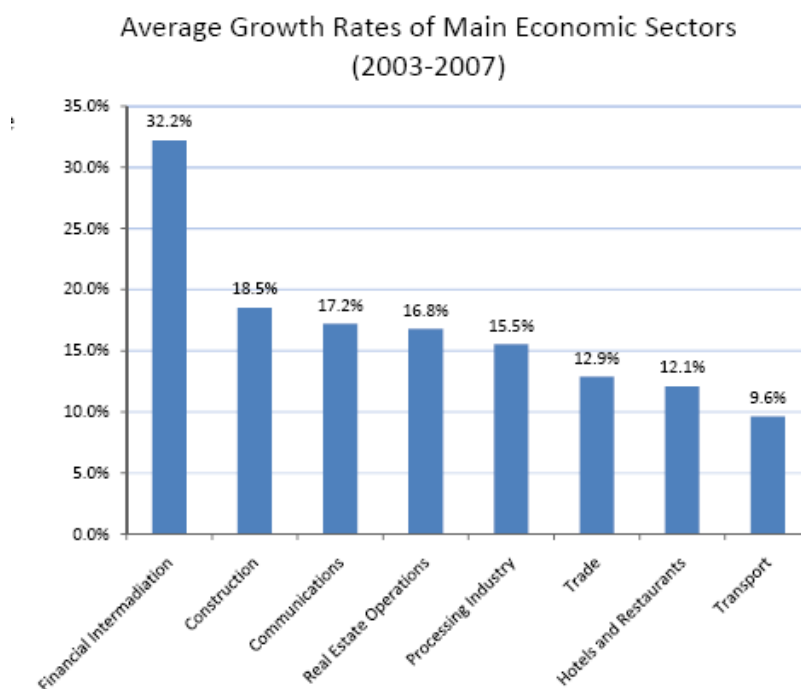


Chart 2. Growth Rates of Main Economic Sectors

Some very important economic and financial reforms have been carried out in recent years to improve investment climate in Georgia. These included adoption of new Tax Code from Jan 1, 2008, which consists of only 6 types of taxes, reducing corporate income tax to 15%, VAT to 18% and introducing flat personal income tax of 25%. Other important changes were implemented through customs, financial, licensing and labor legislation reforms. Significant progress has been made in eliminating bureaucracy and corruption in public and private sectors. Moreover, a number of state-owned enterprises and assets were and are being privatized, which is increasing Georgia's competitiveness.

All these actions by Georgian government gained international recognition. According to the World Bank's annual study on business climate in 178 countries around the world⁴ Georgia ranked 18 on *Ease of Doing Business* in 2007 (improvement from 37th place in 2006 and 112th in 2005), 10th on *Ease of Starting Business* and was named among top 5 reformers in 2006/2007. These will have further positive affect on attraction of FDI to Georgia, which is expected to reach USD 3 billion by the year 2010.

⁴ "Doing Business 2008", World Bank
www.doingbusiness.org/documents/FullReport/2008/DB08_Full_Report.pdf

Georgia also ranks 32nd according to the Heritage Foundation's Index of Economic Freedom for 2008, (18th in the European Region) meaning that Georgia's economy is 70% free.

Foreign direct investment in Georgia flows from American, German, British, Czech, Kazakh, United Arab Emirates companies into such areas as infrastructure, transportation, energy, natural resources, financial sector and real estate development. Some of the largest entrants into Georgian market include British Petroleum, HSBC Holdings, Czech company "Energo-Pro", hotel brands – Marriot, Radisson SAS, Hilton, InterContinental, Kempinski and Hyatt.

Many rich Georgians that made their fortune abroad have also started to invest heavily in Georgia. Some of the most well-known names include late Badri Patarkatsishvili, Bidzina Ivanishvili and famous Georgian football player Kakha Kaladze (AC Milan), the founder of KalaCapital, which invests in financial sector, real estate, energy and infrastructure.

On the other hand, political tensions with Russia and resulting trade problems have negative impact on perceived risk of investing in Georgia. Other emerging risks to the economy include a widening trade deficit and high inflation. Officially consumer prices grow by 11% per year, real inflation rate is perceived to be much higher.

2.3. Population/ Labor Force

Labor force and labor conditions play key role in shaping business environment. Georgia is said to have very liberal Labor Code, the world's most literate workforce, and very competitive prevailing wage rates.⁵ According to UNDP's Human Development Report in 2006 Georgia leads among the developing nations on the adult literacy indicator. In fact, the literacy rate is 100% for persons older than 15. Moreover, the World Bank's "Doing Business 2008" Survey has ranked Georgia as 4th on the Employing Workers indicator.

On the other hand, there is a large gap between income of urban and rural population, which has increased in the recent years. The period after the Rose Revolution has seen rapid emergence of middle class consisting of well-educated young urban professionals. However, economic, social and cultural development of Georgian rural areas significantly lags behind. Official unemployment rate in the country in 2006 was estimated to be 14%, with 31% of population still living below poverty line.

Further, Georgia has negative population and labor force growth rate, even though child birth rate is slightly higher than mortality rate. Thus, the negative growth of population and labor force can be attributed to very high mobility of qualified workforce abroad (brain drain to Europe, US and Russia), which impacts economic development of the country.

Another implication of brain drain is that highly qualified human resources are scarce in Georgian market and thus people with Western education/work experience especially in different areas of business are in high demand.

⁵ Invest in Georgia, Earst & Young report 2007.
http://www.parliament.ge/files/89_17521_841973_INVEST_IN_GEORGIA.pdf

2.4. Education

a. Educational reforms and Bologna process

Georgia became full member of Bologna Process since 2005 making commitment to transform its educational system at all levels to meet European standards. In recent years Ministry of Education and Sciences of Georgia has implemented major reforms with respect to Secondary, Higher and Professional Educations. Some of the major achievements have been establishment of Unified National Examination, which eliminated corruption in university admission of students; changes in organizational management of secondary schools and higher education institutions (HEI) (which ensures both academic autonomy and self-governance); introduction of new financing model, which increased transparency and created healthy competition among educational institutions; introduction of educational standards and accreditation system for public and private Higher Education Institutions.

b. Generation gap and young labor force

As a result of the years of Soviet occupation and the resulting development after this period, Georgia is now dealing with a big gap in cultural values and education among its older and younger generations. The older generations grew up in the Soviet era and therefore have a very different and often inferior education opposed to the younger generation who has turned towards the West European standards. This gap can often creates problems as the two education systems focus on very different aspects, which makes it hard to judge a person's potential when it cannot easily be benchmarked towards a person from a different era.

In general 18 year old person with some Western training is much more marketable in Georgian labor market than a 45-50 year old person without modern skills. Many people holding high managerial positions in Georgian government are in their twenties or early thirties. The overall majority of Georgia's employed labor force in private sector as well is very young.

c. Cultural aspects affecting employment

Although education plays a very important role in recruitment processes, it may not be the most important one. Often personal contacts and family relations are valued more than one's education. For instance, a recruiter may easily choose a candidate, with no higher education, but whom or whose family recruiter knows, over the candidate with a MBA degree. With a population of roughly 4.6 million Georgia is a small country where people's family names are easily known or traced.

3. Analysis of Micro Environment – Supply Side

3.1. Competitor Analysis - Local Business Schools

a. Caucasus School of Business (CSB)⁶ of Caucasus University

The school was established in 1998 in partnership of several Georgian universities (Tbilisi State University (TSU), Georgian Technical University (GTU) and Tbilisi State Institute of Economic Relations (TSIER)) and Georgia State University (Atlanta, GA, USA). The school is accredited in Georgia and also has regional accreditation by Central and East European Management Association (CEEMAN)⁷.

The school offers US style business education using US credit system, teaching methods and textbooks. Most instructors are Georgian, with substantial work experience in the field of instruction. Many of them hold Western degrees. Academic year consists of three semesters (Fall, Winter and Summer). The official language of instruction in the school is English. However, although all study materials, tests, homework are in English, when both instructor and all students in class speak Georgian, communication in class is often implemented in Georgian.

The school offers undergraduate, graduate (MBA and PhD) as well as dual degree programs in Business Administration. CSB also runs professional education programs. Below is the list of degree programs and specializations offered by the school:

⁶ <http://cu.edu.ge>

⁷ <http://www.ceeman.org/?nSel=accredit&nSub=iqaschools>

- **BBA** (Finance, Accountancy, Management, Marketing, International Business, Tourism and Hospitality Administration)
- **Dual Degree BBA of CSB**, Caucasus University and J.Mack Robinson College of Business, Georgia State University (Atlanta, USA) in (Management, Finance, Marketing)
- **MBA** (Finance, Accountancy, Management, Marketing, Health Care Management, Tourism and Hospitality Administration, International Business, Human Resource Management).
- **Dual Degree MBA/EMBA program of CSB, Caucasus University and Grenoble Graduate School of Business (Grenoble, France):** (Global Management, Management Consulting, Business Intelligence)
- **PhD program in partnership with RCB, Georgia State University (Atlanta, USA):** (Finance, Management, Marketing)
- **Non-degree certificate program** – Courses in marketing, general management, finance, accounting, business environment.

Program costs:

Program	
BBA (per acad. year)	3,100 EUR
Dual BBA (per acad. year)	3,640 EUR
MBA (60 credits)	7,600 EUR
Dual MBA (total cost)	11,175 EUR

Tuition fee increases every year by approximately 10-20% to keep up with inflation rate. However, accepted students sign contract with the school at the beginning of their studies which guarantees that their tuition fees will not increase if they finish within 3 years.

No scholarships are offered to graduate students. Top 3 students (according to their GPA) of BBA program receive partial tuition reduction during 2nd and 3rd years of study.

Analysis of benefits and drawbacks

The school is well established in Georgian market and has good reputation among Georgian employers. MBA classes are held in the evenings or on weekends, which allows students not to quit or take leave from their jobs for studies. Also relocation of students is not necessary. The program consists of both mandatory classes and electives but allows for great flexibility in terms of number of credits/classes a student wants to take per academic semester. Further, the tuition payments are on per course basis, which gives a great flexibility to students to plan their studies based on their availability and financial situation at given moment. BBA programs require full-time commitment. The school offers wider range of specializations.

However, high flexibility of class sequencing and personal scheduling often results in problems for students who have already finished all mandatory classes and want to take only specialization courses, since there are not enough interested students to run a course. Also finding instructor for specific specialization courses often becomes a problem, since lecturing at CSB is part-time job for most professors and they usually hold other full-time jobs in the business sector. Another drawback of the school is that since absolute majority of student and faculty body is Georgian, there is less diversity and richness in classroom discussions and group work.

b. European School of Management⁸ (ESM-Tbilisi) (Today part of Free University of Tbilisi)

Established in 1992 with the help of ESM- Avignon (France). Education programs developed in cooperation with University of Cooperative Education, Germany (Berufsakademie Mosbach) as well as London Business School. The credit system is European (ECTS), with 120 credits required for MBA graduation, including 12 credits of thesis project.

Accreditation: Georgian Ministry of Education and regional accreditation by Central and East European Management Association (CEEMAN).

⁸ <http://www.esm-tbilisi.ge/>

Language of instruction is English or German for BBA programs and Georgian for graduate programs.

Student body and faculty is mainly Georgian. BBA programs require full-time commitment. Graduate programs are designed to fit needs of employed students i.e. MBA/MS classes are held in the evenings or on weekends. Payment for the program is done in one or two installments and duration of program is fixed (less flexibility with scheduling).

Programs:

- **BBA (English), BBA in industry(German), BBA in banking(German)** – duration 4 years
- **MBA** in General Management, Finance or Marketing – duration 2 years
- **MS in IT management** – duration 2 years
- **Short-term professional training courses** in Marketing, Management, Finance, Accounting, IT, Economics etc.

Program Costs

Program	
BBA (per acad. year)	2,700 EUR
MBA (60 credits)	6,300 EUR
MS in IT	4,200 EUR

No scholarships are available for graduate programs. Top 5 students in the ranking of BBA program receive partial tuition reduction during 2nd and 3rd years of study.

Analysis of benefits and drawbacks

The school has good name and reputation among Georgian employers. Similar to CSB, classes are held in the evening or on weekends as majority of students have full-time jobs. The program has much more rigid curriculum compared to Caucasus School of

Business, namely it has fixed start and end date, it has to be completed in two years, course schedule is predetermined and sequence of courses can not be altered i.e. all students admitted at the same time take same core courses in the same order. Total program tuition has to be paid in two installments. The fixed curriculum has both advantages and disadvantages. For many students that have full-time jobs it is difficult to attend classes and do coursework for 5 subjects per week, it is serious time and effort commitment for two years. Paying half of tuition at a time may also be problematic without corporate sponsorship. On the other hand, the curriculum forces students to organize themselves and manage their time more efficiently, which is important taking into consideration cultural peculiarities (Georgians are not very organized in general). In comparison because of highly flexible structure at CSB many students take years to finish their degrees or they do not finish at all.

c. Other Business Schools in Georgia

Other less established or popular BS in Georgia are listed below. Since their quality and price is not comparable with CEU BS, they should not be considered as direct competitors.

- **University of Georgia⁹ (former Georgian University of Social Sciences)** has both BBA and MBA programs with specializations in Finance, Marketing, Management, Economics (BBA only), Hospitality and Tourism management (MBA only).

This school is relatively new (exists since 2004) but fast growing, due to support from current government of Georgia. The university has developed and is developing many different specializations. The school invests heavily in advertisement of its educational programs.

Language of Instruction Georgian, student and faculty body is mainly Georgian. The school is only accredited in Georgia.

⁹ www.ug.edu.ge/eng/

Program duration for MBA 2 years, with last semester dedicated to working on thesis.
Program duration for BBA is 4 years.

- **International Black Sea University¹⁰**

Offers BBA, MBA and PhD programs. Language of instruction English. The school has not gained high popularity in Georgia

- **Caucasus Academic Center¹¹**

Offers BBA and MBA programs as well as short term training courses. Also offers short-term non-degree training courses on business issues.

3.2. Competitor Analysis – CEE Region Business Schools

- d. Bled School of Management (Slovenia)¹² (IEDC)*

Founded in 1986, the IEDC-Bled School of Management in Bled, Slovenia, was one of the first management schools of Central and Eastern Europe. Student body and faculty is international. Because of the structure of the program many visiting professors from leading US and European business schools teach at Bled. Language of instruction is English.

Programs

- **One- and two-year Executive MBA programs** –These programs are structured as part-time programs, not requiring full-time commitment and long-term absence from work. Admission and graduation requirements as well as courses for both programs are the same. Both programs require that a student spends 17 weeks on IEDC-Bled School of Management campus. One year program consist of 4 modules (Three modules of 5 weeks each and one module of 2 weeks), two year program consists of 7 modules (2-3 weeks each).

¹⁰ www.ibsu.edu.ge

¹¹ www.cac.edu.ge

¹² www.iedc.si/

- **Three year President MBA program** – The program is created specifically for top executives of companies. It requires long term work experience 10-15 years. It allows for individually designed curriculum from the pool of one- or two-year EMBA courses as well as additional customized courses executives may be interested in.
- **Non-degree programs** – in addition to executive MBA programs, Bled school of management offers 5 week general management program, international summer school for young managers, a range of short seminars and tailor made programs for companies.

Accreditation

International Quality Accreditation status from the CEEMAN (1999).

International accreditation by the Association of MBAs (AMBA) (2005)¹³

Program fees

Program	For 2008-2010
One-year EMBA	23,000 EUR
Two-year EMBA	28,500 EUR
Presidents' MBA program	34,000 EUR

Program costs cover the tuition, classroom materials, and the field study trip.

Financial assistance

Partial scholarships are available for outstanding students with at least 5 years of work experience from certain countries (CEE, Baltic region, former Yugoslavia and former Soviet Republics, including Georgia). Scholarships are offered only for one and two year EMBA programs and range from 20% to 50% of tuition fees.

¹³ <http://www.mbaworld.com/>

3.3. Competitor Analysis - Western Business Schools

Western Business Schools, in particular US, UK and German business schools are very popular in Georgia. It has to be mentioned that school rankings have a great importance in choosing a school, since it is equivalent with prestige and are important for majority of Georgians. Among the most popular Western business schools are: London Business School, Cambridge and Oxford Universities, Edinburgh University, Columbia University, Harvard Business School, Kellogg-WHO, Birmingham College.

It is difficult to compare Western business schools with CEU BS since costs are considerably higher and majority of students would require corporate sponsorship or large loans to afford the education, unless they were lucky enough to get several scholarships. This means long term commitment i.e. the probability that students will return to Georgia right after completion of their MBA degrees is very small. Since majority of students does not return to Georgia, they could be assumed not to contribute to Georgia's development and are not considered in this research.

3.4. Comparison of CEU with its major competitors

The following table compares educational programs offered by CEU with its competitors in Georgia, CEE region and Western Europe. London Business School, which is very popular in Georgia, was used purely for comparison purposes as an example of West European MBA.

As can be seen from the table CEU Business School has both certain advantages and disadvantages compared to its competitors.

Local business schools have advantage compared to CEU since they do not require long-term absence from job and relocation, they also require less overall costs (tuition + living in Budapest). However, local business schools are focused primarily on Georgian market and give much less exposure to international business practices and

trends. CEU has significant advantage with its international accreditation, EU location, much more diverse student and faculty body, future career prospects and financial assistance programs.

BLED's advantage is that it does not require full-time commitment; however it offers only executive MBA programs.

Western Business Schools (LBS) are viewed as much more prestigious (which in Georgia is often equivalent to quality). However, they usually require long-term and considerably greater financial commitment and are chosen by students, who plan to pursue their careers in Europe.

	Local Business Schools		CEE Region		Western
	CSB	ESM –Tbilisi	CEU BS	bled Slovenia	LBS
Programs					
BBA	Yes	Yes	Yes	No	No
Full-time MBA	No	No	Yes	No	Yes
Weekend/Evening MBA	Yes	Yes	Yes	No	No
PhD	Yes	No	No	No	Yes
Dual Degree	Yes	No	Yes	No	No
EMBA	Yes	No	Yes	Yes	Yes
Specializations					
General Management	Yes	Yes	Yes	N/A	Yes
Finance	Yes	Yes	Yes	N/A	Yes
Marketing	Yes	Yes	Yes	N/A	Yes
Hospitality and Tourism	Yes	No	No	N/A	No
Healthcare	Yes	No	No	N/A	No
International Business	Yes	No	No	N/A	Yes
IT management	Yes	Yes	Yes	N/A	Yes
Entrepreneurship	No	No	No	N/A	Yes
Strategy	No	No	No	N/A	Yes
Real Estate	No	No	Yes	N/A	No
Accreditation					
Local/regional	Yes	Yes	Yes	Yes	Yes
International	No	No	Yes	Yes	Yes
Duration					
BBA	4 years	4 years	3 years	N/A	N/A
MBA	Flexible (part-time)	2 years (part-time)	1 or 2 years (Full or part-time)	N/A	2 years (Full-time)
Global/EMBA	16 months (part-time)	N/A	18 months (part-time)	1-3 years (part-time)	2 years (part-time)
Grad. Dual Degree	16 months (part-time)	N/A	1.5-2 years (Full-time)	N/A	N/A
Price (in EUR)					
BBA (per year)	3,080	2,700	7,200	N/A	N/A
MBA	7,600	6,300	18,600 - 21,000	N/A	57,405
EMBA/Global MBA	11,175	N/A	52,500	23,000 -34,000	59,200 - 86,000
Grad. Dual Degree	11,175	N/A	18,600	N/A	N/A
Financial support					
BBA	Partial Top 3 GPA ranking	Partial Top 5 GPA ranking	None for GI.Man. Partial merit-based for dual degree	N/A	N/A
MBA	No	No	Up to 50% of tuition	N/A	Various
EMBA/Global MBA	No	N/A	No	20%-50% of tuition	No
Grad. Dual Degree	No	N/A	N/A	N/A	N/A

3.5. Analysis of Substitutes (non-degree programs)

a. Short-term Professional Training Programs

There is a great number of organizations, which offer training courses of different length and price in business disciplines, including academic institutions/universities. Employers are usually willing to finance cost of training for their employees in areas related to job responsibilities or language classes. However, as there is no accreditation system for training programs in Georgia and no industry standards, it is difficult to compare these trainings, assess their quality and provided value. Therefore, it is common that students and young professionals rely on word-of-mouth in choosing the program. Some of the training providers are listed in the table below.

Organization	Services	Web-site
International Center for Social Research and Policy Analysis	Training and advisory in various areas of business (except finance and operations management).	http://www.icsrpa.org.ge/index.html
Tbilisi Business Training Center	Trainings in: financial and managerial accounting, finance, marketing management, tourism management, banking.	Not available
Market Activity Development Association	Trainings in finance related areas.	http://www.forex.org.ge/
Georgian Banking Training Center	Preparation for European Foundation Certificate in Banking	http://www.gbtc.ge/index.php?lang_id=english&topic_id=1
Georgian Federation of Professional Accountants and Auditors	Offers courses for ACCA exam preparation	http://gfpa.ge/
FORBI – Alliances for Business Support and Development	Together with the Netherlands Institute of Marketing (NIMA) and the Education and Training Center of Netherlands (ETCN), offers Professional European Certification Programs in Marketing Filed.	http://www.e-manager.ge
Training and Development group	Training & advisory in the areas of HR management/ organizational development, marketing, PR, project management.	http://www.tdg.com.ge/

4. Analysis of Micro Environment – Demand Side

4.1 Employers - Survey of major businesses in Georgia

The Goal of the Survey

The goal of the survey was to assess the value of international business education to major employers in Georgia.

Specifically, the survey aimed to test the following hypothesis:

1. From employer's perspective the value of International Business Education (MBA/ACCA/CFA) is equivalent to at least 3 years of relevant experience in managerial position.
2. International Business Education (MBA/ACCA/CFA) increases the value of the employee to the organization and results in
 - At least 100% increase in remuneration (double)
 - At least two step advancement in career (position in the organization)
 - Higher productivity/output of an employee (resulting in increase in profits/cost savings)

Respondents

Heads of HR departments from 8 companies were interviewed. Among the respondents were four banks, one insurance company, one pharmaceutical company, one large consumer electronics retail chain and one wireless (mobile) communications provider. The list of respondents and organizations can be found in annex 1.

Methodology

The methodology used for the survey was in-depth semi-structured interviews, based on the questionnaire prepared in advance. Average length of an interview was 40 minutes. The questionnaire consisted of 19 questions. Please find sample questionnaire in annex 2.

Structure of the questionnaires

- Factual questions related to history/size of the company
- Question related to educational requirements of employees
- Questions assessing the role of business education in employee recruitment and career advancement
- Questions related to sponsorship of employee education
- Questions assessing employer awareness and perception about CEU business school

Response Analysis

- Factual questions related to history/size of the company (Questions 1-3)

Majority of interviewed organizations have been established in Georgia after collapse of Soviet Union in mid 1990s. Thus, approximately 75% of them have been in business for 10 years or more. The rest have been established 4-6 years ago.

Further, the size of the organizations is significant for Georgia. 50% of interviewed companies have over 500 employees, while the rest have 100-400 employees.

Respondents were also asked about employee turnover in their organizations. It has to be mentioned that Georgian business sector in general has relatively high employee turnover. Turnover rate is higher for lower level managerial positions than for middle and upper level management. On average respondents stated that employee stays with the organization for about 3 years. If we filter this response through Georgian culture of defending the face of the organization before strangers, the length of average employment may be lower.

- Question related to educational requirements of employees (Questions 4-7)

The minimum education level required for entry-level position in banking and insurance industry and for entry-level managerial position in consumer electronics, pharmaceutical

and telecommunications industries is BA or BS degree. Further, banks, insurance companies and retailers, prefer bachelor's degree in business related disciplines, while telecommunications and pharmaceutical look more for candidates with industry specific knowledge (background in engineering or medicine).

As employees move up organizational hierarchy, requirements for education increase. Again we can distinguish between banking/ insurance sector, consumer electronics and telecommunications, pharmaceuticals. Banks/insurance firms require at least master's degree for lower and middle-level management (prefer MBA), for upper level management MBA is expected. Consumer electronics retailer can be satisfied with bachelor's degree plus relevant experience for lower and middle managers, and would prefer MBA for upper managerial positions. Other industries have lower requirements for business related education, giving priority to industry specific education/experience. However, all respondents admitted the importance of holding MBA degrees for upper management positions.

Moreover, in according to the HR department heads, in banking/insurance sector approximately 10-15% of employees have MBAs, with 1% on average having MBA from foreign business school. Since telecommunications and pharmaceutical are very specific industries with special education requirements, business education is relevant only for middle and upper managers. Of these in communications about 25% hold MBA degrees including 5% of foreign MBAs. In pharmaceutical company only 1% of management holds MBAs. Likewise, in consumer electronics MBA is not required of general salesmen in the stores or logistics people. Of middle/upper management 30% hold MBAs including about 1% of foreign MBAs.

- Questions assessing the role of business education in employee recruitment and career advancement (Questions 8 -12,18)

Respondents were asked to rate different qualifications of candidates, which play key role in recruitment for managerial positions. About 90% of respondents rated the relevant work experience in Georgia as the thing they look for first when assessing candidates.

MBA from international business school was rated 2nd and local MBA as 3rd, before international work experience (for all companies except pharmaceutical).

Further, on average respondents assessed international MBA to be equivalent to 2-3 years of relevant work experience, while local MBA was assessed to substitute for 1-2 years of work experience. International BBA was rated as local MBA to be equivalent to 1-2 years of work experience. International certificates (CFA, ACCA, insurance specific certification) were rated as high as international MBA but only by representatives of relevant sectors (finance/insurance).

Another topic that survey aimed to investigate was how international business education helps employees to move up the organization and earn higher salaries. Holding all other factors constant, employees with foreign MBA degrees would be on average two steps ahead in organizational hierarchy, while employees with local MBAs would be one step ahead. The international BBA would have no impact on career advancement in banks and insurance company, but would put employee one position ahead in large retailer chains. International certificates in relevant fields (CFA, ACCA, insurance specific certification) would result in promotion of 1-2 positions.

Second, in terms of remuneration, on average an employee with international MBA would have by 60%-100% higher salary, with local MBA by 30-60% higher salary and with international bachelor's by 0-30% higher salary. International certificates in banking and insurance industries would result to about 60% salary increase.

Overall, respondents commented that international MBA increases employee value to the organization since:

1. They have better analytical skills
2. They have more responsible attitude towards their job
3. They are more results oriented
4. They have better communication and networking skills
5. They are more creative, think “out of box” and are able to look at the same problem from different perspectives.

6. They have better knowledge about modern management and world business trends
7. They are more hardworking and ambitious

- Questions related to sponsorship of employee education (Questions 13 -14)

All of the respondents stated that they sponsor education of their employees. Short-term job related training and language courses are financed completely by all interviewed organizations. International certification exams (ACCA, CFA, CII) are either completely or partially (80%) covered by employers. Local MBAs are partially sponsored by all respondents except for small bank (Investbank) and wireless communications company. The employer contribution ranges from 30% - 80% of tuition expenses. The most popular local business schools are European School of Management and Caucasus University (Caucasus School of Business).

In general international (foreign) business degrees are not sponsored since it is too expensive for companies to let go of employees for a year or two (local business schools offer evening classes, so that students can both work full-time and do their MBAs). In addition, it is very risky investment since there are no guarantees that the employee will return and continue working for the same company. There were only few cases of foreign degree sponsorship by large banks; the exception was made for several top managers, who went to top-rated business schools in US or UK.

- Questions assessing employer awareness and perception about CEU business school (Questions 15 - 17)

All of the respondents have heard about CEU business schools, though it gets sometimes confused with CEU. The main source of information was word of mouth – friends, colleagues, some have also mentioned Internet.

Overall, the perception about CEU business school is that it provides better knowledge, skills and more diverse overall experience compared to local business schools, though

many respondents mentioned that local business schools may provide more relevant (to Georgia) knowledge/experience/network.

However, CEU business school is perceived to provide lower quality education/overall experience compared to its Western counterparts in US, UK or other Western European countries. This perception seems to be greatly influenced by Financial Times and other ratings, since Western schools provide “status” so valued in Georgian culture. Some of the respondents also mentioned that in their opinion Western schools are more selective in recruitment of students and pay greater attention to the work experience of candidates than CEU business school or local business schools. This results in richer learning environment and experience exchange and consequently people who return from Western schools are mature “ready-made” managers.

Limitations of the survey

It has to be mentioned that survey of 8 companies has its limitations since the sample size is not large enough to be considered representative from statistical point of view. It was not possible to have a larger sample due to time/cost constraints.

On the other hand, it can be considered that the survey assessed well the most developed sectors of Georgian economy: banking and insurance. The study showed that while in general many companies in Georgia still follow “Georgian culture specific” style of management and do not fully understand importance of modern business education, these two sectors pay more and more attention to continuous training and raising of business education level of their employees.

Further, the format of the interviews helped to counterbalance the drawbacks of the small sample. Interviews were conducted in informal manner, going beyond the questions of the questionnaire, which allowed for more in-depth analysis.

Conclusions

Overall, the study partially confirmed the hypothesis formulated above. Though, majority of respondents stated that length and quality of work experience in relevant industry in

Georgia and in particular within the organization (inner promotion being most frequent) plays the most important role in career advancement and promotion, all have admitted that there is a strong correlation between employee's business education and his/her chances for promotion/salary increase. Holding all other factors constant, employees with international MBAs are two managerial positions ahead with 60%-100% higher salaries, while employees with local MBAs are on average 1 position ahead with 30%-60% higher remuneration. The correlation between international BBA and career advancement is not that obvious, possibly because often bachelor's degree is minimum requirement for a job involving office work in large Georgian company.

The study also showed that international MBA can be considered equivalent to about 2-3 years of relevant work experience, while local MBA corresponded to only 1-2 year of work experience.

Finally, it can be inferred from the analysis of survey results that employers in Georgia more and more believe that business/job related education increases employee value to the organization. This can be assumed from the fact that major employers are willing to invest in employee education implying that return on invest to the organization must be higher (though hard to quantify). The fact that employers are reluctant to finance business education of employees abroad is directly linked to high opportunity costs and risks associated with such investments. As long as returns from the investment are highly uncertain, companies would not be willing to sponsor foreign/international business education of employees. The solution to this problem could be introduction of some legal mechanisms that would enforce terms of contract between sponsor and grantee. E.g. employee can be required to leave his property as collateral that he/she will return after completion of studies and work for the company for the certain amount of years.

4.2. Compliments – Analysis of availability of financing for business education

For majority of Georgians, financing of education is a one of the most important issues when choosing a business school. Few can have sufficient savings to pay as a lump sum for tuition even at Georgian business schools. Further, students are more likely to seek studying opportunities abroad for their Master's degrees rather than Bachelor's degrees because there are considerably more opportunities to get at least partial financial support for graduate programs and because by the time they decide to apply to graduate school they usually have some income of their own (often is larger than their parents'), while for undergraduate education they need parents' support.

Financing choices available to Georgian students consist of: company sponsorship, scholarships and bank loans.

a. Company Sponsorship

Large employers in Georgia (commercial banks, insurance companies, real estate development companies, wireless communication providers) are becoming more and more active in financing their employee education. However, since funding is limited, an employee must convince his/her manager and HR department that the education is relevant to or is directly needed for employee's job. In general large employers partially finance employee MBA classes at leading Georgian business schools, as long as the studies do not require full-time commitment and absence from work for a long time. For this reason, employers rarely finance international degree programs (study abroad), which usually means absence from work for 1-2 years. Other reasons, why investment in employee's foreign degrees is not popular, are considerably higher costs and few guarantees that an employee will return to his/her working place after completion of studies.

b. Scholarships

Several international organizations and the Georgian President's Fund offer partial or full support to finance graduate studies of Georgian students abroad.

- **Development and Reforms Foundation under the president of Georgia**¹⁴ awards partial or full scholarships for Master's or PhD programs abroad to Georgian students, admitted to top-ranked universities. The program is very competitive and priority funding disciplines vary from year to year. Applicants are required to return home within 1 year after completion of their studies and work in Georgian public sector for 2 years. Several CEU students managed to receive scholarships from this Foundation since 2005.
- **The Edmund S. Muskie Graduate Fellowship Program** financed by US Department of State and administered by IREX, offers full financial support for students in former USSR republics to pursue their graduate degrees in selected fields of study (including business administration) in US universities.
- **British Council scholarships for graduate studies at UK universities:** Chevening Scholarships offer full financial support for up to 12 months of study in Great Britain. Study area priorities differ from year to year.
- **BP scholarship fund for graduate studies at UK universities** provide funding to ten young Georgians for up to 12 months of studies.

c. Bank Loans

Majority of Georgian commercial banks have student loan programs to help financing student undergraduate and graduate education in Georgia and abroad. Loan conditions vary from bank to bank and depend on whether the educational institution is located in Georgia or abroad. It has to be highlighted that university reputation (in Georgia) and FT rankings play one of major roles in decisions about granting educational loans.

¹⁴ www.drf.org.ge

Since banks do not offer loans for undergraduate studies in foreign countries, the table below only summaries loan conditions for graduate programs.

	Georgian graduate schools tuition	Foreign graduate schools tuition	Foreign graduate schools living expenses only
Fields of study	Any	MBA, LL.M, PhD (in economics, finance or law)	
Types of educational institutions	Accredited by the Georgian Ministry of Education	Only Top 100 schools according to FT rating	Only Top 100 schools according to FT rating
Annual interest rate	15%-18%	16%-18%	16%
Collateral required	None	Not required for loans under 10 000 USD, otherwise real estate	Not required for loans under 10 000 USD, otherwise real estate
Repayment period	Length of study + 42 months	Length of study + 66 months	Length of study + 66 months
Grace period (no payments are made)	Length of study + 6 months	Length of study + 6 months	Length of study + 3- 6 months
Other requirements	Min. stable monthly salary 150-200 USD and/or guarantors with stable income	1-2 guarantors with stable income	Borrower is able to cover tuition fees
Max loan amount	Cost of studies	Depends on the bank \$10000 - \$50000	\$12,000/year
Providers	Bank of Georgia TBC-Bank Basis Bank Bank Republic Societe Generale	Bank of Georgia TBC-Bank	Bank Republic Societe Generale

4.3. Customers

a. Assessment by Current Students

During academic year 2007-2008 MBA 19 students and alumni from former Soviet Republics were asked in informal manner to evaluate what they valued most about their education at CEU Business School and which areas in their opinion required improvement.

- **Content:**

Among the classes offered by CEU Business School, the content of finance/accounting classes was considered useful but it was suggested that delivery

methods need improvement. Some students have proposed the format of classes that would focus on applying the material rather than memorizing. Case study analysis & presentations, homework discussed in class and group projects were given preference over minute paper/exam format. It was also mentioned that many things learnt in finance classes are not applicable in countries like Georgia, since for instance there are almost no public companies. However, entrepreneurship finance and financial modeling was found very useful. Many students have expressed concern that choice of electives limited and scheduling of classes is not very convenient: e.g. banking elective is offered only in August (when most students are not here), schedule of many interesting electives offered during weekends overlaps.

Among marketing classes marketing research and strategic marketing were named as most useful. Likewise, general management courses focusing on strategy and strategic thinking were considered to be the best, though it was mentioned that selection of such courses is very limited. Some of real estate classes e.g. real estate appraisal and valuation were named as exceptionally good.

- **Skills:**

Many students mentioned that CEU Business School taught them how to work effectively in multinational teams, improved their self-confidence for openly expressing their opinion and speaking in front of large audience. The school has also given them much better perspective on international business trends than they would have gained in their home country.

Among the disadvantages was mentioned very young student body with almost no relevant work experience, which diminishes value of teamwork and classroom discussions. Further, less mature student body also encourages some instructors to use more control/monitoring (attendance sheets, minute papers, exams) mechanisms rather than more adult learning/interest provoking methods such as case analysis and group projects.

- **Network:**

Obtained professional network was said to be more relevant for finding job in CEE or Europe rather than home country.

▪ **Career Services:**

It was suggested that career services should be more active in the second and especially third semester, when students start looking actively for jobs. Further, it was mentioned that students are not given enough opportunities to meet alumni from previous years.

Overall, the student body assessed that improvement was needed with respect to organizational issues such as scheduling of classes/career events, delivery of content and availability of larger selection of electives.

b. Prospective Student Needs – Georgian job market assessment

Georgian students and young professionals, when deciding to pursue business studies, especially at MBA level, are looking for knowledge and skills that will make them more marketable in Georgian business environment (in this study we do not consider those, who are interested in making career outside Georgia). Therefore, it makes sense to evaluate needs of prospective students based on the Georgian job market assessment.

Job market assessment was performed by observing vacancy announcements at two most well-known Georgian job advertising websites: www.jobs.ge and www.hr.com.ge between January – May, 2008. Majority of major employers in Georgia actively use these web-sites to find suitable human resources, thus the data can be considered quite representative.

The observation has revealed the following:

- Approximately 20% of all job postings are either in finance or accounting field.
- 13% of all finance related jobs are provided by banking sector.
- Marketing and sales related vacancies account for about 9% of all job ads (this does not include low skilled sales agents).
- Approximately 14% of all jobs are managerial level jobs.

- Number of jobs in real estate investment/development is 2-3% but is growing fast.

These observations reflect well general economic trends in the country, where financial intermediation is fastest growing sector of economy, closely followed by construction and real estate operations, while trade constitutes largest part of GDP.

5. Results of the study and Recommendations

The study has shown that international business education has positive impact on development of Georgia. The country is reforming at very high pace and its economy is expanding. Key positions in Georgian government and business sector are occupied by young, usually western-educated or western-oriented professionals. Foreign direct investment is growing fast, thus more and more working places are being created, which will require human resources with excellent knowledge international business practices, modern skills and Western professional values. While there is still considerable brain drain abroad, those with international business knowledge/skills, who have returned and participate in development of the country, are highly demanded in Georgian job market and very well paid.

Taking into consideration economic/market development trends in the country, more and more professionals will be required in the area of corporate and investment finance, strategic marketing, real estate development, energy and infrastructure development (in particular tourism/leisure infrastructure). Responding to these trends, more and more educational institutions and training centers focusing on business education are emerging in Georgia. However, it takes time, large financial and excellent human resources to gain reputation in education business. To establish themselves in the market, these education providers try to attract as faculty members Western-educated young Georgian professionals.

Another finding of the study was perception about business education provided by CEU Business School in Georgia. The survey conducted among major employers demonstrated that CEU Business School is still viewed as inferior to Western Business

Schools. International rankings play a major role in formulation of opinion about quality of education. Another major source for shaping CEU Business School's reputation in Georgia are alumni, their professional skills as well as word of mouth they spread. Thus, on one hand CEU Business School should work on very careful selection of prospective students, while on the other hand on providing excellent services to current students and maintaining strong links with alumni.

Moreover, since price of international business education and availability of financing were named among key factors when selecting foreign business school, CEU Business School should focus on exploring partnership opportunities with Georgian financial institutions. The study has revealed that major Georgian banks currently offer student loans only to students admitted to top 100 MBA programs according to latest FT ranking. However, better information about value of education at CEU Business School and more effective direct communication/marketing may increase provide new sources of funding to students interested in pursuing studies at CEU Business School.

Annex 1

List of Survey Respondents

#	Respondent name	Position	Company	Company size (# of employees)
1	Lika Satseradze	Head of HR department	Investbank	100-400
2	Otar Tabatadze	HR recruitment and career development senior specialist	Bank Republic Societe Generale	800
3	Nino Okhanashvili	Head of HR department	TBC bank	2000
4	Nino Khachapuridze	Head of HR department	HPI-holding (insurance company)	100-400
5	Nestan Zurabishvili	Head of HR department	GPC pharmaceutical company and retailer chain	200
6	Eka Lomidze	Head of HR department	Magticom	890
7	Eka Darbaidze	Human Resource Development Officer	Elit Electronics	400+
8	Natia Shubladze	HR Assistant	Basis Bank	100-400

Annex 2. Sample Survey Questionnaire

1. **How old is your organization, when was it established?**
2. **How many full-time employees does your organization have?**
 - a. 1-20
 - b. 20-50
 - c. 50-100
 - d. 100-400
 - e. 400+
3. **What is average employee turnover rate at your organization (how many years on average employee stay at your organization)?**
 - a) 1 year or less
 - b) 1-2 years
 - c) 2-3 years
 - d) 3-5 years
 - e) 5+ years
4. **What is the most common educational level of an employee at**
 - 1) entry-level position _____
 - 2) low to middle management position _____
 - 3) senior managerial position _____
 - a) Secondary Education
 - b) Bachelor's Degree (business related)
 - c) Bachelor's Degree (non-business related)
 - d) Master's Degree (MBA or MS business related)
 - e) Master's Degree (non-business related)
 - f) Bachelor's Degree + some kind of international training/certification (ACCA, CFA, international courses (several month long))
 - g) Other (Please specify) _____
5. **What percentage of your employees have MBAs?**
6. **What percentage of your employees have MBAs/EMBA's from US/European business schools?**

7. Which schools are the most popular among your employees and why?

- a) Local business schools _____
b) Western/European business schools _____

8. What is given more weight in selection of candidate for the managerial position? (Please rate according to priority given in selection process)

- Relevant work experience in Georgia
 Relevant international work experience
 BS/BA from recognized local business school
 BS/BA from US/European business school
 MBA/EMBA or relevant MS from recognized local business school
 MBA/EMBA or relevant MS from US/European business school
 International Certification (ACCA, CFA etc.)
 Other _____ (references etc.)

9. Approximately how many years of relevant work experience (domestic) would you consider equivalent to

- a) BS/BA from US/European business school
0 - 1 1-2 2-3 3-4 4-5 over 5
- b) MBA/EMBA or relevant MS from US/European business school
0 - 1 1-2 2-3 3-4 4-5 over 5
- c) International Certification/Course
0 - 1 1-2 2-3 3-4 4-5 over 5
- d) MBA/EMBA or relevant MS from local business school
0 - 1 1-2 2-3 3-4 4-5 over 5

10. How does business education affect career advancement opportunities? Namely, what is the difference in rank (how many positions) between a person holding a BS/BA degree from local business school and a person holding one of the following?

- a) BS/BA from US/European business school
0 1 2 3 more than 3
- b) MBA/EMBA or relevant MS from US/European business school
0 1 2 3 more than 3
- c) International Certification/Course
0 1 2 3 more than 3
- d) MBA/EMBA or relevant MS from local business school?
0 1 2 3 more than 3

**11. How does International Business Education affect employee remuneration?
Namely, how much increase in salary can be expected with**

a) BS/BA from US/European business school

0-30% 30%-60% 60% - 100% 100 - 200% over 200%

b) MBA/EMBA or relevant MS from US/European business school

0-30% 30%-60% 60% - 100% 100 - 200% over 200%

c) International Certification/Course

0-30% 30%-60% 60% - 100% 100 - 200% over 200%

d) MBA/EMBA or relevant MS from local business school?

0-30% 30%-60% 60% - 100% 100 - 200% over 200%

12. How does the productivity of employee/value of an employee to the organization change with western MBA?

13. Are they willing to help financing business education of employees?

Yes NO

14. If yes, what type of education are they willing to finance? (please explain why, more than one answer is possible)

local MBA/EMBA/Rel. MS degree _____

international MBA/EMBA/Rel. MS degree (does it vary with school?)

international Certification/Course (ACCA/CFA etc)

Short-term (1-2 weeks) employee training (in Georgia)

Other (please specify) _____

15. Have you heard about CEU Business School?

Yes NO

16. How have you heard about CEU Business School? (can select several answers) (If answer is Yes in #15)

From media from our employee from friend/acquaintance school representative contacted us directly internet other

17. How would you position/rate CEU Business School compared to (If answer is Yes in #15)

local business schools

below above about the same

business schools in CEE region/former USSR

below above about the same

Western business schools (US/UK and Western Europe)

below above about the same

18. What would you name as major differences between business education in Georgia and in US/Europe?

19. Respondent's name, position and employer organization