The Berlin Wall had just fallen and half of Europe was in turmoil. Across Eastern Europe there was no international banking system, there were no stock markets, there was no experience in international trade, and above all there were no modern management skills and no way of learning them either. London Business School was one of several schools that decided to remedy that, and fast. As Elizabeth Sullivan, who ran the School’s early programmes in Russia, recalls, “the whole idea of the Soviet management training approach seemed to be to achieve as little as possible in the longest possible time. We went in and tried to do the opposite of that.”

“It was pretty crazy, very exhausting and very exciting,” says Saul Estrin who was one of the London Business School faculty who worked on bringing business skills to Eastern Europe. “You had currency collapse, you had hyper-inflation, you had food riots in the streets. And there we were, flying around Eastern Europe with belts stuffed with hard cash, trying to set up something that resembled real university teaching.”

Societies on the edge
This was a crisis that threatened more than merely economic consequences; societies were on the verge of breakdown. London Business School concentrated on teaching companies how to do business, and on teaching universities how to teach. Others such as Harvard and the London School of Economics were prominent in giving policy advice to governments.

The School’s first move was to create a placement course in the MBA programme, which saw LBS students travel in pairs to companies that only months before had been part of the Soviet economy. The first cohort of MBA placements went to Russia, and then later to companies throughout Eastern Europe.

No place for business
It was a formative experience for the students and for the companies. “You have to remember, Russia wasn’t exactly a friendly place – it wasn’t long before that it had been a criminal offence to be an entrepreneur in Russia,” says Estrin. “And you had to find the companies – it’s not like the West, where you can just walk into any company’s headquarters. These were often huge firms, but they might be out in the Urals, run by bureaucrats who had no conception at all of how to trade with the outside world.”

While this elective programme was run by the School’s Professor David Chambers, Estrin concentrated on the other side of the initiative which was building up management education in the universities of Eastern Europe. Relying on support from the UK’s Knowhow Fund as well as private companies, the School set up business courses, starting at what was then Karl Marx University in Budapest.

Starting from zero
“These courses were and are very influential,” says Estrin. “We were walking into a situation where there were no management courses at all. There were no business degrees, there were no business teachers, you had to start absolutely from scratch, from first principles. Budapest was the first, and then we went on to do the same in Poland, and also in Kazakhstan which to our surprise was a particular success.”

At about the same time there was also a drive to create an executive education programme in Russia, organised by Elizabeth Sullivan, a graduate of the School’s MBA programme.

A different kind of teaching
“The Russians hadn’t experienced anything like this before,” says Sullivan. “They had courses for managers, in fact they had a long list of training courses, but they were amazingly tedious and more or less useless – things like, go on a three day course with the army learning how to light a fire.”

One of the biggest challenges the executive education programme faced was to communicate the basic concepts of marketing. “In Russia nobody believed in the concept of marketing,” says Sullivan. “They just assumed that if you made something that was it, people would buy it.”

In a market, you need marketing
“In fact we had someone from Pepsi come to talk to the group, and he started telling them about going out and finding customers, profiling them, segmenting them, measuring their preferences … well, the reaction was astonishment, not just that you needed to do that, but even that it was possible. Several people said ‘this is rubbish, it can’t be true’. I remember the guy from Pepsi just looked at them and said, ‘listen, this is what I do, all day, every day’. You could have heard a pin drop in that room.”

Elizabeth Sullivan went on to run investment bank UBS in Russia, while Saul Estrin went on to the London School of Economics, where he wrote extensively on the privatisation programmes that reshaped the economies of Eastern Europe.
believes that the LBS initiatives to support the transition from communism made an important contribution to stability. What’s more, it was all achieved at very low cost.

Smoke and mirrors
“We had funding, but the amounts were never great,” says Estrin. “There was so much to do, most of it was achieved more through smoke and mirrors than real cash.”

And the impact on the Eastern Europe of today?
“We can look back now and say it all came out pretty okay – but that was never clear at the time. You could easily have had civil war, as happened in the Balkans. You could have had regression to a malignant form of communism or fascism. What we did was put in place the foundations for better management and better companies – and that made a difference.”

Saul Estrin was Director of the CIS-Middle Europe Centre and latterly Deputy Dean of London Business School, 1991-2004.

Elizabeth Sullivan graduated from the MBA programme at London Business School in 1993.