Chapter #23

EDUCATION AND LEADERSHIP AS DRIVERS FOR ECONOMIC GROWTH
The case of Portugal

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ABSTRACT
The competitiveness of nations requires several factors that must occur for it to attain sustained levels of economic development. Some of the most important vectors that constitute differentiators of nations competing globally are the qualification of its population, as well as the degree of sophistication, capacity for decision-making and strategic vision of its leaders and elites. A greater competitive ability of a nation translates into a higher capacity for wealth creation and a better performance on key items of social and human development. Often, small niches of excellence and strong leadership in key sectors are crucial, notably for the example that these examples of excellence signify to others, thus producing a dragging effect whereby other sectors and individuals are pulled in by inspiring role models and their examples. This chapter examines the performance of Portugal from different indexes, providing different perspectives, all related to levels of education and retention of qualified individuals, aiming to assess and evaluate the deep constrains that the country faces at a critical moment. Recommendations are centered around the key idea of a strong emphasis on the acquisition of knowledge as a catalyst for economic development.

Keywords: leadership, human capital, elites, education, knowledge, economic development.

1. THE ROLE OF ELITES IN AN ECONOMY

An economy develops based on its productive capacity where the formal skills of the labour force play a central role. The existence of highly skilled labour is the key to the world's development, progress, and innovation (Labas, Darabos, & Nagy, 2016; Farinha, Ferreira, & Nunes, 2018). Key to leveraging these competencies, however, is the existence of strong leadership, both at the national and corporate levels. As Jones and Olken (2005) have shown, a nation's elite is fundamental to its economic growth. According to the WEF (2010), regarding the leadership pillar and the role of elites, three competitiveness factors have been identified: retention and ability to attract talent and avoid brain drain; management training and the quality of management schools; and availability of highly qualified experts. In 2018, the WEF changed the evaluation framework, with some categories being replaced by more digital-oriented aspects. There are now 2 out of 12 fundamental pillars for this analysis: Pillar 6 - Skills, which evaluates the role of education in the development of skills and competences in the workforce and Pillar 8 - Labour market, which evaluates the role of "flexibility", especially in human resource management and "talent management".

The study of the role of education in the world of work is not recent (eg Raymond, McNabb, & Matthaei, 1993) and has been studied by different authors and in different countries. The education and training of senior management has become an asset for the

economic development of countries (Abosede, 2018) and organizations (Lis, 2021), allowing for sustained economic growth in different sectors of activity (Flores, Xu, & Lu, 2020; Li, 2020; Monteiro, Almeida, Gomes, & Sinval, 2020; Bak, 2018).

The ability to retain and attract talent, to keep the best individuals in the country at the age when they are most productive and can make decisive contributions to the prosperity of a nation are critical factors of national competitiveness (Brown & Lauder, 1996).

A country's ability to prevent brain drain abroad, to train elites who effectively play a critical leadership role in steering the nation's destiny, are determinants of a nation's future economic growth as well as the future well-being of its citizens. According to Miyagiwa (1991), brain drain will boost the income of the destination country and hurt workers with mid-level skills.

In this context, strong leadership and well-prepared and dynamic elites are critical to the future of nations and are the locomotive and force that characterize the world's most competitive economies. This reinforces the imperative need to retain true talent within a nation's borders, given the disproportionate importance of these individuals in building societies and their distinctive contribution to the economic competitiveness of nations (Beine, Docquier, & Rapoport, 2001). Furthermore, the brain drain abroad has the net effect of reinforcing the critical mass and experts of competing economies for the same resources and markets, resulting in a loss of comparative competitive capacity of the national economy in one of the most important factors for the competitiveness of nations: people (Meyer & Brown, 1999).

The world's most competitive nations have in common the ability to attract talent and keep it from leaving their borders, along with a strong investment in the competence of individuals, identifying and enhancing their leadership capabilities (Paulsen, 2001; Kuprina, Baraniuk, & Vaskovska, 2019). The excellence of elites, and their dynamising role in politics, academia, the economy and culture are important drivers of a nation's development (Woolcock, 1998).

Empirical evidence suggests that the existence of true elites, legitimized by criteria of knowledge excellence, and leadership skills, can be important drivers of societies and economic systems (Brown, Hesketh, & Wiliams, 2003). True knowledge elites should assume in this context a critical role for the economic development of nations and for the improvement of the living conditions of society. Dynamic and competent elites, who offer differential contributions of applied knowledge to their respective areas of intervention, from politics to economics, or in any area critical to social construction, play a fundamental role in achieving sustained competitive advantages for the national economy (Grant, 1996).

The Elite Quality Report 2021 argues that elites are a key to provide the capacity to coordinate the resources of an economy, whether human, financial or knowledge-based (Casas & Cozzi, 2020). On the other hand, high quality elites manage management models based on value creation, which are reflected in wealth creation and improvement in the quality of life of societies. Portugal occupies 27th place in this ranking, in the group of countries classified as holding quality elites (3rd group, after very high quality and high-quality elites) (Casas & Cozzi, 2021), with a value creation index of 57.3 in contrast to the 14th place held in 2020 (value creation index of 58) (Casas & Cozzi, 2020).

2. THE IMPORTANCE OF ATTRACTING AND RETAINING TALENT FOR ECONOMIC DEVELOPMENT

As Schumpeter (1942) noted, innovation is the engine of economic growth and development and is generated by competition between firms that constantly seek an innovation path to confront competitors.

Thus, the ability of a nation to retain and attract talent is a driver for an innovation spiral and one of the most important factors for the competitiveness of contemporary economies. The training of individuals and the excellence of educational systems that trains them, as well as the universal access of citizens to education are critical factors in the competitiveness of nations (Nelson & Phelps, 1966; Keller, & Meaney, 2017). The world's most competitive nations have uniquely talented pools, very strong academic elites, which emanate from rigorous and demanding educational systems (Caballero & Jaffe, 1993; Wallace, Lings, Cameron, & Sheldon, 2014).

The academic elite provides the individuals who attend it to contribute in unique ways to change not only their surrounding realities but even the world. Many of them are important players in their countries of origin, and in their respective areas of intervention have made enormous contributions to building their societies of origin, in many cases being catalysts for authentic paradigm shifts in their worlds (Benhabib & Spiegel, 1994).

In both cases, what underlies the formation of these elites is the access of these individuals to excellent teaching, to the state of the art of knowledge, under the best teaching conditions. However, there is a dimension of networking which is crucial in the formation and spirit of these elites, and which is sometimes more important than the curricular merits or excellence of the programs and lecturers who deliver them (Hale & Moorman, 2003).

This type of atmosphere constitutes beyond the constant intellectual challenges it raises and the cultural and academic heterogeneity that allows a vast incorporation of knowledge and experience, an important credibility capital, of trust that is transmitted to the individual by teachers and students in a systematic and secure way and that, sooner or later, finds expression in the individual's intervention in his world (Gurin, Dey, Hurtado, & Gurin, 2002; Alves, Dieguez, & Conceição, 2019). Often, this halo ends up excusing some failures that happen in these institutions, which like others have their weaknesses, but the reputation capital that they incorporate allows a little like what happens in the context of the phenomenon of product and company brand reputation, to somehow float above these failures.

In the WEF ranking (2018), Portugal ranks 64th in attracting talent and 62nd in retaining talent, which is a mediocre performance and a drop from the 52nd position it occupied in 2008. Many recent graduates, as well as future Portuguese graduates, end up leaving the country in search of job opportunities outside Portugal. This aspect becomes even more important when we observe that in the most competitive countries, with greater capacity for economic growth and development, this criterion is fundamental, occupying the top positions and with attempts to improve for those with less appealing positions. As an example, analysing the first three places of competitiveness of nations, Switzerland ranks first in terms of competitiveness, coinciding with an identical position in the capacity to attract and retain individuals. Another example is Singapore, which ranks fourth in terms of attractiveness and fifth in the retention of highly qualified individuals, a trend that accompanies the global competitiveness ranking where it ranks third. Finally, the USA which ranks second in terms of competitiveness, is ranked third in retention and 5th in attracting talent (WEF, 2008-2018).

With the ageing of the Portuguese population, the question that arises is how to reconcile a reduction in the active population, via emigration, of this magnitude, with the social costs resulting from a non-active population dependent on it for survival (Bongaarts, 2004). It is not only about the reduction of the active population, but what kind of active population we are talking about, since we are talking about the most qualified, with greater knowledge and education, younger and with a longer working life ahead.

The ageing of the world population in developed economies, as is the case with Portugal, besides reflecting the generalized advances in medicine, also reflects the achievements of the health system in recent decades and its evident impact on the increased life expectancy of individuals, as well as the general improvement in their quality of life. All this has been very positive and constitutes a strong civilizational advance of the countries (Pardes et al., 1999).

The low birth rates in Portugal, in line with what happens worldwide in more developed countries, stem from different generational approaches, but mainly reflect a collective perception of extreme insecurity regarding the future, a present characterized by strong economic instability and unpredictability in the lives of individuals, together with the sociocultural changes that have occurred. This characterization of current daily life shows that important references in the life of individuals are seriously questioned and, in the face of ambiguity and uncertainty, significant reductions in the birth rate and the gradual but certain ageing of the world population persist (Cohen, 2003). As Cohen (2003) states, in 2050, population growth in world terms is expected to be between 2 and 4 billion individuals, a slower growth and ageing of the population compared to the last century and a greater decline in the more developed regions.

Thus, with the observation of the nation's inability to retain its best talent, to attract talent from abroad and with the ageing of the population, the empirical evidence is not ambiguous regarding Portugal's prospects if these issues are not confronted, in line with what is happening in the European Union (Giannakouris, 2008). The only possible path is the creation of wealth, which can compensate adverse demographic trends, as well as the formulation and implementation of social policies, which objectively counteract the direction of demography, which moves indelibly towards a progressive and accentuated aging of the population (Van de Kaa, 1987).

The flight of the best, most competent and youngest people is evidence of the ineffectiveness or non-existence of employment policy solutions aimed at economic growth (Mahroum, 2005). Occasionally and in isolation, there are occasional and localized social policy measures to settle individuals in communities through financial incentives, but nothing systematized, of strategic scope and national scope.

Retaining talent is critical for a nation's economy. The brain drain to other countries causes a terrible vacuum for a nation, as it means the dilapidation of talent in critical areas of societies' lives. In addition to the waste of strong investments made in the education and training of its best individuals, their departure occurs precisely at the time when they could best contribute to the construction of the country, constituting something deeply disappointing and discouraging. Individuals, on the other hand, feeling that they do not have opportunities in the country to express their talent, knowledge, and creativity, rightfully seek those same opportunities elsewhere (Meyer, 2001; Thibault Landry, Schweyer, & Whillans, 2017).

If Portugal continues to witness the definitive exit of its best assets, this will have incalculable consequences for the future of the Portuguese economy, because it also implies the exit of individuals who can cause the paradigmatic cleavage that is fundamental in the areas of innovation, and applied knowledge, which are essential conditions for the

construction of a new model of national competitiveness, based on excellence in performance leading to sustained economic growth. The paradigmatic leaps in these areas are an imperative for national competitiveness and for the viability of the future of the Portuguese economy, given the challenges of global competitiveness that it will have to face. If it does not do so successfully, there will be hardly any economic growth.

The definitive departure of individuals abroad, also seems to be a scenario that best characterises the current exodus and which represents a fundamental deviation in relation to historical migratory phenomena, some relatively recent, occurred in Europe (Galgóczi & Leschke, 2012). This happens because many of these individuals will have no intention of returning, faced with a country that has harassed them and previous generations that have irrevocably compromised their future (Delicado, 2008).

Another reason why many of these individuals will not return is precisely the same motivation that made them leave, i.e., the country will not recover soon, since the nature of the problems is systemic, behavioral and, above all, slow to be solved, since the vocation and will to reform are non-existent, the obstacles are many, and so is external dependence, making decision-making autonomy in any strategic matter virtually non-existent. Furthermore, the fundamental reforms have not yet started, and they are not only structural reforms in the labor and goods and services markets. They are about reforms towards a more sophisticated business environment, towards characterizing the economy as innovative and centered on fundamental and applied knowledge (Nicholls, 2013). In particular, the sophistication of the business environment is characterized by a very important behavioral dimension, which includes variables such as the orientation of companies towards customers, the constant concern with the concept of value addition, the effective use of marketing tools, etc. (Kotler & Armstrong, 2010).

This happens not only in technocracy, but also in the crucial understanding of the sciences of Management and Economics, and the role they have in enhancing knowledge tending to an effective control of the links in international value chains where value is concentrated in the main chains. Individuals trained to have these competences understand exactly what the requirements and capabilities inherent to occupying prominent positions along these value chains are, namely what is needed to progress downstream in them, with high-profile brands and enormous value-added content.

Without sustained GDP growth, citizens' levels of social and human development, expressed in the universality of access to health, education, and the welfare state as we know it today, cannot and will not be guaranteed (Meier & Werding, 2010). The future provision of public goods without a decrease in quality and comprehensiveness, given current demographics and adverse trends, can only be guaranteed by an (unlikely) economic growth of the nation, which is difficult to envisage with current indicators. Added to this are the economic discrepancies existing in the country, with an ageing and impoverished interior and a more developed coastline, where there is a greater concentration of income. This situation creates an economy with different stages of development that must coexist (Spaventa, 2013).

In addition to the emptying of the fundamental and applied knowledge content, which constitutes the brain drain abroad, the greater cosmopolitanism and sophistication, which characterizes the best of this generation, could contribute to the sedimentation of a culture of demand among the stakeholders of the national economy (Hall & Vredenburg, 2012). Among other economic agents, more cosmopolitan consumers can trigger a profound transformation in the business environment, a purging of consumption criteria towards a focus on aesthetic demand and hedonism. This embodies a brand identity culture, which is

the ideal counterpoint to the sterility of function and price of basic tradable goods, which characterizes the pale national business and consumer environment.

The departure of younger individuals, who despite the serious problems of education in Portugal, constitute the generation with the highest level of education ever and specific training unparalleled in the history of Portuguese society, also translates a surgical reduction of talent, which prevents the construction of critical mass, in the areas of innovation and fundamental and applied knowledge, critical for national competitiveness (Di Maria & Lazarova, 2012).

These are the key elements of the modern competitiveness of nations and the loss of individuals who can best and know how to interpret the requirements for growth in contemporary economies is something dramatic for a nation. This is particularly true when these individuals are lost to competing economies with the Portuguese economy, which compete for the same markets and consumers, and which operate in many cases in the same sectors of economic activity.

3. COMPETITIVENESS THROUGH BUSINESS SCHOOLS

Higher education assumes a critical role in the growth of local, regional or national competitiveness (Lane, 2012; Chentukov, Omelchenko, Zakharova, & Nikolenko, 2021). Management education is one of the important predictors of the competitiveness of nations, i.e., there is a strong clustering of nations with excellent performances in the quality of their Business Schools, which consistently appear at the top of global competitiveness rankings (Sabadie & Johansen, 2010). Nations with excellent Business Schools are usually the most competitive in the world. This association between management training variables and the competitiveness of nations does not imply a causal relationship, but it is an important one. What it does show is that the quality of management education in an economy is correlated with the nation's competitiveness and its economic performance.

In this context, the quality of business schools is associated with better performance of the economy in the pillars of innovation and sophistication of the business environment, greater linkage between academia and business (Hewitt-Dundas, 2013). These developments translate into greater consumer competence and demand, as well as the overemphasis of the crucial role played by marketing in modern competitiveness. Management education contributes to a better performance of the economy in these critical factors of competitiveness and enables a better understanding of the vital importance of the need to control value chains in the globalized context of contemporary economies and enables economic growth (Hanushek & Woessmann, 2012; Máté & Darabos 2017).

In the Financial Times ranking of the 100 best business schools in the world in 2021, Portugal has four schools. The best ranked school is in 23rd position and the fourth school is in 98th position. Since 2007, the year in which for the first time a Portuguese school achieved a position in this ranking, much has changed in education in Portugal. More than just numbers, the rankings in business schools are important because they lead to the optimisation of resources, leading schools to improve conditions and to compete, while collaborating with each other. This healthy rivalry between institutions boosts the quality of teaching and, ultimately, the quality of managers and future leaders.

In this sense, rankings are much more than mere numbers. We should look at rankings as significant drivers of a country`s reputation. A good performance of a country is indicative of the quality of its leaders. Business education rankings have been long criticized, in particular the methodology used (Jack, 2021). However, there is a societal

impact, although it is difficult to measure. But it is unquestionable that positive rankings improve quality, and improved quality provides better future leaders.

In 2018, Portugal occupied the 31st position (WEF, 2018) regarding the quality ranking of its business schools. Although distant from the most competitive economies, it should be noted that in 2008, Portugal occupied the 38th place, having been trying to improve its performance in this variable. The recent performance of some Business Schools in Portugal regarding some programs should be imitated and generalized to the different MBA, master's and doctoral programs. Excellence in performance in Full-Time MBA programs, but also in PhD programs, constitute the universally accepted barometer of Business School quality and, given the importance of the quality of management education as a factor significantly associated with the competitiveness of nations, the role of management education and the quality of institutions in modern economies should be emphasized.

4. ENGLISH PROFICIENCY AND COMPETITIVENESS

Another important ranking for the competitiveness of a country through education is the EF English Proficiency Index (EF EPI, 2020), which intends to measure English skills. The index comprises 2,2 million nonnatives speakers in English. English proficiency is often regarded as a competitive advantage, not only for students, but also for managers and countries. In today´s world, the English language represents a powerful network effect: it brings people together and facilitates the dissemination of new ideas. In 2020 Portugal reached the 7th place in this ranking, after having achieved for the first time, a place within the *high proficiency* group in 2019, with the 12th position.

There is a strong correlation between English proficiency and the Global Talent Competitiveness Index, a report that assesses a country´s ability to attract, develop and retain skilled workers. The index includes essential skills like market attractiveness, global growth skills, professional and technical competence, global knowledge, and retention rate. Portugal integrates the group of countries with the best talent index in the world. In the general ranking, which includes 132 countries, Portugal reached the 28th position. Some of the most important findings of the EF EPI 2020 Report is that English proficiency correlates with innovation and produces changemakers. English skills help countries stay competitive and make way to economic growth.

5. THE NEES FOR APPLIED KNOWLEDGE FOR ECONOMIC DEVELOPMENT

The current paper has been emphasizing the importance of labour factor development and sophistication in building foundations for sustained economic development and growth (Acs, Estrin, Mickiewicz, & Szerb, 2018; Bosma, Sanders, & Stam, 2018). This development can be done by upskilling existing human resources or attracting highly skilled resources. Another key aspect is maintaining a strong and consistent pool of scientists and engineers in the economy.

But what does an economy gain from having many scientists and engineers? In a context of intense competition among nations, in capital-intensive economies, and with strong requirements for fundamental and applied knowledge in areas of engineering and technological knowledge, the quantity and quality of scientists and engineers available in an economy is an important indicator of its competitive capacity (Hunter, Oswald, & Charlton, 2009). The study by Ioannidis (2004) shows that regardless of the degree of economic

development of the country under analysis, the emigration of scientists reduces the development potential of knowledge areas, because the migratory trend will perpetuate.

An economy characterized by capital-intensive productive sectors gains from having many qualified engineers, scientists, and experts, as they can transform fundamental knowledge into applied knowledge, innovating productive processes and, in the best examples, even revoking the technological paradigm and the incumbent business model in important sectors of economic activity (Eraut, 2009).

Portugal's position in the WEF ranking, regarding the availability of highly qualified scientists, engineers and experts in scientific areas is 52nd in 2018, below the globally more competitive economies that occupy the top places in this ranking (Finland or USA), having even worsened in the ranking since 2008 (it occupied the 48th position). However, since there is a correlation between the competitiveness of nations and the availability of qualified professionals in the economy, the key is to optimise the use of these specialised resources by the industrial and business sectors so that the national economy increases the levels of efficiency resulting from these added values.

If the Portuguese economy is only viable according to a model of competitiveness based on capital-intensive sectors, then the availability of highly qualified scientists, engineers, and experts, who can best meet the knowledge requirements that this type of model imposes, is by definition a critical imperative for the competitiveness of the national economy.

In view of this, aspiring to compete with knowledge economies without making the necessary investments in the areas of innovation and without taking advantage of the best brains in engineering and science is a contradiction in terms, which cannot lead to good results. The proliferation of scientists and engineers in an economy can never translate the idea of a qualified unemployment problem. In the framework of the challenges faced by the Portuguese economy, the country cannot waste the use of its specialized human resources. In fact, the diagnosis presents a single possible way out of the current situation: incorporation of the most educated and sophisticated resources into the economy, with the aim of creating activity sectors with goods and services with increased value, resulting in the creation of wealth, the only way to sustained economic growth.

6. CONCLUSIONS

The inability to absorb extremely well qualified individuals in critical areas for the economic growth of nations translates into a serious problem of dangerous strategic bias in the path of the economy, with high costs today and in the future. A brain drains to abroad and the waste of investment made in the training of individuals, who will later be taken advantage of by competing nations, constitutes the genesis of the inability to compete on an equal footing in the global economy. It has underlying it a negative mechanism of self-reinforcement of the economy's (in)competitive capacity and will certainly translate downstream into unsustainability of the social state and a drastic reduction of the nation's performance in an important set of social and human development indicators.

The brain drains from a country such as Portugal is extremely harmful for a nation of limited resources, and represents a terrible perpetuation of its dependence on the exterior, which can only be reversed through a substantial improvement in the nation's competitive capacity and in the command of its own destinies. If this situation is not changed, the brain drain from the country will translate in a short space of time into losses of competitiveness and not the desired gains, which occurred in the first two decades of the millennium, according to WEF reports (from 22nd in 2000, to a 34th in 2019).

More than that, if this brain drain materializes in a systematic and continued way, with the most capable individuals leaving the country, then one can expect even more abrupt drops than those that occurred in the last decade, of Portugal in the competitiveness ranking of nations. It will not be too much to repeat that this will inevitably translate into sharp drops in the social and human development indicators of the Portuguese.

Unfortunately, the brain drain item does not give grounds for optimism, since there is no specific concern with retaining the best people. Sometimes the opposite even happens, with the recent institutional stimulus by the decision-maker to the emigration of the youngest. Nor does there seem to be a specific concern with retaining them in the country, translated into concrete employment programs, aimed in particular at individuals who fit this profile.

The existence of more and better engineers and scientists in an economy is, in the abstract, a positive contribution to its greater competitiveness, because it has a direct impact on an economy's capacity for innovation. However, the relationship between the number of qualified engineers, scientists and experts in an economy and its innovative capacity depends on other factors, which may enhance, or alternatively mitigate, the positive effects of the availability of many engineers and scientists in the economy.

In conclusion, to increase the competitiveness of nations, which sustains economic growth, it is fundamental that economies base their economic development model on sophisticated technology, knowledge, and qualified human resources. These will be the pillars for a developed economy struggling for sophisticated markets and demanding consumers, but with high purchasing power, where the potential for value creation, brands and reputation will be substantially higher, formatting the economy for a spiral of sustainable growth.

Finally, the analysis carried out will be conditioned soon by the effects of the pandemic. The pandemic had relevant but still unpredictable impacts on education with the use of distance learning as a tool to overcome confinement. This period of adaptation to an unpredictable reality generated different adjustment processes and clearly accentuated asymmetries between the learning of different social realities.

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