

BRAVE

New World,

BOLD



New B-School

by **Tim Westerbeck**

Top strategic scholars have a message to business schools: To stay relevant to business, management education must stop chasing the future — and start inventing it.

Business schools can be notorious institutions of habit. It's a tendency that may have served them well for the last 120 years, but it won't get them through the next ten, according to Gary Hamel, author and visiting professor of strategic and international management at London Business School. He explored the implications of this idea at a recent roundtable discussion at Monterey Institute's Fisher Graduate School of International Business in Monterey, California.

The event, **"The World's Reigning Strategy Gurus,"** brought together leading experts on business strategy, including Hamel; Stefanie Lenway of the University of Minnesota in Minneapolis; Yves Doz of INSEAD in Fontainebleau, France; Michael Enright of the University of Hong Kong; William F. Sharpe of the Stanford Graduate School of Business in California; Michael Czinkota of Georgetown University's McDonough School of Business in Washington, D.C.; and Ernest J. Scalberg of the Monterey Institute's Fisher Graduate School. Like all modern organizations, they said, business schools will survive or perish on their ability to evolve with and within a rapidly segmenting marketplace.

To encourage the evolution, the gurus outlined in their discussion an ambitious business school "to-do list" for the upcoming decade. Their proposed objectives strike at the core of traditional business education, but business schools may ignore them at their own peril. In a market that continues to move ahead by leaps and bounds, said these strategists, cleaving too much to tradition is akin to merely running in place.

DEFY convention.

Academia is famous—or perhaps infamous—for cherishing a "what was and is must always be" mentality. To move forward, business schools must first cast off this mindset, said Hamel. "Educational institutions as a class are extremely conservative, and educators as a class are some of the most innovation-resistant people on the planet," he said. "In that sense, I don't think that the academic environment is very conducive to radical innovation."

All innovation starts, Hamel continued, when individuals separate all that is the "physics" of their organizations—the processes that must be that way because they aid development—from "the dead hands of convention and history" that only limit development. "This perspective is the starting point for innovation or for strategy," he said. "You must systematically deconstruct the orthodoxies, conventions, and dogmas people hold."

Hamel's analysis of management education as "physics versus convention" represents business schools' most central struggle, these strategists agreed. It's the fundamental pull-and-tug between traditional in-person learning and the

technological promise of new forms of distance learning; the clash between faculty who teach and faculty who research; the conflict between local obligations and global outreach. To what degree should business schools choose the former over the latter? How business schools resolve these conflicts will have major implications on just how much they can achieve, said Michael Czinkota, professor of management at Georgetown University.

"From its 'profane' beginnings in Padua and Bologna, university education is now more than 1,000 years old. Amazingly, in many instances, 'industry participants' from 975 A.D. could function well in today's workplace," Czinkota joked. "We still lecture, speak *ex cathedra*, and have students huddle around the teacher." As a result, he argued, many traditional management education institutions have given insufficient attention to experiential knowledge exchange, to the development of global rather than local matrices of knowledge, or to the use of technology to communicate that knowledge.

As business schools delve into these three areas, they must ask two other important questions. First, as the price

of education increases, will management education once again become the exclusive domain of the elites? And as new barriers to education present themselves—such as more restrictive visa requirements, funding constraints, environmental dangers—how will business schools make sure their educational offerings reach all of their potential markets?

Two areas especially—experiential learning and the global distribution of knowledge—could help business schools solve these dilemmas in ways that benefit everyone seeking a business education, Czinkota pointed out. He agreed with Hamel that business schools must choose now which conventions make them stronger and which should be jettisoned for good.

INNOVATE!

There is no greater task for business schools than to become “radical innovators” for businesses worldwide, the panelists agreed. To serve a shifting customer demographic, business schools must offer students real-world experience, greater access to information, expanded use of technology, a higher level of skill development, and more sophisticated global perspectives.

That’s no small task, said Hamel, but it’s one that the business school community must take to heart—and quickly. There is a sense of immediacy because for-profit institutions are already implementing innovations that reach this demographic, threatening to step in where business schools have traditionally feared to tread.

One prominent example is the University of Phoenix, a



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powerhouse organization with a decidedly contrarian approach to higher education. In just a few years, and in spite of its detractors, the online educational provider has developed a national presence, building market capital of more than \$13 billion and establishing more than 140 campuses.

Business schools can perceive the U of Phoenix either as a threat or as an example of how far innovation can take an institution in a fluctuating market, Hamel suggested. “Not to hold it up as an exemplar for education,” he said, “but the University of Phoenix illustrates that there is enormous potential for innovation in education, if people are willing to think in new ways.”

DON'T follow fads.

The panelists agreed that a percentage of the traditional management education

market will go to radical innovators who are better positioned to satisfy shifting market demands. Without attention to long-term issues, however, the competitive advantage innovation presents quickly dissipates. One only has to think of the roaring “dot-com ’90s” to know that style can’t survive long without substance in business. Pairing innovation with issues of lasting significance is crucial.

Innovation, then, should be handled with care. Viewing the business school enterprise through the same lens as commercial organizations can lead to a skewed understanding of market realities. It can also create false expectations for what business schools should be and do, said the strategists. “Jumping on bandwagons,” so to speak, is better left to those industries that can afford to miss long-term opportunities.

“Educational institutions can provide information and experience that is similar to that gained in the real world, but their comparative advantage lies in large part in other areas,” said William F. Sharpe, the Timken Professor Emeritus of Finance at the Stanford Graduate School of Business and winner of the 1990 Nobel Prize in economics. “This is not to denigrate emphases on leadership, entrepreneurship, management, and global business. Both traditional and newer institutions will do more in these areas in the future. But traditional business schools have been intentionally designed to have inertia, to focus on long-term issues and not get caught up in fads.



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Sharpe emphasized that subjects such as macroeconomics, microeconomics, the workings of financial markets, and risk and return in capital markets are the critical underpinnings for business success. Yet these are issues that aren’t likely to be adequately addressed in business environments. They are best learned in business schools, said Sharpe. “In short,” he states, “one needs a *gestalt* from which to make business judgments.”

Ernest Scalberg, dean of the Fisher Graduate School at the Monterey Institute, noted that the mission of business schools allows a vast continuum of models for the delivery of management education. “In this market, we may have a situation in which small business schools that haven’t changed much in the last several centuries may compete successfully against radical new models of organization.” With the right balance of innovation and vigilance, he added, such schools can develop methods and resources that would rival those of any multinational corporation.



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CREATE new competitive contexts.

It’s not enough to wait and see what competitive and innovative contexts lie in store for the business education market. To succeed, business schools must be more active in creating their own competitive contexts, using all the tools and technology at their disposal.

Inventing the best means to create, distribute, protect, and leverage value-added intellectual capital is the challenge



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of every business school, whether it is big, small, local, regional, or global, the strategists said. This challenge is even more substantial in the face of market expectations; industry needs; geographic, political, linguistic and other barriers; and an increasingly diverse set of competitors.

Although it may not be as effective as in-person interaction, distance learning may be the tool business schools use to take best advantage of their intellectual capital under this broad set of circumstances, said Stefanie Lenway, associate dean for MBA programs and professor of strategic management and organization at the University of Minnesota.

“We need to provide more opportunities for completing some degree requirements through distance learning. This will require a major investment in training faculty how to teach online,” she said. “Traditional MBA programs need to entertain the possibility that increasingly more business education can fruitfully be done online.”

DON’T JUST RESEARCH—experiment!

Even though technology is a critical dimension of this new era of competition, the panelists agreed that traditional educational programs will need to do more than increase their use of technology. They need a more experimental and aspirational approach to research and teaching to stay ahead of the competitive curve. They must be willing to go inside organizations and experiment with new approaches to business problems, as a medical researcher would experiment to find the best treatments for physical illnesses. They must try new things, set up new structures, establish new initiatives, and train people in different ways—and like medical researchers, watch to see what happens.

In most physical sciences, research is highly experimental, said Hamel. Researchers generate hypotheses and control each experiment to discover new approaches that enhance the business environment. Business research, on the other hand, is largely *reactive*; it studies approaches already in place and determines whether or not they are effective. That’s not innovative or inventive, Hamel remarked. In many respects, it’s mere notetaking.

Even economics has shifted to a more experimental approach to research, Hamel noted, adding that business schools should follow suit. “The bleeding edge of economic research is behavioral economics, in which researchers put people together and construct some kind

of laboratory experiment to see how they react to different kinds of incentives,” Hamel commented. “But in business schools, we haven’t done this very much. So we are often more glorified journalists than anything else. If business schools want to be relevant, they have to be seen as making an impact. They have to be seen as the inventors of new management practice.”

Hamel has searched for business schools that are conducting academic experiments designed to develop new methods and tools for use in business—to see what works and what doesn’t—and come up empty-handed.

“As far as I know, no one has yet created a model for business teaching and research that is both aspirational and experimental. To invent, one needs both. One needs to work in the real world with smart people, imagine something that doesn’t exist, and create it,” Hamel said. “There’s enormous room for innovation in this area; but it won’t be easy and it certainly won’t be quick.”

GLOBALIZE—really.

Globalization is the biggest buzzword on b-school campuses. Many business schools tout their global programs with great fervor. There’s only one problem, said these panelists. In many cases, many schools are more global in word than in deed.

“Business schools all like to believe they are global and have an international focus,” said Hamel. “But for many of them, the first rule is that all faculty must live within 50 miles of the head office. What global business in the world starts out by saying everybody we hire has to live within 50 miles of our campus?”

Part of the problem is a narrow—and traditional—definition of a university as an institution that is geographically constrained and identified with a single city or region. As a result, every university has to support an entire faculty on its own because it can’t borrow faculty from somewhere else. It’s a system that is quickly becoming outdated.

With that in mind, Hamel continued, all business schools must ask themselves what it means to build a truly global faculty. “What would it mean to build a school that used satellite technology to reach thousands of people at a time?” he asked. “There is a great deal of innovation possible, in all kinds of ways, if we have the courage to challenge our historical assumptions.”

To achieve true global character, business schools need to redefine their notions of faculty hiring and development, panelists argued. It’s one area where they *do* want to emulate leading multinational companies, which routinely send their

employees to work in other countries. “To be global, business schools need significant facilities on at least three continents,” said Michael Enright, Sun Hung Kai Properties Professor and director of the Asia-Pacific Competitiveness Program at the University of Hong Kong. Then, schools need to base promotions on the fulfillment of long-term teaching and research obligations in all three regions, he said.

Most important, they need to rethink one of the most highly cherished traditions in higher education—tenure. “Tenure might have to be abolished to ensure that the ‘groupthink’ of people in the same job and location for 25 or 30 years does not dominate,” Enright said.

FORM THE FUTURE—don’t follow it.

Much has been said about the rapid pace of change—maybe too much. While accelerated cycles of innovation in most business sectors can’t be ignored, all the talk of change has created an environment where many schools are pursuing change for its own sake, the gurus said. Instead, the modern business school should be creating *meaningful* change.

The concept of “radical innovation” may imply extreme measures, they noted, but its practice means something much different. So-called radical innovation requires reasoned moderation—in choosing innovations that lead to growth, eschewing old conventions that constrain, and establishing a culture that embraces experimentation. These fundamental tasks are designed to transform the modern business school into a powerhouse of ideas for business, these strategists suggested. Implementing these measures is, at best, formidable. Their purpose, however, is to help business schools avoid the worst: irrelevance. **Z**



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