

Managing in



Tumultuous
Times

The dramatically changing global corporate environment presents a relentless series of challenges for which many executives are woefully unprepared. Many people begin each day wondering what CEO will be fired next, which global corporation will disappear, what country's economic system will collapse, what terrorist activity will take place, what health scare will develop, and how far markets will tumble. While none of the complex economic, social, political, and educational issues confronting us is truly new, the pace of change makes each one even more urgent.

Like business executives, management educators are facing a bewildering barrage of challenges for which they are far from ready. As those who prepare present and future corporate leaders, these educators are being scrutinized as never before, in terms of what they teach, how they teach it, when they teach it, and whether or not measurable learning outcomes have been achieved.

Both executives and educators must seek ways their organizations can not only survive, but thrive, in today's tumultuous business environment. To do that, however, they must first understand the complex forces at work around the world—and they must ask themselves some tough questions about how they are responding to these forces and the challenges they bring.

The Trouble with Globalization

The primary issues that executives and management educators are facing today all revolve around various aspects of globalization. In fact, much of what globalization has to offer is a boon to business, as Joseph E. Stiglitz, 2001 Nobel Laureate in Economics, has stated. He defined globalization as “the closer integration of the countries and peoples of the world...brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, [and] knowledge...across borders.”

Even so, globalization also has been viewed as the source of many of the world's problems. Pulitzer Prize-winning

author and journalist Thomas Friedman puts it this way: “Globalization is the inexorable integration of markets, nation-states and technologies to a degree never seen before—in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before. This process of globalization is also producing a powerful backlash from those brutalized or left behind by this new system.”

That backlash against globalization has three key causes:

■ Globalization has not succeeded in reducing poverty. In fact, in recent years, the actual number of people living in poverty has increased by almost 100 million.

■ Adoption of market-based policies—such as open capital markets, free trade, and privatization—is actually making some developing economies less, not more, stable. For instance, crises in Asia and Latin America have threatened the economies and stability of developing countries around the world.

■ Western countries are viewed by critics as hypocritical, holding onto their own trade barriers while demanding that developing nations lower theirs.

While globalization has fostered a “globalization divide” between the haves and have-nots, it also has provided overwhelming benefits. International trade has helped economic development in many countries. For instance, export growth was the centerpiece of the industrial policy that enriched much of Asia. Around the world, many people live longer and enjoy higher standards of living. Globalization has reduced the sense of isolation felt in much of the developing world as access to knowledge has grown exponentially. And financial aid, an important aspect of globalization, has brought benefits to millions.

The two seemingly contradictory sides of globalization make it imperative that we manage it with great skill and sensitivity to make sure its benefits offset its drawbacks. As Stiglitz says: “We are a global community, and like all communities have to follow some rules so that we can live together. These rules must be—and must be seen to be—fair and just, must pay due attention to the poor as well as the powerful, must reflect a basic sense of decency and social

**Today's
chaotic worldwide
business environment has forced
both executives and educators to
re-evaluate basic concepts of management.
But as rapid change continues to boil through
the global landscape, is either group
really equipped to meet it?**

by John Seybolt

illustrations by Dave Cutler

Globally, leaders must devise strategies to restore tranquility and reduce fear in modern



justice.” This lesson must be learned not only by governmental leaders, but by corporate executives and management educators worldwide.

Top Global Trends

While many trends have global impact today, there are three with profound implications for corporate executives and management educators everywhere:

■ **The growth of the media and capital markets.** While they seem highly dissimilar, these two industries have had enormous influence globally and are arguably driven by the same forces. Both industries have changed so much in the past decade that the very tools of their operation are almost unrecognizable now compared to the same tools used ten years ago. While open and free media, as well as open and free capital markets, have led to some of the most civilizing and valuable changes of our generation, there have been unintended consequences. For example, it appears that both of these industries thrive on change and volatility, and they have brought change and volatility in their wake.

■ **Global demographics.** Around the world, the entire population is aging, and this will have great financial consequences. For example, as a result of aging and depopulation in Europe and Japan, countries that currently account for 45 percent of global output could well enter a period of fiscal and economic crisis after 2010. All of this may lead to major strains in global governance. Countries that have played central roles in international security arrangements may avoid those roles in the future. Global capital costs could rise as baby-boomer retirees spend down their life savings. Some major economies could default on their debts. To avoid this crisis, industrial countries will need to restructure around their aging demographics, integrate their economies with the developing world, and become more open to immigration.

Meanwhile, around the globe, Generation X representatives are replacing the aging boomers in the workplace. Some have suggested they be renamed “Generation E,” because they are entrepreneurial, educated, e-mail-savvy, and English-speaking. What will the world look like when led by these people? Many hope it might be more peaceful and productive, given their increased use of technology, the value they place on transparency in all transactions, and their lifestyle values. Time will tell.

■ **The continuing rapid pace of technological change.** Some predict that nanotechnology will replace microelectronics as we know it, affecting sectors as diverse as materials science, environmental science, military strategy, space technology,

and commerce. Meanwhile, voice-in/voice-out (VIVO) talking computers may change the face of our work worlds, as we use VIVO technology to access and communicate virtually all information.

And yet, while these revolutionary technological advances change the world, a huge number of people alive today have never even made a phone call. How prepared are our global corporate leaders to deal effectively with both the technological revolution and the ever-widening technological divide it has spawned?

■ **Political and social uncertainty.** The terrorist attacks of September 11, 2001, forced countries and corporations to put a whole new emphasis on managing risk, whether they were buying insurance, protecting data transmission, or planning how to keep financial markets functioning in a crisis. Especially critical is the potential threat to information networks upon which the world depends.

It is clear that we must broaden our concepts of peace and security so that they mean more than simply the absence of war and violence. Now they must encompass international dimensions of such issues as social justice, women’s rights, environmentalism, and intercultural relations. Globally, leaders must devise strategies to restore tranquili-

society, at least partly by committing to the guarantee of **humanⁿ rights** to all citizens.

ty and reduce fear in modern society, at least partly by committing to the guarantee of human rights to all citizens.

As H.G. Wells observed a century ago, the great events and personalities of the past have not altered the course of history; rather, they have largely served to either accelerate or retard the long-term forces of change. Thus, there is every reason to believe that even the horrible events of 9/11 will ultimately speed the adoption of pervasive information technology, the global integration of national economies, and the modernization of the world's cultures.

Altogether, these dominant global challenges are confronting corporations and executives just at a moment when the ability, the will, and even the moral compasses of those charged with leadership have been put in question. And the urgency of these challenges makes the questioning even that more intense.

Questions for Executives

Even as corporate executives attempt to deal with these global trends, they are facing scandals and intrigues in their home offices. Business headlines over the past year or two could lead one to believe that corporate executives are ego-maniacal, ignorant, stupid, unethical, or all of the above. And just when we think we have heard the last of it, up pops another scandal. In the current business climate, four questions seem particularly urgent.

First, are executives presently worried about what they should be worried about?

In fact, are they worried about all the global issues discussed in the previous paragraphs? Are they worried about how their businesses will survive and thrive over the long term in such a dramatically changing environment?

Are they worried about their capacity for leadership? In a 2002 article in *The Academy of Management Learning & Education*, Henry Mintzberg and Jonathan Gosling wrote about the five mindsets of management. These include managing self in the *reflective* mindset; managing organizations in the *analytic* mindset; managing context in the *worldly* mindset; managing relationships in the *collaborative* mindset; and managing change in the *action* mindset. It seems that executives must integrate these five mindsets if they want to become wise managers and true leaders.

Second, is the dramatic loss of confidence in corporate leadership worldwide really a dramatic loss of confidence in "American" leadership, corporate and otherwise?

European CEOs who suffered dramatic downfalls in the past year or so—such as Vivendi's Jean-Marie Messier and Thomas Middelhoff of Bertelsmann AG—made no secret of

the fact that they were copying American business models. According to an article in the July 30, 2002, edition of *The New York Times*, "Bertelsmann and Vivendi are not simply rejecting their chief executives. They are rejecting a way of doing business—the American way ... Those who never liked U.S.-style shareholder capitalism are having a field day."

If, indeed, the dramatic loss of confidence in corporate leadership worldwide has actually been a dramatic loss in confidence in American leadership, another question emerges. Are we entering a new era of what will be considered effective management? If the 15-year timeframe of 1970-1985 was perceived to be the "Era of Japanese Management," and the 15-year timeframe of 1985-2000 was considered the "Era of American Management," what management era are we entering now?

Third, is "corporate global citizenship" merely a slogan for the majority of global corporate executives?

Multinational corporations are global change agents, whether they want to be or not. The number of multinational corporations has grown from 2,500 in 1900 to more than 63,000 today. Many of them are huge: Of the world's 100 largest economies, 51 are corporations. For example, Exxon Mobil, the world's biggest corporation, is larger than more than 180 nations. Multinational corporations play an increasingly important role in wealth creation, resource use, employment, environmental and cultural impact, fulfillment of human needs, technology transfer, and governance.

How can this powerful engine for producing wealth be harnessed to meet the needs of the world's poor? Is it possible that the multinational corporation could produce products for the "bottom of the pyramid" in ways that are economically rewarding and build shareholder value at the same time? Recent research suggests this can happen. In the end, what is the role of the responsible, sustainable, profitable multinational corporation in today's uncertain world?

Management Education Under Fire

Like corporate executives, management educators are facing major and multiple challenges. Business schools have fallen under intense scrutiny for several reasons. One reason is that management and managerial skills have become identified as core competencies required for economic prosperity. Another is that business has become a spectator sport around the world, so the method of teaching it is being much more closely watched. Schools also are undergoing self-examination as they find themselves facing more and more competition from other schools as well as corporate educational centers. Yet despite these challenges, manage-

Is it a time for merely refining management education—

ment education has continued to thrive into the early part of the 21st century. But what's the next act?

Recently, criticism has been leveled at business schools, particularly the assertion that MBA programs are “teaching the wrong things in the wrong way.” Among the qualities that business schools have failed to develop in students are leadership abilities, interpersonal skills, and communications skills.

There's more trouble ahead as management educators struggle with the issues of relevance. In a 2002 article that appeared in *The Academy of Management Learning & Education*, Jeffrey Pfeffer and Christina Fong made two disturbing observations: Little evidence exists that earning an MBA degree or specific grades in business school correlates with career success; and little evidence exists that business school research is influential on management practice. In addition, one dean of a prominent American business school was quoted as saying that management school research is “fuzzy, irrelevant, and pretentious.” If these statements are true, or even widely believed, management educators should be alarmed.

Questions about the relevance of a business school education—coupled with the volatile economy, the uncertainty of the e-commerce market, the rise of terrorism, and the complexities of the global marketplace—continue to raise the anxiety level of a typical business school dean. And on top of all this, 2003 has been the worst year in memory for full-time MBA programs, as applications fell dramatically. Given this environment, management educators worldwide, like corporate executives, need to ask themselves some difficult questions.

Four Tough Questions

First, has the homogenization of management education globally led to an “American” leadership model that has, for better or worse, been adopted worldwide?

A 2001 article in London's *Sunday Times* described the heads of some of Germany's wealthiest companies sitting down to discuss ways to revolutionize their country's economy. “The captains of German industry decided to create an elite corps of business bosses schooled in Anglo-American business techniques,” according to the article. “They agreed to set up a private business university to rival Harvard and INSEAD, its French equivalent in Fontainebleau...in part so that graduates will no longer have to go abroad to acquire the skills for success.”

Students can go to schools in Asia, Australia, Europe, Latin America, the Middle East and North America, and



receive a business school education that is accredited by AACSB International, an indicator that those schools meet certain rigorous standards in terms of course content and faculty preparation. The fact that key management concepts are taught in much the same way in almost every business school in the world means that students can choose to get their education almost anywhere—and they do. This year, almost 45 percent of the students enrolled in the *Financial Times*' top 50 business schools come from a country outside the school where they had enrolled. Cross-border migration to MBA programs is increasing dramatically, and this degree of crossover is only truly possible because of the increasing homogenization of management education.

Unfortunately, at the same time that business school faculty and administrators discuss the importance of cultural relativity in management principles, in reality they practice a more universal application of principles across cultures and nations. So the questions still remain: Is this homogenized education based on the “American” system of management? If so, what will the consequences be of relying on and reinforcing that American management style?

Second, are management educators worried about the issues they should be worried about?

or for reinventing management education itself?

Are management educators, like corporate executives, worried about the right issues: globalization, the growth of the media, the growth of capital markets, worldwide demographic trends, the impact of technology, and the sociopolitical and economic uncertainty that crosses all nations? A related question might be: Should management educators be leading or following corporate executives in terms of identifying important issues? This question has been debated for years and deserves new attention now.

There has always been a significant gap between the worlds, interests, and priorities of corporate executives and management educators. It appears that this gap is not closing appreciably, even at a time when there has never been a more urgent need for alignment.

Third, are the very skills that should matter most to corporate success the skills that receive the least attention from management educators?

As mentioned previously, many of the critical skills that might be loosely defined as “developing wisdom” are not at the core of many management education programs. It’s true that the so-called “soft” skills are difficult to measure and interpret, which might be one reason they are taught relatively rarely in business school. Yet those are the skills that appear to be more and more critical to leadership and corporate success, especially in today’s chaotic global environment.

The questions about “soft” skills may become even more bewildering with the upcoming launch of a certification exam for MBAs. The exam is expected to be a five-hour, 300-question test covering finance, accounting, marketing, and management, to be administered electronically. Intriguing questions are: Will such an exam truly assess an individual’s ability to integrate the five critical mindsets of effective leadership mentioned previously? Will it be able to assess “the wisdom of leadership” in a meaningful manner? If not, then what will it really measure?

Fourth, is it the content or context of a business school education that will increasingly offer business schools their competitive advantage?

What people learn in management schools is becoming more and more uniform. If the soon-to-be-introduced MBA certification exam becomes widely adopted, the content of management programs is destined to become even more homogenized. Thus, it may well be that the real difference between programs across schools and cultures is the context within which teaching and learning occurs. Does that mean that context has become the competitive advantage of any particular school? If so, this contradicts years of management school tradition of curriculum revision, and even adoption of certain kinds of technology, to enhance or supplement classroom learning.


It has been said that graduate management programs may be as much about networking, screening, or recruiting services as they are about the actual education they offer. If management educators spent as many hours and resources worrying about the context of their educational experiences as they do about the content of those experiences, true differentiation of management education products and services might be the result. Will this be the differentiator between mere survivors and those who thrive? If so, what contextual variables are the most important to consider?

Solutions to the Problems

At least two more questions remain. The first is: **How can management education be fixed?** In their article, Pfeffer and Fong recommend that business schools be modeled more closely on other professional school counterparts, less on colleges of arts and sciences. This means that business schools should focus research on problems of enduring importance. They also should build curricula that are evaluated, in part, by how well they actually prepare students to be effective in practicing the profession. Pfeffer and Fong conclude that this requires a systematic assessment of all business school products as well as much more attention to the competitive environment.

It seems clear that all management educators must radically rethink not only the content of their educational offerings, but the context of those offerings as well. These tumultuous times may call for a major shift in thinking about the very core values and practices of our industry. Is it a time for merely refining management education—or for reinventing management education itself?

That question leads to a final one: **If educators had the opportunity to create a totally new business school that would best address the ongoing and anticipated needs of executives worldwide, what would this “ideal” business school look like?** There are a few examples of totally new business schools that are currently emerging. It will be interesting to see whether they become real models for the industry’s future, or simply new business schools that follow old traditions and models in management education.

Of course there are no easy answers. But at least we must ask the right questions. It surely is time for the debate to begin. 

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