

PRIVATE BUSINESS

As business schools proliferate around the world, a handful of **privately owned universities** have come onto the scene promising to offer new approaches to business education.



In the rapidly growing world of management education, traditional business schools face competition from all sides. Among their rivals for student interest are privately owned business schools that have been organized by individuals or consortia of people with business and academic backgrounds. While these schools vary significantly in the quality of education they provide, what all of them do offer is a direct alternative to a traditional business school education. Especially in countries with lagging economies, these schools frequently give students a more flexible, market-driven education than state-supported schools can provide.

For instance, the Leon Kozminski Academy of Entrepreneurship and Management (LKAEM) in Warsaw, Poland, was founded by a consortium that wanted to provide a high-quality business education for a country in a transitional period. “The state schools were not able to make necessary improvements fast enough due to their size and their bureaucracies,” says Dorota Dobija, International Programs Director of the school. “State schools were focusing mainly on economics and related areas, and there were no professionally designed, high-quality programs in business.”

by Sharon Shinn

Such high-quality business programs can fulfill a real need in a country desperate for qualified business managers, as was the case ten years ago in Paraguay. At that time, says Sergio Somerville, communications director of Universidad Americana in Asunción, state schools were rife with obsolete programs that did not graduate students with the skills required by the corporate community. Perceiving “a lack of business and management capacity, in private enterprises and the public sector,” he says, a group of business leaders and academics founded the school.



Advantages and Drawbacks

Because they don't face the constraints of state-run institutions, privately owned schools can respond more rapidly to the needs of business—and the needs of students. According to Chris Dalton, MBA Director of Central European University (CEU) in Budapest, Hungary, "We are less bureaucratic, more flexible, more customer-oriented, and faster to react to market changes."

Such flexibility also is the hallmark of the virtual university Cardean University in Deerfield, Illinois. Since courses are taught online, there is no geographic barrier to enrollment; classes are formed every three weeks, allowing students a chance to sign up almost at will. This ability to accommodate students' schedules is something no brick-and-mortar school is equipped to offer, says Geoffrey Cox, president of the school.

Another advantage some of these schools offer is a common language, which allows students from diverse, even global, backgrounds to learn together simultaneously. All of Cardean's online classes are conducted in English, as are the BBA classes at LKAEM. At the Graduate School of Business at CEU, the full-time MBA is offered entirely in English, whereas other schools in the region teach in the local language or conduct only some classes in English, says Dalton.

In some cases, private schools also possess technological advantages over other schools. Cardean, for instance, has developed its own software that takes full advantage of dis-

tance learning over the Internet. Dobija notes that LKAEM has built up-to-date classrooms, computer labs, and lecture halls. At the Universidad Americana, says Somerville, students can use a business sciences library with computer access to a wide array of international databases, and this library is one of the benefits that draws students to the school.

Nonetheless, these privately owned business schools face challenges that more traditional schools do not. Not surprisingly, many students prefer to attend established schools with well-known reputations. In many cases, especially in Eastern Europe and Latin America, privately owned schools are also at a real disadvantage when it comes to cost. Students at Universidad Americana, CEU, and LKAEM must pay a tuition higher than they would pay at state schools, and when scholarship money is not available, this can be a barrier to student enrollment.

Says Dobija, "State schools get state funds, while private schools must rely on tuition and private donations." In CEU's case, some of those funding problems have been alleviated by new scholarship money that has enabled the school to widen its recruiting net across the entire region.

Even when money isn't an issue, privately owned universities aren't necessarily the right choice for all students. In the case of Cardean, says Cox, "we can't offer some of the advantages of place-based schools. We can't reproduce the intense kind of community interaction you get from sitting

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in a room with people.” Some students might review various attributes of these schools, from the perceived quality of the institution, to its location, to its educational offerings, and decide that a private institution is not for them.

Close Collaboration

To strengthen both their academic credentials and their appeal to potential students, all four of these private schools have found it imperative to collaborate with established business schools, often drawing on outside faculty for advice in constructing the curriculum or help in teaching it. For instance, from the beginning, Cardean formed an academic consortium with five top business schools: Columbia Uni-

versity, Stanford University, Carnegie Mellon, the Chicago Graduate School of Business, and the London School of Economics. These professional ties have been essential to the school’s success, says Cox.

“Such an association gave us a kind of instant validity,” he says. “It created a visibility and an immediate respect that would have been hard for a brand-new institution to establish. It clearly signaled that we had a deep commitment to serious, quality education.”

For most of the same reasons, the CEU Graduate School of Business has maintained partnerships of varying degrees with schools in the U.S. and Canada. From the mid-’90s until 2002, the school ran a joint international MBA pro-

Business in Budapest

The Central European University in Budapest, Hungary, which started life as the International Management Center, was the brainchild of financier George Soros and a group of businesspeople, academics, and diplomats. Once the idea was floated in 1987, it was only a year before IMC took in its first students.

The swift jump from dream to reality was made possible in part by Soros’ enthusiastic backing and in part by the efforts of local businesses and politicians. Aid also came from the University of Pittsburgh, which helped set the curriculum and supplied key staff and faculty, says Chris Dalton, MBA Director for CEU. “In addition, the considerable international support and publicity that the IMC received helped to overcome many red-tape problems,” he adds. “There was a great deal of media interest in the new school, and a tremendous amount of good will was displayed by local business leaders who felt the need for a change from the rigidity of the planned economy.”

In 2002, the school was absorbed into the Central European University, which also enjoys financial backing from Soros, and renamed the CEU Graduate School of Business. Since the union with CEU, the business school has launched its own MBA, offering full-time, part-time, and

executive MBA options. The EMBA is a consortium degree run in partnership with two other European business schools and Purdue University. Starting in January 2004, CEU will launch a one-year MSc in IT management.

Though the school has specializations in finance, marketing, and IT management, it also heavily promotes concepts of corporate social responsibility. Dalton says, “The business school is home to the Center for Social Foundations in Business, which seeks to promote discussion about the role of the corporation in society.”

As the school has evolved, so has the student body. Between 70 and 80 students annually enroll in the full-time program, representing an international group of cultures and nationalities. “We currently have 23 different countries represented, with next year’s batch even more diverse,” says Dalton. Currently, about 58 percent of the students are women; the goal is to keep a 50/50 ratio between genders.

Students throughout the region consider CEU an excellent option for higher education, says Dalton. “They see Hungary and Budapest as good places to come and study. The quality of life here is good, and they can still be quite close to home. Many of our students have chosen us specifically because we are not a state university, because they believe the teaching standards and international career prospects will be much better.”



The Central European University’s Graduate School of Business is located in Budapest, Hungary, and appeals to students who value its curriculum, its reputation, and its location.

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gram with Case Western Reserve University, accredited by AACSB International and granted by Case Western.

“We still maintain strong ties with Case—for example, offering student exchanges and dual degrees,” says Dalton. “In addition, our MBA students can apply for an exchange semester at any one of eight partner business schools.” While the benefit to the private schools is instant legitimacy, the benefit to established schools is a powerful one as well: a chance to give their students and faculty the in-depth, hands-on experience of living and learning in another country.

At Universidad Americana, multiple exchange programs with schools in Latin America, Europe, and the U.S. also allow students to benefit from international experience and

cross-curricular learning. Double certification programs are offered through Fachhochschule Worms in Germany, Centro de Estadística y Software Matemático (CESMA) in Spain, and San Diego State University in California. “The schools maintain complementary strengths that allow both institutions to benefit from the affiliation,” says Somerville. “In this way we obtain synergy.”



South American Exposure

Like CEU, Universidad Americana in Asunción, Paraguay, has gone through its own evolution.

The school had its first incarnation as the Institute of Training and Business Development (INCADE), organized in 1992 by the Benko family of Paraguay and business leaders and academics from recognized business schools in the region. While planning a curriculum for the new school, many of these business leaders and professors found inspiration by visiting Chilean companies “that had achieved a quantum leap in management, international business, and transactions,” says Sergio Somerville, communications director. INCADE was so successful that two years later it was reorganized as Universidad Americana and recognized by government law. It is still owned by the Benko family, and INCADE still functions as the school’s administrative unit.

From the beginning, Universidad Americana offered graduate and post-graduate courses taught by faculty members from around the world. The school enrolled 350 students in its first class and saw that number double in each of the next two years—“quite a surprise, considering the Paraguayan characteristic of complete distrust of the unknown as well as the size of the population,” says Somerville. Soon the new school ran out of space and began “frantic construction” of a modern new building to house the school. “The number of students still grew faster than the speed of the construction,” says Somerville. “We would have been better

Universidad Americana in Asunción, Paraguay, is a rapidly growing institution that offers graduate and post-graduate business courses to students from Latin America as well as countries half a continent away.

equipped if we had had all our current infrastructure built from day one.”

Now ten years old, Universidad Americana offers bachelor’s degrees in international business, accounting and auditing, and economics through its Administration

and Economics School. Ninety-one percent of the school’s students are from Paraguay, with much smaller percentages coming from Argentina, Brazil, Germany, Mexico, the U.S., Cuba, Austria, and Chile. To attract students to the campus, the school relies on a combination of word-of-mouth, recruitment, and media exposure.

“Universidad Americana enjoys high brand awareness throughout the press, including television and broadcasting channels,” says Somerville. “Members of the university also visit local high schools and invite high school students to make excursions to the university to participate in some classes.” What appeals to students, says Somerville, are features like the school’s international focus and its state-of-the-art business library with access to a wide array of international databases. Graduates have been hired by corporations and public organizations throughout Paraguay, northern Argentina, and southwestern Brazil.

To offer its students access to a more global education, LKAEM has developed partnerships with universities in Russia and former Soviet republics, the U.S., India, Israel, Mexico, Kenya, South Africa, and Indonesia, says Dobija. LKAEM joined the Socrates/Erasmus exchange program in 1999, which allowed it to sign student exchange agreements with more than 30 European universities from Germany, Denmark, Finland, Sweden, the U.K., and Spain. “These agreements usually grant full academic recognition of the courses taken abroad,” says Dobija. So far, she notes, they have proven to be both successful and effective.

International Edge

Leon Kozminski Academy of Entrepreneurship and Management was founded in 1993 by the International Business School, a private company owned by a group of former faculty of the Warsaw University School of Management. Since its inception, the International Business School has offered an MBA program—the first one in Poland. The MBA was so successful that the founders decided to expand their reach and become a degree-granting institution, which was licensed by the Ministry of Education and became the LKAEM.

Now the school offers undergraduate, master’s, executive education, and Ph.D. programs in a wide variety of business disciplines. Several programs are offered in conjunction with other schools, such as Bradford University, American University, Moscow State University, Handelshochschule Leipzig, Friedrich-Alexander-Universität Erlangen-Nürnberg, Hochschule Bremen, International University Bruchsal, and the Netherlands School of Public Health in Utrecht.

While 80 percent of the students at LKAEM are Polish, the fact that programs are offered entirely in English allows the school to attract more international students every year. “We also accept about 50 exchange students every year who come from countries all around the world,” says Dorota Dobija, international programs director.

The English language advantage isn’t all that draws students to the Kozminski Academy. The school also gives a great deal of attention to students and their needs. To help graduates find jobs, the Career Support Center has developed a database of alumni and potential employers, signed

Academic Credentials

Another reason that privately owned schools rely on close alliances with partner schools is that one of their greatest challenges is finding enough qualified faculty, especially in regions



Leon Kozminski Academy of Entrepreneurship and Management, located in Warsaw, Poland, draws international students to its undergraduate and graduate business courses, which are taught entirely in English.

an agreement with the Warsaw Province Labor Office, planned career fairs, and prepared a promotional folder that includes profiles of all graduates. The school also organizes conferences and student meetings that focus on new situations in the labor market, discussing topics such as “How to Become a Leader in a New Economy.”

The school has worked hard to internationalize, entering strategic alliances with a wide range of domestic and foreign partners. It has also founded the Jean Monet Chair, funded by the European Directorate-General for Education and Culture, to further disseminate knowledge about the European Union among students and faculty. In order to attract more private funds from U.S. sources, the school has started to offer U.S. tax benefits to donors.

LKAEM also has furthered its research capabilities by opening a number of specialized centers. These include The Transformation, Integration and Globalization Economic Research (TIGER) Center; the Center for Interdisciplinary Organization Studies; the Business Ethics Center; the Center for Impact Assessment Studies and Forecasting; and the Center for Market Psychology.

Privately owned business schools rely on close alliances with partner schools because one of their greatest challenges is

where business schools are not plentiful. Instruction at CEU is provided by about ten faculty members, and the school maintains a pool of approximately 20 additional individuals who are either local adjunct professors or visiting faculty, usually recruited from North America or Western Europe.

At Universidad Americana, nearly a third of the academic staff is from outside Paraguay. On-site faculty members are supplemented throughout the year by 21 visiting international professors from Spain, Chile, the U.S., Uruguay, and England. Of the 220 professors employed by the school, 22 are full-time; many of them are engaged in their own continuous improvement processes. "Eighty part-time and 22 full-time professors are pursuing a 600-hour post-graduate

diploma for didactic enhancement," says Somerville. Faculty are also required to upgrade their knowledge with seminars and academic activities locally and overseas, and they must conduct research in commercial environmental problems.

LKAEM's courses are taught by 162 full-time faculty and 85 part-time faculty, but the school benefits hugely from exchange programs with other schools. Last year 13 faculty members from LKAEM were invited to be visiting professors at schools in the U.K., Canada, the U.S., Sweden, France, and Finland; the school welcomed visiting professors from schools in Israel, Italy, the U.K., the U.S., France, Spain, and Germany.

For the most part, Cardean courses are created by faculty

Virtually Unbeatable

A totally online business school accessible to students around the world, Cardean University was founded by Andy Rosenfield, an economist and lawyer, and Gary Becker, a professor of economics from the University of Chicago. Almost immediately after the school officially opened in July 2000, organizers found themselves rethinking some of their basic assumptions.

"We really believed that students using the Internet to learn would want to be unconstrained by schedules," says Geoffrey Cox, president of Cardean. "In our original model, a student could literally begin a course on demand. We were prepared to form open-ended classes at any time. We didn't care if a student took five days or 50 days to complete the tasks and get a grade, as long as he could demonstrate what he'd learned."

Discovering that students preferred more structure to their academic lives, the school eventually moved to a more fixed timetable, offering six-week courses that started every three weeks. "The majority of students feel more comfortable when they have a schedule laid out and expectations are clearer," Cox says.

Cardean organizers were also faced with the challenge of creating a good platform for building online courses, which Cox says did not exist commercially when they launched the school. "We had to build our own software to exploit the Internet effectively," he says. "It gave us the opportunity to build sys-

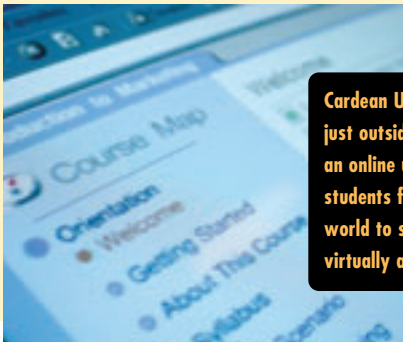
tems from the ground up, but it took a lot of time and a lot of research and development."

The school has made good on its promise to provide education to students worldwide, to date serving students in nearly 90 countries. "Some are very senior people from Fortune 500 companies with advanced degrees in other fields," says Cox. "Others are just trying to break into the business world. Recently I was teaching a course on business ethics, and the class consisted of 11 students from seven different countries from Finland to India."

Some students choose Cardean for those small class sizes—limited to about 20 students—and some for the problem-based curriculum, says Cox. Others like the fact that they can expect a 24-hour turnaround time from faculty when they ask a question or turn in an assignment.

Still others come to Cardean because it's an option for employee development offered by their employers. "Our largest customer is General Motors, and 30 to 40 other companies have signed up to sponsor their employees," says Cox. The school also seeks out students through business-to-consumer marketing, primarily by courting Internet leads.

The beauty of the Cardean model is that the school never has to worry about too many students signing up. Says Cox, "We don't have any capacity constraints.



Cardean University, headquartered just outside of Chicago, Illinois, is an online university that allows students from anywhere in the world to sign up for classes at virtually any time they wish.

Our software and our business model were designed to be truly scalable, to enable us to keep growing as long as students want to come to us."

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from the consortium partners and taught by a cadre of full-time instructors. However, to accommodate any fresh influx of students, the school maintains a pool of trained adjunct professors who can be called in at any time and who can follow the courses as designed. These adjunct instructors might include professors who have full-time jobs at other schools, individuals with advanced degrees who are in the working world, or professors who are currently spending most of their time caring for children at home but who want to keep teaching on a part-time basis.

Along with maintaining exchange programs with faculty at established universities, most of these schools enhance their credibility by pursuing some form of accreditation or certification, either through state boards of education or official organizations. Such formal recognition provides reassurance to students considering an education at these privately owned schools.

What Lies Ahead

While representatives from these schools feel they offer an excellent alternative to business students, they are quick to point out that founding a private business school is not a simple matter. Not all countries or regions can support another business school; that is particularly true in areas of the world where there are no companies prepared to hire newly minted MBAs, notes Dalton. "It might be difficult to establish a school where no one values a business degree," he says.

Would-be owners of private business schools also must be aware of the potential costs involved, from conducting a market survey to generating public awareness of their schools to investing in physical and technological necessities. If these owners don't spend the required funds on research, technology, and pedagogy, says Cox, "they probably won't be very successful from an educational standpoint."

Nonetheless, as worldwide demand for management education continues to grow, the number of privately owned schools is also likely to increase. Traditional schools can choose to view them as competitors or collaborators, either working with them on programming and faculty exchanges or putting their energy into enhancing and marketing the strengths of their own established degrees.

Traditional universities also can choose to emulate some of the assets of these private schools, particularly by making their own institutions more responsive to the schedules of students and the needs of corporations. Most school administrators understand how important it is to be nimble in today's market, and the agility of these private institutions underscores that lesson. 