

# The Future Is Now

What lies ahead for  
business schools?  
Four experts pinpoint  
trends that they think  
will demand attention  
and reshape the  
future of management  
education.

The business school of the near future might look very different from the business school of today. As global commerce demands new types of leaders who can succeed in increasingly more complex, connected, and competitive environments, management educators might need to explore new approaches. In fact, they might have to completely rethink what they're teaching and how they're teaching it.

That's why, for this issue of *BizEd*, we have invited prominent voices in the field to share their thoughts on what's about to change in the world of management education. Specifically, we asked them to explore the potential changes to the management curriculum and the evolution of the business school itself.

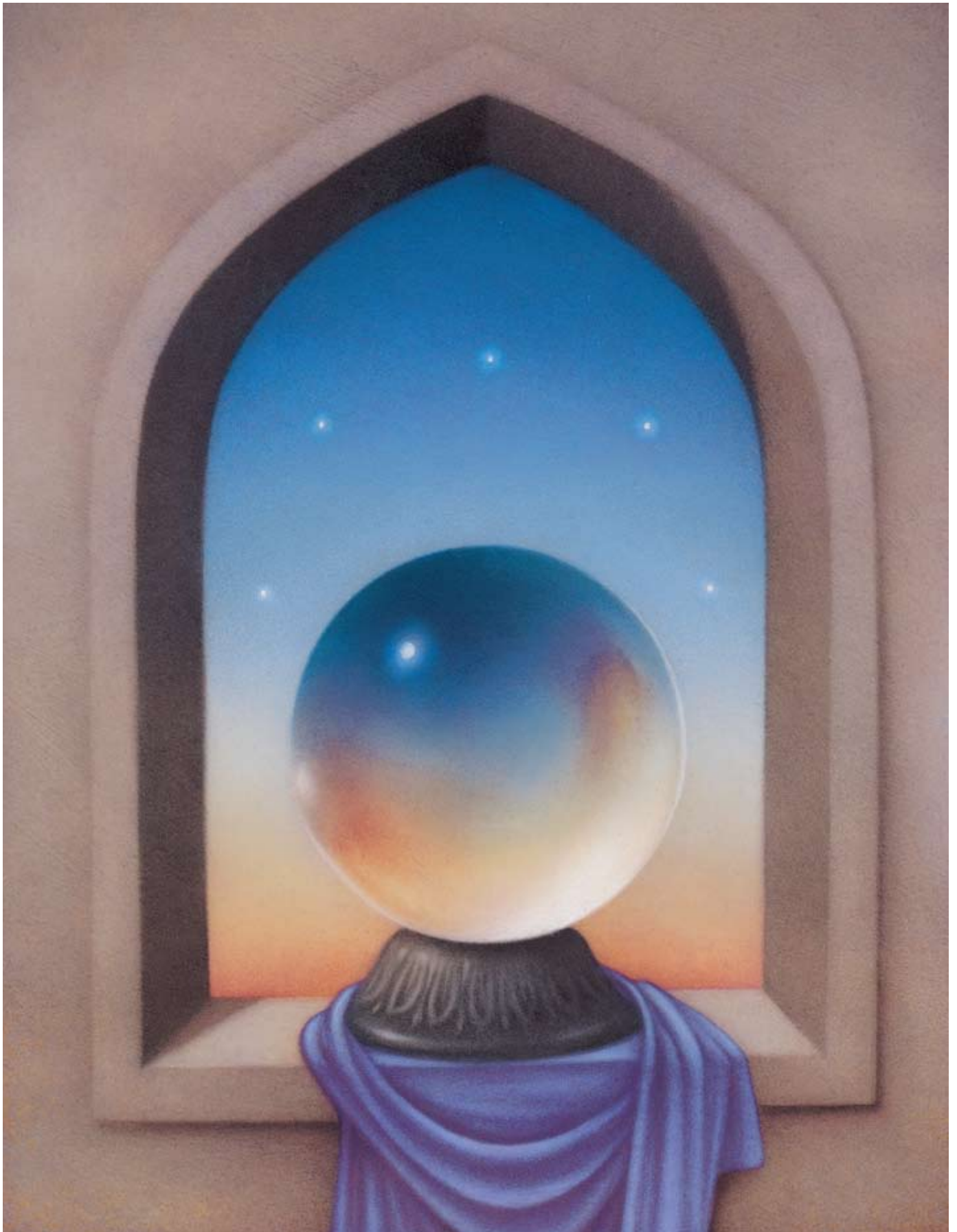
In the business school of the future, *Barry Posner* foresees a fundamental shift in how faculty teach leadership and how students learn to lead. Schools will have to teach students to "do leadership," he says—to actually practice being leaders—before sending graduates out into the world.

*N. Craig Smith* expects an interconnected marketplace to force businesses around the globe to become more honest and transparent. Therefore, he says, business schools will need to put a greater focus on ethics and corporate social responsibility so graduates understand how their own actions can impact their companies—and the world.

*Denise Rousseau* wants schools to back away from teaching popular current theories and commit instead to an evidence-based management curriculum. Students who are grounded in basic principles of organizational behavior, she argues, will be better prepared to function in any workplace and solve any problem.

And how will tomorrow's business school deliver the curriculum that these experts describe? Maybe not the way you expect. *Clayton M. Christensen* identifies a panoply of potential disruptors to traditional management education. So many, in fact, that he thinks that schools will survive these influences only if they implement completely new models of doing business.

In short, successful business schools of the future will focus on fundamental principles while reinventing themselves in a competitive market. They will stay ahead of international trends, promote stronger ethical frameworks, and embrace 21st-century models of leadership. These are no easy tasks, but they are certainly achievable, say these four educators—particularly for those business schools of today that are already preparing themselves for tomorrow.



# ON Leadership



by **Barry Z. Posner** • Dean and Professor of Leadership • Leavey School of Business • Santa Clara University • Santa Clara, California

Too much of the time, business schools teach students *about* leadership, *about* leadership theories and concepts, *about* social psychological concepts as “applied” to leadership. Learning about leadership is not the same as learning to *be* a leader. We should be teaching our students to *be* leaders.

This “blinding flash of the obvious” comes to me after more than 30 years as a leadership scholar and as a business school dean. In that time, I’ve discovered that business students often learn what it takes to be a great leader, but they don’t learn to *be* leaders nearly often enough. Just as medical students can’t become surgeons until they operate on live patients, business students cannot become leaders until they experience what it’s like to lead.

## Leadership Is an Inside Job

Of course, that leads to the basic problem with the way business schools teach leadership. We need to do things differently because the development of leadership is fundamentally the development of the inner self; it’s driven more by internal forces than by external forces. But few business schools address the internal development of our students. After all, it’s difficult to translate inner self development to GMAT scores or the percentage of graduates hired. Organizations can only pay people to manage—there’s no pay scale for leadership. In this light, there are no extrinsic reasons for us to teach leadership—or, for that matter, for our students to learn it.

What motivates anyone to lead is, by nature, intrinsic. It’s hard to imagine people getting up day after day to put in countless hours to get extraordinary things accomplished unless they have their hearts in it. Leadership is about doing the things that go beyond a job description, like caring, like making personal sacrifice. Our students must learn that they’ll have to give up something—whether it be a meal, a night of sleep, or even possibly their last breath—if they want to make a difference. Do professors tell their students that they can expect to get ahead in their careers or lives by working regular 9-to-5 hours? Leadership is hard work, work that isn’t always reflected in our graduates’ starting salaries.



Organizations may pay our students to manage, but they will succeed through our students’ leadership. In this regard, talent is overrated. Organizations will prosper more by gaining a 1 percent improvement in 100 people than they will by getting the most talented individual to do 100 percent better. The question for business schools isn’t how they can identify so-called “natural-born leaders.” The question for business schools is, How can we help all of our students improve and develop the leadership potential they already have?

## Leaders Learn Through Practice: They “Do”

My co-author Jim Kouzes and I talk about leadership *practices*, because we know that it is only through disciplined practice that students can gain mastery. In every leadership seminar I teach, students rarely realize that, one, I really don’t have anything to teach them that they don’t already know; and, two, becoming a better leader only happens when they “do leadership.” We must assign students projects that require them to go out and lead and then come back and reflect on that experience. Only then will they learn to be better leaders.

Of course, I give them ideas, concepts, techniques, strategies, and all the other tools in leadership development in an effort to make this seminar successful. But they soon realize that the value of this class can’t be measured by the “grade” they receive. Its value lies in the insights they glean as they

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reflect on their experiences, whether or not their outcomes were successful. It lies in their realization of what they would do differently given another opportunity.

Indeed, the most successful assignment I give to students is a simple one. I ask them to determine an area of leadership that they need to improve—and then take action. My students have addressed their leadership roles in projects related to study groups, workplace teams, community service activities, startups, and even child rearing.

For example, one student recently had assumed responsibility for his company's relationships with Wall Street brokerage analysts who published recommendations of the company's stock. Normally, he would wait for his boss to devise responses to articles that created the perception that a competing company was gaining momentum in the market. As an assignment for my leadership seminar, he realized that this new responsibility was an opportunity to be a better leader. He developed an engagement plan, set up meetings with analysts, and shared with them how the company planned to compete to recover lost ground. He noted that "identifying my values and finding my voice gave me the confidence to take such a risk in my first weeks in a very visible new job."

When students and practitioners "do" leadership, we see yet another tangible benefit. They often record a number of remarkable accomplishments, many of which they would not have achieved if they had not been *required to do something different*. This leads to another keen insight into leadership—there is no shortage of opportunities to lead and make a difference.

### Leaders Make Great Teachers

The lessons of my seminar seem equally applicable to higher education administration. We often don't ask department chairs to be "leaders." We politely call them department chairs, but they are less like leaders and more like bureaucrats or, to use business jargon, managers. When do we use the term "department *leaders*"? Isn't it true that few of our faculty volunteer to become department chairs, let alone deans?

The plain truth is that, in most institutions, department chairs are kept so busy that they don't have time to lead. They are kept so busy putting out fires that their efforts are confined to responding to what's happening now, right in front of them. They have no time to consider larger questions.

And yet, figuring out what is important *inside* applies to our faculty as much as it applies to our students. Without

reflecting on what they want to accomplish, our faculty will not—and cannot—develop leadership. They too often ask "What should I be doing?" rather than "Why should I be doing this—or anything?" The present moment is the domain of managers. The future is the domain of leaders. Faculty leaders look ahead to ask: "What should I be doing today that will get us to where we want to be in the future?"

Perhaps most important, by becoming leaders themselves, our faculty can better guide our students in their own practice of leadership; in turn, their students' questions and experiences can deepen our faculty's understanding of the skill. After all, as many point out, if you really want to know a subject, teach it to others.

### Leaders Ask the Right Questions

This brings us full circle to the idea that leadership begins inside of us—it's something to foster in our students, in our faculty, in ourselves. It begins as we try to figure out questions such as, who am I? Why do I do what I do? What's really most important to me?

At the heart of leadership, the language of the questions we ask influences our thinking and behavior. At Santa Clara, we scrapped our traditional undergraduate and graduate policy committees, in favor of leadership teams—our undergraduate committee, for instance, became our "Undergraduate Leadership Team." It involves the same faculty members as before, but their responsibility is now different. Instead of only making decisions around new courses, reviewing prerequisites, and setting admission standards, they now also set an annual agenda around a question: "What will make our program better?"

It's a shift in language that helps us reduce the *administrivia* connected with department chair responsibilities. It has given our faculty leaders two primary leadership tasks: curriculum innovation and faculty development. And it has altered their perspective away from holding onto the status quo (managing) and toward figuring out what needs to be changed (leading).

I often point out that it is so much easier to write about leadership than it is to do leadership. But I am confident that the questions we ask ourselves have a great impact on both our desire and ability to lead. Most important, we learn to lead when we practice leadership ourselves. With that realization, I believe that in the future we should move beyond talking to students about leadership. We must create opportunities for them to be leaders—to do leadership. When we do this right, we can liberate the leader within everyone.

Mounting evidence suggests that good corporate citizenship can pay handsome dividends both in terms of profitability and global reputation.

## ON Ethics and Social Responsibility



by **N. Craig Smith** • INSEAD Chair in Ethics and Social Responsibility • INSEAD • Fontainebleau, France

Today, because of globalization and the Internet, we live in a smaller, more interconnected world where businesses are constantly exposed to scrutiny and their lapses are quickly made public. This reality means that, whether they like it or not, corporations must behave more transparently, be more ethical, and show more sensitivity to social and environmental concerns. This also means that business schools must move topics of ethics and corporate responsibility further up their agendas. But, as of yet, neither businesses nor business schools have succeeded particularly well at these challenges.

From the business perspective, corporate responsibility efforts are often little more than window dressing, good works performed in a corporate ghetto. But some companies—particularly those in highly exposed sectors like energy, mining, and pharmaceuticals—are truly attempting to reform. For instance, London-based Rio Tinto mining company, once targeted for environmental and human rights abuses, has cleaned up its act and even won an award for sustainable development. The interdependent global marketplace puts even low-profile industries at risk of public outcry if they make errors or behave too cavalierly.

At the same time, mounting evidence suggests that good corporate citizenship can pay handsome dividends both in terms of profitability and global reputation. As a specific example, GE has poured vast resources into its “ecomagination” initiative—developing energy-efficient and environmentally friendly products and services—and the push has paid off with revenues of more than \$17 billion. More broadly speaking, companies such as Unilever are offering base-of-the-pyramid initiatives that will give the world’s poorest people a chance to become both consumers and producers.

As many companies strive to be more transparent, more ethical, and more engaged corporate citizens, business schools are trying to keep up. But in my opinion, the way most business schools are teaching ethics and corporate responsibility (ECR) is inadequate to the task.

### ECR in the B-School

One impediment is the existing business school structure. ECR topics don’t readily fit within the established functional

areas that schools typically address, so it’s hard to find a place for them. That’s particularly true in research-based schools, where the mandate is “publish or perish.” Faculty may face substantial risks and find few incentives if they try to break outside of the established box and focus on something different.

Even so, there are pockets of excellence at schools that focus on ECR. These include the Haas School of Business at the University of California, Berkeley; the Schulich School of Business at York University in Toronto, Canada; and the University of Nottingham in the U.K. These programs represent bright spots, but most schools need to do more to incorporate these critical topics into their curricula.

First, let’s look at the teaching of ECR in the MBA. I believe programs should have three pieces firmly in place: one or two standalone courses that are devoted to ECR; core courses that embed ECR considerations in their content; and electives that address a wide array of ECR topics.

The first piece of this puzzle, ideally consisting of two standalone courses, is critical. One standalone course would come at the beginning of the MBA program and stress good conduct by business professionals. This course would not only signal the importance of ethical issues right from the start, but also provide students with frameworks to use in other classes and in the workplace. Another standalone course would be required later in the program to act as an ethics booster shot and to address corporate responsibility in more depth.

The next piece of the puzzle is to embed ECR issues in other core courses, which can be done in a variety of ways. Marketing classes could discuss how environmental concerns influence purchasing behavior, which in turn influences marketing decisions. An accounting course could look at social and environmental reporting. An operations course could examine the challenges associated with labor rights in the supply chain. I’m currently working with the European Academy of Business in Society (EABIS) to develop 12 case studies on corporate social responsibility designed to be used in core MBA courses, such as strategy and marketing, rather than an ECR course. The cases—on companies such as Microsoft, Unilever, IBM, Iberdrola, and Novo Nordisk—will be available from EABIS and the European Case Clearing House by mid-2008.

The third piece of the puzzle is a comprehensive slate of electives that offer students a closer look at specific topics, such as social entrepreneurship, environmentally friendly business practices, or socially responsible leadership.



### Other Approaches

Undergraduate programs would rely on the same three pieces of ECR education, but take a different approach to teaching. Since undergraduates typically don't have business experience, schools need to address ECR in ways students can relate to easily. For instance, a professor might cover plagiarism to encourage students to think about their own conduct—not just today, but during their future business careers.

Another approach that works well in both graduate and undergraduate programs is to discuss ethics through nontraditional methods such as film and literature. The University of Nottingham runs a four-week film festival that involves screenings and discussions of films such as “The Corporation” or “The Great Gatsby.” I've had students read Kazuo Ishiguro's novel *The Remains of the Day*, and then asked them to consider what they hope to have achieved when they reach the same point as the novel's protagonist. What sort of lives will they have lived? What contribution will they have made? These questions help students perceive how their actions today can influence not just their careers, but their whole lives.

Role playing and simulations can also be powerful. For example, when I teach stakeholder engagement, I have students use my case study on Wal-Mart to role play in a multi-stakeholder forum. Students in management roles typically have a tough time until, as the forum moderator, I encourage all the groups to focus on win-win strategies. The experience can be especially effective for those in the NGO or employee groups who see the issues from different perspectives.

### Corporate Responsibility and Innovation

It's easy to focus only on the constraints that ethics and corporate responsibility place on business, or cast them as risk management propositions. However, when it comes to corporate responsibility, innovation is key for companies that want to improve effectiveness *and* become better corporate citizens. Therefore, management educators must incorporate

innovation into their own business programs. At INSEAD, the Social Innovation Centre helps students learn about the business opportunities social innovation can bring.

My research on positive ethical consumerism reveals additional upsides to corporate responsibility initiatives. For instance, consumers exhibit a preference for Fair Trade products. They have positive feelings about companies that do good works, such as Dutch transport company TNT, which became involved in humanitarian relief.

I believe schools need to support faculty who act as champions of ethics and corporate responsibility. Individual faculty who are passionately interested in this subject, or see it as relevant to their work, make it fit their disciplines in creative ways and create pockets of impact all over the world.

### Hopeful for the Future

I hope that ethics and corporate responsibility eventually will become established subjects in the business school, in much the same way that entrepreneurship has been established as an important area of study. What I do not want to see is the subject of ethics being quietly absorbed into the larger curriculum. Standalone courses about the ethical consequences of business decisions are important to help students build a foundation of understanding in these complex areas. Once that foundation is in place, along with the associated concepts and frameworks, students can apply what they've learned to other courses in the curriculum.

I *am* optimistic that business schools will do a better job of teaching ECR in the future, partially because they want to and partially because they *have* to. The drivers aren't going away.

Let me speak to just one driver by giving a simple example of the greater transparency of today's business environment. In August of 2006, the Reuters news agency published a photo showing massive billows of smoke over the city of Beirut after a strike by the Israeli Air Force. Within hours, online bloggers began to question the picture's authenticity, suggesting the photographer had electronically added more smoke to the image to make the attack look worse than it was. Reuters—a company with integrity at the heart of its reputation—quickly responded by pulling the photo, confirming that it had been altered, and ending its relationship with the freelance photographer who had taken the image.

Globalization and instant communication are here to stay, and businesses must learn to deal with this new reality where any news and any actions can be made public within a matter of minutes. That means business schools must work within that same reality—and prepare their students to do so as well.

If business schools are going to be successful at educating leaders for the 21st century, they must close the gap between learning and doing.

## ON Organizational Behavior



by Denise M. Rousseau • H.J. Heinz II  
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Long ago, Peter Drucker asserted that most business issues are generic, whether the challenge is improving morale or implementing strategy. But if most problems are only superficially different, why can't we teach students to solve them effectively? One reason is that generic doesn't mean easy! Another reason is that business schools typically don't teach students first to understand common management problems and then to solve them using known principles of behavioral science.

If business schools are going to be successful at educating leaders for the 21st century, they must close the gap between learning and doing. An emerging movement called evidence-based management (EBM) aims to do just that. Using organizational science, EBM develops principles that managers can rely on to guide their decisions and develop organizational practices, no matter what business problem they encounter. I believe EBM could have a profound effect on how business management is taught in the future.

Some business educators would argue that they're already relying on relevant scientific evidence to teach effective management practice, because their schools are filled with professors publishing research about organizational behavior. But this research often fails to make it into the classroom. Most classes rely on a hodgepodge of textbooks and materials instructors like to teach, even though these materials don't necessarily conform to what organizational science supports. Today's students learn the business practices *du jour* and the latest pop business ideas—what Jeffrey Pfeffer and Robert Sutton have called “dangerous half truths and total nonsense.”

The result is that, when b-school students graduate, they can do a financial analysis, but they can't diagnose an organizing problem or motivate a team. They know the basics of capital structure and the time-value of money, but they don't understand the behavioral principles that let them solve common organizational problems well.

By contrast, EBM follows a handful of robust principles that are based on decades of social science research. For instance, one established principle is that if an employer sets

a challenging goal, and the employee accepts it, higher performance will result. How many b-school behavioral courses emphasize this principle? And even if they teach it, do they also explain how to apply it effectively—that is, do they stress that managers must pay attention to how well their employees *accept* the demanding goal?

Many managers would say, “We set goals!” But whether they do so well is another matter. If students master the principle of goal setting and how it can be applied in the workplace, they will become skilled managers who can adapt effective motivational techniques throughout their careers. But first they need to gain experience using those techniques. Unless this experience *starts* in b-school, how can we expect would-be managers to use their b-school training well on the job?

### EBM in the Classroom

Evidence-based management education revolves around three central tenets: principles, or *knowing what*; procedures, or *knowing how*; and continuous improvement, or *learning to learn*. Students learn a principle, practice it, reflect on how well it worked, and then try to implement it more effectively.

For instance, if students are learning the goal-setting principle, the instructor first explains the key ideas, provides examples, and relates them to the students' experiences. Students reflect on how the principle might apply in their own situations, and, when they're back at work or doing class projects, they practice goal-setting techniques. After watching to see how effective the principle is in action, students return to the class to share feedback.

Through this cycle of instruction, reflection, application, and analysis, students develop a deep understanding of fundamental principles. These principles provide the basis of real expertise; they're not fad or fluff. If a business school uses this approach, students will gain more knowledge about how to behave at work on a day-to-day basis than they will ever learn from any survey or case study course.

Evidence-based management also helps students develop their critical thinking skills. EBM focuses on three areas—decision awareness, problem diagnosis, and use of organizational tools—to help students become critical thinkers.

*Decision awareness* is the recognition that any action or non-action is itself a decision that can lead to an outcome. On the job, managers engage in a host of discretionary behaviors, some habitual, some more deliberate. A manager may not real-



ize that a casual remark to an employee has had a great impact on that person's subsequent performance—that through this remark, a decision has been made *and* expressed.

Using EBM, students learn to identify the many decisions they make every day. They practice reflecting on their interpersonal behavior to heighten their awareness of how their interactions impact people on the job. They hone their interpersonal and reflective skills by sharing insights with classmates, peers, mentors, and faculty. When they share actual experiences with others in an educational environment, they are learning to learn.

*Diagnosis* is a skill that experienced executives use as they assess the big picture and identify underlying—often generic—problems in the company. Students typically have little experience being big picture thinkers; they are more used to responding to isolated facts. With EBM training, they learn to diagnose problems by asking appropriate questions, such as “What causes X?” I have my students answer this question at least five times, to make them aware that a cause isn't always obvious, and it's rarely the first thing that comes to mind.

They follow up that question with other queries about when, why, where, and how X occurs. Feedback on false assumptions and overlooked facts helps students appreciate why the roots of organizational problems may involve several factors at once. A thoughtful diagnosis often wastes less time than misdiagnosis and “shooting from the hip.”

Finally, EBM also helps students learn to use *decision tools*, such as checklists and frameworks, to develop effective procedures that will guide their actions. If students understand how to design their own decision frameworks and routines, they will find it easier to incorporate these practices into their daily decisions—and update them as they learn over time. Of course, managers can't use decision tools effectively unless they understand the underlying principles behind them.

One principle asserts that unstructured job interviews are unlikely to yield the person who is best qualified for a position.

A manager who knows this might create an interview tool before talking to the first applicant. The tool might consist of job-related questions and problem scenarios that help identify which applicants possess the most critical competencies. Such tools help managers make best use of their knowledge.

### **A Competitive Advantage**

Schools that adopt an evidence-based approach to student learning will gain an advantage in the marketplace. They will turn out well-informed managers who will continue to develop substantive expertise throughout their careers, instead of being swayed by the faddish and unsystematic beliefs adopted and abandoned by many of today's executives.

Unfortunately, most business schools are far behind the fields of medicine and primary education, both of which increasingly rely on evidence-based approaches to learning. Yet, incorporating EBM principles into current b-school curricula isn't complicated. It merely requires a change in emphasis toward building core knowledge and skills.

For instance, in a typical classroom, students read a case study, debate it, and come to conclusions based on anecdotes and Monday morning quarterbacking. This approach breeds confident amateurs who believe that all they need to do is emulate the behavior of successful managers—and avoid the behavior of unsuccessful managers—if they encounter similar situations in their own careers.

By contrast, students in an EBM-based classroom can use the same cases, but they learn from the subject's experience in wholly different ways. They practice decision awareness, diagnosis, and tool design to determine how and why certain outcomes were achieved. They analyze the subject's actions by applying behavioral science principles. They take advantage of class discussions to sharpen their reflective skills through practice, practice, practice.

The EBM approach is most effective if a school incorporates it throughout the curriculum. A school also can provide an invaluable service to students by creating EBM resources for students to draw on after they've graduated, including online access to the latest research, alumni communities of practice, and executive education courses built around EBM. These resources will help graduates continually hone their skills and seek evidence as they encounter new situations.

The journey from novice manager to expert executive can take an entire career, and it is the job of business schools to help students take what are often their first steps on the path. Evidence-based management helps students develop the skills that will serve them well no matter how far they go on that path or what course their careers follow.

# ON Innovation



by Clayton M. Christensen • Robert and Jane Cizik Professor of Business Administration • Harvard Business School • Cambridge, Massachusetts • and Michael B. Horn • Executive Director, Education • Innosight Institute • Watertown, Massachusetts

Not too long ago, business schools were at the top of the mountain. Applications were at all-time highs, and an MBA degree enjoyed enviable prestige. But the story has begun to flip. Even when adjusted for upturns and downturns in the market, applications for two-year MBA programs are in decline, more firms are questioning the value of business school training, and many would-be students are wondering whether the degree is worth the cost.

This shift in the management education market began even while things were brightest for business schools, and it is producing an inevitable result: Established business schools are being disrupted. More students are learning management skills on corporate, not academic, campuses. And one day people will ask the same question about MBA programs that their professors taught them to ask about successful companies that ultimately failed: Why didn't they see the wave coming?

## What Is Disruption?

It helps to understand what disruption is. In every market, there are two trajectories—the pace at which products and services improve and the pace at which customers can utilize the improvements. Customers' needs tend to be relatively stable over time, while the offerings improve at a much faster rate. Therefore, over time, products and services that once were not good enough for the typical customer ultimately pack in more features and functions than the customer can use.

These are *sustaining innovations*. Whether they are simple or breakthrough improvements, they help industry leaders make better products that they can sell for higher profits to their best customers. In our study of innovations, industry leaders—or incumbents—almost always win battles of sustaining innovations, regardless of how technologically challenging they are.

Industry leaders stumble, however, when they face *disruptive innovations*. A disruptive product or service is not a breakthrough improvement—in fact, it's actually not as good



as the item the industry leaders are selling. Because of this, existing customers won't use it, and the leaders ignore it.

But these disruptive innovations are more threatening than industry leaders realize. They transform complicated and expensive products into simpler and more affordable ones, so they appeal to consumers who previously lacked the money and skill to own and use the leaders' products. And little by little, the disruption predictably improves, until the disruptive products serve a much wider audience better and more affordably.

As a result, everyone is better off—except for the disrupted companies, as noted in *The Innovator's Solution*, Christensen's book with Michael E. Raynor. Consumers abandon more expensive and less accessible old-line products, and the incumbent companies that produced these go out of business.

## A Case Study for Disruption

The dynamics of disruption play out in virtually every industry, from electronics to transportation. The personal computer disrupted mainframes and minicomputers. Southwest disrupted the major airlines. Toyota disrupted the Detroit car companies, and now Hyundai is playing the same game. What should concern management educators is that business education is facing serious disruptions as well.

Consider the disruption of newspapers as an analog to what is happening in business education. Historically, newspapers allowed people not only to become well-informed,

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but also to use commuting time productively. Newspapers helped people buy cars, sell homes, find new jobs, and attract new employees.

Products and services have emerged, however, that are disrupting newspapers. While they don't offer the breadth and depth of service that newspapers do, each one of these emerging players can do its individual job more efficiently and for less cost than a newspaper can.

Craigslist.org allows people to unload or buy possessions far more easily than they can through a newspaper. AutoTrader.com handles the buying and selling of cars more efficiently. Realtor.com does the same for homes. Monster.com creates better matches of employees and employers. News sites like CNN.com keep people informed throughout the day in a much timelier fashion. Blackberries kill commuting time more productively because they are smaller and easier to handle than newspapers. Newspapers, with their one-size-fits-all model, cannot easily respond to the disruptors that focus on a single job. As a consequence, one by one, the disruptors are eating into newspapers' revenues.

### **The Disruption of Business Schools**

Something very similar is happening to the leading business schools. Consider the jobs for which people might "hire" business education. Some need help with a relatively specific business problem or question; others want to learn to be great general managers; many need credentials to obtain their next promotions; others want help switching careers. And still more people "hire" a business program because they want to be associated with its brand and they want to acquire a prestigious alumni network.

The fundamental shift in the business education market began with that first job. Many business executives had specific problems for which they needed a three-day course, not a two-year MBA, but no suitable products existed. As a result, corporations created their own universities, and now we have Motorola University, General Motors University, and General Electric's Crotonville. While corporate universities do not provide the comprehensive learning experience that leading business schools do, they can deliver their training on a customized, just-in-time basis—which is far more targeted to what these employees actually want and need.

And, as disruptors do, corporate universities are improving. Business schools may not feel it yet, but corporate universities are beginning to take on the second and third jobs for which people hire business education. They are teaching students to be great general managers and helping them attain the credentials necessary for a promotion.

These improved corporate universities are expanding as well. Roughly 400 existed in 1990; today there are a few thousand—and they're reaching new customers. Motorola University, for example, not only trains in-house employees, but also offers courses to the public.

Business schools have historically drawn the majority of their executive education students from these very corporations that are launching their own universities. With an education option now readily available right where they work, however, many potential executive education students are opting out of traditional business school. Already, many business schools are seeing declining enrollments in their executive education programs.

At the same time, new disruptors are nibbling away at other traditional business school offerings. As the total cost of earning an MBA has soared—both in terms of actual and opportunity cost—many would-be students are finding other means of pursuing a master's in business. Part-time MBA programs have been low-end disruptors for some time now, but online programs—sometimes looked down upon by the leading business schools—are growing better and more numerous. They offer a much cheaper option that people can utilize while they continue to work. While online programs don't deliver the same prestigious alumni network, students still form useful connections with other participants, and the networking benefits are only going to improve.

### **Embracing the Disruption**

So what should business schools do now to ensure they are still educating business leaders in the future? One possibility is illustrated by the anecdote of a business professor who visited Perdue University, the corporate university of Perdue Farms, the chicken company in Salisbury, Maryland.


The professor asked the university president, "What's life like?" The president responded, "I got a call yesterday from the general manager of an operating division who wanted a weeklong course on strategy. That's actually very hard to design. Business schools have elegant, integrated strategy courses, but they last a full semester and can't be shortened easily. Strategy gurus can't give us a week of their time, and they're too expensive to hire for a day. I attend strategy conferences and read relevant books, but none of the material is practical enough and compact enough to use. I'll slap something together with the aid of trainers and independent curriculum developers, but this is a difficult assignment."

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This anecdote illustrates the opportunity for business schools. New players disrupting an established industry never succeed by replicating the incumbents' cost structure. Instead, they commoditize the part of the product or service that had been valued in the past and shift the value to another stage. In the case of business education, historically the professor has been the key to the teaching quality; going forward, to survive the disruption, business schools must commoditize the professor.

If a school like Harvard understood the problem faced by Perdue University's president, HBS could answer Perdue's need and provide a weeklong strategy course relevant to the chicken industry. Imagine if the Perdue University president logged on to the HBS Press site to piece together a course and received the following prompts: "What course do you need to teach? How long do you have to teach it? What industry are you in? Are you a skilled case method teacher, or are you the type that just presses 'play' and 'pause'?"

Imagine if, after receiving answers to the prompts, Harvard's software could identify modules of content—DVDs, workbooks, cases, exercises, and PowerPoint presentations—that could be mixed and matched to form the weeklong course. At the end of the simple exercise, the Perdue University president, or any corporate trainer, could teach strategy better than Michael Porter and innovation better than Clayton Christensen.

Whoever figures out how to do this best will remain relevant in management education. Business schools that disdain this opportunity do so at their own peril. More people are taking advantage of business education in alternative ways, and fewer are seeing the value of the MBA; these trends are unlikely to reverse. While emerging business education programs do not appear to be threats at the moment, they cannot be ignored. Many successful companies in other industries have closed their eyes to seemingly harmless companies, only to wake up one day to see the disruptive threat fully materialized—and the game largely over. 

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