

Your Turn

by Susan M. Phillips

I How B-Schools Drive Productivity

The increase in U.S. productivity has been a source of considerable debate in economic, business, and government circles. Is the past decade's growth sustainable? Which sectors or types of jobs are most affected? Why has the increase persisted during the recent recession? What are the policy implications? In an expanding global economy, why aren't other countries experiencing the same increase? What are the drivers?

These questions and the debate itself go on and on. But while "better management" is sometimes mentioned as one of the drivers of business productivity, I assert that business school leadership is also a primary catalyst. I also think that business schools should do a much better job of communicating how management education and research contribute to—and even drive—business productivity.

From 1998 through 2002, output per hour in the non-farm business sector in the U.S. (a conventional measure of productivity) increased at an average annual rate of 3 percent—more than twice the average pace over the previous four decades. And the increase continues in 2003. Deregulation, a surging stock market, and declining technology prices have freed up capital for managers to invest in productivity-enhancing technologies like computers, software, and communications equipment. Such investment has enabled businesses to better manage supply-chains and inventories, access customers, and maintain records, boosting productivity along the way.

Too often, business schools are

left out of the discussion about productivity. Productivity gains, often acknowledged to raise the standard of living in the long run, are linked to factors such as the introduction and adoption of technology innovations, improved information or data, and restructuring of labor and product markets—not improved educational methods. As a result, the public generally does not recognize



business schools' contributions to these economic advancements.

This lack of awareness exists even though management innovation through education and research has been integrally connected to the private sector since 1881, when one businessman's interest triggered the emergence of all business schools. At that time, Joseph Wharton, proprietor of American Nickel Works, asked University of Pennsylvania trustees to develop the world's first school of business. His pioneering vision was to raise the status of business education to the level of professional schools for lawyers and doctors.

Since that "provincial experi-

ment" in Philadelphia nearly 125 years ago, business owners and managers have continued to engage academics on many levels to achieve results benefiting American business practice and the greater economy. Early business school faculties generally comprised business practitioners and academics from other university departments like mathematics, economics, sociology, and psychology. Their research focused on work processes, new technologies, and employee conditions—issues that continue to affect productivity and are taught in business schools today.

Of course, business research and education have taken on new dimensions over the last several decades, adding new areas of inquiry such as marketing, derivative pricing, and quantitative methods. When the Ford and Carnegie studies of the late 1950s claimed that business was not a distinct academic field because its professors needed doctoral-level education, business doctoral programs grew at an astonishing rate. Business schools began to adopt a more deductive approach, and education became more rigorous in theory development and quantitative measures.

Modern business school research initiatives often encompass testing of new management techniques to validate, disprove, or measure their effectiveness. Faculty research initiatives have developed theories, practices, and programs that are conveyed through business schools and applied in the marketplace, resulting in improved productivity. For example, academic and management guru Peter Drucker has taught people how to manage more effectively. More recently, Michael Porter has developed theories related to competition that teach business students

and managers alike how to think more strategically. In other instances, the business community has introduced ideas that are widely adopted and taught to business students via cases or internships.

Through research and consulting, we evaluate rapidly changing technologies and their prospective applications so we can bring cutting-edge ideas to the classroom. For instance, one George Washington professor recently returned from a sabbatical during which he researched RFID tags (radio-frequency identification tags), a new technology introduced by Wal-Mart and others that is expected to revolutionize inventory management, which, in turn, improves supply-chain efficiency. He will teach students about this innovation in “Emerging Technologies,” a course that has been in our curriculum for years, but with frequently revised content.

From anecdote to theory, the fact that business schools contribute to productivity is unmistakable. We serve as conduits for knowledge. We create and disseminate management ideas and best practices to future and current managers. We teach students to think strategically and help them understand how to make decisions that will minimize or eliminate mistakes and improve efficiency. We teach students to determine the potential benefits and challenges of a new venture. At the same time, we encourage students to think creatively and to take calculated risks.

Keeping a business school curriculum current and relevant, much less “ahead of the curve,” is a great challenge. Unlike other academic areas, a business school’s curriculum must constantly evolve to reflect the dynamic competitive and innovative

nature of business. The business classroom is a forum for discussion about what is and what is not working in the application of new marketing, risk management, or information systems applications. It is an incubator for the evolution of “best practices” that are worked into textbooks and other course materials—and that ultimately find their way to the business world. The content, topics, and

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cases in such basic fields as accounting, finance, and marketing must regularly change to reflect new findings, practices, technology, information availability, and even environmental or demographic changes.

Business students also get hands-on opportunities to develop their skills through experiential learning by serving as consultants to managers of actual companies working with pressing business challenges. It’s interesting to observe visiting managers’ reactions to students’ presentations. These managers fervently take notes, trying to capture the creative ideas of objective student outsiders who aren’t burdened by the “but we’ve

always done it this way” mindset. We often hear from managers who have implemented and benefited from these fresh perspectives.

Employers and employees alike are aware of the necessity for lifelong learning due to the accelerating pace of technological innovation and application development. Businesses need to develop their human capital so that they can help their managers attain new knowledge and skills that complement fixed capital investments in new technologies or processes. Meanwhile, in order to advance in their careers, employees need to refresh their skills and perhaps even reposition themselves. Both factors have fueled demand for business school programs and the introduction of new delivery modes.

And yet, many people outside our own ranks don’t know of these activities. Articulating and communicating to society the value of management education and research may be one of our biggest challenges as business educators. Although perhaps not in the same league as finding the cure for cancer, management tools such as improved inventory control or portfolio hedging may ultimately lead to better productivity and, in turn, better jobs, income levels, and even quality of life.

Joseph Wharton knew how important management education was to a productive and prosperous society. It’s time we, too, get that word out. We need to communicate what business schools have contributed—and what they continue to contribute—to the productivity of the economy. **Z**

Susan M. Phillips is dean of The George Washington University School of Business and Public Management in Washington, D.C.