

# A B-School Grows in Beirut

by Carla Sayegh

**I**n August 2006, the Olayan School of Business at the American University of Beirut had just finished its accreditation plan. The next step was to send the plan by Aramex, the region's version of FedEx, from Lebanon to an AACSB pre-accreditation committee in Tampa, Florida. The problem? The region was in the midst of the Summer War between Lebanon and Israel, just 13 days before the United Nations ceasefire would go into effect. For our plan to arrive on time, we had to get it through Syria by land while the air and naval blockade on Lebanon was still in force. Fortunately, the CEO of Aramex, an AUB alumnus and board member, jumped to our rescue. He personally tracked our package and made sure that it arrived in Tampa on schedule.

Few business schools have to add regional wars or cultural conflicts to the challenges facing them during the accreditation process. At the Olayan School, however, we are ever-conscious that our cultural atmosphere and regional circumstances directly affect us in many critical areas, including strategic planning, change management, and faculty recruitment and retention.

To carry out its mission amid the volatility of the Middle Eastern region, the Olayan School often has to turn to special strategies and the support of a wide network of friends and alumni—

*To manage its programs in the volatile Middle Eastern environment, the American University of Beirut's Olayan School stresses careful planning, unorthodox approaches, and, above all, the ability to be comfortable with uncertainty.*



The campus of the American University of Beirut

even for something as seemingly simple as the delivery of an overnight package. Still, we have found that nothing is more rewarding than managing these challenges, while providing global business education in turbulent, unpredictable conditions.

### Historical Realities

Lebanon is a pluralistic, open, and democratic society. Even so, it has always been afflicted by chronic political instability, ranging from civil tensions and a protracted political stalemate to all-out war. In Lebanon, citizens uninhibitedly voice a wide variety of beliefs, ranging from staunch support of U.S. foreign policy to alignment with and support for the Iranian regime and Sharia law. This mélange of conflicting viewpoints, in the absence of a traditionally strong and unified military, translates into ongoing tension.

It is in this climate that the American University of Beirut runs its programs. As the region's oldest private research university, AUB follows the U.S. model of higher education. In 1900, it became the first university to introduce management education to the Middle East region; it is the oldest American institution outside of the U.S., operating under a New York State Charter since 1863. AUB also was the first co-educational institution in the Middle East, open to all qualified students without regard to gender, race, religion, economic status, or political affiliation.

The university suffered great setbacks during Lebanon's civil war from 1975 to 1990. During this conflict, AUB was unable to increase its tuition at a rate proportional to the country's spiraling inflation; as a result, it was difficult for the university to keep its classroom and research facilities in good repair and abreast of rapid advances in technology. In addition, because of the extremely unstable conditions in Beirut, the school lost much of its diversity. Many of its faculty left the region, and non-Lebanese students chose to enroll at other schools that weren't in a war zone.

Influenced by this history, AUB values the components of an American liberal arts education and defines its mission in regional terms. It places special emphasis on broadening the regional and international diversity of its students and faculty. The institution has become an intellectual sanctuary for writers, scholars, entrepreneurs, executives, philanthro-



ALI KABAS/ALAMY

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pists, policymakers, executives, and political figures in the Middle East region. In fact, among its alumni is Lebanon's current prime minister, Fouad Siniora.

For nearly 100 years, AUB's business courses were delivered as “concentrations” by a department within its College of Arts and Sciences. In 2001, in response to the oil-driven economic growth and management development needs of the regional business community, AUB established an independent School of Business. In 2003, the school became the Olayan School of Business after it was endowed by the prominent Saudi-American businessman and philanthropist Suliman S. Olayan.

### Regional Realities

Today, the Olayan School's business program has grown from 12 full-time professors, who were largely natives of the region, to 48 full-time professors from around the world. Three primary trends have propelled the school's development:

■ *Fallout from the attacks on September 11, 2001.* The 9/11 terrorist attacks in New York City led to tighter visa restrictions in the U.S. Many students in the region who would have traveled to the U.S. for their educations have chosen instead to remain here, leading to a surge in undergraduate applications.

■ *Growing tensions between Arab and non-Arab nations.* More Arab college-age students feel that they are not well-understood outside of the Middle East. Many applicants have opted out of studying in the U.S. or Europe, looking instead to regional alternatives.

This trend is especially true for Arab women. Many talented women prefer to stay close to their homes and families

because of cultural expectations; even so, their ambitions continue to grow. As a result, their enrollment in post-secondary programs is on the rise. Although the participation of Arab women in the labor force is still low, women in many Middle East countries enjoy high levels of formal education,

according to numbers from the United Nations. In fact, in countries such as Jordan, Lebanon, Bahrain, and Tunisia, women make up more than half of total enrollment at post-secondary educational institutions. At the Olayan School, women comprise 56 percent of undergraduate enrollees and 60 percent of MBA enrollees.

■ *Increasing regional demand for management education.* Countries in the Gulf Cooperation Council (GCC) region have experienced average annual oil-driven growth of 20 percent in recent years, among the world's fastest rates. Morgan Stanley estimates that the GDP of GCC Countries will exceed US\$950 billion in 2008, making this bloc the seventh largest economy in the developing world—comparable to the burgeoning economy of India.

At the same time, the GCC is proactively seeking to diversify many of its markets. In its 2004 Middle East and North Africa (MENA) Development Report, the World Bank estimated that the economies of the MENA region will need to create 80 million new jobs by 2020 to maintain healthy employment levels. To satisfy the needs of a rapidly growing labor force, the GCC plans to move away from petroleum and public enterprises as its primary industries into sectors such as real estate and construction, financial and professional services, and tourism.

But the need to create jobs reflects only half of the issue. The other half involves preparing the labor force to assume skilled jobs. As more individuals enter the labor force, and as current workers learn to manage private-sector businesses, the management development needs of the regional business community have become more pressing. For this reason, investments in education have soared recently, and major American and European universities have even set up branches of their campuses in the GCC region.

These trends have sparked renewed growth and increased activity at the Olayan School, including a rise in undergraduate and executive education applications. The school also advises other regional educational institutions that seek to establish operations, maintain global standards of quality, and seek accreditation. With a network of strong business schools that have local ties, the region can better meet its growing demand for skilled managers who truly know the cultural and political context of Middle Eastern business.

### Cultural Realities

Despite regional demand for management education, country circumstances often affect our faculty recruitment efforts. We have been successful at hiring candidates of Lebanese/Arab descent, as well as those with Arab spouses and children



ALAN GIGNOUX/ALAMY

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who understand the culture, have an affinity for Lebanon, and are familiar with the institution. But other business faculty often have misconceptions that we work to dispel.

Faculty with children, for instance, may be especially wary of moving to Lebanon, fearing for their children’s safety. In these cases, we must emphasize that primary and secondary schools in Lebanon are among the world’s most competitive. Others believe that by working and teaching at an institution in the Arab Middle East, they would cut themselves off from mainstream academia, compromising their research agendas and global collaboration opportunities. The Olayan School works to allay these concerns through support such as international conference attendance, external grant funding, guaranteed research leave, and consulting opportunities.

Others may fear the cultural differences between Western and Middle Eastern societies. It’s true that Arab culture is very implicit and “high-context.” Listeners must grasp a conversation’s meaning by carefully noting context and the

speaker’s nonverbal cues. To come to a mutually understood agreement, two people have to engage in an extensive one-on-one dialogue—in person, by phone, and by e-mail.

Business dialogue, especially, tends to be largely indirect, diplomatic, nonconfrontational, and vague. In this part of the world, large meetings are not convened to brainstorm or discuss options. Rather, they are largely ceremonial where decisions that already have been agreed upon—through extensive one-on-one consultative meetings—are announced. This process takes work, but it’s how professional rapport is maintained and nurtured in the Middle East culture.

At first, it can be difficult for faculty and students from outside the region to pick up on these subtle cues. Many receive an education in cultural interactions that they may not have expected. However, once they learn these subtleties, they find they are well-equipped to conduct business in a part of the world that promises to become more important to global business.

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But, above all, the perception of danger in the Middle East remains a major barrier to the Olayan School when it comes to recruiting internationally diverse faculty. The university has made significant efforts to mitigate this perception by engaging in a U.S.-based outreach campaign spearheaded by AUB’s New York City office and its board of trustees.

Once faculty candidates make their first visits to our campus, they are pleasantly surprised with the reality on the ground at AUB and in Beirut. They are particularly surprised to find that Beirut is a culturally diverse, sophisticated, and intellectual city—in fact, most of its residents are trilingual. Given what people from outside the region see on television and read in the newspapers about the Middle East, it can take a firsthand visit to show them that Beirut is much different from what they might have expected, offering a unique, cosmopolitan mixture of Oriental tradition and Western modernity.

### **Comfortable Ambiguity**

Most schools in stable environments spend a majority of their efforts developing, implementing, and reviewing the progress of their detailed strategic plans. At OSB, however, we spend less than a third of our planning time on these activities. We focus the remainder of our efforts on contingency planning and preparation. Although such extra planning can be time-consuming and often costly, it is necessary and allows us to remain flexible, adaptable, and responsive to an unpredictable environment.

For example, we currently offer a modular Executive MBA program on-campus, which requires a majority of our participants to fly in from different parts of the Middle East. Although travel to any university can be disrupted by weather or other factors, we must be far more vigilant to ensure that our students arrive in Lebanon to complete their requirements.

To hedge against any potential service disruptions as a result of travel warnings or civil unrest, we take extra precautions. We have mobilized our alumni in Bahrain to secure backup conference facilities available for our use at a moment’s notice. We also have designed a variation of our Executive MBA program, which is identical in content but different in delivery. For this program, we admit groups of executives from a single corporation, rather than individuals from many corporations. In addition, classes are held at alternate corporate locations, so instead of having students fly to our campus, our faculty fly to meet the students. This alternate delivery allows us to serve students in the Arab Middle East in the Gulf region consistently, and it ensures that we do not cannibalize our on-campus program.

We also rely on technology in case of emergency. Last

year, for instance, we planned a business conference on campus featuring a regional CEO as the keynote speaker. At the last minute, however, his board advised him not to travel to Lebanon. Still, we were able to keep our conference on schedule—the CEO delivered his speech from the comfort of his own office via video conferencing.


By necessity, faculty and staff at the Olayan School tend to be flexible self-starters who are comfortable with ambiguity. Our culture is not well-suited to those accustomed to routines and predictable 9-to-5 environments. We often joke that experience-based paranoia drives our planning and implementation, so that we remain resilient to exogenous shocks.

### **The Road Ahead**

In 2007, visitors to our campus often asked where the summer 2006 fighting took place. During sightseeing excursions, they were surprised to see no remnants of the conflict, as it was depicted in international media footage, anywhere near Beirut. They had not realized how distant we were from the fighting.

The presence of conflict and tension in the Middle East is real—however, its extent is often exaggerated by 30-second global media headlines covering an incident in a country’s geographic periphery. Even now, as we work with AACSB to put together a peer review team for an accreditation visit, “willingness to travel to Lebanon” has become one of the most important factors in team assembly.

For OSB to compete successfully in an increasingly global management education environment, we know that we must assertively manage global perceptions of country risk. We realize we have to work twice as hard to prove ourselves to the global management education community. But as ironic and biased as this may seem to “non-Beirut” residents, Lebanon provides a quality of life that can’t be found anywhere else in the world. This makes OSB, Beirut, and the surrounding region a rewarding environment for study and research.

The key that helps us overcome many challenges is an organizational competence to “absorb uncertainty” effectively. More important, we’ve learned many valuable lessons from managing not only the uncertain cultural and political climate around us, but also external and distant perceptions of the Middle East. These lessons are informative case studies on continuous improvement that could be useful to any business school, anywhere in the world. 

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