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The Honesty Quotient

My most recent ethical dilemma involved seven dollars. A cashier failed to charge me for a seven-dollar item, which I didn’t realize until I was halfway home. My companion and I engaged in a brief ethical debate: Should I go back to pay for the item? Or consider it a gift?

We facetiously came up with a mathematical formula for such situations: One’s need for honesty (H) is directly proportional to the money involved (M) divided by one’s distance from the store when one discovers the mistake (D). M / D = H. In this case, $7 / 2 miles = 3.5. This “honesty quotient,” we agreed, would have to be at least a “5” to warrant putting the car into reverse, so we continued home.

Not an unparalleled display of ethics, granted. But ethical decisions seldom occur in rarefied air. There are circumstances to be weighed, causes and effects to be balanced. Sometimes, the devil just wins out.

Of course, I’ve experienced similar dilemmas that broke the “5” barrier. About ten years ago, a cashier accidentally threw my check for $50 into the bag with my purchase, along with my receipt. I didn’t discover it until I got home. I admit I contemplated using the old “it-wasn’t-my-mistake” defense and keeping the money; but after a crisis of conscience, honesty prevailed. I returned the next day.

As luck would have it, the same cashier was on duty. After I explained what had happened and handed him the check, he didn’t utter a word—not even a “Thank you.” He actually looked at me incredulously, as if I’d lost my mind. Now that I’m older and arguably wiser, his silence wouldn’t faze me. However, at the time, I remember questioning my judgment, wondering if I was naïve to return the money. If only I’d had the honesty quotient to guide me! There would have been no crisis, no questioning. Just plug the variables into the formula: $50 / 4 miles = 12.5. Take it back!

Wouldn’t it be nice if all ethical questions were so easily resolved? But as Newtonian laws of physics break down at light speed, this paltry formula fails at the corporate level. The multimillion-dollar decisions corporate executives make encompass complex sets of variables, including employees, shareholders, and communities. It’s all far too complex for any formula to manage.

As an alternative to math, contributor Sandra Waddock applies poetry to the question of ethics—specifically the poetry of T.S. Eliot. In her article “Hollow Men at the Helm,” she uses Eliot’s spiritually bankrupt “hollow men” as reminders of the effects ethical breakdowns have on business and society. To prepare for the ethical challenges they’ll face, she writes, business students must keep in touch with their core values and strike a balance between individual and communal needs.

Students who strike this balance will understand that ethics isn’t a perfect science—few, if any, of us get it right 100 percent of the time. What’s important is that students keep their ethics on an upward trajectory. And unlike my more uncertain, younger self, they won’t need a “thank you” or even a mathematical formula to know they’ve done the right thing. They’ll just know.
Headlines

A Call for Ethics Education

Business schools must renew and revitalize their commitment to teaching ethical responsibility at both the individual and corporate levels if they are to prepare leaders for the 21st century. That’s one of the conclusions reached by members of the Ethics Education Task Force (EETF) assembled by AACSB International. The EETF is chaired by Susan M. Phillips, dean of The George Washington University School of Business and Public Management in Washington, D.C.

“While a number of business schools have developed innovative strategies for engaging students in the challenge of providing ethical leadership, the assumption of many faculty and program leaders that the majority of students are being adequately prepared in this domain is highly questionable,” according to the report, titled “Ethics Education in Business Schools.”

Schools should be encouraged to demonstrate a commitment to teaching ethical behavior throughout their academic programs, assessment processes, research agendas, and outreach activities, the report states. The report also recommends that business schools teach students how to confront unethical behavior in the workplace; offer specific courses in various business disciplines to prepare students for the types of moral issues arising in those areas; ensure students are familiar with programs that support ethical conduct; encourage adoption of honor codes; and establish management degree programs that offer ethics education and a solid background in corporate governance.

To support business schools as they strengthen their ethics educa-

BGS Honoree Calls for Global Citizenship

Global corporate responsibility will be critical in the future for businesses operating internationally, according to Beta Gamma Sigma’s 2004 International Honoree, who was recognized at AACSB’s International Conference and Annual Meeting in Montreal this spring. Honoree Dieter Zetsche, CEO and president of Chrysler Group, was unable to attend the event; remarks were delivered instead by W. Frank Fountain, senior vice president of DaimlerChrysler and president of the DaimlerChrysler Corporation Fund.

“True business leadership requires applying talent and resources to help resolve the broader issues facing society,” said Fountain. “In today’s ever-more technical world, however, we seem to be placing greater emphasis on process than perspective.”

While acknowledging the impact of the knowledge economy, Fountain pointed out that “you can’t eat, drink, drive, or live in knowledge alone.” He added, “In fact, left unchecked, today’s flood of information can work to the detriment of progress if it isn’t quickly categorized and put into use.”

Noting that DaimlerChrysler

AACSB HQ Relocates to Tampa

The board of directors of AACSB International voted April 18 to move the association’s headquarters to Tampa, Florida. The move from its existing headquarters site in St. Louis will occur in phases and be completed in spring 2005.

In making the decision, the board cited an increasing focus on the advancement of thought and knowledge leadership, as well as advocacy. The board also noted the move will save the association as much as $7 million during the next ten years, partly from the restructuring of its staff. These savings will be reinvested in increasing management education experience on staff.

The board’s choice of Tampa came after an extensive study and report by a consulting firm and discussion with other organizational leaders. Twenty cities were considered, all of them ranked according to specific criteria. In making the final decision, the board cited Tampa’s appeal in recruiting top business education talent; lower staffing, leasing, and events costs; a diverse, multilingual labor pool; and climate.

AACSB’s new Tampa headquarters will be in a waterfront building on Harbour Island. According to John Fernandes, president and CEO of AACSB International, one of the key elements of the new building will be an educational center where the association can hold seminars and board and committee meetings. The center will be easily accessible from the Wyndham Harbour Island Hotel, which is joined to the headquarters building by an overhead walkway. “This center will allow us to hold more meetings at our own facility, which will add flexibility and reduce costs,” says Fernandes.
builds products in 37 countries and sells them in 200, Fountain emphasized the importance of corporate citizenship. “We now have the tools and opportunities to help create prosperity in many nations and to help bring an end to poverty, disease, and even pestilence. As we do, we create opportunities for even greater prosperity,” he said. He described the company’s efforts to work for sustainable HIV-AIDS interventions that are helping to stabilize both the South African society and DaimlerChrysler’s business environment in that country.

While such efforts are essential for global commerce, they are challenging to maintain, Fountain said to his audience of management educators. “This is why we need MBAs and other leaders—trained by you—who can not only manage but can also appreciate relationships between business and society, business and education, business and the environment, business and government, business and community health, and business and the arts.”

Competition Winners Gain Edge in Job Search

The shaky economy is making it harder for new b-school grads to find jobs—although those who win recognition at business competitions are sometimes finding it easier to catch the eyes of recruiters. Not only do high-achieving teams take home prize money, many often score job and internship offers.

“I’ve had four companies tell me that they will only interview students who have been part of the Goizueta Marketing Strategy Competition,” said Reshma Shah, a marketing professor at Emory University’s Goizueta Business School and faculty adviser to the competition. Companies are interested in students who’ve performed well in competitions, Shah says, because students often perform detailed consulting projects that prove their ability to work as teams.

Competitions—such as those orchestrated by Students in Free Enterprise (SIFE)—also spotlight students with a strong propensity toward leadership. In SIFE competitions, students teach business concepts to children, older adults, and business owners who need assistance. “The leadership learned through SIFE is the kind of leadership we want our executives to exercise,” says Len Roberts, president and CEO of RadioShack.

At Indiana University’s Kelley School of Business, where Whirlpool sponsors an annual case competition, judges are able to obtain “a real-world assessment of students’ problem-solving skills, presentation skills, and ability to think quickly on their feet,” says Daniel Smith, Kelley’s interim dean. Last year, MBA students nailed down two of six offers extended to participants.

Participating in competitions gives students a competitive advantage when job hunting, says David Bergheim, director of MBA Career Management at Goizueta. “They get access to high-level marketing executives who evaluate their work, and in some cases these executives end up creating positions for these people or draw from that pool of talent first when selecting interns,” says Bergheim.

The New Executive Ed Student

Who’s pursuing executive education? The answer varies for every school according to market and geography, but at Columbia Business School in New York City, administrators have been observing patterns in their own Senior Executive Program for almost ten years. They’ve observed five key trends.

International participation is growing—and changing. Today, two-thirds of CSEP’s participants are from outside North America. More now come from the Asia/Pacific Rim—Australia, Japan, and Hong Kong—than from Europe.

More than half of today’s participants are 45 or older. One reason might be that the failure of the tech boom has seen younger CEOs drop out of the market.

The dominant industries represented are financial services, manufacturing, and government, while the growth industries are transportation, energy, and financial services. Tech and telecom industries are also represented, often by female participants.

Nonetheless, women are underrepresented. Approximately 11 percent of CSEP classes are made up of women, most of whom come from within the U.S.

CEOs need help understanding true leadership, since corporations have unrealistic expectations of their top executives. “Corporate leaders

—W. Frank Fountain, DaimlerChrysler
are expected to be inspirational, charismatic, strategic, visionary, and to hold the operational reins while exhibiting industry savvy. It is an impossible task,” says associate professor Rita Gunther. Executives need to learn “how to draw on the right skills at the right time and how to ruthlessly prioritize.”

Profos Join the SEC

Two business professors have recently taken key appointments in the office of the Securities and Exchange Commission. Chester Spatt has been named chief economist and director of the SEC’s Office of Economic Analysis. Spatt is the Mellon Bank Professor of Finance and director of the Center for Financial Markets at the Tepper School, Carnegie Mellon University in Pittsburgh, Pennsylvania.

Audrey Gramling, assistant professor of accounting at the Robinson College of Business, Georgia State University, Atlanta, has been appointed as an academic fellow in the Office of the Chief Accountant at the SEC.

Entrepreneurship Lab Opens

The Miller College of Business at Ball State University, Muncie, Indiana, is preparing to launch an Entrepreneurship Dynamics Lab. It will serve as a platform for entrepreneurial initiatives not only for Ball State University faculty and students, but for the entire state of Indiana. Development of the lab is the result of a million-dollar federal grant from the Department of Education awarded to the entrepreneurship program and Donald F. Kuratko, founding director and the Stoops Distinguished Professor of Entrepreneurship.

One of the lab’s initial endeavors will be the Idea Accelerator Initiative, two days of seminars and facilitation designed to push top creative ideas toward commercialization. A second initiative, the Rapid Growth Internship Program, will place qualified students as interns in rapid-growth ventures for 15 weeks. The new lab also will oversee the Entrepreneurship Consulting Teams MBA Business Plan Review Teams, Cardinal “Tech” Tank, and a Venture Capital Access Process.

Conference Highlights

Continuous Improvement

Deans and faculty looking for a better understanding of school accreditation will find help at the “Learning from the Leaders” conference to be held September 26 through 28 at the Hyatt Regency Tech Center in Denver, Colorado. The event, sponsored by AACSB International, replaces the longstanding Continuous Improvement Symposium.

Leaders of accreditation committees will be on hand to give guidance on the initiation, maintenance, and accounting accreditation processes under the 2003 and 2004 standards. Members of review teams and representatives from newly accredited schools will offer insights on how to maintain school accreditation. Concurrent sessions will highlight effective practices in assurance of learning and strategic management. A reception for newly accredited schools will recognize and celebrate the recent achievements of these schools. More information about the “Learning from the Leaders” conference is available at www.aacsb.edu.

AACSB Publications Win Awards

Three items appearing in AACSB publications were recognized in the 2004 SNAP EXCEL awards competition, which honors exemplary work of association publishers. Sponsored annually by the Society of National Association Publications (SNAP), the competition judges close to 1,000 publications and electronic media for editorial content, design, and general excellence.

A gold award in the column category for newsletters went to “Lessons from the Dean’s Suite for Aspiring Deans,” which appeared in eNewsline. It was written by Charles Moyer, former dean at Wake Forest University-Babcock in Winston-Salem, North Carolina.

BizEd received two bronze awards for writing. “Communication Across Cultures,” which appeared in the September/October 2003 issue, won in the editorial category for magazines. “The Creative Curriculum,” which appeared in the July/August issue, won in the category of feature articles in magazines with a circulation of 25,000 or less. Both were written by BizEd co-editor Sharon Shinn.

“CORPORATE LEADERS ARE EXPECTED TO BE INSPIRATIONAL, CHARISMATIC, STRATEGIC, VISIONARY, AND TO HOLD THE OPERATIONAL REINS WHILE EXHIBITING INDUSTRY SAVVY. IT IS AN IMPOSSIBLE TASK.”

—Rita Gunther, Columbia Business School
NEW APPOINTMENTS

Andrew J. Policano has been named the dean of the Graduate School of Management at the University of California in Irvine. He will assume his position August 1. Policano is Kuechenmeister Professor of Business and former dean of the School of Business at the University of Wisconsin-Madison. As dean, he doubled the number of companies recruiting the school’s graduates and developed EMBA and evening MBA programs. He also helped raise the school’s endowment from $6 million to more than $95 million.

Yash Gupta has been named dean of the Marshall School of Business at University of Southern California in Los Angeles, effective July 1. He also will hold the school’s Robert R. Dockson Dean’s Chair in Business Administration. For the past five years, Gupta has been dean of the University of Washington Business School, where he revamped the undergraduate and graduate curricula and boosted fund raising by 400 percent. Gupta succeeds Randolph W. Westerfield, who led the Marshall School for 11 years and is returning to teaching and scholarship.

James M. Higgins has been named George D. and Harriet W. Cornell Professor of Innovation Management at the Roy E. Crummer Graduate School of Business, Rollins College, Winter Park, Florida. The endowed chair was made possible by a bequest to the college from the late George Cornell, a trustee for more than 20 years, and his wife, Harriet Wilkes Cornell.

Economist R. Glenn Hubbard has been named the new dean of the Graduate School of Business at Columbia University in New York City. Hubbard, the former chair of President Bush’s Council of Economic Advisers, will assume leadership of the School effective July 1, upon the retirement of the current dean, Meyer Feldberg. He is the Russell L. Carson Professor of Finance and Economics and a faculty member in the finance and economics division of Columbia Business School.

Howard O. Hunter has been named president of Singapore Management University and will take office in September. He is former provost and executive vice president for academic affairs at Emory University.

Robert Vigeland has been appointed temporary dean of the M.J. Neeley School of Business at Texas Christian University in Fort Worth. Vigeland is currently professor of accounting and chair of TCU’s accounting department. Robert Lusch, dean of the Neeley School, announced last year his intention to leave TCU at the end of May to devote more time to research and teaching.

H. Fenwick Huss has been named dean of the Georgia State University’s J. Mack Robinson College of Business, effective July 1. Most recently he was associate dean of the Atlanta-based school. Huss will succeed Sidney E. Harris, who will remain a member of the college’s faculty, teaching and conducting research.

Robert W. Ingram, director of Culverhouse School of Accountancy at The University of Alabama in Tuscaloosa, has been named senior associate dean of UA’s Culverhouse College of Commerce and Business Administration. Ingram replaces Walter S. Miseolek, who resigned the position to return to teaching economics.

Richard V. Boulger, a former partner at Accenture, has been named Director of Business Development for the Eller College of Business and Public Administration at the University of Arizona in Tucson.

Arjun Chaudhuri will be the first person to hold the Rev. Thomas R. Fitzgerald, S.J., Chair in Marketing in the Charles F. Dolan School of Business, Fairfield University, Fairfield, Connecticut. Chaudhuri is currently professor and chair of the marketing department. The chair has been named for the sixth president of Fairfield University, who oversaw the creation of the School of Business. The new position has been endowed with funding from a $25 million gift made by Charles F. and Helen Dolan.

James C. Bean has been named dean of the Charles H. Lundquist College of Business at the University of Oregon in Eugene. He most recently was associate dean for academic affairs and professor of industrial and operations engineering at the University of Michigan College of Engineering. Bean will assume his post July 1, succeeding Philip Romero, who is stepping down after serving as dean since 1999. In addition to his role as dean, Bean will hold the Lundquist College’s Harry B. Miller Professorship.
Florida Gulf Coast University in Fort Myers, Florida, has announced that Ara G. Volkan will be joining the College of Business faculty as the Eminent Scholar and Moorings Park Chair in Managerial Accounting. Volkan most recently served as the interim dean of the Richards College of Business at the State University of West Georgia. The Moorings Park Chair was made possible by a gift from Moorings Park, a Continuous Care Retirement Community.

Robert Pitts has been named dean of the School of Business and Economics at the College of Charleston in South Carolina. He has been dean and professor of marketing in the College of Business Administration at Creighton University since 1997. He will assume his new responsibilities July 1.

Ajay Patel has been named dean of the Babcock Graduate School of Management at Wake Forest University in Winston-Salem, North Carolina. Since August 2003, Patel has served as interim dean of the Babcock School.

Derya A. Jacobs was recently named dean of the School of Business and professor of management at Robert Morris University in Moon Township, Pennsylvania. She succeeds Richard W. Stolz, who remains at the university as professor of finance and economics.

Jackie Jenkins-Scott has been named president of Wheelock College in Boston. She assumes her new position in July. Most recently she has been president and CEO of the Dimock Community Health Center.

Paul Rizzo, dean and director of the Melbourne Business School, University of Melbourne in Australia, will retire early due to ill health. Ian Harper, currently the assistant director and dean of faculty, will assume the role of acting dean, effective immediately.

The University of Washington Business School in Seattle has appointed Christopher Klemm director of its Center for Technology Entrepreneurship (CTE). Prior to joining the CTE, Klemm served as president of Optimus Consulting.

Elena Liquete has been appointed executive director of the Global Executive MBA program at IESE in Barcelona, Spain. She joined IESE in 2001 as assistant director of the program, which was launched that year.

Blaine McCormick has been named associate dean for undergraduate programs at Baylor University’s Han-
kamer School of Business in Waco, Texas. McCormick will succeed Elizabeth Davis, who has been appointed vice provost for academic relations.

**DONATIONS AND GRANTS**

- **Singapore Management University** will receive gifts worth $120 million in U.S. dollars from the philanthropic Lee Foundation and the country’s Ministry of Education. It’s believed to be the largest contribution ever to a Singapore tertiary university. The Lee Foundation will contribute $30 million in honor of the late Lee Kong Chian, a businessman and philanthropist. The Singapore government has agreed to provide matching grants on a 3:1 basis. As a result of the donation, the School of Business now will be called the Lee Kong Chian School of Business, operating from the Lee Kong Chian Building.

- An anonymous donor, an alumnus from the University of South Florida College of Business Administration in Tampa, has made a $6 million legacy gift that will be shared by the Colleges of Business Administration and Medicine. The donation comes on the heels of a campaign to raise $10.2 million to build an addition to the business school’s existing building. The college expects to be able to move into the new 45,000-square-foot addition by the summer of 2005.

- The College of Business Administration at Texas State University in San Marcos has received a pledge for $20 million—the largest in the history of the school—from Emmett and Miriam McCoy. The College of Business Administration and the new building that will house it will be named in their honor. Emmett McCoy is the retired chairman and chief executive officer of McCoy’s Building Supply Centers.

- University of Toronto alumnus Jeffrey Skoll is donating $3.75 million to help expand enrollment in the Skoll BASc/MBA program, geared toward helping students combine a technical and business education. His donation will be matched by the provincial government through the Ontario Student Opportunity Trust Fund to create a $7.5-million endowment for scholarships.

- Investor Gary Brinson has donated $3.5 million to Seattle University’s business school as a tribute to the professor who sparked his interest in finance. The gift will establish the Dr. Khalil Dibee Endowed Chair in Finance at the Albers School of Business and Economics in Washington state. Dibee taught at Seattle University from 1965 to 1994 and is now retired. Brinson, founder and retired chair of Brinson Partners Inc., graduated from SU in 1966.

- The **Cornell University** Undergraduate Business Program has received a $3 million endowment from Robert Dyson to establish the John Dyson Professorship in Marketing. John Dyson, the donor’s brother, is a 1965 graduate and trustee emeritus of Cornell. He also is chairman and CEO of Pebble Ridge Vineyards & Wine Estates.

- The KPMG Foundation has donated $250,000 to the University of Toronto’s Rotman School of Management to create the KPMG Professorship in Accounting. It will be held by accounting and finance professor Gordon Richardson.

**BUSINESS COMPETITIONS**

- Ferrate Solutions Inc., a Babson College 2003 Hatchery Business, has received first prize in the McGinnis Venture Competition hosted by Carnegie Mellon University. The competition focuses on bringing new technologies to market through entrepreneurship. Ferrate received $30,000 in cash toward the business and $30,000 in legal services.

- The MBA team from Ivey School of Business took the top prize at the International Case Competition held at IESE in Barcelona, Spain. Teams from IESE Business School and MIT Sloan School of Management took other prizes. The competition was sponsored by Roland Berger Strategy Consultants.

- Eight colleges and universities from the United States and Canada have taken first place in various categories in the student portfolio competition at the symposium for Redefining Investment Strategy Education, or RISE. It was held this spring at the University of Dayton in Ohio. In the hybrid portfolio category, winners were University of New Brunswick in the graduate division and University of Kansas in the undergraduate division. In the category of blend style equity portfolio,
Rice University won in the graduate division and Moravian College in the undergraduate division. In the category of growth style equity portfolio, University of Northern Colorado won the undergraduate division and Purdue University won the graduate division. Two more schools won in undergraduate divisions, Concordia University of Montreal for value style equity portfolio, and Stetson University for fixed income portfolio.

Student team InfraScan won the $20,000 grand prize at the Wharton Business Plan Competition Fair, part of the annual Venture Fair held by the Wharton School at the University of Pennsylvania in Philadelphia. InfraScan developed its handheld brain hematoma scanner from a patent held by a 90-year-old medical school professor. The HematoScope, designed to provide fast and inexpensive brain scans as an alternative to CT scans, has already received a grant from the Office of the Secretary of Defense and the U.S. Navy to develop the technology for use in battlefield conditions.

BusinessWeek and McGraw-Hill/Irwin have launched a new annual case writing competition for business students. Teams of between two and five students can compete for three prizes and 12 honorable mentions, with $1,500 going to each member of the top team. Students will need to research and write a mini case, or critical incident, focusing on a specific business event, describing a real situation that affects the decision making and future of a particular business. Deadline for submissions is December 1. More details are available at www.resourcecenter.businessweek.com/mba/casefiles.

A team of students from the Johnson Graduate School of Management at Cornell University, Ithaca, New York, earned first place in the “Social Return on Investment” category at the Global Social Venture Competition held at the London Business School. Members of the group presented their business plan for Distributed Generation Technologies (DGT), which converts organic waste into pure and compressed methane gas via anaerobic digestion.

The University of Washington edged out seven other top programs for first place and $15,000 in prize money at the 2004 Venture Capital Investment Competition national championship held last spring at The University of North Carolina’s Kenan-Flagler Business School in Chapel Hill. The Uni-
University of Pennsylvania’s Wharton School won second place and $10,000; the MIT Sloan School of Management took third and $5,000; and the University of Virginia’s Darden School received the Entrepreneur’s Choice award and $1,000.

Students In Free Enterprise (SIFE) Teams from Flagler College in St. Augustine, Florida, and Louisiana State University at Eunice were awarded the RadioShack SIFE USA National Championship titles at the SIFE USA National Exposition and Career Fair in Kansas City. As champion of the four-year university division, Flagler SIFE will advance to the international level of SIFE competition at the 2004 SIFE World Cup in Barcelona, Spain, in September. Flagler College used the Cash Positive Radio program to deliver humorous but informative financial tips to a wide audience. Louisiana State University at Eunice, winner in the two-year college division, went global with one of its projects, teaching families in developing countries how to grow their own produce and sell it at market.

A team from Northwestern University’s Kellogg Graduate School of Management tied for first place with a team from INSEAD of Singapore in the graduate division of L’Oréal’s e-Strat Challenge finals held this spring in Paris. The annual event, an online business simulation, allows students to put classroom theories into practice by placing contestants in control of a global cosmetics business.

NEW PROGRAMS

This spring, Texas A&M International University in Laredo received permission to grant its first Ph.D. in international business administration.

Babson MBA

Entrepreneurship: A World View

“The research presented at this symposium and the resulting dialogue is of utmost importance to the U.N. community—to both the representative member states and the U.N. development agencies that work to promote entrepreneurship.”

—William P. Underwood


World-Class, World Perspective, World-Renowned

The impact of Babson’s Entrepreneurship Program is felt throughout the world.

• The Global Entrepreneurship Monitor (GEM) examines entrepreneurship in countries representing more than 90 percent of the world’s GDP and two-thirds of its population.

• The PriceBabson Program has taught nearly 1,000 faculty, hailing from every continent, the art and science of teaching entrepreneurship.

• Professor Paul Reynolds received the 2004 International Award for Entrepreneurship and Small Business Research.

To find out more about entrepreneurship at Babson, please visit www.babson.edu/eship

U.S. News & World Report has ranked Babson’s MBA program No. 1 in entrepreneurship for 10 consecutive years.

F.W. OLIN GRADUATE SCHOOL OF BUSINESS AT BABSON COLLEGE

Wellesley, MA
The doctoral program will combine coursework with research in accounting, economics, finance, management and strategy, management information systems, or marketing.

**New York University**’s Stern School of Business has launched The Stewart Satter Program in Social Entrepreneurship, which has been funded in part by a $300,000 gift from Stern alumnus Stewart Satter. The program includes a philanthropy fund that will support educational initiatives and foster social venture creation within the school community. Operating like a competitive market, the Satter Social Entrepreneurship Fund will consider project proposals based on their measurable financial and social return on investment.

**OTHER NEWS**

The Caux Round Table (CRT), an international network of business leaders working to promote moral capitalism, has completed a project to compile 83 Country Profiles that supply data on each country’s political, social, and economic structures. The goal is to help countries improve their ability to attract domestic and foreign private investment. To create its profiles, the CRT has used global standards, indexes, and ratings provided by global organizations such as Transparency International, Moody’s, Fitch, Standard & Poor’s, and the United Nations Development Program. The Country Profiles are posted on the organization’s Web site at www.cauxroundtable.org.
Investment Strategy
The investment company Edward Jones has been built on the concept of close, individual relationships between customers and consultants. Former managing partner John Bachmann believes that investing in customers and employees is a strategy that always yields high returns.

John Bachmann is going back to his roots. The senior partner of Edward Jones recently stepped down from his position as managing partner of the investment firm and now is working alongside investment representatives in Ireland and the U.K. That’s essentially how he started his long career with the company, working first as a college intern and then as an investment representative of a branch office. In 1980, he became managing partner of the firm, which is headquartered in St. Louis, Missouri.

Under Bachmann’s leadership, Edward Jones has grown from 200 offices in 28 states to more than 9,000 offices in the United States, Canada, and the U.K. Even during this impressive growth spurt, the company remained true to its vision of serving individual customers while providing excellent career opportunities for employees. In June of 2002, Edward Jones tied for top spot in a survey on Investor Satisfaction with Full Service Brokerage Firms conducted by J.D. Power & Associates. In 2002 and 2003, Fortune magazine rated Edward Jones as No. 1 in its annual list of Best Companies to Work For.

In January 2004, Bachmann resigned his role of managing partner, although he continues his involvement with the firm and the community. He also remains committed to the company’s basic tenet of serving individual investors through one-on-one relationships with knowledgeable consultants. He favors the Edward Jones policy of carrying only investment options that the firm approves of, even if this sometimes means not offering a product or service a customer might want. Offering all options would be “a department store mentality,” he believes, whereas Edward Jones is more of a merchant. “We’re informed buyers for the customer,” he says.

In a recent interview, Bachmann—who has just been elected 2004-2005 chairman of the board of directors of the United States Chamber of Commerce—expresses his views on what business executives must do to connect with customers, retain employees, and educate themselves for the world of business.

What key decisions did you make that enabled you to move steadily upward within the Edward Jones organization?

By far the most important decision was to get my MBA at Northwestern University, before the business school became Kellogg. My MBA provided a foundation. I had a classical, liberal arts undergraduate degree, and I needed the teachings I could get in business education to give me a foundation on which to build.

The second important decision I made was to become an investment representative at Edward Jones. For seven years I actually did the core work that we ask others to do. I understand what the work is, and I understand how difficult it is.

The third key decision revolved around the way I structured the investment banking job function at Jones. As investment banking became more mathematical and complex, I brought other people on board who could do it better than I. I designed that position to get myself out of the way. It was a lonely experience and yet, looking back, I realize it created a level of trust with my predecessor that I couldn’t have achieved any other way. I showed I wasn’t territorial and was conscious of my own limitations.

The fourth step was becoming a partner and instituting a set of goals and strategies that became the basis for what the firm is today.

Can an investment representative who was just hired this morning follow a career path similar to yours and become a managing partner or a part of upper management in 30 years?

Let me put it to you this way. We have branch office administrators who assist the investment representatives in our 9,000-plus branches. Several of them are general partners in St. Louis. They have worked their way up through the organization; and because of their sheer ability they are now a part
of the senior management. I believe that speaks volumes.

I also can say that in recent years we’ve been fortunate enough to be highly ranked in *Fortune* magazine, which rates organizations on more than 70 different characteristics. Of the 100 companies considered the best places to work, we’re one of the least political. We’re very proud of that. We are seen as a place where people are going to be judged based on their performance, not on their potential or who they know.

**Why do people like to work at Edward Jones?**

Jones is a very demanding place. Oddly enough, high achievers want to be in a demanding environment; they don’t want to be in a place that accommodates sloth and mediocrity.

We have spent an enormous amount of time thinking about knowledge workers and their needs. Knowledge workers need clear responsibilities that allow them to contribute to the success of an enterprise. We enable people to feel a real sense of achievement, because they know they’re making a difference.

Another thing we’ve done is manage the business to minimize layoffs. We believe we are the only financial institution that has had no layoffs since January 1, 2000. The purpose of a layoff is to change the scale of the organization so it costs less to generate a dollar of revenue. Rather than shrink our headquarters, we froze employment at headquarters and aggressively grew our distribution system. At the end of 1999, we had 5,900 investment representatives and 3,000 people at headquarters. Today we have 9,300 people in the field and 3,900 at headquarters.

**Other businesses have reduced their workforces by hundreds, even thousands, in the past four years.**

**How is your business model different from other organizations?**

We’re always making changes to the margin of the business model, because we have to respond to an external environment over which we have no control. But we have a huge advantage in that we’re not publicly traded. We’re not trapped with the demands of quarterly earnings. And we believe that even though it might cost us more in the short run to keep our team together, in the long run, the loyalty that it engenders in employees leverages itself in much higher profitability over the cycle.

Edward Jones spends about 3.8 percent of its payroll on training, which breaks down to around 146 hours per person. You also offer employees programs through several business schools. What do these training programs focus on?

**Jones is a very demanding place. Oddly enough, high achievers want to be in a demanding environment; they don’t want to be in a place that accommodates sloth and mediocrity.**

These programs teach employees how we do business—how Jones’ culture evolved and how it plays a part in what we do. We’re also taking the basic MBA curriculum and tailoring it very specifically to our needs. For example, we have some programs at Harvard, where we work with professors who, within the very specific context of our industry, study competitive strategy. We also conduct a program at the Peter F. Drucker School of Graduate Management at Claremont Graduate University in California. It is completely tailored to Jones and deals with what we call “responsibility-based management.” We have a program at the London Business School, where Jones employees go to gain a better understanding of our possible role in global markets.

**One key issue at business schools today is increasing the numbers of women and minorities who enroll in school and enter the workforce.** While 63 percent of Edward Jones’ employees are female, only 6 percent are minorities. The first number is impressive, but is the company addressing the low number in terms of diversity? We don’t talk about diversity at Jones. Inclusion is the term we use. We aggressively seek out minorities, because we believe that our numbers are not where we need them to be or where we want them to be. We have made inclusion one of our strategies at the firm. Ours is not a business that has traditionally attracted minorities. We are going out and trying to correct that.

**If business school students were doing a case study on the company, what would they learn about how Edward Jones maintains a client’s trust?**

We develop trust through face-to-face relationships, which means the customer is not an abstraction. The organization’s basic structure is also a contributing factor. While most companies start with a product, we started with the individual investor. Furthermore, we knew we only wanted to serve the serious, long-term investor. Once we made that decision, we began aligning a set of activities toward the individual investor. This kind of strategy is pure Michael Porter.

The standards we have set for ourselves have a social
dimension. We help people plan for retirement, so there are certain products and services that we offer—and, more important, that we choose not to offer. We don’t sell stocks that are under $4 a share; we don’t sell options or commodities. We’re not saying those are right or wrong. We’re saying we’ve aligned a whole set of activities to serve one customer. Somehow people get a sense of who we are and who we aren’t, and a certain percentage of the population relates to that.

Business schools have started focusing more intently on corporate governance in the wake of Enron, WorldCom, and other corporate disasters. What checks and balances has Edward Jones put in place to avoid such scandals?

In terms of our investment business, we’re talking about very sophisticated computer programs that search out patterns of behavior that need to be monitored. We have built compliance into all of our regional meetings. We have a designated leader in each region who brings compliance issues and standards to those meetings. We bring groups to St. Louis several times a year to meet with experts, including the dean of the Washington University Law School, a leading authority on the Securities and Exchange Commission.

If someone wanted to behave badly, there is not much we could do about it on an individual basis. But we do use training. We use examples. When someone behaves badly, he is dealt with promptly. And that means dismissal of anyone, whether an entry-level person or a general partner. We’ve had to deal with both, and we’ve done it with equal speed. It doesn’t take too many of those examples to show we have an equal standard at Jones. Showing that the standard is unyielding is also important.

You recently started doing business in Canada and the United Kingdom. What challenges did you face?

The challenge in Canada was simply learning for the first time about dealing with multiple currencies and a different regulatory regime, rather than a centralized Security and Exchange Commission such as we have in the United States. There were also some differences in tax laws, leading to different products and retirement models. But about 75 percent of the Canadian population lives close to the United States border, so we can detect no difference in the investors’ knowledge of markets and awareness.

The United Kingdom, on the other hand, presents a much more complex challenge, because the markets and the investors there are much more like those of the 1960s in the United States. For a long time, government owned many of the leading businesses, so there was no tradition of share ownership. Consequently, much more of our time has been spent educating people about how investments work. We’re dealing with a different regulatory regime there, too, because they’re combining all of the financial institutions under one umbrella.

To what other countries are you hoping to expand in the near future?

We’ll probably go to Ireland next, because we’re in Northern Ireland now. It gets us into the currency of the euro, but it uses London for clearing, so it is a half-step.

We wanted to be in the United Kingdom because it is the most developed of the European markets in terms of share ownership, and it is also in the European Community. Because of that we can, without going through a complete re-regulation, move to any country within the European Union. If, for each country, we had to go through what we went through for the United Kingdom, it would be a very lengthy and complicated process.

Within management education, there is some controversy about the “Americanization” of management schools. As you export your brand to Europe, do you find any resistance to an American business model?

My observation is that the American model is sweeping Europe. The purpose of the European Community—which has broken down barriers and simplified the movement of capital, labor, and materials across countries—is to improve productivity. Along with that, I think you’re very rapidly seeing a movement to the U.S. model of finance in traditional European banks and businesses.

Companies don’t want to be under the thumb of a financial institution, and they want to have more flexibility in financing the business; so they turn to the U.S. markets. As the population ages, more and more people will want to take responsibility for their own retirement, and those people will begin investing, often in the great companies in Europe. So there’s more privatization on the continent, just as there was in the U.K.; and that will continue. Like it or not, there’s going to be more of a U.S. model, which will increasingly be the language of business. A principal driver is the Internet.
In fact, you’re known for using the Internet to develop customer relations. How has technology shaped your business in recent years?

The core of our business is the consulting relationship between the investment representative and the customer. We chose not to create a distribution channel that circumvents that relationship, so we said we weren’t going to sell securities on the Internet, period. However, as a supporting tool to that relationship, we’re going to use the Internet as extensively as we can. Therefore, clients can communicate with their representative on the Internet. They can look up credit card charges and their accounts at any time on the Internet. They can pay bills on the Internet. We have a full range of Internet services; we simply aren’t going to compete with our core business theory.

We were cited in the Harvard Business Review because what we did started out as being very unpopular, and now it’s considered a model for organizations.

Many business schools have also started relying heavily on online technology, either to deliver courses or encourage interaction among students. Do you have any advice for them?

If a business school is trying to increase its leverage from a productivity standpoint, the Internet is a marvelous tool ... but the Internet is not and cannot be a replacement for students sitting in a classroom, interacting with others, and experiencing the professor skillfully leading a course.

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Are you opposed to business schools running programs completely online?

It depends upon the program. If the program is purely quantitative, and students can gather the material online,
then that’s fine. Howard Gardner, a Harvard professor who has studied learning styles, tells us that not everyone learns the same way. There are people who can take quantitative information, digest it, and understand it. Others need conversation; they need to see and experience new material in different ways. For those students, the Internet is not the total solution.

Let’s talk about your role as top executive. You’ve been a board member of Fortune 500 companies, and in St. Louis, you have been a campaign chairman of United Way, a member of Civic Progress, and director of the Arts and Education Council. Why do you think it’s important for you or any CEO to be deeply involved with philanthropic and civic organizations in your city?

The chief executive is in a position to lead and give voice to philanthropic ideas. Some executives take hold of this responsibility and, unfortunately, others do not. Artistic and educational organizations define the character and add texture to a community. The quality of life in a society is determined by the support we give our institutions. Without these organizations, the community would be greatly diminished.

In 2003, you stepped down from the position of managing partner. What are your short-term goals?

At the end of last year, I became a senior partner. I am spending about four months in London to work with our U.K. people in the field. We have a bright young team in the U.K., but we have extensive turnover there. Oddly enough, we have about the same number of investment representatives in the U.K. as we did in the U.S. when I became managing partner in 1980. So I am working there to help grow the U.K. office. I am also there to better understand the market that we serve and the challenges we face. I’m going to share my experiences in the field with the leadership in the U.K. and then come back to the U.S. and relate my findings.

At the end of the day, how would you like to be remembered? Did you achieve the goals that you set for Edward Jones 20-plus years ago?

I would like to be remembered as having made a contribution in an organization that gave our employees a sense of achievement and pride, that helped our customers reach their financial goals, that made a significant social impact, and that created a better quality of life for the community.

Jonathan Schlereth is a free-lance writer based in St. Louis.
The hollow men of T.S. Eliot’s poem might double as some of today’s corporate leaders, who seem to be lacking both substance and heart. Yet troubling questions must be asked when we consider how these top executives evolved. How did they learn their basic business principles? Why have they been so prone to scandals? Did widely held beliefs and attitudes at major business schools contribute to the corporate disasters that opened the decade of the 2000s?

The collapse of giants like Enron and Arthur Andersen signaled a major turning point in the conversation about corporate ethics and integrity. At the same time, it raised compelling questions about the role of management education in preparing business leaders. Certainly, in these post-Enron days, it is difficult to ignore the impact of the supposedly value-neutral economic theory that currently dominates management thinking.

Many of the abuses that have come to light in the past few years are the result of CEOs reacting to the systemic pressures and performance expectations of Wall Street. In 2002, leading scholars in the Academy of Management debated the Academy’s role in responding to the ethical scandals of the early part of the decade. They diagnosed the root causes as the “overemphasis American corporations have been forced to give in recent years to maximizing shareholder value without regard for the effects of their actions on other stakeholders,” according to an article written by Thomas A. Kochan.
Proponents of corporate social responsibility have argued for years that today’s typical management education turns out leaders who have a limited capacity to think broadly about the impacts of their decisions on stakeholders, societies, and the natural environment. Because most management theory focuses predominantly on maximizing wealth, it considers only some stakeholders and fails to educate managers about the consequences of their decisions. Indeed, competitive pressures on managers and ranking pressures on business schools have combined to encourage business educators and corporate leaders to pay even more attention to profit maximization today than in the past.

To avoid a repeat of corporate scandals in the future, it’s critical to look at how today’s business schools are teaching tomorrow’s leaders. If business schools don’t teach future managers about the integral relationships that exist between corporations and societies, it’s no wonder that top CEOs don’t understand them. Management educators must focus on integrity at the individual, company, and societal levels—and they need to work toward an attendant transformation in the curriculum that covers business in society, not just business in economy.

A Loss of Integrity

While some believe that integrity and individual ethics are largely formed through family and early childhood experiences, management education still conveys a perspective on what can be considered ethical in business. Yet until quite recently, only ethics professors and business in society professors dealt much with issues of integrity and responsibility. From other management disciplines, there has been notable silence on these topics.

The problem extends all the way to the boardroom. Many of today’s corporate leaders seem to be lacking fundamental integrity, which is sometimes defined as “firm adherence to a code.” In business, the written and unwritten code allows the system to work efficiently when people and organizations trust each other in transactions. Investors trust that corporate executives will follow their fiduciary obligations. Customers trust that products and services will provide reasonable value for their cost. Employees trust that the jobs they have today will be there tomorrow. Trust is central to the effective functioning of all markets. Trust is destroyed, however, when individuals and institutions act without integrity.

A top executive with integrity will not only be true to his own beliefs and standards, but he will develop mission statements that define the whole corporation. The majority of top executives are decent people who possess integrity and live by personal standards. But they’ve been led astray by lack of self-examination, by the fact that no one in their organizations offers them alternatives to a profit-based style of management—and by the fact that they learned no different course of action during their business school education.

Mindful Management Education

If we want to have managers capable of acting with integrity, we must teach them to be mindful—aware of their belief systems, conscious of consequences, and capable of thinking broadly about the impact of their actions and decisions. Managers and leaders have positions that are inherently value-laden and imbued with ethical responsibilities. Their decisions affect other people, organizations, communities, and the natural environment. From this view, ethics is integral to management and leadership, not something to consider only when dilemmas arise. It is the integrated relationship between ethics and management that business schools have generally failed to recognize.

Unfortunately, the courses that might teach students to be mindful of consequences and consider the perspectives of multiple stakeholders are hardly considered mainstream in management education today. Courses on ethics, corporate responsibility, business/public policy, stakeholder relationships, and other “soft” subjects are typically given short shrift in favor of applied analytical tools and techniques, conceptual models, and measures of profitability.

The faculty might be partially to blame. In 1996, AACSB International launched a Task Force on Faculty Leadership, which found that management faculty at all levels lacked sufficient real-world contact and did not have a good understanding of the global or technological environment. Faculty members were found to be inhibited from leading efforts for institutional change, in part because of a tight focus on disciplines and in part because they did not understand the need for change. Problems were exacerbated by narrow, disciplinary orientations; pressures to publish in respected peer-reviewed journals; and limited rewards for integrative work.

Some students also discount the importance of integrated coursework and classes on corporate social responsibility. In fact, once they’re enrolled in business schools, management
Once they’re enrolled in business schools, management students often seem to lose whatever idealism they might have brought with them. A recent study by the Business and Society Program of the Aspen Institute shows that, once MBA students enter a program, their attitudes shift away from a focus on customers and product quality and toward shareholder value.

Scarier still is that graduates with MBAs do not think they can affect the culture and values of companies. They believe that they will face ethical conflicts at work, and they say they are more likely to quit than try to effect change in an organization. If business schools don’t pay more attention to fundamental questions about the meaning and consequences of economic gain, we are in danger of developing leaders who are incapable of reflective thought about what they are trying to do—and who give up without even trying to change what’s wrong with business.

A key problem is that management education works. It really does convince students that a certain system of thinking about business is the right one. It does instill a belief in the ideology of cutthroat shareholder capitalism that, like a reality TV show, weeds out the weakest links unerringly and without remorse. Death to those companies that can’t compete, and to hell with the ecological, individual, community, or societal consequences.

Maybe it’s time to consider that something could be wrong with our current emphasis on narrow fields of discipline and rampant capitalism. Instead, we should teach the types of skills that societies really need in business leaders by putting corporate responsibility at the core of management education.

Radical Change

The systemic change needed in management education may require what Peter Senge calls metanoia, a shift of mind. Yet I believe that business schools can teach a specific set of skills that will develop integrity and integrated thinking into our students. These include:

- Individual and institutional integrity, responsibility, accountability, and transparency.
- Systems thinking and systems dynamics, as well as synthetic and integrative thinking.
- Initiation, risk-taking, and creativity.
- The importance of self-efficacy, voice, and confidence.
- The ability to speak one’s own mind while being sensitive to the perspectives of others.
- The ability to reflect on the implications of actions, decisions, attitudes, and behaviors.
- The ability to understand the consequences of actions and, when needed, to take corrective action or change course.
- Ecological awareness.

To instill such skills in students, five major elements would have to be embedded in a radical curriculum for business in society:

A sense of balance. In other words, it’s not just the economy, stupid. Markets are inherently stupid, focusing almost exclusively on growth and profit while ignoring anything to which costs and prices cannot be assigned easily. We need to teach students to care about more than the markets. They must understand social and human values such as love, community, and spirituality; connection to self, others, and nature; and the drive to find meaning.

Robert Reich, former U.S. Labor Secretary and now a professor at Brandeis, once asked, “Do you want to live in an economy or a society?” Presumably, most people would choose to live in a society. If we act as if an economy and a society are the same thing, we allow business to ignore important responsibilities. Students who study business in society must learn to balance the incentives for business growth with other important values. Currently this sense of balance is greatly lacking in management education.

Integration of body, mind, and heart. Integration turns parts into wholes—individuals into communities, communities into...
nations, nations into the world. Management education, which focuses on distinct functional disciplines and analysis of tractable problems, tends to be about parts that don’t necessarily add up to wholes. Thus, we need to design a curriculum that considers society as one coherent, effective, and efficient whole. Even a required ethics course is unlikely to be a strong enough basis for such integration. What’s necessary is for future leaders to learn to consider how their actions will impact the community, not just stakeholders. A sense of integration will be better achieved when leaders fully engage the hearts, minds, bodies, and spirits of individuals and societies.

**Holistic understanding.** As the song by Molly Scott says, “We are all one planet, all one people of earth.” Managers and leaders need to recognize that we all live on a single planet with limited resources. Things are connected to each other; as physicists and biologists inform us, one system affects others. What happens in the economic realm affects societies, natural resources, and the day-to-day lives of ordinary people. This connectivity is underscored by technology, which is building tightly linked global markets and providing instant access to information. The very interdependence of the global village should make us more aware of resource constraints, ecological limitations, the need for collaboration, and the need for sustainable enterprise. In fact, this interconnectedness suggests that managers must understand the ecological, physical, and biological bases of human existence far more deeply than they currently do.

**Respect for diversity.** Despite the fact that we live on one planet, the global village is incredibly diverse, with values, cultures, consumption patterns, and ecological footprints varying dramatically from place to place. Few people want globalization to result in homogenization. Yet, these different values and priorities can lead to conflict. Thus, to operate a business in a diverse society means managers must acquire considerable understanding about—and respect for—cultures that are different from their own.

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ferent from their own. Honoring cultural integrity requires the ability to work with the both/and logic of paradox, the ability to synthesize multiple interests and constituencies, and the ability to analyze situations and solve problems.

A grasp of complex change. The modern world is facing so many transformative forces it’s impossible to list them all: the technological revolution and the growth of e-commerce; the emergence of small businesses and entrepreneurial companies as the dynamic force in market-based enterprises; the surrender of local commerce to global commerce and transnational corporations; the crises of overpopulation, poverty, and ecological devastation; the spread of HIV/AIDS and other worldwide health issues; and the tensions between religion-based regions in the East and consumer-based societies in the West. All of these forces and many more create a global drama of Shakespearean proportions. To deal with a world of constant and complex change, future leaders will need to develop skills of conflict resolution and collaboration—as well as the ability to be transparent, reflective, and open to responsibility and accountability.

Profound Implications

To meet the challenges of doing business in the modern world, management education must undergo a transformation. Courses on analysis must also consider implications of corporate and individual actions. Corporate-centric courses must become society-centric or even nature-centric. Passive knowledge transfer must give way to active engagement in learning. Disciplinary specializations must be approached within the context of an integrated perspective on business’s role in society. The values-neutral posture must shift to one that recognizes the inherent values-based nature of management itself. A narrow focus on shareholder wealth must broaden to a focus that encompasses many stakeholders, including the natural world. We must strive for a world in balance—for a world in which society takes precedence over economy.

Furthermore, today’s leaders must be able to make decisions based on principles and relationships; they must be prepared to question the system. They will not be operating from conventional levels of moral reasoning, but from post-conventional levels that allow them to view situations from a variety of perspectives that include all stakeholders and society as a whole.

It will not be easy to create such leaders; but if we don’t, we live in danger of creating leaders who are much worse—the hollow men and women that T.S. Eliot described. We live in danger of ending up in a world ravaged by inequity, corruption, materialism, and wasted resources. Surely management education has the power to reverse some of those trends, working toward a world of integration, intention, and integrity.

Sandra Waddock is professor of management and senior research fellow of the Center for Corporate Citizenship at the Carroll School of Management at Boston College in Chestnut Hill, Massachusetts.
EMBA programs are quickly adjusting to satisfy the new consumer—a demanding, international, self-sponsored executive who’s always on the go.

The Executive’s Degree

by Sharon Shinn
Illustration by Paine Proffit

EMBA programs are among the most visible and profitable programs offered by business schools worldwide. That very success has led to intense scrutiny as news media have begun to rank EMBA programs and critics have started to question how well the degrees are delivered.

Amid charges that EMBA programs are watering down MBA material and starting to resemble nondegree executive courses, EMBA administrators are constantly fine-tuning their content and their formats to suit their changing customer base. Among the forces re-shaping their programs are globalization, technology, and a new student demographic. Today’s EMBA tends to be shorter, more modular, and more geared to the globe-trotting executive than ever before—but that doesn’t mean it’s easy either to earn the degree or to run the program.

Who Writes the Check?

The biggest overall change in EMBA programs is that fewer students are receiving corporate sponsorship for their degrees.

“Years ago, executives could only get into the program if they were sponsored,” says James M. Parker, associate professor of marketing and director of the executive MBA program at the Lubin School of Business, Pace University, New York City. “Most schools dropped that requirement because they realized there was a whole group of professionals, like entrepreneurs and doctors, who didn’t have corporate sponsorship. Even then, roughly 80 percent of the participants still were sponsored by corporations, and 20 percent were self-pays. That number has gone down considerably.”

Indeed it has. Just from 2001 to 2003, according to surveys conducted by the Executive MBA Council, the number of students fully funded by their corporations has dropped from 44 percent to 38 percent. In the same period of time, the percentage of students paying their own way has risen from 19 percent to 24 percent. Those in the middle receive a wide variety of funding support from their employers.

Why the change? Some ascribe it to the rocky economy. “Companies were using an executive MBA as a way to single out and reward high-potential executives,” says Parker. “They’d say, ‘You’ve got a future here, and we’re going to help you pay for that by sponsoring you with an executive MBA. You were chosen out of the ranks!’ It was a retention tool. Now the economy is very different. Most companies say, ‘We just have to give people a job and they’ll stay.’”

Parker thinks it’s also possible, and more troubling, that corporations are starting to question how valuable an EMBA program ends up being for the company. Either it doesn’t improve the employee’s skill appreciably enough to justify the cost—or it improves an employee so much he takes a job elsewhere. “That’s the fault of the corporations,” says Parker. “Sometimes they sponsor a person but they don’t have a promotion or a career plan in place. And the individual says, ‘What am I doing here?’ and walks.”

That’s true, agrees Paul Bishop, program director for the Ivey Executive MBA, Ivey School of Business, University of Western Ontario in Canada. “Unfortunately, many EMBA students leave their employers,” he says. “A lot of job offers come from within the class. A job opens up in somebody’s company, and he recruits his friends.”

Whatever the reason, business schools must figure out how to attract and satisfy private individuals who decide to pursue...
“Executive education revolves around what the client wants. What skills do they want their employees to gain, and what’s the most cost-effective way to teach those skills?”

—Diane Badame, University of Southern California

an EMBA—and pay for it themselves. Some of these consumers are even more demanding than corporations, believes Diane Badame, associate dean for the executive MBA and MBA for Professionals and Managers programs at the University of Southern California in Los Angeles.

She is also co-chair of the Research Center for the Executive MBA Council, and she notes an interesting trend in the Council’s student satisfaction surveys. Fewer students are giving their schools the highest ratings in terms of performance and value than they did in years past. Although the drop is only by a few points, she thinks the dip is significant. “If you have to pay for the degree yourself, you want more,” she says.

Lo-Cal MBA

Yet another interpretation of the lowered statistics in student satisfaction is that EMBA programs aren’t quite what they used to be. As more students go it alone, they’re desperate to complete the program in less time. This has led to shorter and shorter EMBA programs—and the contention that many such programs are “MBA lite.”

There’s no disputing the first charge. While EMBA Council statistics show that the average program length is 20 months, fewer schools are meeting that target. In 2000, 51 percent of programs were 21 to 22 months; that number dropped to 37 percent in 2003. “Shorter programs are springing up,” says Badame. “To me that promotes the lack of rigor and a degrading of the degree.”

Some defend the trend as being a response to two contradictory market pressures. “First, there’s been a wider recognition of an EMBA as the route to a quality MBA, so demand is growing,” Bishop says. “Second, people have more work to do and less time to do it, so they want to do everything faster. That puts a lot of pressure on EMBA programs to shorten elapsed time and reduce class contact hours.”

Ivey has condensed its own EMBA program to 16 months by squeezing out days off at holidays and in the summer. “This will work for individuals except those few who really have 50-hour-a-week noncompressable jobs,” Bishop says. “Many people will work at a nonsustainable pace for 16 months.”

Others find the trend worrisome. “Our program is 54 credits. I don’t know of any program that requires less than 46 or 48 credits. If you start cutting back on the time to make the program more attractive, how can you cram everything in?” asks Parker.

To guard against any suspicion that an EMBA program is a low-calorie version of an MBA program, the EMBA program must be held to the same standards, says William Kooser, associate dean for part-time MBA programs at the University of Chicago. “Are the faculty the same as they are in the full-time program? Are students being evaluated in the same way? What degree do the students earn? Clearly, if the faculty, evaluation process, and degree are all the same between programs, this would dispel any concern about whether an EMBA is MBA lite,” he says.

EMBA students—who are highly motivated senior executives— want programs of academic rigor, says Elena Liquete, executive director of the Global Executive MBA at IESE Business School in Barcelona, Spain. “People in the executive program really understand what they’re in for. I think they’d be quite disappointed if we didn’t make them work so hard,” she says. “My students would be most offended if people thought they were getting away lightly.”

Tough admissions standards help ensure that the quality of an EMBA program remains high, she says. “If we just take anyone who’s willing to pay the price, the other students could suffer,” she says.

Parker agrees, noting that the EMBA is a harder program to get into at Pace than the MBA program. “I get calls from people saying, ‘I don’t know if I can qualify for your program. Do you think I can hold my own?’” It’s true that EMBA students are pampered—with good food and cushy accommodations—but Parker says, “You can’t translate that into MBA lite, not in the terms of the work they do! There’s no place you can hide in a class with 25 people who are all hard-chargers.”

Indistinct Parameters

Another charge leveled against executive education programs is that boundaries are beginning to blur between EMBAs and executive education as degreed programs grow shorter and nondegree programs grow more complex. While fewer employers want to pay high prices for their employees to receive an EMBA, they still want key employees to learn essential skills. Looking for a less pricey source of business education, they often turn to nondegree programs.

“Executive education revolves around what the client really wants,” Badame says. “What skills do they want their employees to gain, and what’s the most cost-effective way to teach those skills?” Yet no business seminar can teach executives everything they need to know. “You can’t get an MBA in a week’s time. It’s just not possible,” she says.

Administrators think it’s important to point out the differences between the two types of programs. One key distinction is the fact that nondegree programs usually have open enrollment, while EMBA programs have high admission standards. Another is the very fact that a degree is awarded—but there’s a little confusion on that front, too.
“I think there is some blurring of the distinctions in that some nondegree programs offer a certificate,” says Kooser. “Is a certificate a degree? In some parts of the world, a diploma program means something different than a degree program. The key distinction I would make at our school is, do you earn a University of Chicago MBA or not?”

Another instantly apparent difference, he notes, is that most nondegree programs do not have grades; degree programs do. “You may learn a lot in a nondegree program, you may learn some of the same things you might learn in a degree program; but you’re not expected to master the material in the same way, and you’re not going to be evaluated in the same way.”

Nonetheless, schools and students benefit when both types of programs are offered, since they serve executives at different points in their careers. “Many people, throughout their professional lives, may pursue both kinds of education,” says Liquete. “If you get an MBA when you’re in your 20s, the chances are, by the time you’re 30, you might want an executive program. There is room for both kinds of programs.”

International Business
Another factor that distinguishes an EMBA from other types of executive education is the fact that most schools with EMBA programs incorporate an international element. They collaborate with partner institutions in different countries, require students to take trips across borders, or even set up their own campuses on foreign soil.

“It has simply become the reality that people have to work in multicultural and multinational companies,” says Liquete. At IESE, the Global Executive MBA is structured around seven two-week residential modules. Four are held in Barcelona, one in Madrid, one in Silicon Valley, and one in Shanghai.

Other schools add globalization in a variety of ways. Ivey has started to offer a continental version of its EMBA program at locations such as Hong Kong and London. In August, the Hong Kong class is brought to Canada for a joint residence session with North American students; the classes are split down the middle and recombined for international teams.

USC has just started an EMBA program with Jiao Tong University in Shanghai. The 21-month program consists of five days on and six weeks off—but sometimes those five days are in Shanghai and sometimes they’re in Los Angeles. Because the majority of the modules are conducted in China, USC can recruit from the entire Pacific Rim.

The University of Chicago has added its own campuses in Singapore and Barcelona, and students in the EMBA program spend time on each campus. “We have 250 students a year,” says Kooser. “We bring them all to Chicago for orientation, and then we have a rotation through the three campuses during the middle of the program.”

Badame predicts more globalization of the EMBA, both in terms of U.S. students who are going overseas and in numbers of international schools that are adding their own global executive programs. “Right now, one-quarter of the members in the EMBA Council are international, and we can see that going up,” she says. “I look at it as a product life cycle. The most mature EMBA programs are in the United States. Europe is second, the Asian Pacific is third, and Latin America is probably fourth. The major growth is in Europe and the Asia Pacific. Because of that, a lot of U.S. schools that want to continue to build their market share are going to team up with universities in other countries.”

Not all schools are on the bandwagon. One school bucking the trend is Pace, which dropped its two-week international trip when it converted to a new format. Since one of the goals of the new program was to minimize the time executives would have to miss from work, says Parker, the school couldn’t justify requiring a long international trip.

“I’m sorry we lost it, but we compensate for that,” he says. “Because of our location in New York City, between 20 and 40 percent of our classes are made up of foreign-born students. In my latest class, I have students from Nigeria, India, and Germany. When we talk about global issues, they might say, ‘That’s not the way we do it back home.’”

Wired for Flextime
For Pace, the loss of the global component has been offset by the benefits offered by the new format, primarily flexibility and reduced onsite time. Instead of revolving around func-
tional disciplines, the new EMBA is built around multidisciplinary modules in which teams experience problem-centered learning. The program kicks off with an intensive eight-day residency, followed by 11 weeks of team-based Internet learning. Then the students reunite for a weekend residency. “During a 23-month program, students spend a total of 35 days in residence,” says Parker. “We wanted to make it very convenient for people, rather than expecting them to go to class once a week.” He believes the change in format has drawn executives who would have gone elsewhere or simply would not have found time to pursue an EMBA.

In fact, a number of schools are finding a similarly structured class format best suits their purposes. When programs are taught through modules, students can come together for extended periods only a few times a year, keeping in touch electronically the rest of the time.

“It’s becoming progressively harder for people to commit to a two-year program that requires them to be, say, in Madrid every weekend,” says Liquete. Students in IESE’s Global EMBA spend two weeks in residence, and then six to eight weeks working on their own. “Our Global EMBA has a modular format, which commits participants to a set number of days. But the rest of the time, the students can work on the go wherever they happen to be. We have people based in North America, South America, the Philippines, and Africa. Flexibility is the key element.”

Even so, such programming would be impossible without today’s Internet technology that allows students to work in teams and learn on their own in between residential sessions. “The work we do is always asynchronous. There is no requirement for everyone to connect at the same time. Students can really make the course work around their professional lives and their personal lives,” says Liquete.

More synchronized technology allows students to simultaneously view the same document or participate in video conferencing. “Twenty years ago when we set up study groups, we were very conscious of geography,” says Kooser. “We would pay attention to who lived in downtown Chicago versus who lived in the suburbs versus who lived in Milwaukee. We don’t even think about that any more.” One reason is that technology enables even far-flung students to keep in touch; another reason is that everyone is far-flung. “So many people now are traveling regularly as part of their jobs that even if we had six people in a study group living in Chicago, the chances that they’d all be in Chicago all week long is pretty small,” Kooser says.

Technology can enhance a classroom in other ways, Badame points out. For instance, USC has put pre-MBA tutorials online to educate students who don’t have a quantitative

Survey Sample

What do students value most about their executive MBAs? What’s the typical demographic of an EMBA student worldwide? These questions and more are posed by the California-based Executive MBA Council in annual student exit surveys and program surveys. In 2003, 57 schools participated in student exit surveys and 235 in program surveys. For the first time, the 2003 surveys also included data from other MBA programs for fully employed professionals.

Among the key findings of the 2003 exit survey:

- There was a three-point drop in the percentage of students giving their schools the highest rankings in terms of performance and value, as well as a three-point drop by alumni rating their likelihood to support the program financially. “The implication is, if students aren’t satisfied with the program, they’re not going to give it financial support,” says Diane Badame of the Executive MBA Council. However, alumni are interested in supporting the programs by returning as guest speakers, participants in information sessions, or mentors.
- On virtually all questions, medium-sized and private schools ranked higher in satisfaction than large, small, and public schools.
- When ranking the program attributes to which they give the most importance, students singled out teaching effectiveness and quality of lectures. Less important were lodging, social functions, and food quality. Says Badame, “They want good teachers and good quality, period.”
- Students who go into an EMBA program expecting to come out of it with a promotion might be disappointed. “Sixty-four percent of students expected a job change or promotion, whereas only 48 percent received one,” says Badame.
- Salaries are more satisfactory. In 2003, an EMBA’s starting salary was $96,300, and his departing salary was $111,000. “However,” says Badame, “salary increases are lower than they used to be because base salaries are now higher than they were two years ago.”

Survey findings indicated that most EMBA programs are still predominantly new and American, though spiced with an international flavor. More than 70 percent of EMBA participants are located in the U.S. Sixty-three percent of EMBA programs were created since 1990. Eighty-six percent of programs incorporate an international trip, with more expensive programs more likely to include such a journey.

The average class consists of 42 students, 74 percent of whom are male. In U.S. programs, 7 percent of the class is international; in non-U.S. programs, 40 percent of the class is international. They meet, on average, for 316 hours of in-class time.

Information about ordering copies of the surveys is available at www.emba.org.
or accounting background. She also is in favor of using technology in between onsite residencies, but she’s a firm believer in the value of the classroom experience. “Technology can’t take the place of face-to-face learning,” she says.

The Student Bond
In fact, while educators in general are divided on the question of how well students can learn via technology, within the field of executive education the feeling is almost unanimous: The in-class camaraderie generated by EMBA students is one of the most valuable aspects of the entire program.

“It’s an intensely social and collegial experience,” says Bishop. “Because everyone already has a job, they don’t have to compete with the person sitting next to them at the end of the term. So they enjoy each other’s company. The performance standards are set by the peer group. Participants want to look good, and this is their reference group for the rest of their careers. When they finish, they typically have a letdown because they lose their highly structured social interaction. Some continue to meet monthly for dinner—forever. Here’s a noncompetitive reference group of people whose opinions you trust and respect. You don’t get that often anywhere.”

Because EMBA participants are generally in their mid-30s, they tend to be undergoing certain major life experiences. “Some participants have had babies. Some have seen their parents pass away. The other people in the class do everything they can to support this person, and that really binds people together,” says Liquete. Even though the widespread members of the Global EMBA program don’t spend much time together physically, she notes, they are so used to communicating from a distance that they tend to stay in touch once class is over. “Just a couple of months ago, the class that graduated last year organized a weekend skiing event, and most of the class went.”

The individuals who make up these tightly knit classes are, on average, 36 years old, with 13 years of work experience and eight years of management experience, according to EMBA Council surveys. Those statistics have remained pretty stable over the years, yet there have been recent subtle shifts. According to EMBA Council surveys, the average student has gotten a little younger. Administrators say their typical classroom now includes more international students; more entrepreneurs, professionals, and self-employed students; and, in some programs, a slight uptick in women.

Diversity, always prized in EMBA classes, has become the absolute watchword. Looking for a group of friends that includes a neurosurgeon from Spain, a finance consultant from the U.K., and an IT specialist from Mexico? Come to an EMBA class. “It’s the richness of the mix that we’re really after,” says Liquete.

And while men still dominate the EMBA programs, women aren’t afraid to join in. “In our newest class, the three oldest participants are women, all of them very senior people,” says Parker. “This says to me that women don’t think they’ve hit any kind of glass ceiling. One is the president of a division of a major company. She doesn’t see herself as topped out.”

A Look Toward the Future
While the student profile has remained constant in recent years, Badame wonders if changes are in the offing. “I do think there’s soon going to be market saturation in the U.S.,” she says. “As more people get MBAs when they’re younger, there will be a smaller pool of older applicants. If a lot of upwardly mobile people already have an MBA degree by the time they’re 38, they won’t need EMBs.”

On the other hand, some changes could make EMBs more attractive to potential participants. For instance, many schools have dropped the GMAT requirement for students in these programs. “It’s too much of a pain in the neck to take when you’re 40. Give me a break,” Badame says. “Having the requirement is a deterrent to getting quality students.”

Something that could have a decidedly positive impact on programs is a new study being planned by the EMBA Council that measures a company’s return on investment when employees achieve their degrees. Badame and George Bobinski, who co-chair the EMBA Council’s Center for Research, launched the ROI survey in the spring. They asked members for corporate contacts and began conducting telephone surveys of line managers and human resources staff. Results of the survey will be presented at the EMBA Council’s annual conference in San Francisco October 31 through November 2.

“We will be getting quantification that our member schools can take to corporations,” Badame says. “They’ll be able to say, ‘The average return will be $250,000 within X number of months, and this is why you should send your students to our EMBA program.’”

Once the survey results are unveiled, it’s possible EMBA programs will see a renewed interest from corporations willing to sponsor education for key employees. Even if that doesn’t occur, the diverse and ambitious students who do enroll will continue to pursue their dreams aggressively. As business gets more complex, more international, and faster-paced, managers will need up-to-the-minute business expertise to stay competitive. The EMBA programs that will be successful will be those that adapt to meet the ever-evolving needs of top corporate executives.

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New World,
BOLD
New B-School

Top strategic scholars have a message to business schools: To stay relevant to business, management education must stop chasing the future—and start inventing it.

by Tim Westerbeck
business schools can be notorious institutions of habit. It’s a tendency that may have served them well for the last 120 years, but it won’t get them through the next ten, according to Gary Hamel, author and visiting professor of strategic and international management at London Business School. He explored the implications of this idea at a recent roundtable discussion at Monterey Institute’s Fisher Graduate School of International Business in Monterey, California.

The event, “The World’s Reigning Strategy Gurus,” brought together leading experts on business strategy, including Hamel; Stefanie Lenway of the University of Minnesota in Minneapolis; Yves Doz of INSEAD in Fontainebleau, France; Michael Enright of the University of Hong Kong; William F. Sharpe of the Stanford Graduate School of Business in California; Michael Czinkota of Georgetown University’s McDonough School of Business in Washington, D.C.; and Ernest J. Scalberg of the Monterey Institute’s Fisher Graduate School. Like all modern organizations, they said, business schools will survive or perish on their ability to evolve with and within a rapidly segmenting marketplace.

To encourage the evolution, the gurus outlined in their discussion an ambitious b-school “to-do list” for the upcoming decade. Their proposed objectives strike at the core of traditional business education, but business schools may ignore them at their own peril. In a market that continues to move ahead by leaps and bounds, said these strategists, cleaving too much to tradition is akin to merely running in place.

DEFY convention.

Academia is famous—or perhaps infamous—for cherishing a “what was and is must always be” mentality. To move forward, business schools must first cast off this mindset, said Hamel. “Educational institutions as a class are extremely conservative, and educators as a class are some of the most innovation-resistant people on the planet,” he said. “In that sense, I don’t think that the academic environment is very conducive to radical innovation.”

All innovation starts, Hamel continued, when individuals separate all that is the “physics” of their organizations—the processes that must be that way because they aid development—from “the dead hands of convention and history” that only limit development. “This perspective is the starting point for innovation or for strategy,” he said. “You must systematically deconstruct the orthodoxies, conventions, and dogmas people hold.”

Hamel’s analysis of management education as “physics versus convention” represents business schools’ most central struggle, these strategists agreed. It’s the fundamental pull-and-tug between traditional in-person learning and the technological promise of new forms of distance learning; the clash between faculty who teach and faculty who research; the conflict between local obligations and global outreach. To what degree should business schools choose the former over the latter? How business schools resolve these conflicts will have major implications on just how much they can achieve, said Michael Czinkota, professor of management at Georgetown University.

“From its ‘profane’ beginnings in Padua and Bologna, university education is now more than 1,000 years old. Amazingly, in many instances, ‘industry participants’ from 975 A.D. could function well in today’s workplace,” Czinkota joked. “We still lecture, speak ex cathedra, and have students huddle around the teacher.” As a result, he argued, many traditional management education institutions have given insufficient attention to experiential knowledge exchange, to the development of global rather than local matrices of knowledge, or to the use of technology to communicate that knowledge.

As business schools delve into these three areas, they must ask two other important questions. First, as the price
of education increases, will management education once again become the exclusive domain of the elites? And as new barriers to education present themselves—such as more restrictive visa requirements, funding constraints, environmental dangers—how will business schools make sure their educational offerings reach all of their potential markets?

Two areas especially—experiential learning and the global distribution of knowledge—could help business schools solve these dilemmas in ways that benefit everyone seeking a business education, Czinkota pointed out. He agreed with Hamel that business schools must choose now which conventions make them stronger and which should be jettisoned for good.

INNOVATE!

There is no greater task for business schools than to become “radical innovators” for businesses worldwide, the panelists agreed. To serve a shifting customer demographic, business schools must offer students real-world experience, greater access to information, expanded use of technology, a higher level of skill development, and more sophisticated global perspectives.

That’s no small task, said Hamel, but it’s one that the business school community must take to heart—and quickly. There is a sense of immediacy because for-profit institutions are already implementing innovations that reach this demographic, threatening to step in where business schools have traditionally feared to tread.

One prominent example is the University of Phoenix, a powerhouse organization with a decidedly contrarian approach to higher education. In just a few years, and in spite of its detractors, the online educational provider has developed a national presence, building market capital of more than $13 billion and establishing more than 140 campuses.

Business schools can perceive the U of Phoenix either as a threat or as an example of how far innovation can take an institution in a fluctuating market, Hamel suggested. “Not to hold it up as an exemplar for education,” he said, “but the University of Phoenix illustrates that there is enormous potential for innovation in education, if people are willing to think in new ways.”

DON’T follow fads.

The panelists agreed that a percentage of the traditional management education market will go to radical innovators who are better positioned to satisfy shifting market demands. Without attention to long-term issues, however, the competitive advantage innovation presents quickly dissipates. One only has to think of the roaring “dot-com ’90s” to know that style can’t survive long without substance in business. Pairing innovation with issues of lasting significance is crucial.

Innovation, then, should be handled with care. Viewing the business school enterprise through the same lens as commercial organizations can lead to a skewed understanding of market realities. It can also create false expectations for what business schools should be and do, said the strategists. “Jumping on bandwagons,” so to speak, is better left to those industries that can afford to miss long-term opportunities.

“Educational institutions can provide information and experience that is similar to that gained in the real world, but their comparative advantage lies in large part in other areas,” said William F. Sharpe, the Timken Professor Emeritus of Finance at the Stanford Graduate School of Business and winner of the 1990 Nobel Prize in economics. “This is not to denigrate emphases on leadership, entrepreneurship, management, and global business. Both traditional and newer institutions will do more in these areas in the future. But traditional business schools have been intentionally designed to have inertia, to focus on long-term issues and not get caught up in fads.
It is especially important that we avoid undue emphasis on the management style du jour.”

Sharpe emphasized that subjects such as macroeconomics, microeconomics, the workings of financial markets, and risk and return in capital markets are the critical underpinnings for business success. Yet these are issues that aren’t likely to be adequately addressed in business environments. They are best learned in business schools, said Sharpe. “In short,” he states, “one needs a gestalt from which to make business judgments.”

Ernest Scalberg, dean of the Fisher Graduate School at the Monterey Institute, noted that the mission of business schools allows a vast continuum of models for the delivery of management education. “In this market, we may have a situation in which small business schools that haven’t changed much in the last several centuries may compete successfully against radical new models of organization.” With the right balance of innovation and vigilance, he added, such schools can develop methods and resources that would rival those of any multinational corporation.

“We need to provide more opportunities for completing some degree requirements through distance learning. This will require a major investment in training faculty how to teach online,” she said. “Traditional MBA programs need to entertain the possibility that increasingly more business education can fruitfully be done online.”

DON’T JUST RESEARCH—experiment!

Even though technology is a critical dimension of this new era of competition, the panelists agreed that traditional educational programs will need to do more than increase their use of technology. They need a more experimental and aspirational approach to research and teaching to stay ahead of the competitive curve. They must be willing to go inside organizations and experiment with new approaches to business problems, as a medical researcher would experiment to find the best treatments for physical illnesses. They must try new things, set up new structures, establish new initiatives, and train people in different ways—and like medical researchers, watch to see what happens.

In most physical sciences, research is highly experimental, said Hamel. Researchers generate hypotheses and control each experiment to discover new approaches that enhance the business environment. Business research, on the other hand, is largely reactive; it studies approaches already in place and determines whether or not they are effective. That’s not innovative or inventive, Hamel remarked. In many respects, it’s mere notetaking.

Even economics has shifted to a more experimental approach to research, Hamel noted, adding that business schools should follow suit. “The bleeding edge of economic research is behavioral economics, in which researchers put people together and construct some kind
of laboratory experiment to see how they react to different kinds of incentives,” Hamel commented. “But in business schools, we haven’t done this very much. So we are often more glorified journalists than anything else. If business schools want to be relevant, they have to be seen as making an impact. They have to be seen as the inventors of new management practice.”

Hamel has searched for business schools that are conducting academic experiments designed to develop new methods and tools for use in business—to see what works and what doesn’t—and come up empty-handed.

“As far as I know, no one has yet created a model for business teaching and research that is both aspirational and experimental. To invent, one needs both. One needs to work in the real world with smart people, imagine something that doesn’t exist, and create it,” Hamel said. “There’s enormous room for innovation in this area; but it won’t be easy and it certainly won’t be quick.”

GLOBALIZE—really.

Globalization is the biggest buzzword on b-school campuses. Many business schools tout their global programs with great fervor. There’s only one problem, said these panelists. In many cases, many schools are more global in word than in deed.

“Business schools all like to believe they are global and have an international focus,” said Hamel. “But for many of them, the first rule is that all faculty must live within 50 miles of the head office. What global business in the world starts out by saying everybody we hire has to live within 50 miles of our campus?”

Part of the problem is a narrow—and traditional—definition of a university as an institution that is geographically constrained and identified with a single city or region. As a result, every university has to support an entire faculty on its own because it can’t borrow faculty from somewhere else. It’s a system that is quickly becoming outdated.

With that in mind, Hamel continued, all business schools must ask themselves what it means to build a truly global faculty. “What would it mean to build a school that used satellite technology to reach thousands of people at a time?” he asked. “There is a great deal of innovation possible, in all kinds of ways, if we have the courage to challenge our historical assumptions.”

To achieve true global character, business schools need to redefine their notions of faculty hiring and development, panelists argued. It’s one area where they do want to emulate leading multinational companies, which routinely send their employees to work in other countries. “To be global, business schools need significant facilities on at least three continents,” said Michael Enright, Sun Hung Kai Properties Professor and director of the Asia-Pacific Competitiveness Program at the University of Hong Kong. Then, schools need to base promotions on the fulfillment of long-term teaching and research obligations in all three regions, he said.

Most important, they need to rethink one of the most highly cherished traditions in higher education—tenure. “Tenure might have to be abolished to ensure that the ‘groupthink’ of people in the same job and location for 25 or 30 years does not dominate,” Enright said.

FORM THE FUTURE—don’t follow it.

Much has been said about the rapid pace of change—maybe too much. While accelerated cycles of innovation in most business sectors can’t be ignored, all the talk of change has created an environment where many schools are pursuing change for its own sake, the gurus said. Instead, the modern business school should be creating meaningful change.

The concept of “radical innovation” may imply extreme measures, they noted, but its practice means something much different. So-called radical innovation requires reasoned moderation—in choosing innovations that lead to growth, eschewing old conventions that constrain, and establishing a culture that embraces experimentation. These fundamental tasks are designed to transform the modern business school into a powerhouse of ideas for business, these strategists suggested. Implementing these measures is, at best, formidable. Their purpose, however, is to help business schools avoid the worst: irrelevance.
Real estate mogul-turned-television tycoon Donald Trump has scored big with his hit show “The Apprentice.” But as a model for management educators to teach in their classrooms, the show has drawn decidedly mixed reaction. These two management educators each have two words for Trump:

‘You’re Hired!’

By Denis Fred Simon

Real-estate mogul Donald Trump may not teach in a business school classroom, but his entrepreneurial lessons, showcased on his show “The Apprentice,” promise to have a lasting effect on business education. “The Apprentice,” which airs on U.S. television on the NBC network, has been a singular experience for viewers. Episodes in the show’s first season (the second season debuts this fall) feature eight men and eight women who work in teams to tackle on-the-spot business challenges requiring considerable personal talent, nerve, and an absolute commitment to radical innovation.

To emerge as the winning team, the participants need all their powers of persuasion and every skill they can muster, from guerrilla marketing to on-the-spot selling and deal making. Members of the losing team must pack their bags and meet with Trump and his organization in the boardroom. There, they analyze why they lost and who was at fault. At the end of a hard-hitting series of questions, one member of the team emerges as the obvious, although unfortunate, choice. Trump then administers the “crushing blow”—that member is “fired” and must leave the competition. Only one individual would emerge at the end of the 13-week program as the winner of the ultimate business prize: a yearlong, $250,000 apprenticeship within Donald Trump’s real estate empire.

What a training ground for business—and what a reward! For business schools preparing a new generation of business leaders, “The Apprentice” sends a compelling message...
It is said that teaching is an art. And, like artists, teachers can work in variety of media, such as case studies; analogy and metaphor; and literature, film and television. So, when a television phenomenon like “The Apprentice” appears, business professors should take notice.

However, I would urge my colleagues to approach using “The Apprentice” in the classroom with as much caution as they would approach purchasing a new bond offering from Trump’s casino empire. As faculty, we have few limitations in the methods and materials we can use to teach. Still, we must always consider a core question: “What, precisely, do we want to teach our students, and, more important, what should our students actually learn?”

What We Teach, What Students Hear
Too often, what we teach and what our students learn do not coincide. A professor of film studies, for instance, may show her students Leni Riefenstahl’s “Triumph of the Will” with the clear expectation that students will understand the power of film as a potent propaganda tool. None of us wishes to be in her position when she hears students comment afterward that the Nazis could sure put on one heck of a show. At one level that might be true, but it grossly misses the point.

This is a critical distinction to make when using “The Apprentice” in the classroom. We should be very careful in determining what students are actually getting out of each episode. If they come away from it thinking that “The
that they, too, must do more than ever to recreate real-life business challenges for students. It makes clear that many schools may have to re-think their curricula and approaches. Is it possible that a television program like “The Apprentice” could change how business schools teach? Some believe that the answer is clearly “yes.”

A Wakeup Call for B-Schools
The confluence of “The Apprentice” and an era of increased soul-searching among most business schools is intriguing. The timing could not be better, for we are seeing the first glimpse of a sea change in how business schools teach. While Trump’s approach has not driven this change, his program may very well highlight the skills successful business leaders require and encourage more young people to pursue careers in business. As a result, we could see a rise in business school applications—but only in those schools that turn the traditional MBA program on its head.

Such a transformation is especially important when many believe that the MBA has somehow lost its luster in recent years. The degree is no longer a guarantee of a C-level executive track position in a Fortune 100 company, nor is it viewed as relevant in the new world of business, a world bearing less and less resemblance to traditional commerce. In fact, among the select group of talented young people who won the chance to compete on “The Apprentice,” very few have any business degree at all.

In “The Apprentice,” individual performers aren’t just closely scrutinized by the Trump organization. Millions of viewers also watch the pressure mount for each week’s project managers, who must put themselves on the line to either demonstrate their leadership skills or reveal their lack thereof. Viewers see firsthand how well team members interact with each other and how they adapt their plans when they hit an unexpected roadblock. They learn why one team gains a competitive edge and comes out the winner and why the other team fails. In essence, viewers witness a televised, albeit highly stylized, version of business education.

Although its main purpose is entertainment, “The Apprentice” communicates several subtle messages to everyone engaged in business today. For example, inherent in the show’s message is that overall performance—individual and team—is critical to success. In ferreting out the winning apprentice, Trump and his organization suggest that companies may want to raise their expectations of those pursuing business careers. The underlying theme of each weekly segment is that innate leadership and team building skills are the sine qua non of a true business leader.

As companies’ expectations for leadership skills in their new hires increase, business school curricula may need a crucial redesign. We must help MBA candidates escape the “commodity hell” of a traditional MBA, better manage in a world of increased turbulence and uncertainty, and perform as well, if not better, than the best competitor on “The Apprentice.”

Experiences That Matter
So-called “reality television” has its detractors, but one of its primary characteristics is especially significant to management education—reality. Never before has it been so important that business schools infuse and intersect their programs with real-world business.

As educators, we must find more and newer ways to place our students at the center of the action, “Apprentice”-style. In this way our students may turn their solutions into nascent companies even before they’ve earned their MBAs. Last year, for instance, a team of four first-year MBA students at Rensselaer Polytechnic Institute’s Lally School of Management and Technology in Troy, New York, found that few, if any, adults actually wear life vests on boats. In response, they developed Float Tech, a stylish jacket with a removable zip-in liner that automatically turns into a flotation device if the wearer falls into the water.

As part of their project, they conducted market research to prove their concept would fly—or float, in this case. They convinced a local marine shop owner to allow them to survey customers in the store for several days. Once they gathered enough information, they used their findings to sell their concept to the faculty; next, they integrated flotation technology into the new boating jacket design. The new
Apprentice” represents good business, they, too, may be missing the point.

As business faculty, we must always include two dimensions to our teaching. There is the descriptive element, in which we show our students real-world examples so they see and understand how the real business world operates. And there is the normative element, through which we have an obligation to discuss how our students should operate in the real business world. Striking the right balance between the descriptive and normative elements of business education is critical. That is, our students should understand that some actions are desirable not just because they are legal, but because they are good for the company, shareholders, employees, and society. To address both of these issues, context and follow-up are critical.

In the case of “The Apprentice,” it’s difficult to place the show in the appropriate context or find the time to conduct sufficient follow-up. We may not have the time to ask what, exactly, students are learning from the show. Perhaps more important, as business educators, we may not have time to ask ourselves whether the lessons of “The Apprentice” actually represent any normative directions for functioning in the business world.

As business educators, we aren’t aiming our services primarily at students, but at the business community and society at large. For example, with this in mind, Quinnipiac University’s School of Business in Hamden, Connecticut, recently initiated a four-year program that aims to balance the real world of business with the contextualization of that world in the classroom. We want students to learn not just about business, but about how to function successfully in that community, something that the so-called reality of “The Apprentice” does not provide.

Reality Television—Not Real Business

A key element in the program’s success is its presentation as reality television—we are led to believe that we are viewing the operation of a real business enterprise. But we shouldn’t forget that all the contestants were picked for their photogenic qualities and their media-friendly personalities. Or that many, if not most, of the tasks assigned to the contestants—selling lemonade on Wall Street, operating a flea market, negotiating the best price for items recovered in a scavenger hunt—would be rejected by most advisors to a Junior Achievement chapter. Yet these tasks passed as those that should be used to select a division president in Trump’s empire.

Let us also not forget that each contestant is functioning in a zero-sum environment. At the end of the show there can be only one winner. This distills business down to a pure Hobbesian vision of “one against all.” Trump’s television creation is particularly pernicious because the audience is led to believe that participants are functioning not only as businesspeople do function in the real world, but as they should—all under the guise of reality.

Not to mention that, at times, “The Apprentice” appears to be one large infomercial for the Trump empire—rent a Trump apartment or penthouse belonging to Trump, drum up business at Trump’s Taj Mahal, use the ice rink that was saved by “The Donald,” and sell Trump-endorsed bottled water. Of course, Trump shouldn’t be taken to task simply because he has been remarkably successful in marketing himself. In fact, it could be said that he has turned himself into a successful and powerful brand.

For this very reason, when Trump speaks on the show, we anticipate something of interest and value. But unfortunately, we are provided only periodic, seemingly trenchant insights from Trump, such as “you have to believe in a product in order to sell it.” Given this marvelous opportunity to expose the American public and our students to business, is it too much to expect something beyond such banalities?

Perhaps it is. After all, in an era in which Spencer Johnson’s Who Moved My Cheese? will probably outsell Jim Collins’ From Good to Great, you don’t have to be a Laputan academic to realize that the facile and superficial often trumps, if you’ll pardon the pun, substance and wisdom. German poet and historian Friedrich von Schiller tells us, “Against stupidity the very gods themselves contend in vain.” This may be true, but it is this struggle that should give the teaching profession meaning. We shouldn’t be expected to bow to the trivial just because it comes covered with a very thin patina of realism.

Are we to assume that to break the glass ceiling, women should rely more on a pair of stiletto heels than on talent and intelligence? What a wonderful message to send to business students.
concept proved so effective that they wrote their first business plan and incorporated as a company, Orca Gear Inc. The students then entered the Tech Valley Collegiate Business Plan Competition at the Severino Center for Entrepreneurship at the Lally School. They came in second the first year, but persevered and continued to hone their plan. When they entered the contest the following year, they came home with a first-place win, lots of publicity, and $25,000 in seed money.

Since then, Orca Gear has raised nearly $500,000 and intends to raise additional capital through equity investments. Now established in Troy, New York, the company has been approved as a General Services Administration (GSA) manufacturer, which allows it to sell to government agencies and the military. Additionally Float Tech was awarded the Freeman K. Pittman Editor’s Choice Award as Top New Gear of 2004 by SAIL magazine.

Likewise, Tiercent, another student company, has found a home at the Rensselaer Incubator. Like Orca Gear’s founders, the students who founded Tiercent sought out a problem in the real-world market and developed a product to solve it.

The students discovered that no company in the world builds a product capable of tracking and locating people in hostile environments. Tiercent developed a product called EgressOne, a cell-phone size device, worn by firefighters and other rescue workers as they respond to emergency situations, which incorporates 3-D radio frequency technology to pinpoint firefighters’ locations in hazardous situations and continuously transmit their location information. An accountability officer watching on a remote monitor can see their locations, alert them to hazards in their path, or guide them safely out of situations where they are blinded by smoke or fumes. As CEO Mark Fobare says of Tiercent’s innovative product, “We find lost firefighters.”

As a result, Tiercent has placed in the money round of three consecutive business plan competitions. The company won an introduction to the Boston area venture capital community by Paul Severino, founder of Bay Networks. Since receiving a $100,000 Small Business Innovation Research (SBIR) grant, the company is on track for a second-phase SBIR this year, which will provide a seven-figure sum. Plans are in place to deliver the first product by late 2004, and talks are under way for private equity investment.

The ultimate aim of these kinds of educational efforts isn’t a good grade or a competent analysis of a corporate problem that someone else already has solved. Like their “Apprentice” counterparts, these students are hitting the ground running to develop products that will make a measurable and immediate difference in today’s real-world market.

So-called “reality television” has its detractors, but one of its primary characteristics is especially significant to management education — reality. Never before has it been so important that business schools infuse and intersect their programs with real-world business.
Ironically, another NBC reality show, “The Restaurant,” probably provided much more in the way of useful and realistic insights into business operations, particularly for business startups. But few if any business schools are discussing its content in the classroom. Not surprisingly, its ratings weren’t nearly as high. In fact, it’s already been cancelled.

“The Apprentice” falls short of offering our students meaningful business insights. Business education, on the other hand, must fill the void to make sure students aren’t taking the show’s message without qualification. For example, in Quinnipiac’s new undergraduate business program, students are exposed to classroom-based business education in conjunction with a personal and professional development program. Students attend seminars, listen to a series of guest lectures, and discuss contemporary issues like ethics and governance with business leaders; those activities are then supplemented by a reading list that links classroom material and discussion to actual business practices. The program includes lessons in successful time management, business dinner etiquette, and management of one’s own future—students even learn to read The Wall Street Journal and use its information effectively. After class, they can use computer-assisted learning modules covering a variety of topics including using business research resources and navigating business interviews.

Our students still learn the quantitative skills of business—the numbers game of profit and loss that “The Apprentice” participants play so fervently. But in addition, they are encouraged to attend to their personal and career development and place these skills in a larger, meaningful context. This work sets the stage, beginning freshman year, for students to plan for personal and career success while recognizing the importance of ethical behavior in business.

**What Will Our Students Learn?**

So, let us review a few episodes of “The Apprentice,” and ask ourselves what our students are most likely to learn. Starting in the first episode, the contestants were divided into two groups based upon gender. The concept of “men versus women” in a competitive environment functions at a particularly primal level. Women can feel empowered and men can prove their mettle. However, what’s the lesson to be learned from this form of segregation? One wonders how NBC’s Standards and Practice Committee would have responded had the show decided to separate the team on the basis of race.

In the first four episodes, the women triumphed over the men at such complex tasks as selling lemonade on Wall Street, developing an ad campaign, hawking shots in a bar off Times Square, and running a minimum-cost scavenger hunt. After these successes, Trump cautioned the women that they were relying too heavily on their sex appeal to win each task—and, of course, he wasn’t being at all disingenuous.

After the women again trounced the men in the fifth episode, Trump ordered a “corporate reshuffling.” The genders were now mixed into two teams. Television pundits enjoyed pointing out that when the women were in single-gender teams, they were aggressive and successful but engaged in a considerable amount of backbiting. Then, when teamed with the men, the women began to display passivity. This may not be a message we want to convey to our students.

Add to this the fact that several of the women on the show wound up in a men’s magazine as lingerie models—posing in a business setting. Are we to assume that to break the glass ceiling, women should rely more on a pair of stiletto heels than on talent and intelligence? What a wonderful message to send to female and male business students.

Then there’s the show’s treatment of the concept of teamwork, a notion critical to business. Here we see many instances of very realistic behavior—teams forming through goal-driven activities, coalition formation, and conflict resolution. However, their environment is still highly artificial because someone has to win, which means that the long-term commitment of any one player to the notion of teamwork is illusionary at best.

Ultimately, it’s to a participant’s advantage if other participants fail. Each episode’s closing scenes in “the boardroom” are a nice display of social Darwinism in action. While this display may be an accurate description of how some teams function, I don’t believe these methods would be effective for any large-scale, long-term project.

The messages students might take from the first few episodes are disturbing. Women executives should exploit sex, style triumphs over substance, knowledge of task and domain are secondary, political maneuvering and power are not only desirable but imperative—and they should do anything to win. Unfortunately, an argument can be made that these are truisms in business and dominate the actions of too many people in too many organizations. But while students need to know how the real world operates, we shouldn’t, in the interest of describing the real world, teach to the lowest common moral denominator.

**Those Two Little Words**

Finally, there’s Trump’s signature phrase, “You’re fired,” perhaps the cleverest part of the show. Each episode of “The Apprentice” ends with Trump terminating one of the participants, designed to build anticipation and interest in the
environment like the one Trump has created. Of course, business schools may not have the same cutthroat competitiveness as “The Apprentice,” but they should provide training grounds for today’s apprentices—and tomorrow’s business leaders—that go far beyond traditional, discrete business classes.

In the end, an experiential and edgy education offers students more to take into their careers than the conventional approaches of last century. Unlike the one-day or two-day deadlines “Apprentice” participants have to complete their tasks, many business students have a full year to delve into the complexity of a specific business project. As part of “formulating and executing competitive business strategies,” for example, Lally student teams work with real companies on projects significant to the company’s growth and development. Recently, a team developed a strategy and business plan for a local high-tech company that develops and raises genetically engineered mice for research. The students helped the company successfully integrate a European acquisition into its business. Following the project, one of the MBA team members was hired by the company.

One could also point out another central difference between the experience of “Apprentice” participants and that of business students in our real-world training grounds. Rather than end with the firing of a team member, today’s redesigned business-school project can—and, ideally, should—end with a hiring.

Reality Check
For years, business schools have measured their success by how many of their students were hired after graduation or how well their fund-raising efforts were received. As schools work to transform their curricula, perhaps there should be new criteria used to measure success: How have students contributed to real-world business during their degree programs?

Since Lally revamped its programs, we have been using that measure in earnest. Last year, for example, MBA candidates Dongyu Xu of Beijing and Jeanine Thompson of the U.S. teamed up on a venture that would bring bagels to China, in response to the explosion of Western-style fast food operations opening in the expatriate section of Beijing. When Xu discovered only about half of the Chinese students at the university had heard of a bagel, she and Thompson created their own Chinese pronunciation of the word. Thompson then spent a day at a local bagel shop to determine how viable it would be to transport the idea to Beijing. Now in its nascent stage, the project has already won a $1,000 prize at the Lally School’s New Venture Opportunity Contest.

Such projects give students an opportunity to break the business mold and set the tone for entrepreneurial leadership. Reality check for years, business schools have measured their success by how many of their students were hired after graduation or how well their fund-raising efforts were received. As schools work to transform their curricula, perhaps there should be new criteria used to measure success: How have students contributed to real-world business during their degree programs?

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Such projects give students an opportunity to break the business mold and set the tone for entrepreneurial leadership. Denis Fred Simon is dean of Rensselaer Polytechnic Institute’s Lally School of Management & Technology in Troy, New York.

The confluence of “The Apprentice” and an era of increased soul-searching among most business schools is intriguing.

The timing could not be better, for we are seeing the first glimpse of a sea change in how business schools teach.
Fired!

audience. It draws on the same set of desires that the Emperor Vespasian recognized when he commissioned the building of the Coliseum. The Roman people saw their games as a reflection of their national character. Heroism was to be rewarded; cowardice was punished with death.

A quick poll of my students indicates that they love the idea of Trump firing the incompetent. How can anyone blame them? We all know of the salutary benefit to the stock price when a CEO downsizes several thousand employees. As we know, Jack Welch himself advocates eliminating the bottom ten percent of a company’s workforce.

But there is one vital distinction between Trump’s firing and Welch’s downsizing. Welch bases his system of metrics, at least allegedly, on job-related performance. Even the most callow observer of “The Apprentice” can see that not all of those terminated were directly responsible for their teams’ failures. Even so, if two teams are in competition and one comes up short—even when the difference in performance between the two teams is negligible—somebody’s head has to roll.

The notion of examining what is wrong with a process, rather than identifying a fall guy, may be insufficiently dramatic and too subtle for prime time television. It is, however, a better lesson for our students. I fear that our students will view “The Apprentice” only to believe, once again, that style triumphs over substance.


Many members of business faculty have seen the value of incorporating entertainment into their teaching. They’ve used Shakespeare and other works of literature and film as means of teaching about leadership and other topics. But these works lack the reach of television, which has bombarded the public with images of the business world dominated by “Dallas” and “Dynasty” characters for decades. We have been exposed to a view of business that would make the crews at Enron, Worldcom, and Tyco look like Zen monks.

Mediocre entertainment—devoid of context or the most minor moral dimension—amuses and engages. Great entertainment, on the other hand, amuses, engages, and instructs by asking the audience to think about what is transpiring. It can provide ethical insights without being preachy. One must admit that “The Apprentice” is successful entertainment. It has drama, ruthless competition, treachery, betrayal, sex appeal, and romance. But I’m not sure it ever rises to the level of great entertainment.

There were moments when “The Apprentice” approached that status; but when it did, its voice was muted. In an early episode, for example, eventual runner-up Kwame had people queuing up to buy basketballs with his signature. No one told people in line that Kwame was a famous basketball player. However, teammate and eventual “Apprentice” winner, Bill, complained that it was implied, and, therefore, Kwame was lying by omission. This was a low-key call for ethical standards in business.

Likewise, in the penultimate episode, four Trump executives subjected the remaining four contestants to high-pressure interviews. The contestants’ responses and the interviewers’ insights were realistic, useful, and valuable for both students and people in business. The final episode was, in my estimation, the best. It featured a classic standoff between a Harvard MBA and an entrepreneur. These polar business opposites were finally given assignments that approximated real-world executive tasks. Bill, the entrepreneur of the group, was the ultimate winner. In that final episode, I only wished more time had been devoted to why Bill was selected.

In great entertainment, we learn something about our world and ourselves. We also recognize a moral dimension to life. Shakespeare’s Richard III is a captivating character, but I’m sure few in the audience leave the play wanting to be as ruthless as he is in the pursuit of power. Did Shakespeare want people to learn how to send “the murderous Machiavelli back to school”? I should hope not. But do our students view “The Apprentice” and want to emulate what they see? I fear, in some cases, yes.

When a show like “The Apprentice” so engages our students, it provides us with an excellent forum for active dialogues. But “The Apprentice” does not represent a model for total student development—development that provides a vital bridge between the merely descriptive aspect of education and the normative guidelines that are crucial for individual development. It does not encourage students to grow as technically competitive executives and conscientious members of society. When we use the show as an example, our normative guidelines compete with its description of business behavior. It’s a battle we can’t, and shouldn’t, avoid. And it’s a battle we shouldn’t be prepared to lose.

After sounding rather sanctimonious about “The Apprentice” and Trump, I must admit to my own darker nature. I had hoped that in the last show Trump would turn to the winner and say, “You’re not hired to run one of my companies because I’ve just outsourced that position to an executive in India whom I’ll pay $100,000 rather than the $250,000 I’d have to pay you.” Now that would be real entertainment—and a good dose of reality.

David Cadden is a professor of management at Quinnipiac University’s School of Business in Hamden, Connecticut.
At a time when many business schools are implementing e-learning initiatives with enthusiasm, many corporations are struggling to integrate e-learning into their operations. According to “E-Learning: The Findings and the Future,” a new report from U.K.-based business school Ashridge, corporations may be looking increasingly to business schools to help them surmount these obstacles. Ashridge conducted interviews with 16 organizations, including the BBC, Lloyds TSB, the Ministry of Defence, and Xerox Europe, and surveyed corporate subscribers to the Ashridge Virtual Learning Resource Center.

The study found a marked rift between theory and practice among participating organizations. While 86 percent of respondents believed e-learning to be an effective training tool, 82 percent found it difficult to implement e-learning into their organizations.

The greatest barrier to e-learning was a lack of time for effective implementation, respondents said. Other barriers included insufficient technology, staff resistance, and a negative perception of e-learning’s value. Negative perceptions are often so prevalent, the study found, that some companies call e-learning by another name, such as “I learning.”

“The initial wild enthusiasm for e-learning has given way to a much more cautious approach,” says Andrew Ettinger, director of learning resources at Ashridge and co-author of the research. “E-learning is not the silver bullet many people were led to believe it was. It can be highly effective, but only when implemented properly as part of an overall learning process.”

In contrast, the few companies that have integrated e-learning initiatives effectively cited several factors crucial to their success. They reported a cultural shift among their employees concerning how education can be delivered. In addition, e-learning opportunities were aligned closely to organizational needs; e-learning was blended with classroom and hands-on training; e-learning was supported by senior management and marketed throughout the organization; and, finally, e-learning opportunities were...
created through the efforts of a diverse group of experts, including trainers, facilitators, marketers, and Web and graphic designers.

The survey also indicated that companies are turning to business schools more for materials tailored to their own e-learning needs than for full-blown courses. “When most business schools think of e-learning, they think of courses. However, our survey found that many companies want customized materials and tailored portals to information,” he says. “They can then link those materials to their own training initiatives, such as 360-degree performance reviews.”

Surprisingly, one area where companies want more help from business schools isn’t education delivery at all, but marketing and branding their e-learning programs within their organizations to attract employee interest, Ettinger says. “Companies want help from business schools in marketing the products and making their populations aware that their e-learning programs exist,” he states. When it comes to e-learning, the partnership between corporations may become less about course delivery and more about customer support in content creation, customization, and internal corporate branding of e-learning programs.

The 90-page report can be purchased for £40. Contact Claire Huggett at claire.huggett@ashridge.org.uk.

**Tracking the Trends in Online Learning**

eLearners.com, a Web site that connects prospective students with sources of online education, recently launched its eLearners Index, a research product that tracks the popularity of online degree programs. The index reflects statistical data on the activities of learners to the eLearners.com Web site, including the pages they view, the programs that generate the most inquiries, and the popularity of academic subjects and degrees.

“With more than 3 million visitors annually, we get a clear picture of the supply of and demand for learning opportunities,” says C.J. DeSantis, president of eLearners. “Tracking these types of trends and insights can be extremely useful to educational providers as they determine where to direct their development and marketing dollars.”

According to the index, the online degree subjects that students most often query on its site are business administration and MBA programs, followed by psychology, nursing, and engineering. The MBA is slightly more sought-after than business administration, DeSantis says. “But business administration is where we also see the most competition between schools” for online education, he adds.

For more information on purchasing the eLearners Index, visit www.elearnersindex.com.
SURFING THE FRIENDLY SKIES
Broadband Internet access may soon become a mainstay in air travel, now that Boeing is beginning to offer in-flight Internet service. Korean Air will offer its passengers broadband access early next year on flights into and out of South Korea, according to IDG News Service. Also signed up for the service are Japan’s All Nippon Airways, Japan Airlines, Lufthansa, and Scandinavian Airline Systems. Passengers will pay US$9.95 for 30 minutes and 20 cents a minute thereafter. Or they can choose to pay a flat fee of $19.95 for service on three- to six-hour flights, $29.95 for longer flights.

AWASH IN VIRTUAL PROFIT
Students from the Coles College of Business at Kennesaw State University and the five-school Georgia WebMBA program placed first and second, respectively, in the Foundation Business Simulation International Challenge. The Challenge, co-sponsored by computer-based education company Management Simulations, required students to amass as much virtual profit as possible in a computer-simulated business environment. The KSU team accumulated $113 million, and the Georgia WebMBA team, $67.8 million.

GONE “PHISHING”
Internet scammers have a new ploy—“phishing” attacks. In the attacks, scammers send out e-mails...
that appear to be authentic communications from legitimate companies like eBay or AOL asking for personal data such as Social Security and credit card numbers. When Gartner Research recently surveyed 5,000 adults, it found that 3 percent of them had divulged personal information to phishers—far more than the half-percent success rate of most spam e-mail. The firm found that 92 percent of known phishing attacks have occurred in the last 12 months; it estimates that as many as 1.78 million people could be victims. In response, U.S. officials are cracking down on phishers and many companies are launching promotions to stress that they never will ask for personal information via e-mail.

**E-LEARNING TAKES FLIGHT**

British Airways has launched a new global learning program for its 48,000 employees. The self-directed online program has been developed through partnerships with software provider Oracle Corp. and corporate education provider NETg, part of The Thomson Corporation. The company’s goal is to cut costs while improving learning opportunities for its staff. Oracle iLearning and Thomson NETg Open Learning will help British Airways manage hundreds of online and traditional courses and allow employees to register for courses, participate in classes, access information, and manage course schedules.

It was no surprise to us that Douglas Carmichael was chosen to be chief auditor of the Public Company Accounting Oversight Board. We chose him first. This award-winning author had been a professor at Baruch for over twenty years, the kind of world-class professor we actively seek. Because, at Baruch, we believe a great education begins with great faculty.
Shortage of Ph.D.s? We’re Turning Them Away

Management education is facing a severe shortage of doctorally qualified faculty. To be sure, when it comes to attracting academically qualified faculty, we are deep in a seller’s market of pandemic proportions.

Like many other business schools, our school has been actively recruiting applicants for new faculty positions for our growing programs—and finding fewer qualified applicants to fill them. In our pursuit of accounting faculty, for instance, we are seeing the same trends that the American Accounting Association highlighted at its national conference. It found that applications to open accounting faculty positions peaked in 1992, with 180 resumes submitted to fill 110 open positions. In 1997, the applicant-to-position ratio evened out, with 117 resumes submitted to fill 120 open positions. In the years that followed, the bottom dropped out: Only 64 resumes were submitted to fill the 240 open positions that schools posted in 2002.

But are management education institutions truly exploring all possible solutions to the problem? I believe that the crisis is actually being exacerbated by antiquated policies still in place at many business schools. First, many schools refuse to accept part-time doctoral candidates. And, second, many schools refuse to consider hiring their own graduates to fill faculty positions. As a result, many qualified applicants are being turned away before they even come through the door. It’s not that many in the field aren’t trying to address the larger issue—it’s just that they’re ignoring these two contributing factors. In fact, I read with interest the Doctoral Faculty Commission’s 2003 report to AACSB International’s Board of Directors, “Sustaining Scholarship in Business Schools.” In the report, members of the Commission outline nine specific solutions to solving the faculty shortage. They recommend that schools provide post-graduate business training for doctoral faculty from other disciplines; encourage less research-intensive doctoral programs for executives; legitimize research and nonresearch dual tracks for business faculty; clarify the definition of “professionally qualified” faculty to reduce the perceived need to hire only Ph.D.-qualified faculty; initiate new funding sources to encourage institutions to sustain or increase doctoral programs; provide reputational incentives to redirect resources as investments in Ph.D. programs; encourage accreditation peer review teams to balance Ph.D. production needs with institutional priorities; promote Ph.D. programs to prospective students; and foster innovation in lower-cost education delivery methods.

While I applaud AACSB International’s proactive stance and the Doctoral Faculty Commission’s work, I believe that the two important alternative solutions to the shortage—accepting part-time Ph.D. students and considering home-grown graduates for faculty positions—are notable by their absence from the Commission’s recommendations. They are absent because they represent a challenge to institutional mores that have long been a barrier to change. But AACSB International could play an important role by encouraging change in the policies of those institutions offering business doctoral degrees and advocating these two alternative solutions to the doctoral shortage.

Alternative No. 1: Abandon policies that forbid part-time Ph.D. candidates.

The Commission’s report indicated that reduced income was one of the most important factors in a student’s decision to pursue (or not to pursue) a doctoral degree. And yet, many Ph.D. programs in business admit only full-time candidates. But by not permitting part-time Ph.D. candidates, these programs miss out on potential students in an academically and intellectually qualified pool of talent, who simply may not be able afford leaving their jobs to pursue full-time candidacy.

In my experience, part-time Ph.D. candidates can succeed in and support doctoral programs as well as those who study full-time. I myself was a part-time doctoral student, along with two of my peers. While in the program, we “part-timers” attended all seminars and guest speaker events. We were involved in all the activities expected of full-time candidates. There were only two differences. While full-time Ph.D. students took three courses, we took two (we were essentially “two-third-time” candidates). And unlike full-time students, we did not teach courses.

As I neared completion of the program, another student was accepted as a part-time candidate. Soon after, the university changed its policy, and that student was instructed to begin attending full-
time and to cease his outside work activities. Financially, his only option was to leave the program. He was a promising candidate, lost because of a myopic policy. It was a policy established with no evidence that part-time students were somehow less worthy than full-time candidates.

We must consider that many potential Ph.D. candidates have been successful in business, government, or the military, and now desire to share their work-related knowledge with students. However, at their stage of life, they may be married and have older children. They must finance mortgages, college tuition, and perhaps even long-term care for their parents. These businesspeople cannot support their families on a graduate assistant’s stipend.

As a result, most are refused entrance into doctoral programs because universities refuse to allow their part-time participation. We can’t even gather statistics on them—on their education, their income, their work experience—because they are simply turned away without consideration.

At the same time that the Commission neglects the issue of part-time Ph.D. study, it advocates doctoral programs for executives, programs that by the Commission’s own admission are rare. Moreover, I believe we should not encourage Ph.D. education that de-emphasizes research, as many executive doctoral programs propose.

I suspect that the number of new faculty created by allowing part-time candidates would far exceed the number of faculty from doctoral programs for executives. Graduates from part-time Ph.D. programs would be fully research-qualified and ready for the rigors of academic study. And although part-time candidates may not teach initially, I believe there are ways for them to gain teaching experience that would allow for their working schedules.

**Alternative No. 2:**

**Abandon policies that prevent an institution from hiring its own graduates.**

Many institutions that grant doctoral degrees do not hire their own graduates directly from their own Ph.D. programs. Some refuse to do so indefinitely; others require graduates to obtain considerable experience elsewhere before their applications are considered. This policy places an undue limitation on the pool of talent available for hire and perpetuates the belief that institutions are merely cultivating talent for the benefit of their competitors.

I have known promising individuals who did not apply for entry to a Ph.D. program because they knew there was no chance that they could be hired by the university in their hometowns. They knew that upon graduation they would have to displace their families to gain employment elsewhere. Not surprisingly, many chose not to pursue Ph.D. degrees at all.

Of course, I don’t advocate that schools guarantee employment to their graduates. But when filling their faculty positions, schools should give their own graduates as much consideration as they give external candidates. Let each individual’s merits rule the hiring decisions. Even if graduates are not hired, the potential for future stability could be a factor in their decision to enter a doctoral program. Policies that deny graduates that opportunity create artificial—and unnecessary—barriers.

While most of the recommendations of the Commission are sound, Ph.D.-granting institutions need to consider these two alternative solutions. They represent long-standing policies among doctoral degree-granting institutions and are significant impediments to Ph.D. production. There are few legitimate arguments for such policies—they are simply the remnants of tradition.

In my own case, I view my position as a doctorally qualified professor with pride and a touch of irony. If I had decided to pursue a Ph.D. in business even a year or two later, I, too, would have been turned away at the door.

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In today’s overcrowded world of endless new products and constant interruptions, it’s not the brand-new innovation or the splashy ad campaign that is going to grab customer attention. It’s the fun thing, the value-added extra that comes with the product the consumer actually wants to buy and makes it cool. In his remarkably enjoyable book *Free Prize Inside*, Seth Godin compares that value-added extra to the prize that comes in every box of Cracker Jacks. He believes any employee, at any company, serving any market, can come up with a similar free prize that will make existing products desirable. It might be finding a new outlet for sales—or putting a freebie inside the box. As Godin asks, “Do people want the fortune cookie or the fortune?” The book goes on to explore how to invent the free prize and how to get others onboard with the new idea. And yes, there’s a free prize at the end. (Portfolio, $19.95)

What does a Harley Davidson rider have in common with a devout Mormon? According to Douglas Atkin, author of *The Culting of Brands*, they’re both members of powerful, successful cults—and that’s not as pejorative as it might sound at first. Determining what makes a cult member loyal to his organization offers clues into what makes a consumer loyal to a specific brand, and Atkin has come up with a four-step process. A person feels *alienation* for the world around him; he becomes *open* to a different environment; he feels *safe* among the members of this new group; and there he blossoms into a *self-actualized* individual. Thus maverick brands like Apple Computers, which have thousands of evangelical consumers, must position themselves, not as the product for everyone, but as the product for someone who is just a little outside the norm. “One of the greatest dreads marketers have is turning off any potential customers,” writes Atkins. “Well, to generate cultlike devotion to your brand ... you must target the alienated and simultaneously separate your organization from the mainstream.” To research his book, Atkin interviewed sorority sisters, Deadheads, cult deprogrammers, Marines, Wiccans, and fan club members. He explains the cultlike appeal generated by Saturn, Nike, jetBlue, and eBay. It’s a whole lot of fun—and eye-opening at the same time. (Portfolio, $24.95)

In 1991, Royal Dutch Shell planned to dismantle an oil storage tanker and platform in the North Sea by blowing it up and allowing its oil sludge and heavy metals to sink to the bottom of the sea. The environmental organization Greenpeace mounted a vehement—and visible—campaign that ultimately persuaded Shell to tow the tanker back to shore for environmentally sound disposal. This example shows the growing power of today’s movement toward social responsibility, which forces companies to consider their reputations and their expanded circle of stakeholders if they want to continue to do business. *What Matters Most*, by Jeffrey Hollender and Stephen Fenichell, is unapologetically passionate about CSR and its profound implications. It covers the entire field, from the origins of socially responsible investing to case studies of committed entrepreneurs. Corporate social responsibility, the authors believe, is “a broad social movement, centered in the corporation much as the antiwar movement was centered on college campuses. It will, we believe, have deep and lasting effects on our values and beliefs as well as the world’s future.” (Basic Books, $26)

While leaders must have a variety of powerful skills, one of the most important is the ability to convince employees, stakeholders, and consumers to agree with them—that is, they must be able to change people’s minds. Anyone who’s ever tried to do that knows it’s not simple, but a fascinating look at how the process is achieved is laid out in Howard Gardner’s *Changing Minds*. Gardner, a professor of cognition and education at Harvard, opens with a detailed dissection of various types of intelligence and the factors that work at shaping them. He also examines the levers that come into play as an individual shifts his beliefs: reason, research, resonance, redescriptions, rewards, real-world events, and resistances. Once leaders—or politicians or CEOs—understand the factors that influence people’s minds, they can “conceptualize
what people are thinking, how they are thinking, and how, when necessary, that thinking can be changed,” Gardner writes. The book is sometimes humorous, always clear, and unfailingly thought-provoking. (Harvard Business Press, $26.95)

Why are some countries rich while other countries are poor? John Kay attempts to answer this overarching question in the detailed, dense, and absorbing book Culture and Prosperity. Not surprisingly, the answer is complicated. “There can be no one-sentence or one-paragraph description of how the market economy works, just as there can be no one-sentence or one-paragraph description of how the human body works. The market economy and the human body are both complex, interdependent systems, and they are the product of evolution, not design,” he writes. That said, he traces the evolution of wealth throughout the world’s countries through the effects of climate, geography, history, culture, resources, and society. His thesis is that “market institutions, characterized by disciplined pluralism, function because of the social context in which they are embedded.” For a book that is nothing less than a history of world economics, Culture and Prosperity is a surprisingly accessible read, filled with facts, analysis, and insights. (Harper Business, $25.95)

Learning assessment has become the mantra for institutions of higher education, but implementing a cohesive plan to measure learning still remains a tough challenge for most schools. Mary J. Allen’s Assessing Academic Programs in Higher Education aims to make the process a little easier. The book—which is written for all disciplines—outlines in clear prose the steps that faculty must take to design a program of student assessment. These are: develop learning objectives; align the curriculum with the objectives; develop a plan; collect data; use results to improve the program; and examine the program regularly. The book is divided into in-depth examinations of how each of these steps can be accomplished, and many chapters include discussions of schools that incorporated assessment plans. Allen knows that both students and faculty may resist the restructuring required to build a curriculum around learning assessment, but she also knows how important the task is. “In this era of accountability, we no longer have the luxury of being vague about what we expect from our graduates,” she writes. “Not only does the assessment process demand clarity, but also students and the public deserve to know what they are getting in return for their money and time.” (Anker Publishing Co., $39.95)
The University of Connecticut has had a banner year. Its men’s and women’s basketball teams won the NCAA Final Four championships, making it the first school to win both men’s and women’s national titles in the same year.

It doesn’t hurt that starting players on both teams are also business school all-stars. Senior Emeka Okafor, voted Most Outstanding Player in the Men’s Final Four, is a finance major and student fund manager. Junior Ashley Battle, star forward on the women’s team, is a marketing major. Okafor, a favorite as a first-round draft pick, will have a tough decision upon graduation, says William Hunter, the school’s dean: NBA or MBA? “I think the MBA would be the wiser move,” Hunter jokes.

Off the basketball court, UConn’s School of Business distinguishes itself with its experiential learning laboratories. The school’s hands-on learning laboratory, edgelab, opened in nearby Stamford three years ago with the help of GE. It puts MBA and undergraduate students to work on actual GE projects. The lab is staffed full-time by three GE executives, who serve as mentors and company liaisons.

Once students enter edgelab, they are behind GE’s protective firewall, which gives them employee-level access to GE’s data. Students have run risk management models for global mortgage portfolios, evaluated the use of biometrics to facilitate better business processes and security, and developed new models for e-business environments. Students also have patented a system to evaluate emerging technologies and offer guidance for the best way to use them.

The success of edgelab inspired the school to create a similar facility based on finance, which will open in Hartford this fall. The $17 million lab, or “financial accelerator,” includes 12 classrooms, a student trading room—and an actual trading company. Students and professional traders will be separated by a glass partition, but the two groups will interact regularly so that students can see the financial professionals in action. The accelerator will benefit the insurance companies, hedge funds, and investment companies in Hartford’s financial district.

Eventually, says Hunter, the school plans to open similar labs in management and entrepreneurship. Such learning laboratories are unusual among business schools, says Jim Marsden, head of the School of Business’s department of operations and information management. He notes that most corporate partnerships with business schools are at “arm’s length” via faculty visits and student internships. “Companies may give students projects, but they’re not ‘front-burner’—if the company gets value from a project, fine. If it fails, there’s no risk,” he says.

“There’s no day-to-day interaction.”

With edgelab and the new financial accelerator, however, students and corporate representatives work together on critical projects that require timely solutions. In fact, GE estimates that student solutions have saved the company $300 million in cost avoidance and revenue enhancement. Moreover, 17 percent of edgelab students end up taking jobs with GE.

While the close-knit relationship between UConn and GE requires a commitment of time and resources, the partnership is a win-win-win proposition, says Hunter. “Our students come away with their managerial skills tested, our faculty come away with projects that can lead to scholarly publications, and GE comes away with real solutions to its problems,” says Hunter.

The University of Connecticut’s School of Business is accredited by AACSB International.