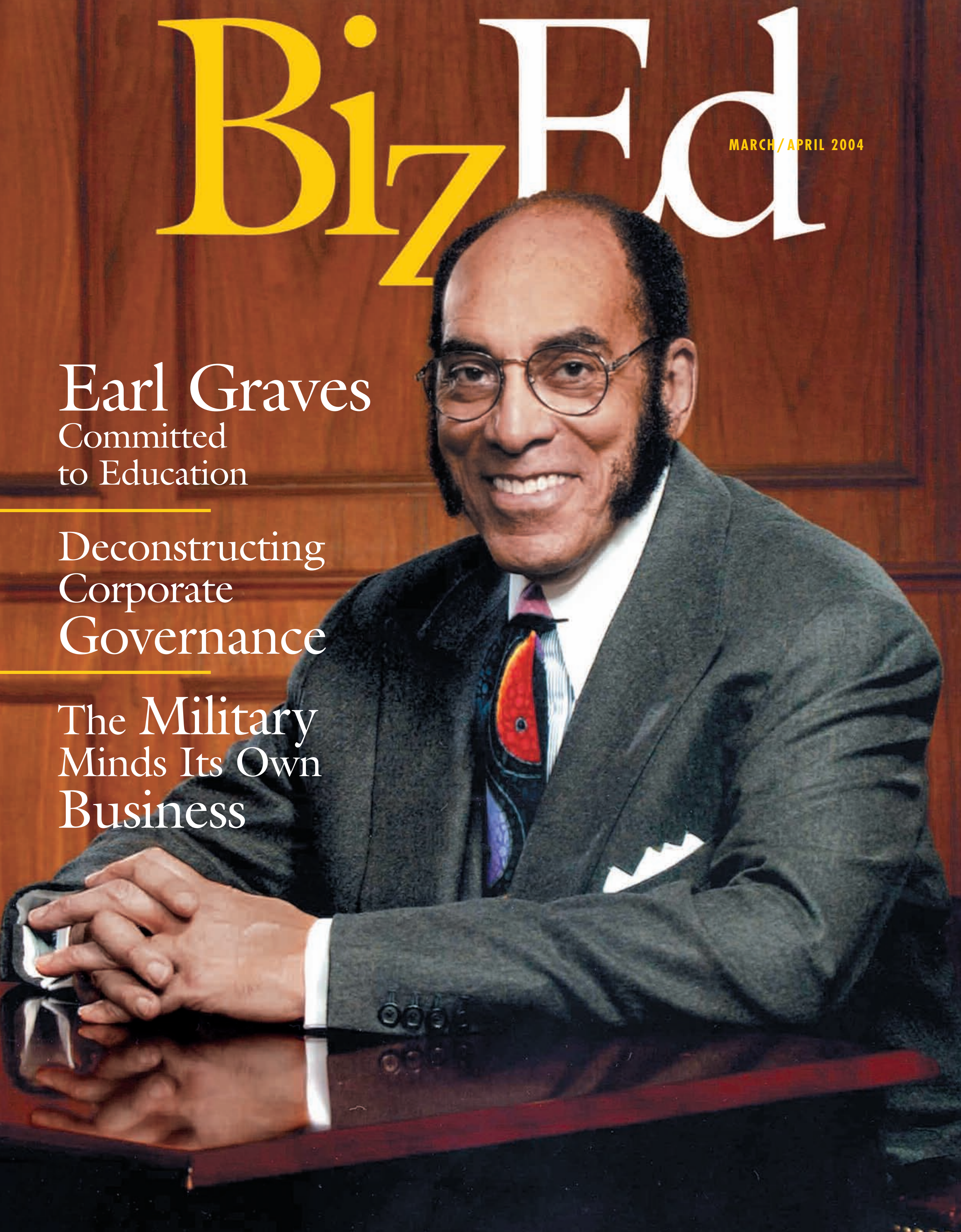
BizEd

MARCH/APRIL 2004



Earl Graves
Committed to Education

Deconstructing Corporate Governance

The Military Minds Its Own Business

BizEd

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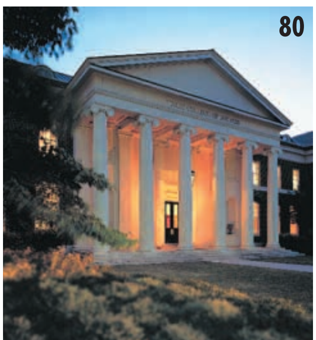


DEPARTMENTS

Cover photo: Courtesy Earl G. Graves Publishing Co., New York

FEATURES

From the Editors

A Better Reflection of Business

If "perception is everything," then business schools may have something in common with many corporations these days: a less-than-perfect image. While corporations struggle to regain the public trust, business schools are working to convince the public of the prestige and value of a business degree. But public perception can be difficult to change.

Case in point: A commercial for Federal Express currently airing on U.S. television takes the MBA to task. In it, a young man is setting up his new office for his first day on the job, when a harried office manager stops at his door and says, "We could really use your help." She leads him to the mailroom, where stacks of FedEx packages await. "All of these must go out today. But it's really simple. Anybody can do it," she says, seating him behind a computer.

GREG CEO/GETTY IMAGES

"You don't understand. I have an MBA," he tells her, clearly dismayed to find himself in the mailroom. "Oh, you have an MBA," she responds. "Then I'll have to show you how to do it."

Funny? Sure. Good for the MBA's image? Not so much. It depicts an MBA as an academic exercise of little use when it comes to the needs of real-world business. I doubt any company would make a similar commercial targeting other credentials—say, a Ph.D., JD, MD, or CPA. At a time when many are debating the value of a business degree, the fact that this ad strikes a chord with the public is reason for concern.

Both business and business schools are taking steps to encourage a different public perception. Sound corporate governance, which we explore in this issue, may help businesses repair an image damaged by so many corporate failings. But it may not be enough to simply promote the tenets of good governance, say some educators. Business, they believe, needs to change its managers' behaviors and attitudes to regain the public trust. Actions, not words, will convince the public that accountability, transparency, and integrity are back in business.

Likewise, to replace the public's less-than-positive perception of business education, it may not be enough to promote it as a worthy endeavor that contributes to the public good. The public may need to see in action the skills business school graduates have to offer, such as financial savvy, technological know-how, and entrepreneurial spirit. More important, people need to be aware that the effects of business are anything but negligible, but affect every aspect of their lives.

BILL BASCOM

So, is it unfortunate that the FedEx commercial is humorous? Maybe. But it's a good reminder that the public could use another, more positive perception of business education to make its humor obsolete.

Letters

Top Coverage

Congratulations on Sharon Shinn's terrific piece about Ricardo Semler, "The Maverick CEO," in the January/February issue of *BizEd*. I was impressed by how the article captured Semler's magic. I hope business faculty and administrators will be inspired by Semler and Semco's example of how a humane, participative, unconventional workplace can be so wildly successful, for so long, in an often adverse and turbulent environment.

I wonder what business schools would look like if we implemented some of the ideas in Semler's classic book, *Maverick*, and his new book, *The Seven Day Weekend*. Thanks for one more reason to look forward to each new *BizEd!*

Regina F. Bento
Hatfield-Merrick Distinguished Professor
University of Baltimore
Baltimore, Maryland

A Case in Point

I just had a chance to read "Getting Down to Cases" in the January issue of *BizEd*. Thank you for your thoughtful and insightful approach to this topic.

I am a firm believer in the case method, so I am always delighted to see serious consideration given to how cases can be used effectively in business education and practice. You did an excellent job of outlining both the current status of case method teaching and case creation and the future opportunities in these areas. It was a comprehensive article that explored a number of areas and points of view. Once again, thank you.

Kathie Amato
Director, Darden Business Publishing
Darden Graduate School of Business Administration
University of Virginia
Charlottesville, Virginia

2004 Global Supply Chain Conference

The M. J. Neeley School of Business Supply and Value Chain Center will host the 3rd annual Global Supply Chain Conference focusing on *"Game-Changing Strategies: Create Competitive Advantage Through Supply Chain Collaboration & Innovation"* on April 14-16, 2004 in Fort Worth, TX. The conference will include presentations from supply chain leaders on technology and integrated e-business strategies, collaboration with supply chain partners, and supply chain transformation strategies. For more information please visit www.svcc.tcu.edu or call 817-257-6260.

The Neeley School offers comprehensive programs in supply and value chain management at both the undergraduate and graduate level.

CREATING STRATEGIC LEADERS

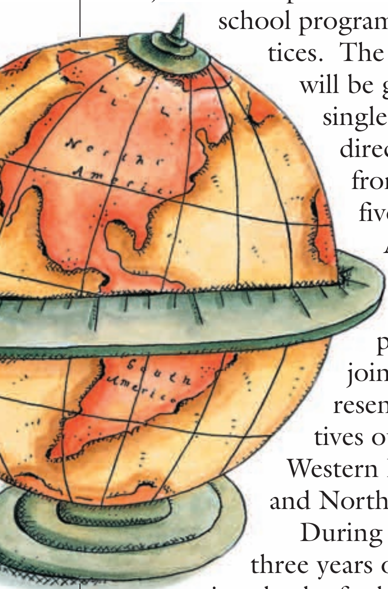
The NEELEY SCHOOL of BUSINESS TCU

Headlines

Global Education Foundation Approved

AACSB International's board of directors has approved the formation of the Global Foundation for Management Education (GFME) to advance the quality of management education worldwide. The foundation will be a joint initiative between AACSB and the European Foundation for Management Education (efmd).

The mission of GFME is to identify challenges and opportunities for management education globally, as well as to advance the quality, content, and development of business school programs and practices. The foundation will be guided by a single board of directors: five from efmd, five from AACSB, and five to be appointed jointly to represent perspectives outside of Western Europe and North America.



During the first three years of operation, both efmd and AACSB will contribute $25,000 annually to GFME, as well as staff time. Fund-raising initiatives will help support operations, research, and advocacy programs. An initial board meeting is planned for April at the AACSB International Conference and Annual Meeting in April. The target date for establishing GFME-North America and GFME-Europe is July.

ICAM Update

Three top executives from international corporations will present their insights at the plenary sessions of AACSB International's 2004 International Conference and Annual meeting. The conference will be held April 18 through 20 at the Palais des Congrès de Montréal in Quebec.

Paul Desmarais Jr., chairman of Power Corporation of Canada, will address ethical challenges in the corporate world and how they relate to business schools. Freddy Van den Spiegel, chief economist for the Fortis Bank in Belgium, will assess the current and future outlook for the world economy. Rick Belluzo, formerly president of Microsoft and now head of Quantum Corporation, will outline what corporations look for when hiring business school graduates.

Other sessions will address learning initiatives, strategic management, and changing curriculum. Conference attendees also will receive updates from AACSB officers, the Ethics Education Task Force, and the New Issues Committee. For more information about the conference, visit the association's Web site at www.aacsb.edu.

Competing for Job Applicants

If you're a company that's traditionally seen as female-oriented, how do you attract men as job applicants? For that matter, how do you interest top candidates, male or female, in applying to your company? Cosmetics giant L'Oréal has turned to the nontraditional method of using business games to get students involved in the company in fun, creative ways.

One game, the L'Oréal e-Strat Challenge, is aimed at engineers, financial and business analysts and men—people who might not automatically think of L'Oréal as a potential employer. In this worldwide online business and strategy competition, 1,000 three-person teams compete for seven weeks for the chance to "sell" their fictional companies to senior L'Oréal executives. More than 25,000 students have competed since the competition was launched in 2000; almost 70 e-Strat players have been recruited by L'Oréal over that period of time.

The second competition, the L'Oréal Marketing Award, is an interactive game in which students act as international marketing brand managers trying to develop a new marketing strategy for a new range of products. It is designed to appeal to creative students in economics and marketing programs during their last two years of study. Since the game's launch in 1993, more than 11,000 business students have participated, vying for a chance to go to the international finals in Paris in May. For the 2004 finals, students from 25 countries will be competing for more than 16,000 in prize money. The competition gives L'Oréal recruiters a chance to meet with candidates who might serve as brand managers in the future, since recruiters and brand managers interact with students an average of five times during the competition.

Says François Vachey, human resources executive vice president of The L'Oreal Group, "Both L'Oréal business games serve as excellent recruiting tools internationally. They help illustrate the specific characteristics of cosmetics markets—they are highly competitive, with products demanding a special sensitivity to our market. This is an opportunity for us to spot the best talents and attract them to L'Oréal."

"EACH WEEK, STUDENTS SEE HOW MUCH DIFFERENCE AN HOUR CAN MAKE TO A CHILD. AS FUTURE BUSINESS LEADERS, THEY WILL ENCOURAGE THEIR ORGANIZATIONS TO DO THE SAME IN THEIR COMMUNITIES." —John Vogel, Tuck School of Business, Dartmouth

Schools Promote Community Service

Many business schools emphasize community service as an integral part of a student's education, and recent events coordinated by three schools serve as good examples. Last winter, approximately 125 graduate business students from the business school at Carnegie Mellon University, Pittsburgh, Pennsylvania, participated in a "Business to Community" day of volunteering. Students, administrators, and friends prepared meals, mentored high school students, wrapped holiday presents, and spent time with the elderly during the all-day, citywide event.

"Students in our program have a great appreciation for community service," says Sujal Shah, MBA student and vice president of community outreach. "We wanted to develop a program that would be easy to sustain for years to come. We plan to organize two Business to Community events each academic year."

Meanwhile, this spring at Aurora University in Aurora, Illinois, business majors will spend five days preparing 2003 tax returns for disadvantaged taxpayers—for free. The program, co-sponsored by the Dunham School of Business and the Internal Revenue Service, is designed to aid elderly, handicapped, low-income, and non-English-speaking taxpayers who make a maximum gross income of $50,000. This is the second year the service has been offered. Students are overseen by three accounting professors who are also CPAs, and they must pass various class tests and an IRS exam to prove they can prepare returns accurately.

According to Len Scholl, who teaches the class, "This hands-on

preparation of tax returns strengthens the student's resume, makes him more marketable, and provides valuable experience in interfacing with the public."

Additionally, an ongoing program at the Tuck School of Business at Dartmouth College, Hanover, New Hampshire, involves 59 business students, faculty, and staff in a statewide literacy program. The Everybody Wins! Vermont program fosters children's literacy by having mentors appear once a week at local elementary schools to read with students. The Tuck group is part of a network of 404 adults serving as mentors in programs throughout the state, and part of a larger network of more than 7,000 people in programs nationwide.

"Each week, students see how much difference an hour can make to a child," says John Vogel, Tuck's faculty director of the initiative. "As future business leaders, they will encourage their organizations to do the same in their communities."

What's Ahead for MBA Recruiting

The two factors that will have the greatest future impact on MBA recruiting are impending serious labor shortages and globalization. That's the opinion of John A. Challenger, chief execu-

Farewell

Karen Martinez, Senior Director of Accreditation at AACSB International, passed away on December 19 from cancer. She was 63. During her sixteen years with the association, Martinez developed extensive relationships with member schools and review committees involved in the accreditation process. She was warmly regarded by AACSB staff and association members and deeply respected for her dedication to her work.

"Karen Martinez set the tone for AACSB International's member-driven service," says John Fernandes, president and CEO of AACSB. "Her dedication to our members will impact all of us for many years to come."

"Karen was a wonderful person," says Richard E. Sorensen, dean of the Pamplin College of Business at the Virginia Polytechnic Institute and State University in Blacksburg. "She was a professional who always went above and beyond her assigned duties to get things done in an efficient and effective way. She made the work of the volunteer deans much easier and more rewarding. Karen was the model of the effective professional staff personnel that typifies the service orientation of AACSB International."

A tribute fund has been set up in her name with proceeds going to the Susan G. Komen Breast Cancer Foundation. Details are available on the association's Web site at www.aacsb.edu.

tive officer of international outplacement firm Challenger, Gray and Christmas Inc., who was keynote speaker at Ohio State University's recent "Summit at Fisher." The conference, held at the Fisher College of Business in Columbus, brought together corporate recruiters and career services directors from business schools around the U.S. to discuss MBA recruiting and hiring strategies in today's corporate environment.

Challenger cited government statistics that demonstrated a shortfall of 10 million people in the workforce by the year 2010. "Over the past decade, employers have adopted the just-in-time philosophy to workforce levels," said Challenger. "However, as any organization implementing just-in-time processes will tell you, success depends heavily on suppliers. One kink in the supply chain and everything comes to a halt. Corporations are looking at a major kink, and that is a shortage of people."

Increased globalization also will affect recruiting efforts, Challenger asserted. "Companies with facilities in Bombay are much more likely to hire someone there," he said. As it becomes increasingly difficult for students from outside the U.S. to come to the United States, he added, "America's business schools may need to go to them." American business schools can bridge the gap by producing highly educated business leaders armed with a strong understanding of the language, culture, politics, and business dynamics of other countries.

Sports and Business

Sports are big business—and that's how they're treated at business schools with specialized courses that focus on specific sporting events. For instance, Saint Joseph's University in Philadelphia, Pennsylvania, recently presented a course called "Baseball: Traditions and Business." John Lord, professor of food marketing in the Erivan K. Haub School of Business, taught the course last semester with the goal of exploring baseball as it illustrates the American character. Key topics in the course were labor relations, race relations, economics, and culture.

Future baseball Hall of Famer Eddie Collins and his defending world champion Philadelphia Athletics lost an exhibition game to this Saint Joseph's College team at Shibe Park on April 10, 1912.

The lineup of guest speakers included former Phillies president Bill Giles and Houston Astros general manager Gerry Hunsicker. Students examined contemporary issues such as public funding of stadiums, urban culture, salary arbitration and free agency, and the problems facing the game today. Course reading was a mix of fiction and nonfiction: Roger Kahn's *The Boys of Summer,* Eliot Asinof's *Eight Men Out: The Black Sox and the 1919 World Series,* Robert W. Creamer's biography of Babe Ruth, and David Halberstam's historical *Summer of '49.* Two class sessions were devoted to baseball and race and included video presentations of Ken Burns's PBS series "Baseball," the HBO series "When it Was a Game," and John Sayles's film version of "Eight Men Out."

Meanwhile, at the School of Business at Virginia Commonwealth University in Richmond, management professors Jon Ackley and Michael Pitts have revved up a class called "From Dirt Tracks to Wall Street: The Business of NASCAR." Students learned about the sport's premier circuit, the Winston Cup, by studying Robert G. Hagstrom's book *The NASCAR Way* and by speaking with a variety of experts in the field: a driver, a sports reporter, the director of public relations at Richmond International Raceway, and the lead person handling NASCAR advertising. Students also visited the raceway to view the concessions and interviewed a NASCAR fan to see what attracted the individual to the sport.

AACSB Elects New Board Members

New members of the Board of Directors for AACSB International have been elected for the 2004–05 term and will officially assume their positions July 1. At that time, chair elect Doyle Z. Williams of the University of Arkansas in Fayetteville will become chair. Richard E. Sorensen of Virginia

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Polytechnic Institute, who ran uncontested for the position of vice chair-chair elect, will also assume his role.

Elected to three-year terms as accreditation council members were W. Randy Boxx of Millsaps College; Lynne Richardson of Ball State University; and Jan R. Williams of the University of Tennessee at Knoxville. Elected to three-year terms as non-accredited member schools were Fred J. Evans of California State University in Northridge and Geralyn McClure Franklin of The University of Texas of the Permian Basin. Stephen R. Watson of Henley Management College was elected to a two-year term as a representative from a non-U.S. educational institution. Amelia Maurizio of SAP America Inc., who ran uncontested, has been elected to a two-year term as a representative of a non-educational member institution.

Institute for Ethics Is Founded

The Business Roundtable Institute for Corporate Ethics is being established at the Darden Graduate School of Business Administration, University of Virginia, Charlottesville. A co-operative venture between the Business Roundtable, an association of 150 American CEOs, and academic advisors from leading business schools around the U.S., the institute will conduct research, create a cutting-edge business ethics curriculum, lead executive seminars on business ethics, and develop best practices in the area of corporate ethics.

In addition to Darden, business schools participating in the institute include those based at Harvard University, Northwestern University, University of Michigan, University of Notre Dame, University of Minnesota, Pennsylvania State University, the University of Pennsylvania, and the University of Texas at Austin.

"By bringing together the teaching and practice of business under one roof, the CEOs of the Business Roundtable are aiming to make a lasting contribution to business ethics and the way our companies are run," says Franklin D. Raines, co-chairman of the Business Roundtable and Chairman and CEO of Fannie Mae. More information about the new institute can be found at www.corporate-ethics.org.

Case Studies for Developing Countries

In an effort to make management education more affordable for business schools in some of the world's poorest countries, a number of case study providers have developed a concessionary pricing program to discount case studies and related teaching materials.

The European Case Clearing House (ECCH), based at Cranfield University in the U.K., has gained the cooperation of most of its contributing institutions to apply an 80 percent discount to specific electronic orders for cases in use in degree-granting programs at academic institutions that are members of ECCH.

The discount is available to schools in countries with a per capita gross national income of $745 or below. Currently, 65 countries are eligible. According to Jeff Gray, director of ECCH, "The CPP scheme evolved as a coordinated response to numerous requests for more affordable teaching materials for the developing world."

Uptick in U.S. Entrepreneurship

More than 11.3 percent of adults in the United States were engaged in entrepreneurial activity in 2003, representing an increase from 10.5 percent in 2002, according to the fifth Annual Global Entrepreneurship Monitor (GEM). The worldwide study of entrepreneurship is conducted by researchers at Babson College in Wellesley, Massachusetts, and London Business School. It is funded by the Kauffman Foundation of Kansas City.

The uptick indicates a positive shift from 2001 and 2002, when entrepreneurial activity in the U.S. was on the decline after hitting a peak of 16.7 percent in 2000. GEM also found that more than 80 percent of entrepreneurs throughout the 41 countries studied expected to create new jobs as soon as their firms were more established, signaling widespread optimism.

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The report found that the majority of start-ups rely on family members for funding, and 80 percent of formal venture funding worldwide originates in the U.S. The typical entrepreneur is male, between the ages of 25 and 44, educated, and possessed of some private wealth. More information on survey results can be found online at www.babson.edu/newsroom.

Eight Schools Win Entrepreneurship Grants

The Ewing Marion Kauffman Foundation in Kansas City, Missouri, has awarded a total of $25 million in grants to eight U.S. universities that have pledged to make entrepreneurship education available across campus. Under the competitive Kauffman Campuses initiative, schools must match the Kauffman grant by at least two-to-one, ultimately directing a minimum of $75 million nationwide for the creation of new interdisciplinary entrepreneurship education programs.

The schools selected to receive Kauffman's grants are Florida International University in Miami, $3 million; Howard University in Washington, D.C., $3.1 million; University of Illinois at Urbana-Champaign, $4.5 million; University of North Carolina at Chapel Hill, $3.5 million; University of Rochester in New York, $3.5 million; University of Texas-El Paso, $2 million; Wake Forest University in Winston-Salem, North Carolina, $2.16 million; and Washington University in St. Louis, $3 million.

GMAC Switches to ACT

The Graduate Management Admission Council has announced that, starting in January 2006, the Graduate Management Admission Test will be developed and administered by Pearson VUE and ACT Inc. The GMAT has been administered for about half a century by the Educational Testing Service.

"The Council's new partnership for delivery of the GMAT will not change the validity, reliability, security, or comparability of the test," says David A. Wilson, president and CEO of GMAC. "This partnership will allow us to better serve the graduate management education community by increasing global reach, advancing security measures, and

providing flexible access to test information." Beginning in 2006, the tests will be available at more sites internationally to satisfy a rising global demand for the test.

Headlines

SHORT TAKES

NEW DEANS AND FACULTY

■ **Charles Jacobina** has been appointed executive director of the new executive MBA program created by the Pamplin College of Business, Virginia Polytechnic Institute in Blacksburg. Classes for the 18-month accelerated program officially began earlier this year in the Washington, D.C., area.

■ The University of Washington Business School in Seattle has announced two new appointments. **Melanie Reynolds** has been promoted from assistant director of executive programs to director of executive programs, and **Louise Kapustka** has been named director of the school's Executive MBA program.

■ **Stephen Lawrence** has been appointed associate dean for academic programs at the Leeds School of Business, University of Colorado at Boulder. He will manage the school's undergraduate and MBA programs as well as its diversity and placement activities. Lawrence is also an associate professor of operations management.

■ **Frank R. Lloyd** has joined Southern Methodist University's Cox School of Business in Dallas, Texas, as associate dean of the Division of Executive and Management Development. He will lead the school's executive education programs, develop relationships with corporate clients, expand the school's nondegree programs, and work with faculty.

■ **Martha Harmening** has joined the Belk College of Business Administration at The University of North Carolina at Charlotte as associate director of the MBA program. She will manage student recruiting and retention programs and will support the MBA director in curricular matters.

■ **Daniel Fox** has been appointed director of the Burton D. Morgan Center for Entrepreneurial Studies in the new Richard E. and Sandra J. Dauch College of Business and Economics at Ashland University, Ashland, Ohio. The center was made possible by a grant of $3.25 million from The Burton D. Morgan Foundation.

■ **Albert Razick** has been appointed director of the professional and accelerated MBA programs at George Washington University's School of Business and Public Management in Washington, D.C.

EXTERNAL APPOINTMENTS

■ **Aïssa Dermouche,** dean and director general of Audencia Nantes School of Management in France since 1989, has been named prefect of one of the country's 100 *départements*, similar to a county or state. A search is under way for his successor at the school.

■ **Gary Libecap**—Anheuser-Busch Professor of Entrepreneurial Studies, professor of economics and law, and director of the Karl Eller Center at the University of Arizona in Tucson—has been named 2005-06 president of the Economic History Association. Libecap also recently was named vice president/president-elect of the International Society for New Institutional Economics and the Western Economics Association International.

PROGRAMS

■ The Center for Entrepreneurship at the Fisher College of Business at **Ohio State University** in Columbus has launched a free outreach program for entrepreneurs. "Ideas to Business" combines online resources with in-person consulting services. To create the program, the center is teaming with Accenture, a global consulting and outsourcing firm that has committed $300,000 over the next three years in cash and in-kind services. In addition, the Coleman Foundation has pledged $25,000 in support for the 2003–04 pilot program.

■ **Singapore Management University** has secured a $4 million endowment from the Maritime and Port Authority (MPA) of Singapore to establish the MPA Professorship in Maritime Business Economics. This partnership will allow the school to train skilled professionals in the business economic aspect of shipping and maritime industries.

■ The Fifth Third Bank Entrepreneurship Institute and the Castellini Foundation have created the Castellini Foundation Master Entrepreneurship Program at **Northern Kentucky University** in Highland Heights. The program will honor exceptional entrepreneurs and will give students a chance to mingle with and learn from them. Rebecca J. White, founding director of the Entrepreneurship Institute, will run the program. White recently was given the Michael J. Burke Award for Supporter of Entrepreneurship as part of the Ernst & Young Entrepreneur of the Year regional awards ceremony.

■ The Huang Executive Education Center at DuPree College of Management, **Georgia Institute of Technology,** Atlanta, has developed new executive education programs that offer a flexible individualized format to participants. The school also will offer four new executive education certificate programs, including general management, advanced technical management, information technology management, and a Six Sigma Green Belt.

■ **Lander University** in Greenwood, South Carolina, has been selected to participate in a biotechnology partnership that will allow students from Lander's School of Business Administration to work with research companies specializing in emerging biotechnology. Funded by a $40,500 matching grant from the Self Family Foundation in Greenwood, the program will create assistantships that will enable students to develop entrepreneurial skills as they help to develop life science companies. Future grant programs, modeled on the Lander plan, will be developed for use in other biotech incubator sites around the state.

■ The Belk College of Business Administration at **The University of North Carolina at Charlotte** has entered into a partnership with the North Carolina State Ports Authority (NC Ports) that will support the college's undergraduate program in international business. Under the three-year, renewable agreement, NC Ports will sponsor scholarships for undergraduate business students, support faculty development, fund in-depth marketing conducted by MBA students,

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SHORT TAKES

arrange internships with NC Ports for Belk College students, and provide operational funds for the international business program. In recognition of the partnership, the international business program will be renamed "NC Ports International Business Program." Alan T. Shao, who has directed the undergraduate business programs for six years, will hold the title North Carolina Ports Professor of Marketing and International Business.

■ This semester, not-for-profit organizations are benefiting from the combined expertise of MBA students attending the Rotman School of Management at the **University of Toronto** and design students from the Ontario College of Art and Design. The students are working together in teams to develop campaign strategies for six nonprofits, including the Salvation Army, the Juvenile Diabetes Research Foundation, and the Alzheimer Society.

HONORS

■ **David M. Currie,** professor of economics at the Crummer Graduate School of Business at Rollins College in Winter Park, Florida, has been awarded a Fulbright Scholar grant to lecture and do research at the University of Rijeka, Pula, Croatia during the 2003-2004 academic year.

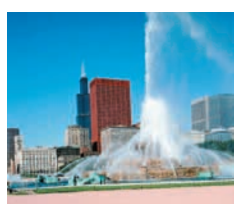
■ **Louis Marino** has been selected as the James D. Nabors Instructional Excellence Faculty Fellow at the Culverhouse College of Commerce, University of Alabama in Tuscaloosa. He is associate professor of strategic management at the school.

■ Several professors from the **University of Toronto's** Rotman School of Management have recently been honored. The three winners of the school's Roger Martin and Nancy Lang Awards are William Strange, for excellence in teaching, and Jin-Chuan Duan and Mengze Shi, for excellence in research. In addition, Nitin Mehta has won the Petro-Canada Young Innovator Award for a project that investigates consumers' purchasing decisions across multiple product categories.

■ *Consulting Magazine* has named Babson College professor **Tom Davenport** one of the Top 25 Consultants of 2003. Davenport holds the President's Chair, Information Technology and Management Division, and is Director of Research, School of Executive Education, at the school in Wellesley, Massachusetts. The top consultants are chosen by leaders of 13 global consulting firms who make up the magazine's board of advisors.

DONATIONS AND GRANTS

■ The **University of Illinois at Chicago** has received a $5 million endowment gift from members of the Liautaud family to establish the Liautaud Graduate School of Business. Named for donors Jim, Gina, and Jimmy John Liautaud, the school will be an administrative unit of the UIC College of Business Administration consolidating post-baccalaureate programs with almost 1,000 students. Income from the cash gift will finance a variety of programs at the MBA, MS and Ph.D. levels.



■ David Weil, associate professor of the Finance and Economics Department at **Boston University** School of Management, has been awarded a $300,000 grant by the U.S. Department of Labor. It will fund research into the regulatory performance of the Labor Department's Wage and Hour Division. Weil, who is also a Research Fellow at the John F. Kennedy School of Government's Taubman Center, has received other grants from the Labor Department, the National Institute for Occupational Safety and Health, and the Center To Protect Workers' Rights. Through his cross-disciplinary work, he examines how governmental resource allocation and regulatory tools affect workplace health, safety, and labor standards.

■ **Miami University** in Oxford, Ohio, has received a $1.5 million gift from alumnus Jack R. Anderson to establish the Jack R. Anderson Professorship in Finance. A national search will be conducted to fill the endowed position. A previous gift from Anderson has allowed Miami to bring national leaders to campus through the Jack R. Anderson Distinguished Lecture series.

■ The **University of Evansville** has received a $15 million grant from Lilly Endowment Inc. to enable the university to develop an Institute for Global Enterprise in Indiana. The institute will enable the university to integrate the liberal arts with its business and professional programs through development of experiential education initiatives. The goal is to strengthen the school's international

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studies, global faculty relationships, and study abroad programs and give students chances to explore global internships and other opportunities outside the U.S.

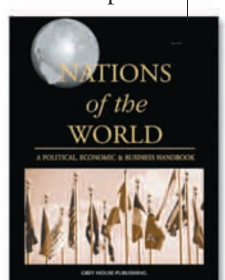
■ The **University of Washington** Business School in Seattle has announced that members of its advisory board have combined to contribute $20 million to help fund the construction of a new building for the school. Among the regional and national business executives on the board are Michael Garvey and Charles Lillis, entrepreneurs with a long history of supporting the school. When completed, the new building will increase total space by nearly 50 percent, adding 52,000 square feet that will contain interactive lecture halls, wireless classrooms, computer labs, study areas, and offices for faculty and staff. The school has a goal of raising $100 million for construction of the new building, which will be the first at the university to be funded entirely by private donations.

■ **Towson University's** College of Business and Economics in Maryland is among the institutions selected to receive a McGowan Scholars Grant from the William G. McGowan Charitable Fund. As a recipient institution, Towson will receive a financial award of full tuition for one student in the business school. The McGowan Scholars Program, which recognizes the academic achievements of students pursuing a major offered by an accredited business school, is designed to encourage leadership ability, interpersonal skills, and student involvement.

PUBLISHING VENTURES

■ **Harvard Business School Press** in Boston, Massachusetts, and the Society for Human Resource Management plan to publish a co-branded series of professional business handbooks for human resource professionals. The 10 to fifteen books in the series will cover topics of finance, change, negotiation, business strategy, corporate communications, and power and influence.

■ The fourth edition of *Nations of the World, 2004, A Political, Economic & Business Handbook*, has been produced by **Grey House Publishing.** This comprehensive handbook, which profiles 231 nations and self-governing territories, has been updated to reflect the political and economic changes that have occurred worldwide in the past year, from the war in Iraq to the turnover in heads of state globally.



FACILITIES

■ The Center for Financial Education in **Ashland University's** new Richard E. and Sandra J. Dauch College of Business and Economics, Ashland, Ohio, opened in January. The new center features Wall Street-style workstations and wall-mounted displays for market

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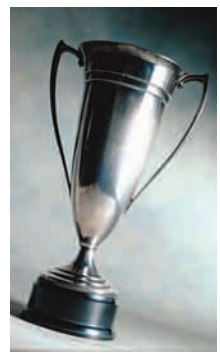
SHORT TAKES

news and stock market updates. Paul Sears, dean of the Dauch College of Business, noted that the center was specifically designed to assist the student-run Eagle Investment Group manage a portion of the university's endowment.

COMPETITIONS

■ The John M. Olin School of Business at **Washington University** in St. Louis, Missouri, has awarded $70,000 in seed investment capital to two startup businesses in its annual Olin Cup entrepreneurship competition. The goal of the competition, which is sponsored by the school's Skandalaris Entrepreneurship Program, is to encourage cross-campus collaborations among business, medical, law, engineering, and other schools at the university. Innovium, a startup business that uses proprietary technology to find new uses for renewable resources, was awarded $50,000 in the "high opportunity" category. Eli & King LLC, which produces fitness music with a military cadence, received $20,000" in the "bootstrap" category.



OTHER NEWS

■ **The Melbourne Business School** and the **Mount Eliza Business School,** two independent business schools in Australia, have begun plans to merge early this year. The merged school will keep the name Melbourne Business school,

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while the Mount Eliza name will be retained for executive education programs. Paul Rizzo, currently dean and director of the Melbourne Business School, will serve as CEO, while John Harvey, who had been CEO at Mount Eliza, will join the school's board of directors.

■ **GISMA Business School** of Hanover, Germany, has joined the International Executive MBA partnership already existing among the Tias Business School of Tilburg University in the Netherlands; the Krannert Graduate School of Management at Purdue University in West Lafayette, Indiana; ESCP-EAP European School of Management in Paris; and the Central European University Business School in Budapest, Hungary. With the addition of GISMA to the EMBA group, the partnership will add a health management specialization to its current general management program. The health specialization will be offered in collaboration with the Hanover School of Health Management.

■ **Seattle University's** Albers School of Business and Economics is launching the Albers Business Ethics Initiative (ABEI) to make business ethics experts available to Northwest organizations via public workshops and online access. The first workshop in the three-year initiative is expected to take place next spring, and the final event will be a Pacific Rim conference in 2006. ABEI is a joint initiative between the Frank Shrontz Business Ethics Chair, John Dienhart, and the Northwest Ethics Network, a group of local ethics and compliance officers from firms such as Microsoft, Boeing, Starbucks, Regence BlueShield, and Weyerhaeuser. The effort has been funded by a substantial donation from former Boeing CEO Frank Shrontz and matched funds from sources such as Weyerhaeuser, Boeing, PEMCO, and The Norcliffe Foundation.

■ The College of Commerce and Finance at **Villanova University** in Pennsylvania has opened a new Center for Responsible Leadership and Governance with Jonathan Doh, assistant professor of management, serving as the director. The Center's mission is to promote values-based leadership, ethical decision making, and quality stakeholder relationships through education, research, executive training, and outreach. Herbert F. Aspbury, a partner and director of investor relations at the Private Client Resources LLC, will chair the Center's Advisory Council.

■ **IMD** of Lausanne, Switzerland, has announced the formation of the IMD MBA Service Industry Scholarship, which will provide partial IMD MBA tuition fees for a candidate who demonstrates a keen interest or past experience in the service industry. The scholarship is being sponsored by Waldemar Schmidt, former CEO of ISS Inc. Z

Enterprise & Education

Earl G. Graves Sr. was fine-tuning the concept for *Black Enterprise* magazine the same year man first walked on the moon. The coincidence wasn't lost on him: It made him believe that anything was possible. He had lived through the Civil Rights era and had been a staffer for Robert Kennedy, so he knew that visionaries and individuals could work together to create sweeping change. The change he wanted to see was more respect and support for the black community, particularly in the business world—and he wanted to do his part by publishing a magazine targeted to black executives and entrepreneurs.

The inaugural issue of *Black Enterprise*, published in 1970, noted that minority businesspeople had been kept out of the workplace because they were "lacking capital, managerial and technical knowledge, and crippled by prejudice." *Black Enterprise* set out to reverse some of those conditions. Within ten issues, the magazine was profitable; by 2003, yearly sales were over $53 million. While the paid circulation today is 475,000, readership totals more than 4 million.

Graves, now chairman and chief executive officer of Earl G. Graves Ltd. in New York City, has capitalized on the magazine's success to achieve many of his other goals. In 1997, he published *How to Succeed in Business Without Being White*, an intimate, outspoken, and inspiring book that became a *New York Times* best seller. He has served as chairman and CEO of Pepsi-Cola of Washington, D.C., and he is a director at five major corporations: Aetna Inc., AMR Corporation (American Airlines), DaimlerChrysler AG Corporation, Federated Department Stores Inc., and Rohm & Haas Corporation.

Just as important to him are his roles in service organizations, including the Boy Scouts of America, the American Institute for Public Service, the Advisory Council of the Character Education Partnership, The Schomburg Center for Research in Black Culture, and the National Advisory Board of the National Underground Railroad Freedom Center. His professional and charitable endeavors have won Graves much recognition, including the NAACP's Springarn Medal in 1999. In 2002, *Fortune* named him one of the 50 most powerful and influential African Americans in corporate America.

Graves remains committed to helping minorities succeed in business, and to that end he is a powerful advocate for higher education. A longtime donor to his alma mater, Morgan State University, in 1995 he saw its business school renamed the Earl G. Graves School of Business and Management. He also serves as a trustee at Howard University, speaks annually at a number of college graduation ceremonies—and goes out of his way to help newly minted business students succeed in the corporate world.

Obviously, you have a great dedication to higher education. What do you feel you must do as a well-known businessman to personally promote higher education?

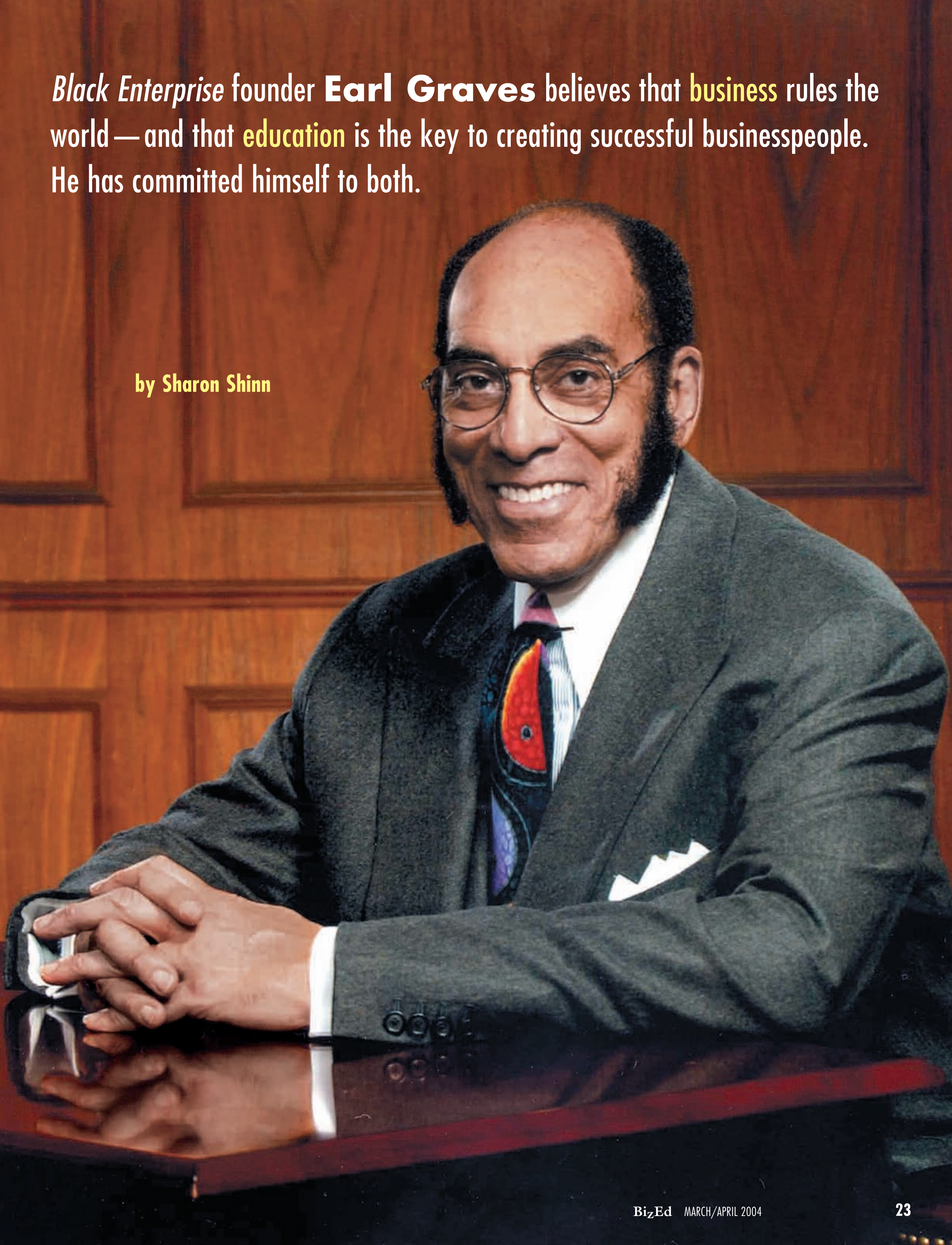
I consider it important to give back to higher education. For example, in the past few days, I have spent seven hours on the phone on behalf of Howard University. I didn't graduate from that school, but I have an interest in it. It's not the oldest African American school, but it's the most well-known. I've raised $6 million for Howard, where I'm a trustee. I was supposed to come off the board four years ago. Each time I said, "My term is up," I was told, "No, you've got the numbers wrong." I also plan to give all my papers to the Schomburg Center.

I didn't just start giving after I was successful. I started doing it right after school. I would send $25, sometimes $20. Then one day I looked up and I was writing a check for $50,000. My wife, Barbara, and I gave $1 million to Morgan State in 1995. I go back every year and address the students graduating from the business school. I shake each hand, and I make my speech. I leave them with some charges about what they need to do. I don't just do it myself, I challenge other people. All of this is part of giving back.

PHOTOS COURTESY EARL G. GRAVES PUBLISHING CO., NEW YORK

Black Enterprise founder **Earl Graves** believes that business rules the world—and that education is the key to creating successful businesspeople. He has committed himself to both.

by Sharon Shinn



"I'm a salesman. When I can convince someone to give $1 million to a college that I didn't even attend, I'm a salesman. This means I can borrow money, because I can convince banks I'm good at what I do."

On a personal level, I take my grandchildren with me to business meetings. All of them, by the time they're eight, have attended at least one black-tie business dinner where I'm a speaker. That's also a part of giving back.

Business schools are concerned that they are receiving fewer applications from minority students than they would like. Why do you think young black students are not interested in business school?

The way I see it, the numbers would tell a different story. The largest school at Morgan State University is now the school of business. North Carolina State and Howard University have very successful business schools. Maybe I'm so close to the trees, I can't see the forest. Most of the schools I address are primarily African American.

When I was in school, people would ask me, "Why are you going to major in economics? You aren't going to be able to get a job. Why would you want to major in business when no corporation is even going to consider you? Why major in business when you know your chances of getting credit to start a business or borrow money are zero?" Keep in mind, the Civil Rights movement was just beginning in 1957 when I was graduating. There were no recruiters on campus. But now all these young people see that Ken Chenault is CEO of American Express, Richard Parsons is CEO of AOL Time Warner, Stan O'Neal is CEO of Merrill Lynch, and Franklin Raines is CEO of Fannie Mae. And African American students can say, "Well, I might not be the chairman, but I've got a shot at this."

So you think corporations have been more successful at bringing diversity to the workplace?

This might cause a little controversy, but I think the issues concerning African Americans and people of color have been marginalized by the word "diversity." There are corporations that have boards that include 15 different interest groups, from left-handed white men to right-handed gay women. But at the end of the day, those who are the low people on the totem pole are not white women, and they're not white men. They're people of color. And I don't see it getting better, at least under this administration.

When you start saying "diversity in numbers," I start looking around. Watch the television coverage of the NASA Space Center when they're showing pictures of the Mars rover. This just comes as second nature to me. I pan the audience to see if I see a dark face, a face of color. There are a hundred engineers there. I know there's got to be somebody, and I'm just praying it won't be somebody bringing in the sandwiches. So I look—and we all have to be that sensitive. Until then, diversity has a different meaning.

You founded *Black Enterprise* more than 30 years ago. You've said you didn't know much about magazine publishing at the time, and yet it was profitable within ten months. To what do you attribute your quick success?

I'm a salesman. When I can convince someone to give $1 million to a college that I didn't even attend, I'm a salesman. When I can convince the chairman of some board I'm sitting on that he ought to give an opportunity to a white female, I'm a salesman. This means I can borrow money, because I can convince banks I'm good at what I do. We recently started a private equity fund, the Black Enterprise/Greenwich Street Growth Partners, and the reason it took off and did as well as it did is that I'm a salesman.

It's also important to believe in yourself and have a positive attitude. If you tell someone you're going to do something, do it. If you say to the bank, "I will pay you back on this date," it is better to be a half hour early than five minutes late. If you say to a person, "If you do such-and-such, there's a promotion for you," you make sure it happens. You have to live by your word.

I also think it's important to be able to communicate, to be able to make another person understand what your position is. It sounds like a very simple thing, but young people are not skilled in communication. They can't pick up a pencil and write. I'm talking about kids with master's degrees, and I'm certainly not just talking about black kids.

It's also important to carry yourself a certain way. We work in New York City with all sorts of people, and you can identify my employees not by the fact that 99 percent of them are African American, but by the fact that the men wear jackets and ties, and the ladies are dressed in a very tailored way. They look as if they came to work. I think that's key. I think that setting certain standards and certain goals for yourself is very important in business.

In addition to being a businessman, you're extremely active in organizations like the Boy Scouts of America, the New American Schools Development Corporation, and the Black Business Council. Why is it important to you to serve in such organizations? Is this a critical part of leadership for today's CEOs, or is it a more personal mission for you?

I do it for a couple reasons. First of all, as I mentioned before, I think you have to give back. My wife and I decid-

Black Enterprise **publisher Earl Graves is inducted into the Small Business Administration Hall of Fame in September 2003 in Washington, D.C.**

ed we wanted to take the resources we had and make a difference in education, whether we were donating to Morgan State or Howard University. My wife is a trustee at Brooklyn College. Our sons are also involved. One is the finance chairman for the Thurgood Marshall Fund, and another is a trustee of the Meharry Medical College in Nashville.

My sense is, if we're going to make our society better, it's going to take a lot of changes that are not happening as fast as they need to. Most of those changes have to do with education and opportunity. This morning, at my senior managers meeting, we reviewed the requirements we have for bringing in interns for the summer. We want to give young people an opportunity to write an article for our magazine. We recently hired a girl who was co-captain of the golf team at Yale University and put her in charge of our golf tournament. We work at it.

I meet kids all the time. When I'm going through the airport, they call "Mr. Graves!" and introduce themselves. I give them a card and say, "When you finish business school, you call me." I've hired at least five of them. I met one guy at the airport who was on his way to Harvard Business School. Three years later, he called me and said, "I'm here." Now he's the co-director of the private equity fund. This happens to me all the time. I try particularly to help African Americans, but I don't limit it to that.

In New York City, we recently had a 16-year-old youngster killed in what the police commissioner himself called an unprovoked act. I called Ray Kelly, the police commissioner, and said, "Let me know what I can do. I think it has something to do with training. If you want me to have a forum with some of your higher-ranking executives, I'll do it." Again, that's just part of giving back.

You also serve as a director of five corporations. In light of recent corporate scandals, when some people have blamed boards of directors for not watching corporate executives closely enough, do you see your role changing?

Significantly. I'm on two audit committees. Our meetings used to last half an hour, now they're lasting hours. That's because of all the new regulations.

I was fairly particular about which boards I wanted to serve on, and I looked at companies I knew would not be controversial. Obviously, some of them are dealing with certain problems. American Airlines had issues with the union, and DaimlerChrysler has had issues trying to integrate two entities. But they've all been very interesting challenges.

If I were to interview CEOs and ask them, "Besides the fact that you needed a minority, can you tell me why I'm on this board?" I don't think the answer would be that they ran out of smart white people. I'm there because I make a viable contribution. For instance, I'm on the board at Federated because I love shopping. I know selling and marketing; therefore, I make that contribution. But I also think it's important that I ask the question about diversity—or, a better word, integration. I ask the question, "What are we doing in the marketplace in terms of going after the African American community?"

I'm reaching the twilight of the time I can serve on boards. I'm getting close to 70, and most of the boards require you to step down when you reach 70. But I have three sons, and two are already serving on corporate boards.

If you were presenting a guest lecture to a business class, and your topic was governance, what would you tell students about why they should serve on corporate boards in the future?

Today, a lot of people are becoming directors for a very basic reason. Most are CEOs of their own companies, and they want to learn from the experience of being on another board. Particularly with the recent upheavals and the questioning of integrity of boards, you don't see people serving on boards because they're going to get rich doing it. They do it because it's an exchange. They can learn something about other businesses, and then they can be in a better position in their own companies.

At a Federated board meeting, we'll talk about how people like to shop. Wal-Mart sells more soda than any grocery store in the country. So how do you fight Goliath? Or we might talk about how to do more with the Internet, because 20 percent of people today shop for Christmas gifts on the Internet. At American Airlines, we might talk about how many people are reserving airline tickets online. At Aetna we know that 44 million Americans don't have health care. What can we do at Aetna to be spokespeople for health care and still make a profit?

As directors, we come to board meetings and we're chal-

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In 1975, Graves explained the printing press to his sons, Earl "Butch" Graves, Michael, and Johnny. Now all three hold executive positions within Earl G. Graves Publishing.

lenged by what we learn. And of course, we also socialize with each other and find out what the others have in mind. When I'm talking to the chairman of AT&T and my company's doing $50 million a year, I know that's not even the size of one of his small divisions, but my problems are no different than his. One problem everybody has is personnel, whether they're working at a magazine, an airline, or a hospital. You've got to get good people, you've got to keep them, and you've got to challenge them. When all the jobs go offshore, you've got to wonder what will happen in this country to the lower income person who's not fully educated. We sit there and discuss these things at board meetings.

You mentioned the recent questions about integrity on corporate boards. Is there anything business schools can do to reinforce integrity in the workplace?

Ethics have to be taught to young people from the very beginning. Many young people seem to have an attitude that says, "I want to work for one of these companies where I can move high up and make millions of dollars and get away with something." John McArthur, the former dean of Harvard Business School, was talking to me about something that happened during the days of Michael Milliken in the 1980s. When he interviewed students about what they thought about the corruption within corporations, the students were horrified—not about the corruption, but because the corporations were stupid enough to get caught! Hello! We're not supposed to be doing this. It's time to have a course about ethics, about the right and wrong way to run a business. Students need to know there's no easy path to success.

If you could go back and do something differently with one part of your life or education, what would it be?

If I had it to do over again and I had the time, I would go to law school, because at the end of the day, it's really all about the law. Law affects everything. We owned radio stations and we owned a Pepsi-Cola franchise, and each of those businesses had its own government regulations. At Pepsi-Cola, there was legislation about what to do with the cans. When we were going out to buy radio stations, we would have to interview a couple hundred people, then document that we really took the pulse of the community. But I'm very satisfied about life in general and everything that has to do with my family. My family is my No. 1 accomplishment. Z

There's much ado about corporate governance these days, but what's really being done? The world's most fervent watchdogs of corporate conduct believe that effective governance is less about boards and bookkeeping than it is about changing attitudes and behaviors—for good.

In Pursuit of

by Tricia Bisoux

illustrations by Stuart Bradford

Before 2001, the word "Enron" referred to one of the largest energy companies in the world. After 2001, the term "Enron" forever entered the business lexicon as an instantly understood synonym for fraud, fiasco, and failure upon failures to play by the financial book.

The way many governance scholars see it, however, it was never a matter of *if* a failure of Enron's magnitude would happen, but *when*. Questionable off-book transactions, off-the-charts compensation, conflicts of interest, and managerial acts of self-interest and self-preservation have afflicted corporations for decades. Enron finally combined them into a perfect storm that would send the giant tumbling and the business world reeling.

"Enron wasn't a surprise," says Wayne Shaw, the Helmut Sohmen Distinguished Professor of Corporate Governance at Southern Methodist University's Cox School of Business in Dallas. "It was more a symptom of a long-term problem than the problem itself. That problem is that we seem to have lost control of the managers at the top of organizations."

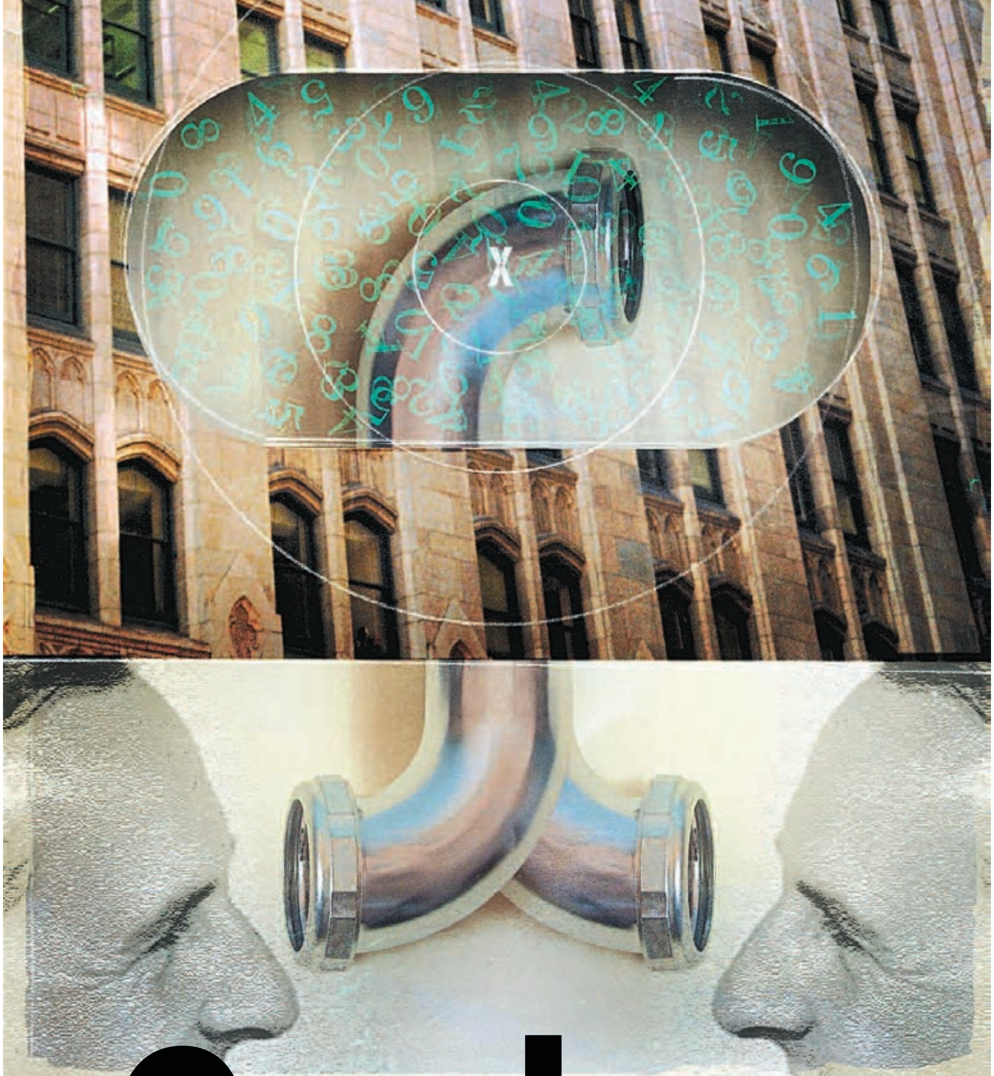
The discussion about governance, of course, is also nothing new. The prototypical December 1992 Cadbury Report in the United Kingdom, written in response to controversy over directors' compensation at high-profile companies, made its recommendations long before corporate scandals became front-page mainstays. In it, the Cadbury committee promoted the now-familiar "comply or explain" guideline, which gives companies the flexibility to comply with governance standards or explain why if they do not. In his introduction to the report, Sir Adrian Cadbury expressed surprise that his committee's report received any attention at all from the corporate world.

"Neither our title nor our work programme seemed framed to catch the headlines," he wrote. "The Committee has become the focus of far more attention than I ever envisaged." Cadbury predicted, with uncanny prescience, that the report would be an important step in setting corporate governance standards. Since Cadbury, organizations devoted to governance have been launched everywhere, from Europe to India to Brazil. Scandals have inspired the U.S. Congress to pass the Sarbanes-Oxley Act of 2002, making good governance a matter of law.

Teaching the implications of corporate governance practices presents a challenge to business educators. It's one thing, say scholars, to teach the rights and wrongs of accurate accounting and the need for transparency. It's another to analyze matters of conscience and human nature.

The Lessons of Governance

For many educators, teaching corporate governance may seem like attempting to assemble a very complex puzzle with many pieces still missing. Compounding the problem, says Shaw of the Cox School, is that the business community itself can send mixed messages. Often, there are conflicts between the theories of good governance and its practice in the real world.



Good Governance

“I’ll bring in a lawyer, or accountant, or member of an audit committee to give a presentation in my class and they’ll stress codes of conduct. But then I’ll bring in a CEO and he’ll say, ‘I don’t have two board members on my board living within 250 miles of each other because I don’t want them talking to each other,’” says Shaw. “I don’t think the world has changed, because the CEOs haven’t changed. And we shouldn’t be surprised; many of our strongest CEOs are not great advice takers.”

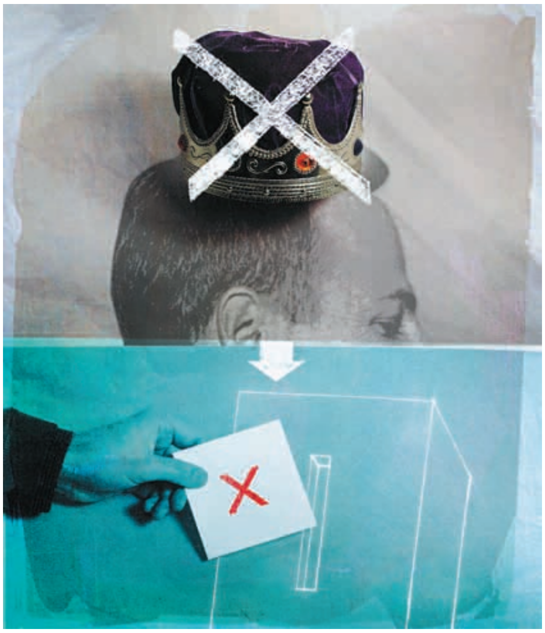
To cut through conflicting messages, educators might seek ways to give students firsthand and, if possible, long-term looks into board interactions and behavior. No student, intern, or lower-level employee will understand the implications of good corporate governance unless he actually participates in the process, says Mervyn King, chairman of the South Africa’s King Committee on Corporate Governance that issued the 1994 King I Report and the subsequent 2002 King II Report.

Board participation, King emphasizes, is not the same as management. The fact that managers are frequently made directors with no transition between the roles, he believes, can often lead to executive-heavy boards characterized by poor governance. “Being a director and being a manager are two different things. A manager’s job is to carry out the strategic plan of the board; a director’s job is to reflect on all the facts and make decisions,” says King. “When a chap who’s been a manager for years is elevated to a directorship, he thinks he knows everything. In fact, he’s bloody hopeless.”

It’s the educator’s charge, says King, to prepare students for both the strategic responsibilities of management and the reflective responsibilities of directorships. King suggests that business schools and corporations partner to offer students what he calls “apprentice” directors’ positions. Apprentice directors would attend board meetings, read the board’s papers, and discuss the meetings with the directors.

After each board meeting, students and educators would discuss how the board arrived at a decision and why. This proposal requires corporate boards to be willing to accommodate students and share a portion of their interactions. Even so, such experiences would provide invaluable lessons in governance. “Students who spend a couple of years as apprentice directors,” says King, “will be much better equipped when it’s their turn to sit on the board than if they just walked in the door from an operational level.”

As important as board-management dynamics are to corporate governance, the issue goes far beyond boardrooms to all levels of an organization. Governance authorities urge educators to take that into account as they work the issue into their curricula. "Corporate governance isn't just about boards," says Marco Becht, professor of finance and economics at the Université Libre de Bruxelles and executive director of the European Corporate Governance Institute (ECGI). "It would be boring to have one course dedicated to the study of governance as it applies to boards."



Governance, in fact, spans all possible aspects of business, from the "hard" skills of accounting and finance to the "soft" skills of ethics and leadership. Its comprehensive nature would suggest its integration throughout a business curriculum. In addition, its involvement in three major disciplines—business, accounting, and law—complicates its treatment in the classroom even further.

Unfortunately, the legal component of governance can be especially short-changed in business school courses, states Charles Elson, the Edgar S. Woolard Jr. Chair in Corporate Governance and director of the John L. Weinberg Center for Corporate Governance at the University of Delaware, Newark. "Business schools that ignore legal issues in business do so at the peril of their students," Elson asserts. "Students should learn about anti-takeover defenses, fiduciary duties, effective oversight of boards—the legal issues that have huge impact on business performance."

The Curse of Complacency

Ironically, the flood of attention now directed to good corporate governance also has magnified two of its primary weak links: complacency and smugness. With so many codes in existence, from so many countries and organizations, there is a tendency for people to believe that the codes they have developed are, de facto, the best.

Prior to the scandals in late 2001, Becht saw what he calls "the smugness factor" of the U.S. at its peak. In particular, he refers to a conference on governance, where he says U.S delegates were, in essence, preaching the gospel of good governance.

"They told us that the U.S. system of corporate law, with its class action litigators and gigantic executive bonuses, was fantastic and that we in Europe were a bunch of primitives. I'm exaggerating a bit, but their message was, more or less, that the rest of the world had better wake up to these great inventions, because otherwise its corporate models would be eclipsed by the NASDAQ roller coaster," Becht recalls.

"Then, bang on, you've got the Enron crisis," he says. "There may have been a degree of *schadenfreude* in this; but I think the real lesson is that the smugger you feel about your governance, the more careful you need to be."

Since Enron, the U.S. has put in place many reforms—including Sarbanes-Oxley, the New York Stock Exchange listing requirements, and new SEC regulations. Even so, says Becht, U.S. corporations were anything but humbled by its scandals. "Their new message was, 'We've had our scandals, but look how quickly we've rebounded. Now we have all these reforms. The U.S. model is really the best and we must prescribe our medicine to the world,'" he says. "Then came the New York Stock Exchange affair!"

The U.S. may be bearing the brunt of criticism, but it hasn't been alone in its near-sightedness. The temptation toward superiority has been too strong for most countries to resist, says Ira Millstein, senior partner at the law firm Weil, Gotshal & Manges and the Eugene F. Williams Jr. Visiting Professor in Competitive Enterprise and Strategy at the Yale School of Management in New Haven, Connecticut.

"After Enron, many people in Europe were saying, 'Well, that's an American disease.' Then came the collapse of Parmalat," Millstein points out. "When they take a good look, I think they're going to find more than just one Parmalat, just as we did. We now know it's a universal disease."

The Global Picture

The next lesson of governance goes beyond simply steering clear of arrogance and requires a willingness to turn an eye outward, say these authorities. Every country has standards that can contribute to a greater understanding of best practices worldwide, and educators are being encouraged to have students compare and consider the proposed standards for other nations. Such study not only introduces students to different corporate structures and mindsets, but also to the reasons why governance standards differ from country to country.

Teaching a Western or U.S.-centric view of governance does business no favors, says Shaw of the Cox School. "For some reason, we in the U.S. seem to believe that we're the center of world trade; and, therefore, we expect the world to conform to our rules," he says. "But we lose valuable information by not looking at what other countries are doing under their own rules."

In Russia, for example, companies can actually be penalized when they make their operations more transparent to

> **"I'll bring in a lawyer, or accountant, or member of an audit committee to give a presentation in my class and they'll stress codes of conduct. But then I'll bring in a CEO and he'll say, 'I don't have two board members living within 250 miles of each other because I don't want them talking to each other.'"**
>
> Wayne Shaw, Southern Methodist University's Cox School of Business

stakeholders, which complicates the pursuit of good governance, says Sergei Guriev, an assistant professor and vice-rector for strategic development at the New Economic School in Moscow and currently a visiting professor of economics at Princeton University in New Jersey. "Transparency is very costly in Russia. If a competitor learns details about its rival's operations, not to mention its ownership structures, it can cause problems," says Guriev.

To minimize taxes and to circumvent antitrust laws and other regulations, many Russian companies are owned by a web of offshore intermediaries. This, of course, encourages all of the activities that good governance shuns: tunneling, ignoring conflicts of interest, insider trading, transfer pricing, and off-the-book transactions. Guriev cites Russia's largest oil company, Yukos, as an example of Russia's challenge. Yukos and its now infamous former CEO, Mikhail Khodorkovsky, were once touted as exemplars of governance after the company's market capitalization improved tenfold due to its adoption of good governance practices. However, Khodorkovsky controlled 78 percent of the company's shares and was eventually arrested by Russian president Vladimir Putin, charged with tax fraud.

Under such circumstances, Guriev predicts that, in Russia, openness and transparency will most likely be imposed by external pressures to compete with international companies. Companies from abroad coming into the country or Russian owners who already operate in global markets will be the first to adopt such standards. "They know what's needed to compete globally," says Guriev.

The demands of the global market, in fact, will likely be the strongest incentive for companies to adopt good governance codes. The further afield they wish to operate, the more they'll have to prove to potential investors that they're on the up-and-up. Developing countries that want to attract foreign capital will have even stronger incentives, says Millstein.

"The world is all about the movement of global capital," Millstein asserts. "I've been working with the World Bank to try to get some of that capital flowing into less developed countries. The only way we can do that is to make sure that those countries' corporations are transparent and behaving somewhat like the rest of the world. Nobody wants to invest in a dangerous neighborhood."

In establishing a truly global system of transparency, however, the European Union may be the region of the world to watch. It already knows the challenges of reconciling differing codes firsthand, as it works to create a single market among separate governments. Its answer has been to establish the concept of a "governance passport." Like a passport for travel, a governance passport allows a company to operate and list on exchanges throughout the European Union, as long as it conforms to its own country's governance principles.

The practice could be a model for a global system of governance, suggests Becht. But first, countries will need to set aside mistrust and consider the validity of differing codes. "I believe the EU is a much better model for close globalization than the U.S. For example, the U.S. is rather homogeneous, while the EU is very heterogeneous, like the rest of the world," says Becht. "For the EU to make an overall governance model work will be a real challenge. But if it works, it could be a model for other parts of the world."

Seven Crucial Questions

No one approach to corporate governance is universal. What does not change are the questions that lead an individual to consider the full scope and impact of a corporate decision, says Mervyn King of South Africa's King Committee on Corporate Governance. He proposes a set of questions that he hopes educators will take into the classroom for their students to consider:

1. Do I have any conflict in this matter? If so, I must disclose it.
2. Am I basing my decision on all relevant facts, or on assumption and conjecture? If the latter, I must wait until the facts are in hand.
3. Is this a rational business decision based on the facts I have at this time?
4. Is this decision in the best interests of the company?
5. How will I communicate this decision to shareholders?
6. Is this decision socially responsible?
7. And, finally, would I or the board be embarrassed if this decision and its motivations appeared on the front page of a prominent newspaper?

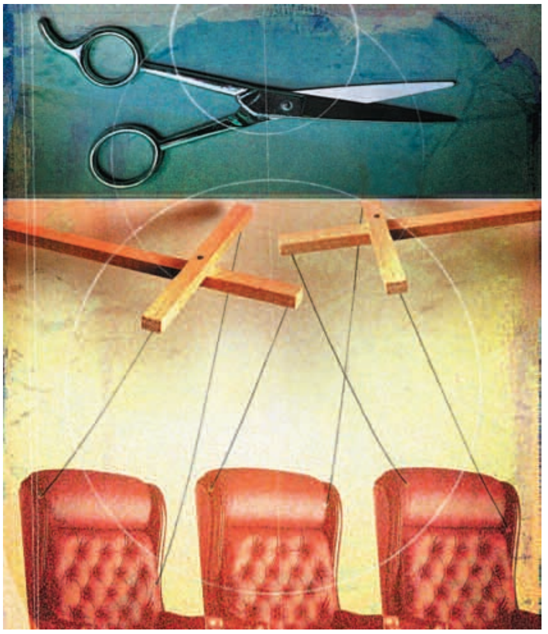
The final question, says King, is perhaps the greatest gauge students and managers can use to encourage decisions based on good governance. "If someone had only asked these questions at Enron," says King, "the disaster might not have happened."

Changing Hearts and Minds

The most daunting task that corporate governance presents to business is perhaps the most elusive: changing attitudes, behaviors, and value systems. A system of unilateral decision making and a reluctance to hear "bad news" still prevail.

Some boards of directors still serve as "yes-men" to the CEO, or say no at their own peril.

Bengt Hallqvist, founder of the Brazilian Institute of Corporate Governance (IBGC) in São Paulo, has served on nearly 50 boards over 30 years. In his experience, many boards were ineffective at best; and at worst, they were irrelevant. "In most cases, I found the board was simply a formality. The management was rather powerful, so we just listened to what they had been up to, and they asked very little advice from us," says Hallqvist. "We met and talked about football for 50 minutes. Mostly it was a good lunch, a good dinner, and a complete waste of time."



"Five years ago, CEOs viewed boards as nuisances at best," agrees Shaw of the Cox School of Business. "We really need to change that mindset before we do anything else. So far, we haven't been very successful."

Nevertheless, there are hints of changes to come. Since its inception in 1995, the IBGC has worked closely with the Brazilian stock exchange, emphasizing good governance in all four corners of corporations, including the owners, boards, management, and auditors. The Institute has trained more than 1,000 directors in corporate governance. Of that number, most were from family-owned and mid-sized companies, not the top 400 Brazilian companies on the exchange. Still, Bengt sees their training as crucial in promoting best practices in governance at all levels of business.

"Those 1,000 directors have gone back to their companies and implemented some of the recommendations. They have really spread the gospel to mid-sized companies," notes Hallqvist. "In addition, I recently led a panel discussion with two of Brazil's largest family-controlled companies—one Brazil's largest supermarket chain, both listed on the stock exchange. Companies at that level will have great influence on Brazil's larger companies."

Becht of ECGI remembers a time when he would call a company's investor relations department to ask for a company statute and be greeted with silence. "They didn't even know what a company statute was. They would say, 'We don't deal with those. Maybe the company lawyer can help you,'" he says. "But if you call that same department today, they'll say, 'We'll e-mail it to you as a PDF file.' That's a dramatic change in culture. These days, investor relations personnel are well aware that corporate governance is part of the sales pitch."

Meredith Edwards, director of the National Institute for Governance at the University of Canberra in Australia, echoes the sentiments of many scholars who are calling for more studies on current governance practices to see what patterns are emerging. Research to date has dealt primarily with how present codes have been established. Edwards argues that it's now time to see what actually works.

"We need independent bodies that will monitor and evaluate how well 'comply or explain' systems are working," she says. "It's time to survey people and organizations from countries worldwide to find out how they're doing. How difficult is the practice of governance in reality, as opposed to the media hype? What have companies learned from it? What guidelines aren't working? What refinements are needed?"

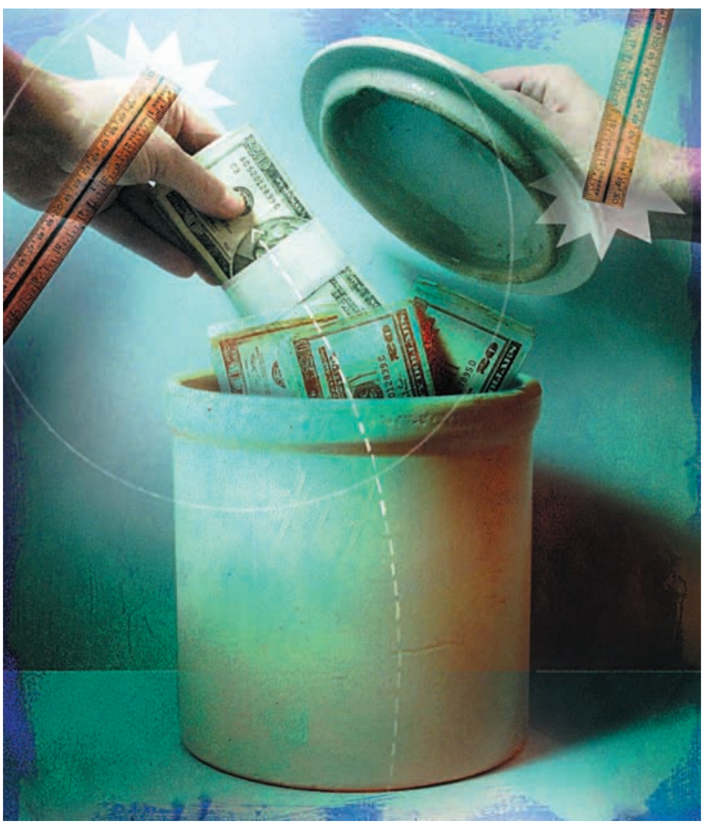
As business schools attempt to teach corporate governance, they have struggled with the near-impossible task of "teaching integrity." Educators may not be able to teach values, per se, say many experts, but they can put students into decision-making situations and have them explore the impact of their decisions on the stakeholders of a company. Schools also can develop learning environments that produce students who are more willing to hear constructive criticism and bad news long before a crisis occurs. Then, these students will be more likely to see the extent of their responsibilities to the employees, to the shareholders, to the community, and above all, to the company.

Although the governance picture may now seem chaotic, many scholars predict that once countries start to look to each other for best practices, business may see a move toward fewer, more compatible systems. Moreover, they believe that the market itself will be the ultimate judge. It will compel good governance, even where it may not be welcome. "Corporations will be dealing with a more demanding, more educated, more cynical clientele," says Edwards. "Over time, companies will have to put more effort into involving stakeholders in the decision process in ways other than just having them attend the annual meeting."

Given the complexities of global governance, it's not surprising that few, if any, governance scholars expect resolution any time soon. What is clear, they say, is that good governance that promotes the accountability, transparency, and integrity of a company and its directors is imperative for a healthy global market. Constructive change is under way—but slowly.

What IS Good Governance?

Governance has triggered great debate in the international community over how, which, and even whether codes of corporate conduct should be enforced. Most experts agree that coming to a consensus on best practices will be anything but easy.



by Tricia Bisoux

illustration by Stuart Bradford

Although the necessity of good governance is unquestioned, what actually constitutes good governance and how that governance should be enforced are very much under debate. The complexity of the issue quickly comes into focus with one visit to the Web site for the European Corporate Governance Institute (www.ecgi.be). The site includes an index of governance codes from 40 nations; lists of conclusions of committees ranging from Cadbury to King, Tabaksblat to Bosch; and rules and guidelines developed by the New York Stock Exchange (NYSE), the Organization for Economic Cooperation and Development (OECD), and countless other entities.

Each of the codes is intended to be a definitive guide for the intended audience. Taken together, however, the countless and varying approaches are anything but definitive. Representing the findings of numerous separate nations and separate organizations, the myriad codes have inspired a vigorous and multifaceted discussion.

Two approaches, especially, have inspired a compelling question: Is governance an issue of ethics or an issue of law? Proponents of the "comply or explain" approach, first advocated by The Cadbury Report in 1992, argue it encourages good behavior while affording companies some flexibility—they either comply with good governance recommendations or explain to stakeholders why they choose not to do so. The spate of scandals has led others to assert that "comply or explain" may not be enough to force all corporations to adhere to governance guidelines. It may take something like the Sarbanes-Oxley Act to bring order to corporate boardrooms.

Conversations with four of the world's authorities in governance illustrate the widely varying viewpoints on the issue. But they have consensus on one point. Underlying the national differences and legal minutiae is a common, attainable goal—to assure the accountability, transparency, and integrity of corporations and their management.

Rules Are Made to Be Broken

***Mervyn King** has been a leading force in South Africa's corporate governance development. As chairman of the South Africa's King Committee on Corporate Governance, he helped write the recommendations of the King I Report in 1994 and its update, King II Report, in 2002. He serves as chairman of financial services group Brait South Africa, which has offices in Cape Town, Johannesburg, and locations worldwide. A legislative approach to governance, King maintains, will inevitably backfire.*

Last year, I spoke in Las Vegas to about 2,000 delegates at the Institute of Internal Auditors. At the time, Sarbanes-Oxley was still hot off the press. I asked, "Is it better to 'comply or else' or 'comply or explain'?" That is, is it better to have rules or principles of governance? I said, facetiously, that Moses tried it and failed, and Sarbanes-Oxley wasn't going to succeed either.

Let me explain. The world has really caught corporate governance fever, which has resulted in this kind of quantitative approach to governance. Sarbanes-Oxley is only one example—there's the OECD, the New York Stock Exchange, the Global Reporting Initiative. Malaysia, Kenya, Hong Kong, every country is establishing its own guidelines. And it's correct that each country needs its own guidelines because each has its own special circumstances. But the question is, is quantitative governance the answer?

Whether you legislate, as in Sarbanes-Oxley, or comply or explain, as in King II, business success is not assured. All businesses will have failure. In business, you're dealing with risk-reward, and none of us is prescient enough to get it right 100 percent of the time. But when you have that business failure and you have practiced good governance, society will accept that because they've invested their money in a risk industry. But if you practice bad governance and you fail, you have scandal.

Moreover, if you had looked at Enron at the time, you would have thought, "What a well-governed company." It had an audit committee, a compensation committee, a nomination committee. The audit committee was chaired by a chartered accountant in the United Kingdom. It had a preponderance of nonexecutive directors, and it had 100 percent board attendance. But Enron executives were just "box-ticking," so they could say, "Yes, we are in compliance with the rules."

The Enron board was not applying what I call quality of governance. It did not accept the idea that the market is the ultimate compliance officer. Whether or not a company complies with a particular guideline should be the choice of its board—when a board chooses not to comply, it needs only to explain its reasons to its stakeholders. If the stakeholders accept that, then so be it.

What is quality of governance? I think it's that immutable quality called "intellectual honesty." You can have all the bloody rules in the world, but you cannot legislate honesty. And I'll tell you, as a corporate lawyer, I've found it's much easier to get around a rule than a principle.

It's Time for Legislation

*A prominent author and lecturer in the corporate governance debate, **Ira Millstein** is a senior partner at the international law firm Weil, Gotshal & Manges, and Eugene F. Williams Jr. Visiting Professor in Competitive Enterprise and Strategy at the Yale School of Management in New Haven, Connecticut. Millstein has worked closely with the OECD and the World Bank to develop codes of governance in developing countries. In an opposing view to King's, Millstein believes that viewing governance as an ethical choice has led to far too many wrong choices. He maintains that the Sarbanes-Oxley legislation was necessary to tell corporate boards that "enough is enough."*

I don't agree that we shouldn't legislate governance. We've had plenty of time to develop softer methods of compliance. We have written codes of conduct and lists of best practices. If you look back over the years you'll find hundreds of them, promulgated by every corporate society in the world. And they didn't work. With those informal codes, we've had Enron, we've had WorldCom, and we've had 200 or 300 companies issuing restatements of their financial reports.

Congress passed Sarbanes-Oxley because so few companies followed rules of best practices. So, instead of *suggesting* that a company should have a majority of independent directors, we *require* that it has a majority. Instead of suggesting audit committees, we now require audit committees. Sarbanes-Oxley simply turned what you should do into what you must do.

Now, I no longer have to plead with and cajole people into following codes of governance. I can just point to the law and listing requirements. We all now have very assigned responsibilities. What Sarbanes-Oxley did, besides laying down rules, was to turn the paradigm back to the way it should be. It placed total responsibility for good corporate behavior and good fiscal reporting back to the board of directors. It makes it very, very clear that the board is responsible for the behavior of the corporation. Instead of having imperial CEOs and managers who can do anything they want, we now have boards taking their jobs more seriously, digging in more deeply, and paying attention to their fiscal reporting.

There Is No One Way

Y.R.K. Reddy *is the founder chairman of the Academy of Corporate Governance in Hyderabad, India, and founder chairman of Yaga Consulting, which is located in Hyderabad; London; and Lawrenceville, New Jersey. The Companies Bill 2003, a governance code for Indian business, is now being redrafted due to opposition to some of its content, including provisions that cap the age of directors at 75, prohibit a subsidiary company to have another subsidiary, and limit a company to making investments through only one investment company. India should work through the development of codes such as the Companies Bill according to the needs of the country, Reddy stresses, rather than submit to pressures from the West.*

Discussion on the merits of the Companies Bill and various changes being attempted by the Securities and Exchange Board of India point to the need for greater validation that must precede such amendments. As of now, there is a distinct feeling that some amendments are more "knee-jerk" or "copycat," following Sarbanes-Oxley, rather than iterative to a grand strategy more relevant to India's specific requirements.

Should the global market ever agree to a framework of governance based on universal principles, that framework should not be based on country-specific points of governance. Governance, as it is being managed through the OECD principles, does not attempt to create such universal principles. Instead, these principles are steeped in a mire of assumptions that have little validation. The concept of stakeholders among Indian companies is indeed far wider than assumed by the OECD, which distinctly omits the community, consumers, and the environment.

The main challenge of governance facing Indian corporations is related to these differences in approach, quality, and integrity among some of the regulatory and governance institutions—these differences contribute to India's low rank in Transparency International. Indian corporations will need to prove, through data and research, how state-owned enterprises have helped the late industrialization process in the country and continue to contribute to the development, even if the framework is different from that followed by the West.

Getting Back to Basics

Charles Elson *is the Edgar S. Woolard Jr. Chair in Corporate Governance and director of the John L. Weinberg Center for Corporate Governance at the University of Delaware in Newark. He is also "of counsel" to the Holland & Knight law firm and a former law professor at Stetson University College of Law, St. Petersburg, Florida. Good governance, he says, relies on managers knowing that the ends don't justify the means.*

We're presently doing battle against the popular misconception that businessmen are crooks who think it doesn't matter how they get results—a buck is a buck. We have to continually fight that belief in popular culture. We have to promote the idea that business isn't corrupt and show that ethical behavior is the most effective and generates the greatest profit.

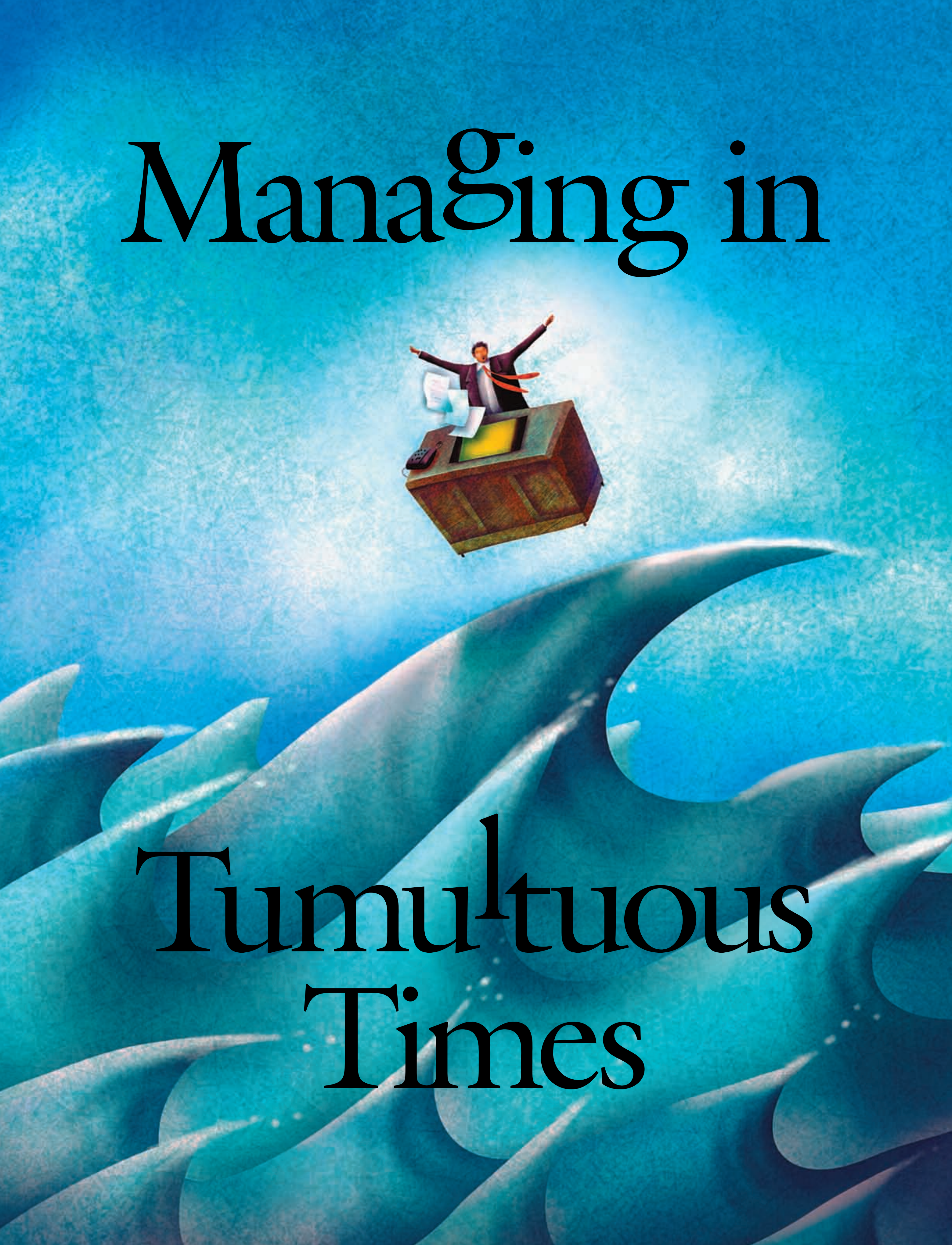
I think this belief was partially created by the political environment, at least in the U.S., where people believed that the ends justified the means. When we had our leading political figures saying that personal conduct didn't matter if the results they delivered were good, that rationale leached into business. But we know that without ethical conduct in business, the whole system stops.

Ten years ago, before the scandals, those ends were achieved through accounting engineering that obscured what was going on behind the numbers. Such financial engineering was not viewed as particularly malignant by the market. It was simply viewed as something one had to do to make operations conform to accounting practice. Such financial engineering made it impossible to figure out from the numbers what was going on at the core of the business.

Good governance isn't really innovative—it's just going back to basics. It's going back to the fact that the key to business is that operations drive accounting, not the other way around. Students in business school today need to realize that accounting is not just about the numbers, but the proper communication to the public of the actual operations of the business. They should realize that boards should represent the shareholders, and its directors must be financially independent of the management of the company. And students should realize that directors need to have long-term, personally meaningful ownership in the company to be effective on the board.

Finally, good governance is also encouraged by example. Those who teach must continually reinforce good codes of conduct by their own actions and the actions of business leaders who speak with students. We need to promote persistently the idea that ethical conduct is profitable. In the end, people flock to companies they believe will treat them fairly.

Managing in Tumultuous Times



Today's chaotic worldwide business environment has forced both executives and educators to re-evaluate basic concepts of management. But as rapid change continues to boil through the global landscape, is either group really equipped to meet it?

by John Seybolt

illustrations by Dave Cutler

The dramatically changing global corporate environment presents a relentless series of challenges for which many executives are woefully unprepared. Many people begin each day wondering what CEO will be fired next, which global corporation will disappear, what country's economic system will collapse, what terrorist activity will take place, what health scare will develop, and how far markets will tumble. While none of the complex economic, social, political, and educational issues confronting us is truly new, the pace of change makes each one even more urgent.

Like business executives, management educators are facing a bewildering barrage of challenges for which they are far from ready. As those who prepare present and future corporate leaders, these educators are being scrutinized as never before, in terms of what they teach, how they teach it, when they teach it, and whether or not measurable learning outcomes have been achieved.

Both executives and educators must seek ways their organizations can not only survive, but thrive, in today's tumultuous business environment. To do that, however, they must first understand the complex forces at work around the world—and they must ask themselves some tough questions about how they are responding to these forces and the challenges they bring.

The Trouble with Globalization

The primary issues that executives and management educators are facing today all revolve around various aspects of globalization. In fact, much of what globalization has to offer is a boon to business, as Joseph E. Stiglitz, 2001 Nobel Laureate in Economics, has stated. He defined globalization as "the closer integration of the countries and peoples of the world…brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, [and] knowledge...across borders."

Even so, globalization also has been viewed as the source of many of the world's problems. Pulitzer Prize–winning author and journalist Thomas Friedman puts it this way: "Globalization is the inexorable integration of markets, nation-states and technologies to a degree never seen before—in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before. This process of globalization is also producing a powerful backlash from those brutalized or left behind by this new system."

That backlash against globalization has three key causes:

- Globalization has not succeeded in reducing poverty. In fact, in recent years, the actual number of people living in poverty has increased by almost 100 million.
- Adoption of market-based policies—such as open capital markets, free trade, and privatization—is actually making some developing economies less, not more, stable. For instance, crises in Asia and Latin America have threatened the economies and stability of developing countries around the world.
- Western countries are viewed by critics as hypocritical, holding onto their own trade barriers while demanding that developing nations lower theirs.

While globalization has fostered a "globalization divide" between the haves and have-nots, it also has provided overwhelming benefits. International trade has helped economic development in many countries. For instance, export growth was the centerpiece of the industrial policy that enriched much of Asia. Around the world, many people live longer and enjoy higher standards of living. Globalization has reduced the sense of isolation felt in much of the developing world as access to knowledge has grown exponentially. And financial aid, an important aspect of globalization, has brought benefits to millions.

The two seemingly contradictory sides of globalization make it imperative that we manage it with great skill and sensitivity to make sure its benefits offset its drawbacks. As Stiglitz says: "We are a global community, and like all communities have to follow some rules so that we can live together. These rules must be—and must be seen to be—fair and just, must pay due attention to the poor as well as the powerful, must reflect a basic sense of decency and social

Globally, leaders must devise strategies to restore tranquility and reduce fear in modern

justice." This lesson must be learned not only by governmental leaders, but by corporate executives and management educators worldwide.

Top Global Trends

While many trends have global impact today, there are three with profound implications for corporate executives and management educators everywhere:

- **The growth of the media and capital markets.** While they seem highly dissimilar, these two industries have had enormous influence globally and are arguably driven by the same forces. Both industries have changed so much in the past decade that the very tools of their operation are almost unrecognizable now compared to the same tools used ten years ago. While open and free media, as well as open and free capital markets, have led to some of the most civilizing and valuable changes of our generation, there have been unintended consequences. For example, it appears that both of these industries thrive on change and volatility, and they have brought change and volatility in their wake.

- **Global demographics.** Around the world, the entire population is aging, and this will have great financial consequences. For example, as a result of aging and depopulation in Europe and Japan, countries that currently account for 45 percent of global output could well enter a period of fiscal and economic crisis after 2010. All of this may lead to major strains in global governance. Countries that have played central roles in international security arrangements may avoid those roles in the future. Global capital costs could rise as baby-boomer retirees spend down their life savings. Some major economies could default on their debts. To avoid this crisis, industrial countries will need to restructure around their aging demographics, integrate their economies with the developing world, and become more open to immigration.

Meanwhile, around the globe, Generation X representatives are replacing the aging boomers in the workplace. Some have suggested they be renamed "Generation E," because they are entrepreneurial, educated, e-mail-savvy, and English-speaking. What will the world look like when led by these people? Many hope it might be more peaceful and productive, given their increased use of technology, the value they place on transparency in all transactions, and their lifestyle values. Time will tell.

- **The continuing rapid pace of technological change.** Some predict that nanotechnology will replace microelectronics as we know it, affecting sectors as diverse as materials science, environmental science, military strategy, space technology, and commerce. Meanwhile, voice-in/voice-out (VIVO) talking computers may change the face of our work worlds, as we use VIVO technology to access and communicate virtually all information.

And yet, while these revolutionary technological advances change the world, a huge number of people alive today have never even made a phone call. How prepared are our global corporate leaders to deal effectively with both the technological revolution and the ever-widening technological divide it has spawned?

- **Political and social uncertainty.** The terrorist attacks of September 11, 2001, forced countries and corporations to put a whole new emphasis on managing risk, whether they were buying insurance, protecting data transmission, or planning how to keep financial markets functioning in a crisis. Especially critical is the potential threat to information networks upon which the world depends.

It is clear that we must broaden our concepts of peace and security so that they mean more than simply the absence of war and violence. Now they must encompass international dimensions of such issues as social justice, women's rights, environmentalism, and intercultural relations. Globally, leaders must devise strategies to restore tranquilisociety, at least partly by committing to the guarantee of **human rights** to all citizens.

ty and reduce fear in modern society, at least partly by committing to the guarantee of human rights to all citizens.

As H.G. Wells observed a century ago, the great events and personalities of the past have not altered the course of history; rather, they have largely served to either accelerate or retard the long-term forces of change. Thus, there is every reason to believe that even the horrible events of 9/11 will ultimately speed the adoption of pervasive information technology, the global integration of national economies, and the modernization of the world's cultures.

Altogether, these dominant global challenges are confronting corporations and executives just at a moment when the ability, the will, and even the moral compasses of those charged with leadership have been put in question. And the urgency of these challenges makes the questioning even that more intense.

Questions for Executives

Even as corporate executives attempt to deal with these global trends, they are facing scandals and intrigues in their home offices. Business headlines over the past year or two could lead one to believe that corporate executives are egomaniacal, ignorant, stupid, unethical, or all of the above. And just when we think we have heard the last of it, up pops another scandal. In the current business climate, four questions seem particularly urgent.

First, are executives presently worried about what they should be worried about?

In fact, are they worried about all the global issues discussed in the previous paragraphs? Are they worried about how their businesses will survive and thrive over the long term in such a dramatically changing environment?

Are they worried about their capacity for leadership? In a 2002 article in *The Academy of Management Learning & Education*, Henry Mintzberg and Jonathan Gosling wrote about the five mindsets of management. These include managing self in the *reflective* mindset; managing organizations in the *analytic* mindset; managing context in the *worldly* mindset; managing relationships in the *collaborative* mindset; and managing change in the *action* mindset. It seems that executives must integrate these five mindsets if they want to become wise managers and true leaders.

Second, is the dramatic loss of confidence in corporate leadership worldwide really a dramatic loss of confidence in "American" leadership, corporate and otherwise?

European CEOs who suffered dramatic downfalls in the past year or so—such as Vivendi's Jean-Marie Messier and Thomas Middelhoff of Bertelsmann AG—made no secret of the fact that they were copying American business models. According to an article in the July 30, 2002, edition of *The New York Times,* "Bertelsmann and Vivendi are not simply rejecting their chief executives. They are rejecting a way of doing business—the American way ... Those who never liked U.S.-style shareholder capitalism are having a field day."

If, indeed, the dramatic loss of confidence in corporate leadership worldwide has actually been a dramatic loss in confidence in American leadership, another question emerges. Are we entering a new era of what will be considered effective management? If the 15-year timeframe of 1970-1985 was perceived to be the "Era of Japanese Management," and the 15-year timeframe of 1985–2000 was considered the "Era of American Management," what management era are we entering now?

Third, is "corporate global citizenship" merely a slogan for the majority of global corporate executives?

Multinational corporations are global change agents, whether they want to be or not. The number of multinational corporations has grown from 2,500 in 1900 to more than 63,000 today. Many of them are huge: Of the world's 100 largest economies, 51 are corporations. For example, Exxon Mobil, the world's biggest corporation, is larger than more than 180 nations. Multinational corporations play an increasingly important role in wealth creation, resource use, employment, environmental and cultural impact, fulfillment of human needs, technology transfer, and governance.

How can this powerful engine for producing wealth be harnessed to meet the needs of the world's poor? Is it possible that the multinational corporation could produce products for the "bottom of the pyramid" in ways that are economically rewarding and build shareholder value at the same time? Recent research suggests this can happen. In the end, what is the role of the responsible, sustainable, profitable multinational corporation in today's uncertain world?

Management Education Under Fire

Like corporate executives, management educators are facing major and multiple challenges. Business schools have fallen under intense scrutiny for several reasons. One reason is that management and managerial skills have become identified as core competencies required for economic prosperity. Another is that business has become a spectator sport around the world, so the method of teaching it is being much more closely watched. Schools also are undergoing self-examination as they find themselves facing more and more competition from other schools as well as corporate educational centers. Yet despite these challenges, manage-

Is it a time for merely refining management education—

ment education has continued to thrive into the early part of the 21st century. But what's the next act?

Recently, criticism has been leveled at business schools, particularly the assertion that MBA programs are "teaching the wrong things in the wrong way." Among the qualities that business schools have failed to develop in students are leadership abilities, interpersonal skills, and communications skills.

There's more trouble ahead as management educators struggle with the issues of relevance. In a 2002 article that appeared in *The Academy of Management Learning & Education,* Jeffrey Pfeffer and Christina Fong made two disturbing observations: Little evidence exists that earning an MBA degree or specific grades in business school correlates with career success; and little evidence exists that business school research is influential on management practice. In addition, one dean of a prominent American business school was quoted as saying that management school research is "fuzzy, irrelevant, and pretentious." If these statements are true, or even widely believed, management educators should be alarmed.

Questions about the relevance of a business school education—coupled with the volatile economy, the uncertainty of the e-commerce market, the rise of terrorism, and the complexities of the global marketplace—continue to raise the anxiety level of a typical business school dean. And on top of all this, 2003 has been the worst year in memory for full-time MBA programs, as applications fell dramatically. Given this environment, management educators worldwide, like corporate executives, need to ask themselves some difficult questions.

Four Tough Questions

First, has the homogenization of management education globally led to an "American" leadership model that has, for better or worse, been adopted worldwide?

A 2001 article in London's *Sunday Times* described the heads of some of Germany's wealthiest companies sitting down to discuss ways to revolutionize their country's economy. "The captains of German industry decided to create an elite corps of business bosses schooled in Anglo-American business techniques," according to the article. "They agreed to set up a private business university to rival Harvard and INSEAD, its French equivalent in Fontainebleau...in part so that graduates will no longer have to go abroad to acquire the skills for success."

Students can go to schools in Asia, Australia, Europe, Latin America, the Middle East and North America, and receive a business school education that is accredited by AACSB International, an indicator that those schools meet certain rigorous standards in terms of course content and faculty preparation. The fact that key management concepts are taught in much the same way in almost every business school in the world means that students can choose to get their education almost anywhere—and they do. This year, almost 45 percent of the students enrolled in the *Financial Times'* top 50 business schools come from a country outside the school where they had enrolled. Cross-border migration to MBA programs is increasing dramatically, and this degree of crossover is only truly possible because of the increasing homogenization of management education.

Unfortunately, at the same time that business school faculty and administrators discuss the importance of cultural relativity in management principles, in reality they practice a more universal application of principles across cultures and nations. So the questions still remain: Is this homogenized education based on the "American" system of management? If so, what will the consequences be of relying on and reinforcing that American management style?

Second, are management educators worried about the issues they should be worried about?

or for reinventing management education itself?

Are management educators, like corporate executives, worried about the right issues: globalization, the growth of the media, the growth of capital markets, worldwide demographic trends, the impact of technology, and the sociopolitical and economic uncertainty that crosses all nations? A related question might be: Should management educators be leading or following corporate executives in terms of identifying important issues? This question has been debated for years and deserves new attention now.

There has always been a significant gap between the worlds, interests, and priorities of corporate executives and management educators. It appears that this gap is not closing appreciably, even at a time when there has never been a more urgent need for alignment.

Third, are the very skills that should matter most to corporate success the skills that receive the least attention from management educators?

As mentioned previously, many of the critical skills that might be loosely defined as "developing wisdom" are not at the core of many management education programs. It's true that the so-called "soft" skills are difficult to measure and interpret, which might be one reason they are taught relatively rarely in business school. Yet those are the skills that appear to be more and more critical to leadership and corporate success, especially in today's chaotic global environment.

The questions about "soft" skills may become even more bewildering with the upcoming launch of a certification exam for MBAs. The exam is expected to be a five-hour, 300-question test covering finance, accounting, marketing, and management, to be administered electronically. Intriguing questions are: Will such an exam truly assess an individual's ability to integrate the five critical mindsets of effective leadership mentioned previously? Will it be able to assess "the wisdom of leadership" in a meaningful manner? If not, then what will it really measure?

Fourth, is it the content or context of a business school education that will increasingly offer business schools their competitive advantage?

What people learn in management schools is becoming more and more uniform. If the soon-to-be-introduced MBA certification exam becomes widely adopted, the content of management programs is destined to become even more homogenized. Thus, it may well be that the real difference between programs across schools and cultures is the context within which teaching and learning occurs. Does that mean that context has become the competitive advantage of any particular school? If so, this contradicts years of management school tradition of curriculum revision, and even adoption of certain kinds of technology, to enhance or supplement classroom learning.

It has been said that graduate management programs may be as much about networking, screening, or recruiting services as they are about the actual education they offer. If management educators spent as many hours and resources worrying about the context of their educational experiences as they do about the content of those experiences, true differentiation of management education products and services might be the result. Will this be the differentiator between mere survivors and those who thrive? If so, what contextual variables are the most important to consider?

Solutions to the Problems

At least two more questions remain. The first is: **How can management education be fixed?** In their article, Pfeffer and Fong recommend that business schools be modeled more closely on other professional school counterparts, less on colleges of arts and sciences. This means that business schools should focus research on problems of enduring importance. They also should build curricula that are evaluated, in part, by how well they actually prepare students to be effective in practicing the profession. Pfeffer and Fong conclude that this requires a systematic assessment of all business school products as well as much more attention to the competitive environment.

It seems clear that all management educators must radically rethink not only the content of their educational offerings, but the context of those offerings as well. These tumultuous times may call for a major shift in thinking about the very core values and practices of our industry. Is it a time for merely refining management education—or for reinventing management education itself?

That question leads to a final one: **If educators had the opportunity to create a totally new business school that would best address the ongoing and anticipated needs of executives worldwide, what would this "ideal" business school look like?** There are a few examples of totally new business schools that are currently emerging. It will be interesting to see whether they become real models for the industry's future, or simply new business schools that follow old traditions and models in management education.

Of course there are no easy answers. But at least we must ask the right questions. It surely is time for the debate to begin.

John Seybolt is senior vice president for Institutional Advancement and Alliances and distinguished professor of management at Thunderbird, The American Graduate School of International Management in Glendale, Arizona.

PRIVATE BUSINESS

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

by Sharon Shinn

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

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

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

Advantages and Drawbacks

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

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

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

In some cases, private schools also possess technological advantages over other schools. Cardean, for instance, has developed its own software that takes full advantage of distance learning over the Internet. Dobija notes that LKAEM has built up-to-date classrooms, computer labs, and lecture halls. At the Universidad Americana, says Somerville, students can use a business sciences library with computer access to a wide array of international databases, and this library is one of the benefits that draws students to the school.

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

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

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

PHOTO BY LAURIE RUBIN/GETTY IMAGES, PHOTO ILLUSTRATION BY BRUCE TOBIN

All four of these private schools have found it imperative to collaborate

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

Close Collaboration

To strengthen both their academic credentials and their appeal to potential students, all four of these private schools have found it imperative to collaborate with established business schools, often drawing on outside faculty for advice in constructing the curriculum or help in teaching it. For instance, from the beginning, Cardean formed an academic consortium with five top business schools: Columbia University, Stanford University, Carnegie Mellon, the Chicago Graduate School of Business, and the London School of Economics. These professional ties have been essential to the school's success, says Cox.

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

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

Business in Budapest

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

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

In 2002, the school was absorbed into the Central European University, which also enjoys financial backing from Soros, and renamed the CEU Graduate School of Business. Since the union with CEU, the business school has launched its own MBA, offering full-time, part-time, and executive MBA options. The EMBA is a consortium degree run in partnership with two other European business schools and Purdue University. Starting in January 2004, CEU will launch a one-year MSc in IT management.

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

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

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

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

with established business schools, often drawing on outside faculty for advice in constructing the curriculum or help in teaching it.

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

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

At Universidad Americana, multiple exchange programs with schools in Latin America, Europe, and the U.S. also allow students to benefit from international experience and cross-curricular learning. Double certification programs are offered through Fachhochschule Worms in Germany, Centro de Estadística y Software Matemático (CESMA) in Spain, and San Diego State University in California. "The schools maintain complementary strengths that allow both institutions to benefit from the affiliation," says Somerville. "In this way we obtain synergy."

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

South American Exposure

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

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

Now ten years old, Universidad Americana offers bachelor's degrees in international business, accounting and auditing, and economics through its Administration and Economics School. Ninety-one percent of the school's students are from Paraguay, with much smaller percentages coming from Argentina, Brazil, Germany, Mexico, the U.S., Cuba, Austria, and Chile. To attract students to the campus, the school relies on a combination of word-of-mouth, recruitment, and media exposure.

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

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

Academic Credentials

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

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

International Edge

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

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

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

The English language advantage isn't all that draws students to the Kozminski Academy. The school also gives a great deal of attention to students and their needs. To help graduates find jobs, the Career Support Center has developed a database of alumni and potential employers, signed an agreement with the Warsaw Province Labor Office, planned career fairs, and prepared a promotional folder that includes profiles of all graduates. The school also organizes conferences and student meetings that focus on new situations in the labor market, discussing topics such as "How to Become a Leader in a New Economy."

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

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

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

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

At Universidad Americana, nearly a third of the academic staff is from outside Paraguay. On-site faculty members are supplemented throughout the year by 21 visiting international professors from Spain, Chile, the U.S., Uruguay, and England. Of the 220 professors employed by the school, 22 are full-time; many of them are engaged in their own continuous improvement processes. "Eighty part-time and 22 full-time professors are pursuing a 600-hour post-graduate diploma for didactic enhancement," says Somerville. Faculty are also required to upgrade their knowledge with seminars and academic activities locally and overseas, and they must conduct research in commercial environmental problems.

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

For the most part, Cardean courses are created by faculty

Virtually Unbeatable

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

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

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

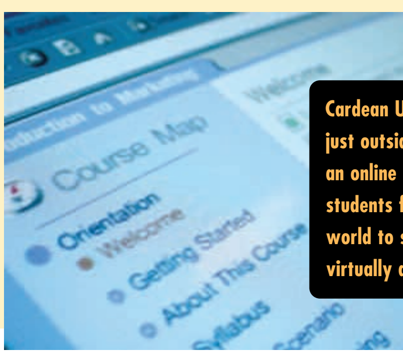
Cardean organizers were also faced with the challenge of creating a good platform for building online courses, which Cox says did not exist commercially when they launched the school. "We had to build our own software to exploit the Internet effectively," he says. "It gave us the opportunity to build systems from the ground up, but it took a lot of time and a lot of research and development."

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

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

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

The beauty of the Cardean model is that the school never has to worry about too many students signing up. Says Cox, "We don't have any capacity constraints. Our software and our business model were designed to be truly scalable, to enable us to keep growing as long as students want to come to us."



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

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

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

What Lies Ahead

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

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

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

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

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AACSB INTERNATIONAL

ARMED & Educated

The current world climate requires military organizations with as much prowess in the boardroom as on the battlefield. To help form leaner, meaner militaries, education principles are coming front and center.

by Tricia Bisoux

illustration by Scott Roberts

Before he became dean of the Robert H. Smith School of Business at the University of Maryland in College Park, Howard Frank served as the director of the Information Technology Office with the Defense Advanced Research Project Agency (DARPA) of the U.S. Department of Defense. From 1993 to 1997, Frank learned that the best way to get something done in the DoD was to go not through it, but around it.

"The fact that the DoD had such modern weapons was almost an illusion. They were modern only in comparison to everyone else's weapons," Frank says. "The truth was that there was a ten-, 12-, even 15-year acquisition process for new technology, so that by the time you actually acquired a new weapons system, it was long ago obsolete."

However, during this same period, the word "transformation" began to enter the U.S. military nomenclature. Military organizations were coming to the realization that their management techniques needed to be upgraded to emulate those that private industry had been developing for years. DARPA, for example, started to create its own, more effective procurement systems to get new technologies in the field as quickly as possible.

"The goal was to transform the military not just from a technological perspective, but also from a procurement management perspective. So, DARPA began to pioneer a number of methods to get around obsolete procurement regulations," explains Frank. "We invented phrases like 'advanced technology demonstration,' which meant we would get products out to the field ostensibly as experimental projects. However, the technology wasn't just demonstrated; it was left in the field permanently."

In that way, DARPA was able to turn a ten-year acquisitions process into a six- to eight-month turnaround time. For instance, DARPA had an entire communications system up and running during the Bosnian War in the early 1990s using "advanced technology demonstration." Had it relied on the military's old procurement methods, however, it's more than likely that the system would still be on the drawing board, rather than in the hands of military personnel.

That's more than innovation. That's innovative *management*, a business skill that military organizations worldwide are adapting to streamline and improve their day-to-day operations.

Adapting Best Practices

In an April 2002 statement to the U.S. Senate Armed Services Committee Hearing on Military Transformation, Secretary of Defense Paul Wolfowitz emphasized that the private sector might have the methods that the military needs in its transformative process: "We want to inculcate in [our military leaders] an entrepreneurial spirit and an understanding of how militaries have been transformed historically, as well as an awareness of how private companies have transformed themselves in the face of discontinuous change," Wolfowitz said.

In his speech, Wolfowitz emphasized that the U.S. military is entering a new phase that requires a different, more businesslike approach to its operations. It is shifting its attention to areas that any large organization depends on for success and survival: integrating advanced technology, streamlining communications, improving supply chain management, and responding to changing competition.

As a result, the enrollment of military personnel in management courses seems to be on the rise. For example, eArmyU, the U.S. Army's online educational provider, was established in 2001 as one of a number of initiatives to "transform the Army," according to eArmyU literature. Enlisted soldiers can enroll in business courses from a variety of higher education institutions to receive associate's, bachelor's, or master's degrees in business. The number of students enrolling in MBA programs alone has steadily increased to more than 360 in September 2003 from just 20 at eArmyU's inception.

Military organizations the world over have realized that they "need to operate more like business," explains Col. David Berg, director of Army programs at Syracuse University's Whitman School of Management in New York. "Syracuse and the U.S. Army have been partnering in our MBA program for 51 years, but the most radical changes have occurred over the last two years," says Berg. For instance, in the past, students in the Army Comptrollership Program received only an MBA. Now, they receive both an MBA and a master's in public administration from the Maxwell School of Public Administration at Syracuse. "It's become apparent that the public policy side is as important as the business side, so we merged the two," Berg explains.

Berg adds that the military's interest in business management practices has also surged over the last decade. "The cur-

Above left: Only a part of U.S. Air Force Academy cadets' training occurs in the classroom. Cadets spend 24 hours a day together, running maneuvers and leading squadrons, in what management department head Col. Kevin Davis calls a "living leadership laboratory." Above: U.S. Air Force Academy cadets stand in formation before a campus monument that reads, "Man's flight through life is sustained by the power of his knowledge." Left: Cadets at the U.S. Air Force Academy return from their classes.

rent administration wants the Department of Defense to become more businesslike, not necessarily in the way it fights, but in its internal operations. In essence, the DoD is a massive business. We procure billions of dollars' worth of product, we hire thousands of civilians, and we outsource at a tremendously high rate," he says. "What we must do now is look at how private industry accomplishes these activities so we can adapt its best practices to military operations."

In response to this surge of interest in management practices among military personnel, the Naval Postgraduate School in Monterey, California, and the Smith School of Business at the University of Maryland recently launched a joint venture, a defense-oriented MBA degree for both select military personnel and civilian defense workers. While the military and higher education have partnered for years, administrators at both schools believe the NPS/Smith defense MBA may be the first joint degree program between a military training institution and a civilian university.

"NPS used to offer a master's degree in science and management," says Douglas Brook, dean of the Graduate School of Management and Public Policy with NPS. "The changeover to the MBA was to provide a broader graduate education in business subjects as they apply to defense. We wanted to recognize the business management aspects of working in the Navy and with the DoD."

The first cohort in the NPS/Smith joint degree program will include 12 to 14 students. The first year of the program will consist of core business courses, which the Smith School faculty provide. The second year, NPS faculty will expand on these core topics and place them in a military context. Finance evolves into the DoD reallocation process; economics moves into budgeting for defense managers; information technology shifts into information warfare. And because naval officers have such a short window of time during their tours of duty to pursue education, officers who might not be able to make it to California to study at NPS have another chance to study in Maryland.

The Smith School's location in Maryland and near Washington, D.C.—the most concentrated sector of defense-oriented operation in the U.S.—made the prospect of a partnership with NPS "an instant love affair," says Frank. "We negotiated this partnership very quickly. We decided that neither of us could do this on our own, and we had complementary skills. We knew our schools could create a better program together than apart."

The two schools have had to synchronize more than their curricula. Their admissions requirements also have had to be reconciled. The Smith School, for instance, requires the GMAT and work experience; NPS, on the other hand, uses a coding system based on undergraduate performance, among other factors.

"Since it's a joint program, students must meet both schools' admissions requirements," says Brook. "NPS has always had an advantage because we don't have to market our program to students in the same way a civilian program must. On the other hand, we think we have an excellent program. Our partnership with the Smith School allows us to expand our reputation into the civilian market."

Springs, Colorado. Most military officers will be handling millions, if not billions of dollars in budgetary resources from the moment they step off campus and into their military careers. So, they must be able to hit the ground running, both figuratively and literally.

"Our graduates will go out the day after graduation and lead a squadron, whereas graduates from most civilian universities will enter jobs in which they will move up to a role of leadership over time," says Heppard. "The difference between military training institutions and civilian universities is that we have to have our folks ready to lead as soon as they cross the stage at graduation."

Management educators may have a part to play in the military's transformation to a faster, better, and cheaper military. Even as military organizations become more globally

In essence, the DoD is a massive business. We procure billions of dollars' worth of product, we hire thousands of civilians, and we outsource at a tremendously high rate. What we must do now is look at how private industry accomplishes these activities so we can adapt its best practices to military operations.

—Col. Daniel Berg, Syracuse University

distributed, many expect that national defense budgets will shrink as governments divert more funds into social reform and technology.

"A growing dollar crunch is coming in the U.S. because of Social Security and Medicare, where costs are going to skyrocket in the next 20 years," Berg submits. "There is only a finite amount of tax money to support federal programs, so there is going to be a continual squeeze on the defense budget. For the Department of Defense to do what it needs to do to defend the nation, it will need to do more with fewer resources in a more efficient manner."

That budget crisis mirrors what happens in business on a regular basis. Unlike business, however, the military has no ability to sacrifice effectiveness for cost efficiency, emphasizes Heppard. "Business often focuses on a bottom line that's strictly financial, but we have to focus on our organizational goals and leadership abilities," he says. "We must focus on the people who are going to make the strategy, execute the plans, and fight the wars."

Col. Thomas Kolditz, a professor and head of the department of behavioral sciences and leadership at the United States Military Academy in West Point, New York, also notes

A New World Order

Since the end of the Cold War, the fall of the Berlin Wall, and, most recently, the terrorist attacks of September 11, 2001, the place of military organizations in the world order has changed dramatically. Nowhere is that more true than in the U.S., where military operations have been redefined in almost every way.

For example, the U.S. military used to be based on the "two-war scenario," meaning that it had to be ready at any given moment to fight and win two wars at once. Today, many countries aren't as worried about larger conflicts as they are about smaller conflicts with less identifiable foes.

"In these times, the military has to be able to move faster than its enemy," says Frank. "There's a recently coined expression, 'getting inside the enemy's decision loop.' You have to move faster than your enemy can make decisions, so its information is always out of date."

In fact, the military often moves so fast, military officers often have no time of transition between graduation and their first leadership roles, maintains Col. Kurt Heppard, associate professor of strategic management and organizational theory at the U.S. Air Force Academy in Colorado

Above: Most students at the Naval Postgraduate Academy are Navy lieutenants who have completed five or six years of service and have just finished tours of duty at sea. This is a crucial window of time when officers can pursue their educations before returning to duty. This year, NPS' Graduate School of Business and Public Policy accommodates approximately 200 majors. Each year's cohort is slightly larger than the last, putting the program near its maximum enrollment capacity, says its dean Douglas Brooks. Left: A representative of the NPS' Graduate School of Business and Public Policy discusses its management and public policy program with a potential major.

sense of all the conduits of information and bring these departments together.

"Until we get our systems to talk to each other, we're not going to get anywhere. In business, for example, the Chief Financial Officer's Act requires that companies submit auditable financial statements. But the DoD wouldn't be able to put together such a report because its systems are so ineffective. I think in the broadest sense the government is trying to become more accountable and more like a business," says Berg.

In exchange for their business expertise, business schools that work closely with military organizations are receiving a good deal in return. Specifically, they can take advantage of the military's long history of effective leadership. Leadership is one of the military's strongest skills. Students in military educational institutions are often together 24 hours a day, eating their meals together and living in the same halls together. They work as teams on classroom projects and in their training maneuvers. That atmosphere creates a living "leadership laboratory," says Col. Kevin Davis, head of the department of management at the U.S. Air Force Academy.

In modern warfare, it's important not only to be able to outfight the enemy, but also to outthink the enemy. We need intellectual warriors.

—Dean Douglas Brooks, Naval Postgraduate School

that the military has to take a much different perspective when it comes to how it allocates its resources. "Many businesses might choose efficiency at the expense of effectiveness, but effectiveness is the military's bottom line," says Kolditz. "The U.S. military can't ever fail. We must be effective first and efficient second. However, once we determine what we must do to be effective, we can increase our efficiency through offering formal business training and using business principles."

An Even Trade

Integration is one area where the military has much to learn from business. Departments and offices within national and local governments simply don't talk to each other. It often takes someone with a management perspective to make

"Leadership is at the forefront of our studies more than ever before," says Davis. "We have added a class on leadership, but in essence, the entire institution is centered on the idea of leadership. Every day, the cadets are leading themselves and their own squadrons. They always have duties that involve operating and running themselves as units. So all day they focus on leadership and integrity."

Military strategic planning, too, has much to offer business, adds Berg of Syracuse. "Long-term strategy has become very important. Business can look at Desert Storm or the current operation in Iraq, for example, for lessons in personnel management and training, how to motivate people and keep them informed," he says. "We're seeing an increase of focus on strategy. One of the problems business has always had is that it looks only to the next quarterly report or the next bottom line. I think many businesses are becoming aware that they need to have a longer term strategy to succeed."

Intellectual Warriors

The military has long placed an emphasis on management training, say these educators. Only recently, however, has it begun to view itself as a *business*. As a result, military-oriented business degrees may become more prevalent. And the U.S. is not the only country where the military is placing greater emphasis on cultivating business-based management skills among its personnel. Singapore, for example, also is seeing its military call upon management education institutions for a greater proportion of its management training, says Hum Sin Hoon, an associate professor with the National University of Singapore Business School's department of decision sciences.

The department has conducted a series of logistics and supply chain management courses for Singapore's Ministry of Defense (MINDEF) for the past eight years. "We explicitly train military officers on business logistics, as opposed to military logistics, so that they gain an exposure to what is happening in the commercial arena," says Hum. Other departments within the school also provide courses to MINDEF.

MINDEF's emphasis on management training has always been there, adds Hum. "But in our experience, the military has now approached business schools for the training. Why? With Singapore's small population base, we are optimizing its human resources," he says. "We have to build a thinking army that also includes effective managers."

Indeed, the stakes in educating military personnel have risen in recent years. Brooks notes that military officers are spreading this message through the ranks. For instance, the keynote speaker at NPS' March graduation ceremony, Lt. Gen. Edward Hanlon, commanding general of the Marine Corps Combat Development Command, spoke to the cadets about their role in a much different world order. "He told the students that, in modern warfare, it's important not only to be able to outfight the enemy, but also to outthink the enemy," says Brooks. "He said, 'We need intellectual warriors.'"

As it would within any large governmental body, such transformation within the military most likely will happen very slowly. As military units turn more to the commercial sector for technology, personnel, and operational support, the link between the military and private sector management will become more crucial. Management educators can expect to play an important role in bringing that new type of business-minded intellectual warrior onto the worldwide stage. Z

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The Professor's Paycheck

by Dan LeClair

U.S. business school salaries continue to rise, but the increases are relatively modest.

Budget cuts, salary freezes, and straitened resources have taken their toll on salary increases for U.S. business school professors in the 2003-2004 school year. While schools still have managed to give raises to most of their professors, the increases have not been high. In hard numbers, the average faculty member is earning a nine-month salary of $89,900 in 2003-2004, compared to $87,500 the year before—an increase of 2.7 percent.

Figures are drawn from the 36th annual AACSB International Salary Survey conducted in late 2003 by AACSB's Knowledge Services staff. Of the 647 U.S. business schools invited to participate, a record 519 submitted data, including 96 percent of institutions accredited by AACSB. These participating schools provided salary data on 25,928 full-time business faculty members by rank in 28 business fields, and by gender; they also indicated whether each faculty member was a new hire for 2003 and whether or not the faculty member holds a tenure-track position. In addition, schools offered data about 4,439 administrators in 25 positions normally found in business schools.

Figures in these charts are an accurate representation of the schools in the survey sample, but they are aggregates drawn from a wide range of institutions incorporating variables of size, location, teaching load, student body, and mission. Individual school administrators and professors should consider their unique circumstances and potential when comparing salaries, even in specific ranks and disciplines.

Where the Money Is

Not surprisingly, salary increases varied depending on rank and discipline. For instance, average salaries of associate professors increased by 2.6 percent, and professors' salaries increased an average of 2 percent. Salary increases were greatest for assistant professors, whose average salary rose by 3.4 percent. This statistic reflects the fact that new doctorates are generally hired at the assistant professor rank—and at a premium. In fact, the average new doctorate earns $5,800 more than an incumbent assistant professor. Because 656 new doctorates were hired in 2003, compared with 546 in 2002, their numbers influenced salary ranges for the whole category.

New doctorates saw even better salary increases if they took jobs within particular disciplines hungry for faculty. The strongest gains were in management (4.6 percent increase), economics (3.7 percent), and marketing (3.5 percent). New doctorates also could expect substantial premiums if they were hired by accredited or private schools. For example, the average salary for new doctorates hired into AACSB-accredited business schools was $92,500, compared with $67,100 at unaccredited schools. At private schools, the average salary for new doctorates was $95,200, compared with $87,100 at public institutions.

Mean Salaries by Field/Discipline*

Field/Discipline	Associate Professor
Accounting/Taxation	$109.0
CIS/MIS	$105.9
Economics/Managerial Economics	$100.3
Finance/Banking/Real Estate/Insurance	$124.3
Management/Behavioral Science/ International Business/Strategic Management	$108.1
Marketing	$109.9
Production/Operations Management	$112.0
Quantitative Methods/Operations Research/ Statistics	$107.5
All fields combined	$108.9

**Figures are in thousands of dollars.*

Whatever the institution, the recruitment of new doctorates was robust. According to survey participants, the average number of new doctorates hired in 2003 was 1.3 per school, up from 1.1 in 2002. In fact, schools continued to hire new faculty at all ranks at a healthy rate. For the fall of 2003, responding schools reported 2,112 new hires. Almost 60 percent were experienced—that is, neither new doctorates nor candidates for doctorates known as "all but dissertation" (ABDs). On average, each school hired 4.1 new faculty members for the fall of 2003.

However, these averages dropped slightly from 2002 figures, in which schools reported hiring an average 4.7 new faculty. In addition, the overall hiring rate in 2003-2004 went down slightly from the previous year, when new hires made up 9.3 percent of full-time faculty. In 2003, that figure dropped to 8.1 percent. The numbers probably reflect a guarded approach to faculty hiring, where budget uncertainties have led to hiring freezes even when there are open positions to be filled. Nonetheless, these figures indicate a much more active market than in 1996, when schools hired an average of 2.8 new hires and considered 5.6 percent of their faculty to be new.

Despite the overall drop in numbers, hiring continued briskly in some fields during 2003, most notably management, accounting, and marketing. Most of those fig-

Salaries by Type of School*

	Accredited	Non-accredited	Public	Private
Professor	$112.1	$78.8	$102.2	$125.1
Associate Professor	$88.8	$68.9	$83.1	$91.9
Assistant Professor	$87.5	$63.2	$81.5	$90.2
Instructor	$51.5	$46.5	$49.1	$58.3
New Doctorate	$92.5	$67.1	$87.1	$95.2
ABD	$80.7	$62.4	$74.9	$84.8

Figures are in thousands of dollars.

New Hires Across Disciplines

Assistant Professor	New Professor	Instructor	New Doctorate		Percent 2001	Percent 2002	Percent 2003
$89.7	$89.4	$51.8	$100.7		18.2%	14.7%	15.3%
$87.4	$85.5	$50.0	$91.2		11.1%	16.7%	13.2%
$72.9	$68.5	$48.2	$69.5		9.1%	8.0%	9.9%
$97.3	$101.1	$55.7	$104.4		15.8%	14.6%	15.1%
$84.8	$81.6	$52.5	$87.8		15.2%	17.2%	17.9%
$86.6	$84.7	$50.0	$91.9		13.7%	13.3%	13.4%
$87.9	$88.5	$54.7	$90.8		4.3%	2.4%	3.1%
$84.8	$76.0	$47.8	$78.7		2.8%	2.7%	2.6%
$86.2	$84.4	$51.0	$89.7	**Other**	9.8%	9.4%	9.6%

ures are consistent with historical trends, as shown by comparison with 1996 figures in the "New Hires Across Disciplines" sidebar.

Most notable is the slowdown of hiring in information systems management, which dropped to 13.2 percent in 2003 from 16.7 percent the year before and from 18.8 percent in 2001. One possibility is that IT/IS management has been integrated into other fields. Another explanation could be that the information management field still has not entirely recovered from the dot-com crash and poor performance of technology companies.

The Bottom Line

Overall, there are few surprises in this year's salary survey; most recent trends still hold. For instance, the inversion of salary rates—where new hires earn as much or more than experienced faculty—is still in place and will inevitably contribute to the escalation of salaries across all categories. Rising salaries for new hires will encourage experienced faculty to move to different institutions to receive pay raises of their own, and thus the market will continue to stay extremely competitive.

This tendency toward a fluid job market, however, may be tempered by fiscal constraints. Some schools cannot attract faculty to fill vacant positions at the premiums earned by new professors. While budgets remain tight, the hiring situation may remain somewhat stable.

The long-predicted shortfall of business professors still appears to be in the offing, though recent events might have postponed the worst of the crunch. Fewer doctoral degrees in business are being granted, but while financial market performance remains uncertain, faculty members may find themselves unable to afford to retire. While the doctoral shortage looms as a huge potential crisis, schools might have been granted a brief reprieve.

Schools also might be dealing with both the doctoral faculty shortage and the salary crunch by hiring fewer teachers into tenure-track positions. Across all ranks, the numbers of faculty in non-tenure-track positions have risen slowly but steadily for the past several years. It seems clear that more schools are using adjunct or visiting professors to fill in open teaching slots, or they might be hiring faculty on a more temporary basis while they consider how to restructure staffs to create long-term solutions.

Despite these adjustments, salaries for management professors are strong and are likely to continue to rise as competition increases for both new and experienced faculty. The next year's employment patterns appear to portend opportunities for professors and a challenge for administrators. Z

Percent of Faculty Not on Tenure Track

	2000	2001	2002	2003
Professor	1.5%	1.9%	2.3%	2.2%
Associate Professor	2.3%	2.6%	3.5%	3.7%
Assistant Professor	8.7%	9.1%	10.0%	10.3%
Instructor	79.8%	82.0%	83.7%	84.7%

Twelve-Month Administrative Salaries*

Position	Mean 2003
Dean	$158.0
Associate Dean	$128.9
Assistant Dean	$79.1
Assistant Dean or Director: Development	$87.2
Assistant Dean or Director: Finance and Administration	$83.0
Assistant Dean or Director: Information Technology	$85.1
Accounting Department Chair	$124.4
School of Accounting, Director	$142.2
Academic Department Chair	$119.4
Assistant Dean or Director: Undergraduate Programs	$73.1
Assistant Dean or Director: Graduate Programs	$87.1
Assistant Dean or Director: Career Services/Placement	$74.3
Director of Cooperative Programs	$69.0
Assistant Dean or Director: Executive Education	$105.0
Director of Internships	$53.0
MBA/Master's Admissions Director	$68.0
Assistant Dean or Director: MBA Programs	$85.1
Small Business Administration Director	$66.1
Director of Communications/Public Relations	$67.1
Executive MBA Director	$89.1
Director of Research	$103.5
Director of Distance Education	$74.6
Major Gifts Officer	$74.7
Director of Business Library Services	$71.0
Other	$59.0

**Figures are in thousands of dollars.*

Technology

Left: Anthony Hendrickson, associate dean and associate professor of management information systems, helps student Lauren Damme while associate professor Tony Townsend demonstrates the Virtual Reality Applications Center. Above: Devices such as this wearable computer with a miniature viewscreen from MicroOptic are a focus of study in Iowa State's new degree programs in human computer interaction technologies.

New Programs in HCI at ISU

Management information system (MIS) faculty from the Iowa State University College of Business in Ames have teamed up with faculty from the university's colleges of agriculture, design, education, engineering, and liberal arts and sciences to launch masters and doctoral programs in Human Computer Interaction (HCI).

The programs, which begin this spring, will place Iowa State with Carnegie Mellon and Georgia Tech as the only universities offering graduate degrees in this discipline, say school representatives. Students who enroll in the interdisciplinary Ph.D. program will be the first doctoral candidates to matriculate through the ISU College of Business.

HCI refers to the way electronic technologies affect and shape people's daily lives. Students and faculty in the program will explore areas such as the design of user interfaces on Web sites and in software, the use of computer operating systems, the implementation of electronic voting machines and online libraries, and voice control of computers.

"Iowa State's new graduate studies programs will train researchers and practitioners to meet the challenges faced by the rapid emergence of human computer interaction and its ultimate impact on nearly every facet of business and everyday life," says Anthony Hendrickson, the College's associate dean for academic programs and a member of the HCI graduate program faculty.

The College of Business will work especially closely with the College of Engineering to apply technology to business functions, says Anthony Townsend, associate professor of MIS. "They're creating marvelous things in the College of Engineering, but they need an understanding of the business user's requirements in the corporate environment," he emphasizes. "Engineering has a deeper focus on the technology, but we can see needs and help work on projects that are significant to the business world."

Participating faculty members emphasize that HCI technologies can be applied to fields as diverse as database management, psychology, and architecture. One likely area of research will examine how businesses can make better decisions by improving their capability to gather and analyze data collected electronically at points of sale.

Getting New Technology to Market

At its recent inaugural NUS-SME Conference, the National University of Singapore signed technology licensing agreements with five small and medium-sized enterprises (SMEs). The five SMEs include Cyclect Holdings, Brooklyn Media, DecisionWare Simulations & Games, Biomimetico, and RidgeWave Technologies. Each company will bring to market technologies developed at NUS research labs.

The five companies will be working with INTRO, a unit of the NUS Enterprise Cluster. INTRO manages a portfolio of approximately 140 technologies available for commercial use. Available NUS technologies include an adsorption chiller, which uses waste heat from equipment such as personal computers to generate cooling power; real-time mixed reality software, which merges physical and virtual worlds in an interactive gaming envi-

DATABIT

In a recent survey of 192 companies, the Center for Business Ethics at Bentley College in Waltham, Massachusetts, found that 92 percent monitor employees' use of e-mail and the Web. In addition, 26 percent monitor their employees' electronic activities all the time. However, few companies have checks in place to protect employees' privacy or to ensure such monitoring is not abused.

> "If cyber security is truly a national priority, then we need to be able to 'take our temperature' in terms of measuring the cyber security health of the nation."
>
> —Harris Miller, ITAA president

ronment; and document compression, which is designed to document accessibility, increase productivity, and cut costs.

These agreements will complete the cycle of technology development, say school officials. They also illustrate how commercially viable technologies can be transferred from academia to industry.

"The signing demonstrates the importance NUS places on SMEs as technology transfer partners," says Tay Kim Huat, INTRO's deputy director. "INTRO will continue its efforts to partner with industry and provide services based on NUS technologies."

USC Tests National Cyber-Security

University of Southern California's Marshall School of Business in Santa Clara is working with the Information Technology Association of America (ITAA) to test America's readiness to fend off cyber attacks. Marshall's Center for Telecom Management (CTM) will direct its research to the abilities of small, mid-sized, and large businesses to safeguard the national computer network.

The research will be conducted on a semiannual basis, according to a metrics tool kit developed by TechNet, a network of CEOs promoting technology issues. Later surveys will focus on how well the nation has met its goals to improve security and pinpoint where further work is needed.

"The resulting work will provide a snapshot that can be used by decision makers for determining improvement goals, IT security investment, research, and public policy options," says Morley Winograd, executive director of CTM.

"If cyber security is truly a national priority, then we need to be able to 'take our temperature' in terms of measuring the cyber security health of the nation," says Harris Miller, ITAA president. Miller adds that the challenge is to understand how companies are protecting their information systems from attack, what cyber security vulnerabilities require attention, and how to measure progress in fixing them.

The research program, Miller believes, "goes a very long way toward meeting that challenge."

Georgia WebMBA Links to Germany

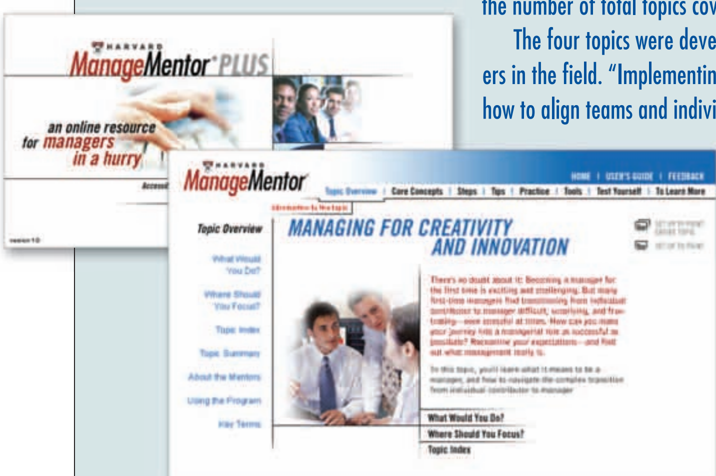
The Georgia WebMBA—an online MBA program involving five Georgia universities—has now added an international component. Students from Anhalt University of Applied Sciences in Bernburg, Germany, will work together this summer with students from Kennesaw State University, Georgia College & State University, Georgia Southern University, The State University of West Georgia, and Valdosta State University.

The expansion to Germany will put Georgia WebMBA students in the same online class with MBA students at Anhalt, giving participating students the international experience

TOOLS OF THE TRADE

Harvard ManageMentor Plus Adds New Topics

Havard Business School Publishing has introduced a new version of Harvard ManageMentor PLUS, its online performance support tool for managers. Version 2 adds four new topics—implementing strategy, making business decisions, implementing innovation, and persuading others—to the e-learning program, bringing the number of total topics covered to 37.



The four topics were developed with the help of practitioners in the field. "Implementing strategy" teaches managers how to align teams and individuals to help them achieve strategic goals. "Making business decisions" offers practical approaches to effective decision making, including steps to identify core issues, to evaluate multiple alternatives, and to communicate and implement the decision. "Implementing innovation" teaches managers the skills necessary to bring ideas—their own or someone else's—to fruition. Finally, "persuading others" helps develop a manager's ability to influence outcomes, command attention, change minds, and influence decision makers.

"Today's organizations are trying to make dramatic moves forward in a new age of competitiveness, which requires employees to be in lockstep with the corporate mission," says Maureen Betses, vice president of e-learning at HBSP. "These four new topics provide managers with tactical, practical advice on core business activities."

Technology

NEWSBYTES

$7 MIL GIFT TO ARKANSAS
Oracle Corporation has donated software and curriculum valued at more than $7million to the Information Technology Research Center in the Sam M. Walton College of Business at the University of Arkansas located in Fayetteville. The gift includes the Oracle9i Database, iDS, iAS, diagnostics, and tuning and change management tools. The company also donated data mining and data warehousing software, which will be used as part of the information system department's business intelligence and enterprise systems curricula.

SPAM WARS
Sick of spam e-mail? So is Richard Jowsey, president of New Zealand's Death2Spam Project. Jowsey, who was the keynote speaker at this January's Spam Conference at MIT, maintains that his Death2Spam Internet e-mail filtering service can accurately recognize and block virtually all spam e-mails. After users "train" Jowsey's "High Q" filtering server to their preferences, he promises it can block spam with more than 99 percent accuracy. For more information, visit www.Death2Spam.com for instructions for filtering e-mails through Jowsey's spam-zapping server.

U.S. TAKES A STAND
In more spam-related news, a new U.S. law—the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or the CAN-SPAM act—went into effect in the U.S. on January 1. The law makes illegal misleading subject lines in bulk commercial e-mails and requires unsolicited e-mail to include a means for recipients to "opt out." Although many hail the new bill as the beginning of the end for spam, others are more pessimistic. Many expect spammers simply to move to other countries, outside the law's reach.

E-MAIL STRIKES HARD BARGAIN
A study from the University of Notre Dame's Mendoza School of Business explored the effect e-mail has on business negotiations. Management professor Charles Naquin, who conducted the study, found that online negotiations inspired lower levels of pre- and post-negotiation trust than did face-to-face negotiations. Those who negotiated via e-mail also were less satisfied with the negotiated outcome and less confident in the quality of their negotiating skills, even when the economic outcome was the same as that achieved through a face-to-face interaction.

NEW ONLINE NEWSLETTER
Stanford Business School is now offering the StanfordKnowledgebase, a free online newsletter dedicated to issues in business, economics, and policy. The monthly newsletter will contain summaries of academic research by Stanford business faculty and cover books, conferences, and other news generated by the business school, including talks from CEOs and links to papers, video clips, and audio presentations. To read the current issue of StanfordKnowledgebase and sign up for a monthly e-mail subscription, visit www.gsb.stanford.edu/news/knowledgebase.html.

required for business, says Daniel Papp, senior vice chancellor for academics and fiscal affairs for the University System of Georgia. "Georgian and German students will learn together about international business and benefit from their shared educational experience," he says.

Such online opportunities offer students the opportunity to work in "global teaming environments," agrees Tim Mescon, dean of the Coles College of Business at Kennesaw State. "It prepares MBA graduates for the competitive and dynamic international business arena," he says. "The opportunity to interact with peers in Western Europe adds another dimension to the WebMBA program."

Eventually, WebMBA students will travel to Germany and visit companies in Bernburg, and German students will come to the U.S. to visit companies throughout Georgia. The exchange is being coordinated by Georgia Southern University professor Cathy Swift, who teaches international business in the WebMBA program, and Anhalt University professor Elena Kashtanova, who teaches international banking and finance.

'Crimson Grid' Comes to Harvard

Harvard University and IBM have announced their collaboration to create a universitywide grid—dubbed the "Crimson Grid"—that students and faculty can use for research, data sharing, and team projects. In the process, Harvard and IBM also plan to create pre-test grid tools and protocols to help other academic institutions bring grid computing to their campuses in the future.

"Grid computing" works on the

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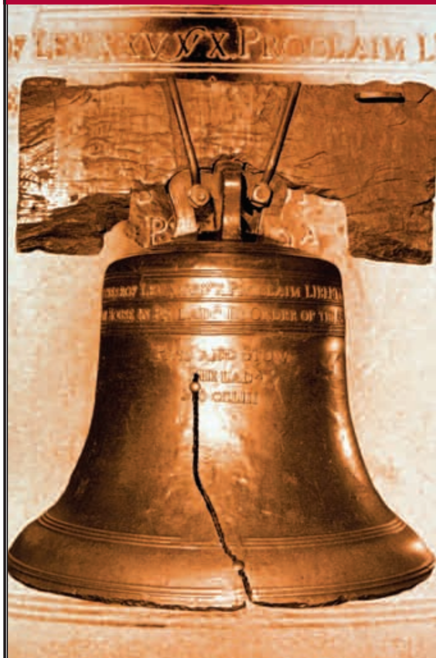

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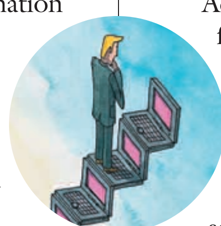
principle that the capacity of many connected computers is greater than the sum of individual systems. Like the Internet, a grid connects many different computer systems to each other. Grids, however, make the resources of all linked machines available to every user. Although many computer systems can be involved, users can access the grid through a single, unified interface.

"A grid could potentially provide the tools to solve any type problem, from a complex literature search to mining the genome," said Dr. Jayanta Sircar, CIO and IT director of Harvard's Division of Engineering and Applied Sciences (DEAS) and principal investigator for the project, in a press release. "Harvard's goal is to help create an 'out-of-the-box' implementation of grid computing that will enable students throughout the region to leverage commonly shared resources for collaborative research and knowledge sharing."

Once the Crimson Grid is in place, project planners hope to expand it to other nearby universities and, eventually, to national and international locations.

Bridging the Digital Divide

At a recent three-day conference of the World Summit on the Information Society, discussion centered on increasing access to information and communications technology (ICT) in developing nations. Approximately 90 percent of the global population is still without access to the Internet.



Attended by officials from 175 countries, the conference dealt with questions ranging from how to battle spam to whether the Internet should be internationally supervised. Speakers at the conference included UN Secretary-General Kofi Annan and Zimbabwe President Robert Mugabe.

The conference ended with the unanimous adoption of "The Declaration of Principles," which highlighted the goal of creating a free and inclusive "information society" where everyone can access and utilize ICT. Delegates agreed to form working groups for future discussions of topics such as Internet governance and funding technological development.

According to *Computerworld*, few delegates from Europe and North America attended, which sparked criticism by the UN. Some also noted that certain governments at the conference were themselves obstacles to technological development in their countries.

Even so, the conference was the first to create an international agenda for global technological development, said Mark Malloch Brown, administrator of the UN development program, at a press conference. However, he admitted that no consensus was reached on the issue.

The next World Summit will be held in 2005 in Tunis, Tunisia. Z

Your Turn

by Richard R. Ellsworth

The Corrosion of Corporate Purpose

What has led seemingly moral business leaders to conduct unethical, and even criminal, acts? In many cases, the seeds were planted by the country's most prestigious business schools. When these leaders were students, many of them were indoctrinated with a near-religious ideology: the belief that maximizing shareholder wealth is a corporation's reason for existing. Today, this dogma continues to be the unofficial religion of business education, even though it's at the expense of moral courage and inspirational purpose.

The high-profile corporate scandals of the past three years may have tempered the strident rhetoric of some who doggedly put shareholder wealth first. Yes, corporate governance has received greater attention and some ethics and governance courses have been developed. But many of those courses, such as those on Enron or WorldCom, promise to have limited shelf life. Furthermore, they haven't eroded the pervasive influence of this ideology within business schools. The shareholder-driven ideology remains unchanged.

Consider the results of a recent Aspen Institute survey. When incoming MBA students were asked about the primary responsibility of a corporation, the most frequent answer was to satisfy customer needs. However, by graduation, their responses had changed—most answered that the highest ideal was to maximize shareholder value.

Business schools' emphasis on shareholder wealth—and its surrogates, ROI and the discounted net present value of investments—has its

roots in the business school war of reputations and rankings that began in the 1960s. Many leading schools found that nothing had greater impact on their standing than increasing the quality and visibility of their finance faculty, since the finance field was becoming more aligned with theoretical economics than with the practice of management. Certainly the increased rigor of financial theory has benefited students, corporations, markets, and individuals alike; but it has also had critical unintended consequences.

In many schools, intense, yet subtle, struggles ensued between "tough-minded" finance professors and "soft," managerially oriented faculty. As finance faculties grew increasingly powerful and their theories became widely lauded, an intellectual arrogance arose that chilled opposing points of view regarding the purpose of corporations. Other courses like strategy, management, organizational behavior, and marketing, which should have challenged this orthodoxy, did not. Consequently, the shareholder-first ideology became the dominant business school doctrine.

This new religion—the maximization of the firm's current share price—effectively supplanted the long-standing belief that serving customers' needs was the prime function of the enterprise. One unfortunate result of the emergence of the stockholder-first faith has been a bifurcation between people and economic issues. People are increasingly seen as a means to financial ends.

As a result, MBA students are graduating indoctrinated in a narrow, largely unchallenged set of beliefs about the basic purpose of the enterprise. Professors who ground their theories and teaching in an alternative set of beliefs are widely marginalized. Debate on true corporate purpose has slowly disappeared from the mainstream curriculum, except in courses on business ethics. Even those courses often are appendages to the curriculum and on the periphery of faculty interest.

These business-school phenomena, which work to silence dissent, have clear parallels in today's corporate scandals. Those who had the courage to speak up internally about their organizations' misdeeds—such as Enron's Sherron Watkins and WorldCom's Cynthia Cooper—were silenced or pushed aside. Their bosses chose ideology over good judgment and felt these people did not grasp the ideology's first imperative. Maximize shareholder wealth!

Like many seductive "solutions" to complex problems, the doctrine of shareholder wealth is beguilingly simple, clear, and quantifiable. It allows students to ignore the real-world complexities and responsibilities that many find difficult to comprehend, much less appreciate. They never need to confront the messy necessity of pitting one corporate

EXEMPLARY CORPORATIONS ARE ENHANCING THEIR COMPETITIVENESS BY DEVELOPING A CUSTOMER-FOCUSED SENSE OF PURPOSE THAT EMPLOYEES VALUE AND FIND PERSONALLY MEANINGFUL.

responsibility against another. There is always one answer: Act in the shareholders' interest. For faculty, this belief simplifies the world sufficiently to allow them to develop elegant, tightly reasoned theories, uncluttered by business realities.

The tenacious power of this faith extends well beyond business school indoctrination. It provides a simplistic rationale for many of management's questionable actions. Its moral justification is, in essence, that "greed is good." It promotes the outdated assumption that financial capital, not human capital, is the primary source of any organization's competitive advantage. At its foundation is the belief that the pursuit of shareholder wealth (which many equate to "personal happiness") will put financial capital to its best use and thus create the greatest happiness in society. Undoubtedly, some corporate managers have used this argument to pressure outside auditors into approving questionable accounting practices.

After arguing that their overriding allegiance is, legally and morally, to the shareholder, senior managers often establish boards dominated by management-approved directors. They align themselves with the most docile major stakeholders, often composed primarily of financial institutions more willing to sell their shares than to invest energy in influencing management's actions. These factors set managers free to use their presumably inviolable responsibilities to shareholders to deflect any criticism of their actions and increase their autonomy from more troublesome constituencies.

Business schools and corporations must reverse this trend by exorcising the destructive cult of shareholder wealth maximization and return to a venerable, central truth—that providing value to customers is an organization's *raison d'être*. This is a guiding philosophy that leads a company to lasting competitive success, as leaders of great companies know.

Fortunately, the time is ripe for change. Corporate governance has been strengthened and transparency increased by recent legislation, more strict enforcement, and public outrage. Today, students and managers alike more readily question the efficacy of a shareholder-focused purpose. Strategic pressures are forcing a shift to knowledge-based competitive advantages and away from capital, to customer interest and away from all-encompassing shareholder interest.

Exemplary corporations are enhancing their competitiveness by developing a customer-focused sense of purpose that employees value and find personally meaningful. Consequently, these companies are realizing the considerable power that lies within their own employees' commitment, imagination, and aspirations. More managers are recognizing that in a knowledge-based, increasingly competitive, global economy, the shareholder-wealth ideology is unlikely to win in the long term. It neither promotes competitive advantage, nor unleashes human creative potential.

To respond effectively to these realities, what is required of business schools is not marginal change in curriculum, but a transformation. Business schools should begin with the recognition that, while they cannot teach moral courage, they can provide students a coherent path to developing their own well-grounded philosophies of management. They can do so by broadening and deepening students' understanding of the world, human aspirations, managers' responsibilities, and the true sources of competitive advantage.

Fundamental to this transformation is the recognition that management is as much an art as a science—a liberal art that encompasses the humanities and the social sciences. Management education needs to overcome its insularity. Its faculty need to reassess the philosophy of management underlying their research and teaching—beginning with a corporation's primary purpose. In the end, some professors might not advocate a customer-focused corporate purpose, but their teaching still should be open to other options. Only then can they help students appreciate the social, economic, and practical implications of the alternatives.

The prevailing view of corporate purpose in America is under competitive attack. The stakes are high. The outcome will determine the nature of 21st-century capitalism and which companies will survive. The question for business schools and corporate leaders is, how can they influence that outcome? One answer lies in how they influence their students' and employees' beliefs about the corporation's primary purpose. Those beliefs will determine not just the moral quality of their actions as managers, but the very future of their organizations and their nations. Z

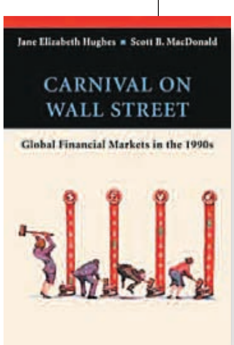
Richard R. Ellsworth is professor of management and co-director of the Institute for Advanced Studies in Leadership at the Peter F. Drucker Graduate School of Management at Claremont Graduate University in California.

Bookshelf

Ride of the Century

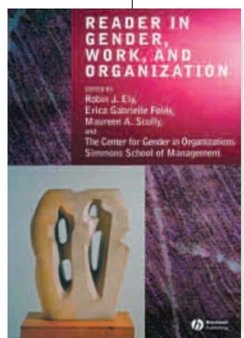
The 1990s ushered in one of the most impressive and volatile eras for world financial markets, and Jane Elizabeth Hughes and Scott B. MacDonald examine that wild ride in *Carnival on Wall Street*. "The decade between 1991 and 2001 was one of excessive wealth, greed, and glory, all based on the premise that the free flow of capital was an ennobling force for economic development." they write. "This view was molded by a strong faith in globalization, the ability of models to predict markets, and the interrelated belief in the power of technology to surmount any obstacle."

In extremely clear and detailed prose, the authors present the factors that shaped the "greed, disaster, and greatness" of the 1990s and the powerful forces that caused the market bubble to explode painfully. Chapter by chapter, they dissect global financial markets of the era: the role of Wall Street, the impact of emerging markets, the currency crises in foreign exchange markets, the globalization and anti-globalization movements, and the Asian influence. Their careful, comprehensive overview of a fascinating period in world finance is placed within a historical context of similar boom-and-bust periods driven by technological advances and market interdependence. The reader is left not only with a better understanding of recent market fluctuations, but with a conviction that the world has not yet seen the final fallout from this most dramatic time. (Wiley, $62.50)



Women in the Workplace

Pretty much since women first set foot in the factory, hospital, or office, people have been trying to figure out how they fit in. In the last 30 years, a wealth of management texts have been written about the role of women in the workplace. An overview of those texts and a host of new analytical essays both appear in *Reader in Gender, Work, and Organization,* edited by Robin J. Ely, Erica Gabrielle Foldy, and Maureen A. Scully and produced under the auspices of the Center for Gender in Organizations at the Simmons School of Management.



The authors note that, in the past, three frameworks have been developed to understand women in the workplace. In the "fix the women" frame, women are perceived as lacking skills in playing the corporate game; in the "celebrate the differences" scenario, the corporation is perceived as not understanding the special skills women possess. A third frame, "create equal opportunities," advocates leveling the playing field so that men and women have the same chances. The authors have devised a fourth frame, which views gender issues as "the central organizing feature of social life, with implications for women, men, and how we get work done." They call this the "revise work culture" frame, and many chapters propose ways to do just that.

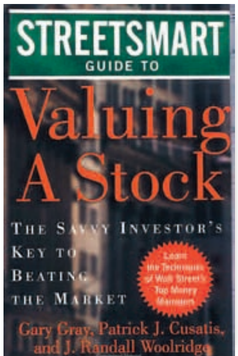
But the book is more nuanced than that. It brings together a diverse and fascinating collection of essays that have charted women's progress through those three frames—including excerpts from classic treatises by Margaret Hennig and Anne Jardim, Sally Helgesen, and Rosabeth Moss Kantor—while looking at gender as influenced by issues like race and culture. Some of the essays were written more than 20 years ago; others were prepared for the book. Gender issues are explored as they relate to leadership, organizational behavior, globalization, and other hot topics of the day. For anyone interested in the topic of women in business, the book is an illuminating read. (Blackwell Publishing, $44.95)

Quick Looks

Monumental social and financial shifts have reshaped the economies in Central and Eastern Europe in the past decade. Bruno S. Sergi, a contract professor at the University of Messina in Italy, has been studying the economic dynamics of these countries and the methods they're using to restructure their markets, increase international trade, and improve relations with the European Union and the rest of the world. In *Economic Dynamics in Transitional Economies,* he advocates a "Bruxelles consensus"—his term for a collaboration between Eastern European countries and the European Commission—instead of a "Washington consensus" in determining how these countries should move forward into the new century. Dense and comprehensive, the book is a technical textbook with a passionate heart. (The Haworth Press, $34.95)

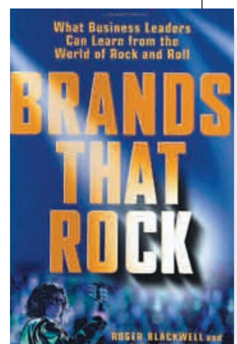
Bookshelf

In general, the recommendation in the second edition of *Streetsmart Guide to Valuing a Stock* is pretty simple: "Purchase *undervalued* stocks and sell *overvalued* stocks." Easier said than done, but authors Gary Gray, Patrick J. Cusatis, and J. Randall Woolridge work hard to make the practice as straightforward as the advice. In cheerful chapters filled with you-can-do-it encouragement, they carefully explain the math behind concepts like standard deviation of return, compound and future stock valuations, and risk versus return.



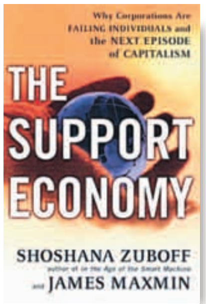
In-depth chapters examine the performance of real-world stocks such as Citigroup and Microsoft. The book also lays out exactly how any investor can use the discounted cash flow approach to valuing stocks, either by using a spreadsheet or making calculations by hand. Valuing stock still might not be quite as simple as the authors hope, but the book does give common-sense guidance to individuals who want to try their hands at beating the market. (McGraw-Hill, $29.95)

Rock singer Elton John has an uncanny knack for managing brand loyalty. Trained as a classical pianist, he marketed himself as a rock-and-roll singer to gain a wider audience, developed his glamorous sequined look to give himself better packaging, re-worked his image when he lost fans through bad publicity, and recorded with younger artists in a co-branding effort as he started to age. In *Brands That Rock,* Roger Blackwell and Tina



Bookshelf

Stephan present John's story alongside those of KISS, Aerosmith, Madonna, Neil Diamond, and The Rolling Stones to show how rock musicians are the ultimate purveyors of branding strategy. "Entrepreneurs looking to get onto retailers' shelves can learn from fledgling icons, such as Madonna, while existing brands can learn about maintaining shelf space from the Rolling Stones," they write. "Rock artists understand the role that repetition, accessibility, entertainment, and emotion have in creating band loyalty." The rock histories are fun, the lessons are real, and the whole package—as the Stones might say—is an exercise in satisfaction. (Wiley, $27.95)



"People have changed more than the business organizations upon which they depend," say Shoshana Zuboff and James Maxim in the opening paragraph of *The Support Economy*. "The chasm that now separates individuals and organizations is marked by frustration, mistrust, disappointment, and even rage. It also harbors the possibility of a new capitalism and a new era of wealth creation." As more and more consumers turn to contract employment, home schooling, and online medical diagnoses, technological advances have enabled them to pursue highly individualized lifestyles—and to demand a completely different type of customer care. Scoffing at the idea that incremental changes in corporate design will really solve the current crisis in capitalism, the authors posit a whole new brand of *enterprise logic,* or the deep structure that governs corporations and dictates the way transactions are handled. They don't predict an easy changeover into a new sort of capitalism, but they do believe a revolution is on its way. (Viking, $27.95)

Tales by 14 recent winners in the Global Student Entrepreneur Awards program make up the entertaining and quickly read *Student Entrepreneurs.* Each winner not only narrates the story of how he launched his or her company, but also expounds on the risks and rewards of being an entrepreneur. The young business owners include a commercial painting specialist, a motivational speaker, and the head of a summer storage service for college students. They discuss how to write business plans and garner media attention, as well as how to turn dreams into reality. Their enthusiasm is infectious. Says jewelry designer Courtney Hennessey, "I feel that in life if you can discover your niche—something that you truly enjoy doing—success will inevitably follow, and you have found one of the keys to happiness." The essays were compiled by winner Michael McMyne and edited by Nicole Amare. (Premium Press America, $19.95)

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EDUCATIONAL EBI BENCHMARKING

Spotlight

Leading by Example

Terry College of Business
University of Georgia
Athens, Georgia

Clockwise from top left: George Benson, dean of Terry College; Brooks Hall, one of three buildings that house the Terry College of Business; Chris Riordan, director of the Institute for Leadership Advancement; The Arch, a landmark that serves as the entrance to UGA's campus from downtown Athens; students in the inaugural 2003 class of the Leadership Scholarship Program.

When Dean George Benson came to the University of Georgia's Terry College of Business in 1998, he and the staff began to reevaluate its strategic approach to education. They concluded that it was of utmost importance to provide students with experiential leadership training.

As a result, in 2003 Terry College opened its Institute for Leadership Advancement and launched its Bebe and Earl Leonard Undergraduate Leadership Scholars Program, a two-year program targeted to juniors and seniors. The scholars program is highly competitive, drawing more than 100 applicants for approximately 30 slots. This fall, ILA will also launch a program targeted to MBAs.

Students in the scholars program are assigned faculty coaches who help them develop personal leadership action plans. The program also incorporates regular leadership assessments and feedback, internships, and opportunities for students to shadow high-level executives. "The coaching component is a unique aspect of the program," says Chris Riordan, ILA's director. "All of our undergraduate scholars are assigned a coach responsible for their personal development for the year. Executives in the program are assigned an executive coach."

ILA students take specialized courses in leadership and can pursue the Interdisciplinary Certificate in Personal and Organizational Leadership. They also participate in community service projects—students in the inaugural 2003 Leadership Scholars Program, for instance, worked with Project Safe in Athens, a nonprofit organization that helps victims of domestic violence. Students upgraded its bookkeeping software, improved its financial tracking systems, updated its Web site, researched grant opportunities, and helped establish a thrift store to generate additional revenue.

ILA's Undergraduate Certificate in Leadership Program is open to students throughout the university. Students complete three required courses and are invited to attend the Leadership Speaker Series and utilize online resources and assessment tools. The executive leadership programs, offered through open enrollment or customized courses, hone corporate officers' leadership skills. Finally, the Leadership Research Consortium arranges for business leaders to work with faculty on specific leadership problems. In one project, a national company came to the consortium to discover the best way to improve its inclusion climate in its Southern region.

"Usually when a school establishes an institute or department, it becomes a detached silo of sorts," says Benson. "We didn't want that, so we made sure that faculty across the college were engaged in the leadership program." As a result, 45 of 110 regular faculty now participate.

The program already has received $7 million in funding, on the way to meeting its $25 million target. Its future goals, says Riordan, include launching a major marketing campaign and providing grants to educators whose research on leadership can provide hard data to business.

"We give students the skills they need to be leaders the first day on the job," Benson adds. "We want to create a vision for the students to strive for from the moment they enter our doors. We work hand-in-hand with them to realize that vision."