INTRODUCTION
Global financial crisis: future challenges for strategic leadership, deans and business schools

GLOBALISATION AND THE GLOBAL CRISIS

The world has been changing dramatically over the past two and a half decades, and this dynamic is only becoming more profound and faster. The global financial and economic crisis has marked the end of a stage in globalisation characterised by a thrust towards worldwide integration primarily on the basis of technical and scientific phenomena – breakthrough information and communication technologies as well as the emergence of biosciences, to name just a few. Part of the foundations for the 'global village' announced by pioneers in the 1980s has already been built. The current landscape is far from perfect, though, and we still have a long way to go if we want this to be a time of development and progress for all humankind.

The revolution in the twenty-first century hinges on essentially 'technical' drivers, and society has adjusted its organisation, customs and habits mostly in a reactive way, which has had the effect of bringing about – along with unimaginable advancement opportunities – significant social challenges and dilemmas. Only a handful of institutions have managed to redesign themselves, while not nearly enough new organisations have been created to address the issues stemming from this new scenario, with its local–global tensions in social life.

Economic activities in general and business companies in particular have been the first to plunge into globalisation. However, as

Some of the ideas in this chapter are heavily influenced by work with Julie Davies, a Warwick Ph.D. student; see Davies and Thomas (2009).

far as management is concerned, and as noted by Ghemawat (2007), among others, it may be more accurate to refer to this phenomenon as 'semi-globalisation' (Thomas, 2009). Although many business issues have become global, not all enterprise operations are handled globally. In general terms, it is safe to say that capital markets and labour-intensive product or service manufacturing centres have gone global – that is, they operate in a delocalised fashion, with globally oriented standardisation. However, there is still widespread evidence of how relevant 'local idiosyncrasies' are for consumer habits and behavioural patterns – not to mention other management issues closely associated with investment decisions and organisations' interactions with communities in the markets where they operate.

Amidst this semi-globalised setting of recent decades, management education and, in particular, business schools have come under strong pressure to adapt their knowledge creation and teaching practices to the new realities of business. Schools have responded proactively to these challenges – sometimes more effectively than others. It is crucial for these adjustments not only to be made swiftly but also to contribute academic rigour and relevant value to business executives.

However, although this significant effort has resulted in unquestionable progress, the economic crisis unleashed in 2008 – brought about mostly by key management actors, such as the financial and real estate sectors – has revealed that current business practices still fail to adequately address the dilemmas brought about by 'semi-globalisation'. In fact, this global crisis has built momentum for management education in general and business schools in particular to revisit and reshape key aspects of their core activities: research and teaching.

Indeed, it is important for management educators to realise that the nature of this crisis is unprecedented, and that it has very profound, deep and path-breaking implications (Bisoux, 2009). Consequently, the foundations of business practice are being questioned and re-examined very closely on several dimensions of global change, namely the relationship between government and business, the role of emerging markets in the global economy and the phenomenon of increasing ecological awareness in society. For example, the long-standing belief that open and deregulated markets know best has been discredited. A new era is emerging in which there will be closer collaboration between business and government and more heavily regulated markets at a national/global level. There will be a shift from the US/western European model of capitalism to a more enlightened, multicultural and responsible version. This new model will, necessarily, adapt to changes in the rules of the game because of the presence and increasing power of emerging economies (such as China, India and Brazil) and the critical need for beneficial global investment in sustainable technologies and ecological preservation.

In all its complexity, therefore, the current financial crisis requires a considered and carefully thought-through response, and it has also rekindled the debate on the mission of business schools. This could be an exceptional opportunity to reshape and improve the image and the core purpose of management education, reorienting it beyond the acquisition of indispensable knowledge and skills towards, for example, lifelong learning processes. Business schools should take a more committed look at providing programmes for alumni to periodically take time off in order to reassess their own professional goals and their contributions to the advancement of society as a whole.

Sadly, as the world was marching towards globalisation, the ambitions of new Master of Business Administration (M.B.A.) graduates seemed to zero in on salary and bonus rewards rather than on building long and reputable careers in management. With the current financial crisis shining an unforgiving light on managerial practices, M.B.A. programmes have come under heavy fire for their flawed contribution to business leaders' education. To turn this experience into a growth opportunity, business schools should concentrate on improving their academic offerings – particularly with respect to

M.B.A. and executive education programmes – so as to reinstate the value of management education as a lifelong endeavour.

With higher salaries as the dominant driver for the choice of an M.B.A. programme (and enshrined in the rankings methodologies used by, for example, *The Financial Times*) and almost 50 per cent of top schools' graduates taking jobs in the financial industry in order to enjoy its extremely generous bonuses, business schools seem to have turned a blind eye to signals warning of a disturbing imbalance between technical knowledge and personal judgement development in their overall value offerings. Over time, managers face ever more complex business responsibilities, and young executives grow older and wiser. As a result, M.B.A. and executive education programmes present a unique opportunity to embrace the notion of 'career management' as a 'lifelong learning journey', incorporating several stops along the way to reflect on achievements and failures, to learn about new challenges and to provide chances for renewed commitment to loftier aims.

'A diploma should expire every ten years,' said the dean of a top business school a while back. To have competent corporate leaders, and not short-sighted decision-makers who miss the higher purpose of management, business schools should teach students that business leadership roles require sound judgement based on a comprehensive, long-term perspective that complements knowledge and managerial skills.

At Harvard Business School's (HBS's) recent M.B.A. commencement ceremony, the dean, Jay Light, and James Dimon (HBS M.B.A. 1982), chairman and chief executive officer (CEO) of JP Morgan Chase, also focused on career management and lifelong learning as a cornerstone of professional growth, reminding future graduates of the importance of building a personal brand for hard work, integrity and trust. Similarly, at IESE Business School's M.B.A. commencement ceremony a year ago, Narayana Murthy, chairman of the board of Infosys Technologies, said: '[L]ive your life and lead your professional career in a way that makes a difference to your society. It is in such foundations that great business leaders and organisations flourish.'

Setting out to steer young professionals towards personal-value-driven lifelong careers does not exempt business schools from revising their programme curricula in the light of recent developments. In fact, many institutions are, rightly, reinforcing and updating their courses on ethics, business and society so that they emphasise the following values: long-term value creation, not short-termism; leadership and corporate responsibility; compensation systems and their impact on short- and long-term value creation; a broad and 'systemic' perspective on risk; corporate governance, board composition and responsibilities; and an awareness of shareholders' rights and obligations as ultimate company owners. Further, some have developed a critical course in the lessons of business, economic and financial history in order to understand past mistakes and answer the question of how, and why, basically good people did really bad things in the recent crisis.

Indeed, students have begun to recognise the need for a deeper purpose and set of values for their professional career. Rather than have an image as 'resilient wreckers' who wreaked such havoc in the economy over the past two years, M.B.A. students are jumping aboard a campaign led by Professors Nohria and Khurana at Harvard to turn management into a formal profession (Khurana and Nohria, 2008; *The Economist*, 2009b). Recently a large group of Harvard's second-year M.B.A. students promoted an oath before their graduation to 'serve the greater good', 'act with the utmost integrity' and guard against 'decisions that advance my own narrow ambitions, but harm the enterprise and the societies it services' (*The Economist*, 2009a: 70).

In short, globalisation has finally reached a stage at which it should address human reality in all its dimensions, setting boundaries for standardisation and rising to meet the challenges posed by diversity. There is no question about it: business schools should enlighten the path to globalisation with new knowledge, educating corporate leaders to work in a world that is essentially different from that of the late twentieth century.

CHANGING MODELS AND CONTINGENCIES

This is clearly the moment for business schools to do more, and undertake a major review of the future evolution of the business school and its curriculum. Perhaps a global commission, on the lines of the original Ford and Carnegie Reports of the 1960s but with a truly international set of business school leaders as authors, should be formed for this purpose.

Indeed, there is at present a wide-ranging debate in management education about how to move forward. For example, Carolyn Woo, dean at the Notre Dame Business School in the United States, stresses that 'this is definitely an opportunity for business schools to do more to make ethical thinking part of the fabric of their curriculum' (Adenekan, 2009). Antunes and Thomas (2007) observe that European business schools provide more heterogeneous offerings than the dominant US model, which has been widely adopted (see also Pfeffer and Fong, 2002). For Europe, Durand and Dameron (2008) challenge the current dominant model that has made North America the Mecca for management education by advocating the adoption of the 'catching up' mode with a 'differentiating' strategy. In the United Kingdom, Starkey has called for business schools to learn from the lessons of history in terms of past mistakes in business and leadership, and to create a model of the M.B.A. that goes beyond merely being a passport for careers in 'hedge funds, private equity, investment banking, venture capital and consulting' (Starkey, 2008). He argues that 'business schools will need to reflect on…how management education has contributed to the mindset that has led to the excesses of the last two decades… They will need to cultivate an appreciation of the role of the state and of collective action to counter the fixation on…greed and selfishness… *The Financial Times* also has a role to play [in changing values and attitudes]'. Its league tables (of full-time M.B.A. programmes) are heavily biased to the salary returns that accrue to M.B.As. who join these 'professions'. 'It is time to develop a more robust measure of what constitutes effective, sustainable management education,' he continues.

Starkey also (2009) believes that 'the economic sidelined the behavioural' and business schools must take greater account of ethics and aesthetics in the curriculum. Arnoud De Meyer, dean of Judge Business School, has added to the debate from a UK-based dean's viewpoint: 'We will have to rethink the basis of finance, we will need to understand how to adjust globalisation to a more regulated world. We need to give our students more insights into what the new role of business in society will be and how business has to take the rest of society more into account in its strategies' (Bradshaw, 2009a). Joel Podolny, a former dean of Yale School of Management, argues for US business schools to:

- integrate a range of academic disciplines to connect analysis with values;
- team-teach with hard and soft skills;
- promote qualitative research;
- abandon rankings based on graduates' salaries; and
- enforce a code of conduct.

He warns that, 'unless America's business schools make radical changes, society will become convinced that M.B.As. work to service only their own selfish interests' (Podolny, 2009). It is timely that Ferlie, McGivern and Moraes (2008) argue for a public interest business school model focused on social science and issues of 'major public importance'.

In the future the business school curriculum should offer students a value proposition beyond status and salary. It will have to set new goals and directions so as to ensure that it has a new, more exalted mission as a professional school (not as the football team of the university), acting as a conscience for business and focusing on how it can contribute to creating a better world by examining issues such as health, poverty, the problem of the growth of cities and sustainability. As Harney (2009) puts it, 'Business schools must develop a duty of care to those most valuable in the economy – workers – by teaching responsible business practices that help sustain and develop secure employment, that value other ways of life beyond the dragons. Only then will they be truly professional.'

LEADERSHIP CHALLENGES FOR DEANS

However, those of us who are part of the management education industry – all the more so if we have any experience in its governance and development – know that it is necessary to strengthen and professionalise the leadership in business schools so that they can respond swiftly and effectively to the new challenges of this century.

It is crucial for any organisation – and especially for those having a decisive impact on business management, such as business schools – to fully understand their specific leadership dynamics. Understanding the 'context' is easily recognised as a critical competence for deans, presidents and CEOs, as they are ultimately responsible for setting and executing strategic direction in their organisations. There is widespread consensus on the need for this expertise regarding the understanding of markets, consumers, competitors, etc. Nonetheless, the ability to understand specific idiosyncratic organisational traits, such as key people, developments, cultural aspects, systems and processes, seems to be less obvious and relevant. This view of leadership takes into account the determinant traits of each organisation – its internal context – as well as the salient and critical features of its external setting (competitors, customers, regulatory agencies, economic conditions, etc.). With this well-rounded outlook on the organisation, it is possible to link leadership and strategy, embodying strategy and providing leadership with an organisational context as well as a time frame.

The literature on academic deanship (not specific to business schools) presents some interesting insights. For example, Rosser, Johnsrud and Heck (2003: 2) have studied some of the metaphors applied to the multiple roles that deans perform: 'Deans have been variously described as "doves of peace" intervening among warring factions, "dragons" holding internal and external threats at bay, and "diplomats" guiding and encouraging people who live and work in the college' (see also Tucker and Bryan, 1991: ix). Gmelch (2004: 75) has extensively researched the changes happening to the role of deans in the United States and Australia, noting their Janus-like identity: 'They mediate the concerns of the university mission to faculty and at the same time try to champion the values of their faculty… [T]hey must learn to swivel without appearing dizzy, schizophrenic, or "two-faced".' Fagin (1997: 95) also sees the ambidextrous professional school dean 'as a person and position in the middle'. This suggests new forms of organising for the dean in 'hyper-turbulent' times to cope with managing at the 'edge of chaos' (Smith and Graetz, 2006).

More pragmatically, Starkey and Tiratsoo (2007: 55) portray the increasing complexity of the role of the business school dean over time: 'Forty years ago running a business school was something that a senior professor might well take as a matter of duty shortly before retirement. Nowadays deans almost constitute a profession in their own right, a cohort with unique and specialist skills… Deans may be likened to sports coaches, hired to improve performance, fired at will, but with one eye always on building their own careers… [T]he truth is that financial performance now largely makes or breaks a dean's reputation.' Symonds (2009) also highlights the dean's increasingly difficult position during a recession: 'There was a time when becoming the dean of a major business school was like winning the lottery. It meant a comfortable gig with good pay, prestige, the opportunity to mix with the great and good of business, politics and academia and, perhaps best of all, the kind of job security enjoyed now only by popes. In today's credit crunch world, however, things are very different.' On the other hand, successful schools tend to be led by first-rate academics. Indeed, Goodall (2007) finds that the leading business schools are led by top scholars who, through their background, signal their clear understanding of the culture of academia and their awareness of what it takes to be an intellectual leader and director of a business school.

In a recent business school research study, Davies and Thomas (2009) seek to answer the question 'What do business school deans do?'. It seems they perform a complex job as a buffer between the business school and the central university and the external world. They are delivering the bottom line for the vice chancellor, straddling academia and management professions, acting as a managing partner in a professional service firm (PSF) or knowledge-intensive firm (KIF), building a brand, raising their position in league tables, gaining business school accreditations. In addition, internally they have to build teams, consult, energise, create positivity, align staff around the strategy, recruit and nurture talent, communicate, make tough decisions, develop social and relational capital and make connections. They keep sane by being sufficiently disengaged to have their own identity and outside interests, not taking themselves too seriously.

However, frustrations expressed by deans included internal bureaucracy, not being able to hold individuals to account for performance in universities and the lack of big debates on new models of business schools because of a focus on compliance with accreditation bodies. Triple accreditations, relentless rankings (*Financial Times*, national student survey, Research Assessment Exercise (RAE), etc.) and the recession may move business schools away from innovation and distinctiveness towards mimetic institutional isomorphism (DiMaggio and Powell, 1983: 147) with 'processes that make organizations more similar without necessarily making them more efficient', and towards the rewarding of dysfunctional behaviour (Kerr, 1995). Devinney, Dowling and Perm-Ajchariyawong (2006) note in this respect how the annual *Financial Times* rankings define competition between business schools, which, in turn, may lead to dysfunctional strategies in pursuit of 'successful' rankings, as suggested by Khurana (2007) in his observation about the 'tyranny of rankings'. For example, schools may divert surplus resources (whether from