1 Background and conceptual framework

I think the biggest issue and opportunity is globalization. As business becomes more global, and our students and faculty more international, we need to build on the efforts we've launched and seek new ways to prepare students to lead in a globalized world.

Jay Light, dean, Harvard Business School[1]

KEY POINTS

- The growth and complexity of businesses today is spurring strong growth and fierce competition in the executive education segment.[2]
- Companies and executives want development opportunities that are grounded in real life.
- In order to maximize academic value, business schools must adopt an interactive, two-way learning approach where propositional knowledge meets prescriptive knowledge.
- This interactive, two-way learning partnership benefits all involved – practitioners and professors alike.

INTRODUCTION

The challenge for business schools is to create value for their learning partners by establishing the critical link between real-life issues and

[1] As quoted in R. Thompson, "Light years ahead," *HBS Alumni Bulletin* (September 2006).

[2] See, for instance, R. Khurana, *From higher aims to hired hands: The social transformation of American business schools and the unfulfilled promise of management as a profession* (Princeton: Princeton University Press, 2007); T. Durand and S. Dameron, *The future of business schools, scenarios and strategies for 2020* (Basingstoke: Palgrave Macmillan, forthcoming); R. Gupta, S. Tomar and S. Sharma, "Challenges for management education: Evolving strategies for low end B-schools," *Journal of Educational Planning and Administration*, 10, 3 (July 2006), 321–332. See also E. F. Gay, "The founding of the Harvard Business School," *Harvard Business Review* 4 (1927), 397–400.

research-based management insights. While this viewpoint may be quite commonplace nowadays, it is still rare to find schools that do it well. Too often, even those schools with the best intentions have failed to translate their ambitions into action. They frequently treat the teaching of executives as a one-way process, talking "to them" rather than "with them." They have not grasped how to deliver their research findings in more meaningful and interesting ways so that practicing managers can internalize them and apply them to their real-world situations. And they do not see the critical two-way link between research and teaching where academics and learning partners enrich one another's understanding – one must "lead *and* be led,"[3] be "in front of the cart *and* behind it!" This applies to academics and practitioners alike.

The growth and unparalleled complexity that businesses are experiencing today will undoubtedly continue to stimulate strong growth and fierce competition in the executive education segment. In order to meet the needs of business and remain competitive in the marketplace, it will be critical for business schools to adopt a strategy that links research and teaching in such a way that the academic value is maximized for all sides of the learning partnership. As Lars Engwall, a renowned professor and researcher at Uppsala University in Sweden, and a leading scholar on the historical development of business schools, states,

> It should be evident . . . that management education could be considered a growth industry globally. It has been stimulated by the economic development since industrialization, and the following emergence of complex organizations with increasing needs to coordinate physical and financial flows in an effective way. It has also been part of a general tendency in many countries to increase the ratio of the population with academic degrees. In this process, management education has had the

[3] N. Kumar, L. Scheer and P. Kotler, "From market driven to market driving," *European Management Journal* 18 (2000), 129.

> advantage to be relatively cheap, in comparison to programs in engineering, medicine, etc. It has also been attractive to students, since it offers wide opportunities for employment. Management concepts have even been spreading to such an extent that they are used in various contexts in the professional as well as the private lives of modern individuals.[4]

The tremendous thirst for management concepts is evidenced by the huge growth in popular business books over the last two or three decades. While managers have become much more empowered by the information and opportunities available to them, many business schools have not kept pace. This raises some fundamental questions that this book attempts to address:

- How can research and learning in the classroom come closer together? How can the *speed* of research findings going into the classroom be improved?
- How can a more innovative culture be created in today's business schools? This could include learning from modern corporations such as IBM, 3M, Procter & Gamble and others!
- How can we break down conservative barriers in order to stimulate more experimentation so that the business school's value proposition can be continually strengthened – "making good even better"?

Some scholars have argued that business schools are too often intellectually shallow.[5] Khurana, for instance, has undertaken a comprehensive study of the evolution of American business schools.[6] He

[4] L. Engwall, "The anatomy of management education," *Scandinavian Journal of Management* 23 (March 2007), 4–35.

[5] R. A. Gordon and J. E. Howell, *Higher education for business* (New York: Columbia University Press, 1959); H. Mintzberg, *Managers, not MBAs: A hard look at the soft practice of managing and management development* (San Francisco, CA: Berrett-Koehler Publishers, 2004).

[6] R. Khurana, *From higher aims to hired hands: The social transformation of American business schools and the unfulfilled promise of management as a profession* (Princeton, NJ: Princeton University Press, 2007).

feels that the strong focus on the MBA students-cum-customers, found in many business schools today, has led to too much emphasis on how to maximize short-term economic success for these students. He argues that the more fundamental intellectual and moral training of leaders must now be readdressed. The standards of the management profession must be elevated.

Augier and March, in their "The pursuit of relevance in management education," argue that ambiguity and myopia put real constraints on finding relevance. Hence, they argue instead for attempting to find meaning and trying to strive for essence, even beauty.[7] When business schools become too far removed from real-life practice, they conflict with the day-to-day reality of managing, and this leads to irrelevance and even, as some have argued, the destruction of good managerial practice.[8]

CONCEPTUAL FRAMEWORK: CREATING ACADEMIC VALUE

> Too focused on "scientific" research, business schools are hiring professors with limited real-world experience and graduating students who are ill equipped to wrangle with complex, unquantifiable issues – in other words, the stuff of management . . . Some of the research produced is excellent, but because so little of it is grounded in actual business practices, the focus of graduate business education has become increasingly circumscribed – and less and less relevant to practitioners.[9]

As the business environment becomes increasingly complex, executives and corporations are becoming more and more demanding. In order to cater to their development needs, business schools must acknowledge that a "learning partnership" approach is far more effec-

[7] M. Augier and J. G. March, "The pursuit of relevance in management education," *California Management Review* 49 (Spring 2007), 129–146.
[8] S. Ghoshal, "Bad management theories are destroying good management practices," *IEEE Engineering Management Review* 33 (2005), 79.
[9] W. G. Bennis and J. O'Toole, "How business schools lost their way," *Harvard Business Review* 83 (May 2005), 96–104.

tive than the traditional "we teach you" way of doing things. Therefore, they must adopt a more interactive, two-way learning approach that links research with practice. Why should business schools strive to achieve the critical link between research and real life in the classroom? First, it is a matter of necessity! Second, it is also a matter of further enhancing the level and speed of academic value-creation by building on this two-way link in the classroom. This exchange between professors and state-of-the-art practitioners results in a more rapid progression of insights for all involved than can be achieved through more classic approaches to research.

So how do business schools create academic value in their key academic programs? It is critical that they focus on their learning partners when it comes to setting the research and teaching agenda. They must address the current challenges that companies have to deal with. In doing so, they need to recognize that executives are typically facing multidisciplinary management issues that are, in general, no longer served by the narrow axiomatic research conducted in the more discipline-oriented silos of traditional business schools. At the same time, it is clear that learning partners (the market) come to business schools to "learn the latest" and be "conceptually inspired." Consequently, business schools need to find the right balance between being market driven and conceptually driven. The latter comes via insightful research that brings new and challenging thought leadership to the table.

In his book, *The gifts of Athena*, Joel Mokyr describes two types of knowledge: "propositional" knowledge (the "what") and "prescriptive" knowledge (the "how").[10] Propositional knowledge is focused on understanding and developing basic laws and models. Of course, we realize that in business there are few, if any, definite laws. Instead, the laws in business represent the fundamental truths by which business operates at a particular point in time. Mokyr calls this Ω (omega)

[10] J. Mokyr, *The gifts of Athena* (Princeton, NJ: Princeton University Press, 2002). Please note that Mokyr and his thinking are mentioned many times throughout this book. In each case, these references are to *The gifts of Athena*.

knowledge. For example, the widely tested "five forces" model of Michael Porter – the most influential scholar in the field of strategy over the last three decades – is an example of propositional knowledge.[11] Many of the efforts in academia to add empirical insight fall into the category of propositional knowledge.

Prescriptive knowledge, by contrast, is gained through experiencing, understanding and developing techniques to manage specific situations. It can be found in many "How to . . ." management books by practitioners. In business strategizing, for example, prescriptive knowledge could be illustrated by the saying, "Strategy means choice!" It has not been tested, nor is it testable, but it represents good business practice. Of course, business will always be evolving, and executives will continue to develop new prescriptive knowledge and techniques. Mokyr calls this λ (lambda) knowledge.

According to Mokyr, the interplay between these two types of knowledge – propositional and prescriptive – is essential. They complement each other and the continuous interaction between them sets the stage for positive change. These complementary sources of knowledge – Ω and λ – must meet each other in an iterative process.

In applying Mokyr's thinking to management education, we can see thus that when the two types of knowledge are brought into the classroom – the prescriptive knowledge, primarily by the participants through good practice, and the propositional knowledge, primarily by the faculty through research – they reinforce each other, provided they are introduced at the appropriate time and in the right balance. This approach requires dialogue, as it involves blending new academic knowledge with the tried and tested actions of practicing managers in a dynamically changing world. A give-and-take attitude and the ability to listen and reflect will be key. In reality, managers, as well as faculty, develop propositional knowledge all the time, and they bring this knowledge into the classroom.

[11] M. Porter, *Competitive strategy* (New York: The Free Press, 1980).

And faculty, through their consulting, case writing, coaching and facilitating activities, develop prescriptive knowledge. Thus, in reality, *both* managers and professors develop both categories of knowledge, and they must both be mentally set to lead and to be led. This has important implications for teaching and research. To be truly cutting edge, teaching must be research based, with propositional knowledge as part of it – thought leadership! And research must be exposed to strong practicing managers so that the research insights themselves evolve. Indeed, research now takes the form of grounded theory building,[12] i.e. the creation of grounded rationality in a more meaningful way.

While the academic value-creation model we propose – where practical research "meets" the best of practice – will typically be well adapted to executive development program settings, this academic value-creating model could also easily apply to other more traditional academic settings. For MBA programs, for instance, the key would be to develop an eclectic program design and then attempt to attract participants who are more experienced. Even for a PhD program, the approach may have merit as long as such a program has a cross-disciplinary focus rather than the axiomatic bent that these programs usually have. Ideally, the PhD candidates would have a fair amount of managerial experience, again in contrast to the typical PhD student, who is typically young and "right out of school." But, the question in the end would be: Who would hire this breed of doctoral students?

Even when it comes to undergraduate programs, there might be benefits from being inspired by our learning model. For instance, key courses could be cross functional and co-taught by professors with different disciplinary backgrounds. A core course in ethics, for example, might draw on faculty from business, public management, divinity, history and classical philosophy. The students, although typically not

[12] B. G. Glaser and A. L. Strauss, *The discovery of grounded theory: Strategies for qualitative research* (Chicago, IL: Aldine, 1967).

as experienced as executives, might come from various genders, backgrounds and nationalities – thus enriching the experience base.

Analogies to Mokyr's proposition regarding intellectual value-generation can also be seen in business practice and business research. New product innovations often seem to come about as a result of interactions with *lead* customers. And the prototype is often improved upon based on the knowledge sharing that takes place between the supplier and the customer. We can find several similar examples in business:

- Procter & Gamble's (P&G) innovation model – Connect and Develop – now accounts for 35 per cent of P&G's innovations. The central idea behind this approach is to use external sources to seek out ideas for new products. According to Huston and Sakkab, both P&G executives, "For most companies, the alternative invent-it-ourselves model is a sure path to diminishing returns."[13]
- Toyota, with its "Toyota way," seems to work with lead customers to develop better products, faster! The company is a master of "Kaisen" – continuous improvement. Barwise and Meehan discuss this in their recent book – *Simply better*.[14] They also have a detailed description of how the Scion, after being launched in the US, was then further improved through a process that involved close interaction with key customer groups. This process enabled Scion to become a great success and the learning was transferred to other brands and launches, notably Lexus and Trundra.[15] Dialogue, give and take, listen and learn have been key factors in Toyota's success.
- At Google, they are fast at generating new products and new ideas and getting fast feedback from their customers to improve them.

[13] L. Huston and N. Sakkab, "Connect and develop: Inside Procter & Gamble's new model for innovation – overhaul your approach to innovation, or get out of the race. It's that simple – and that urgent," *Harvard Business Review* 84 (March, 2006), 58.

[14] P. Barwise and S. Meehan, *Simply better: Winning and keeping customers by delivering what matters most* (Boston, MA: Harvard Business School Press, 2004).

[15] P. Barwise and S. Meehan, *Customer insights that matter* (forthcoming).

When there is acceptance of the new product or service, usually after several iterations, it is rolled out on a full scale. Google sees this process as an opportunity to learn rapidly – it is not afraid of failure. As a result, Google is able to come up with an impressive array of innovations, at a rapid pace!

- LEGO is another example of a company that emphasizes customer feedback as part of its innovation model. Devoted LEGO users can design, share and buy their own customized LEGO models through the company's website – factory.lego.com. This has become a strong source for LEGO's product development – and it is particularly effective.

Eric von Hippel and his colleagues may have been the first to come up with the concept that innovations tend to take place by working closely with lead customers, or "lead users" as they call them.[16] More recently, Von Hippel has published his further ideas on "democratizing innovation," where he discusses how lead users develop new products and services for themselves – user-centered innovation.[17] Again, networking with, and listening to, key users can provide valuable new insights!

All of this, taken in the aggregate, is perhaps consistent with Mokyr's thinking and perhaps analogous to the knowledge sharing that goes on at IMD, where tentative new ideas largely from research *meet* a lead group of executives from all over the world. This interaction is central to IMD's academic value-creation.

A BRIEF HISTORY

We can go all the way back to Aristotle, who classified two types of knowledge – knowledge characterized by certainty and precise explanations (e.g. mathematics) and knowledge characterized by probability and imprecise explanations (e.g. human behavior).

[16] E. von Hippel, S. Thomke and M. Sonnack, "Creating breakthroughs at 3M," in *Harvard Business Review on Innovation* (Boston, MA: Harvard Business School Press, 2001).

[17] E. von Hippel, *Democratizing innovation* (Cambridge, MA: MIT Press, 2005).

Aristotle did not demand certainty in everything – he emphasized the interplay between the two types of knowledge!

Alternatively, we can adjust our clocks radically forward, and examine the changes that are taking place in how R&D is done in industry, as reported in *The Economist*, on March 1, 2007.[18] There is no longer the split between "R" and "D," no "handover," no dichotomy, but seamless interaction. This new world of research must thus satisfy the consumer, and a short "time-to-market" will enhance downstream innovation. Again – in line with what both Mokyr and Aristotle propose – it is the *interplay* between two phenomena that creates value! Many trends point to this type of interplay – another key point of this book!

But, before continuing, and in order to understand how today's business schools took shape, it may make sense to review their origin briefly along with several important developments along the way. This may shed further light on today's business schools specifically, and academic institutions, such as universities, more generally. The key will be to explore how business schools can build on these developments to create success.

THE TRADITION

The modern university was conceived in 1804 by Alexander von Humboldt, who developed a blueprint for the University of Berlin. This encompassed the creation of functional, discipline-based, axiomatically driven departments, a strong hierarchy of professorial titles, ranks and promotion criteria, and a heavy focus on research, albeit within each specific discipline. Teaching was research-driven in such a way that the discipline-based viewpoints were brought to the classroom by the professor, typically in a one-way exchange, i.e. in what might be characterized as an "inside-out" learning process.[19]

[18] "The rise and fall of corporate R&D: Out of the dusty labs," *The Economist* (March 3, 2007).

[19] W. Rüegg (ed.), *A history of the university in Europe*, 3 vols. (Cambridge: Cambridge University Press, 2004), vol. III.