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978-0-521-89722-8 - Thought Leadership Meets Business: How Business Schools can Become More Successful

Peter Lorange

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“Business schools have become an international business. Professor Peter Lorange has been at the forefront of this internationalization and his experiences at IMD have given him a unique perspective on anticipating the future of global business and designing business schools accordingly. Senior leaders at the top schools will find this to be an insightful and stimulating book.”

Thomas S. Robertson, *Dean, Wharton School,
University of Pennsylvania*

“Business schools are often criticized for being out of touch with the profession they were created to serve. At IMD, however, Peter Lorange and his colleagues have created a unique, highly successful business school that is tightly focused on making good managers better. In this fascinating book, Peter explains clearly how IMD works and why it works that way in order to serve professional managers. While the IMD model is not for everyone, this book is a ‘must-read’ for all who care about the future of business education.”

Richard Schmalensee, *Former Dean,
MIT Sloan School of Management*

“This book explains the IMD way regarding executive education and business schools’ value creation – our experience of working with IMD has shown this to be a powerful and effective approach.”

Hugh Mitchell, *Director of Human Resources, Royal Dutch Shell plc*

“Academic leadership is like being an entrepreneur! This is behind Peter Lorange’s success in bringing IMD to the forefront. This book will be an inspiration to other academic leaders to also do this.”

Muhtar Kent, *President and Chief Operating Officer,
The Coca-Cola Company*

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“Under Peter Lorange’s leadership over the last 14 years, IMD has become a yet more formidable competitor. ‘Business’ isn’t so much the adjective but the noun when describing the IMD business school. In this straightforward text, Peter lays out how to manage human capital for strategic advantage. In doing so, he gives advice that serves leaders for whom ‘business’ is the both the adjective and the noun.”

Edward A. Snyder, *Dean, Graduate School of Business,
The University of Chicago*

“Nestlé and IMD have had a strong learning partnership for many years. I can personally attest to the value that we have both derived from the knowledge sharing that goes on between our two institutions. This book encapsulates the essence of IMD’s winning formula and will be of interest to both academic and business leaders.

Peter Brabeck-Latmathe, *Chairman and CEO, Nestlé*

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Thought Leadership Meets Business

For leading corporations, talent is perhaps the only truly sustainable competitive advantage. In light of this, leading international corporations need to be staffed by the best possible executive talent from around the world. This talent revolution places a burden on business schools to offer highly focused learning, based on current and practical research. In addition, business schools face fierce competition in this sector from corporate universities and Asian management education institutions. *Thought Leadership Meets Business* offers significant new insights into the factors that have led to the delivery of high-quality executive education at the top-ranking IMD. Drawing on the experience and wisdom gained by IMD President Peter Lorange over a distinguished career of more than thirty years, this book offers a powerful model for business school success.

This book will be of interest to business school leaders and educators, as well as policy-makers concerned with education.

PETER LORANGE has been president of IMD in Lausanne, Switzerland since 1993. He is Professor of Strategy and holds the Nestlé Chair. He was formerly president of the Norwegian School of Management and, before this, was affiliated to the Wharton School, Pennsylvania. Professor Lorange has written or edited 18 books and some 120 articles on the topics of global strategic management, strategic planning and entrepreneurship for growth.

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Thought Leadership Meets Business

How business schools can become
more successful

PETER LORANGE

President IMD, The Nestlé Professor



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Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo, Delhi

Cambridge University Press

The Edinburgh Building, Cambridge CB2 8RU, UK

Published in the United States of America by Cambridge University Press, New York

www.cambridge.org

Information on this title: www.cambridge.org/9780521897228

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First published 2008

Reprinted 2008

Printed in the United Kingdom at the University Press, Cambridge

A catalogue record for this publication is available from the British Library

ISBN 978-0-521-89722-8 hardback

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Foreword

I served as the dean of the Richard Ivey School of Business in Canada for five years in the 1990s. Like many other deans, I had not sought the position or had it as a career goal. Rather I was approached by the search committee and asked whether I would be willing to serve. I had only a couple of months to do some planning and to put in place the key members of our leadership team.

While being a business school dean shares many elements with other leadership roles, there are unique things about being a leader in an academic institution and, in particular, being a dean in a business school. A business school in a university has quite a complex set of knowledgeable and demanding stakeholders. In taking on the role, I had little relevant codified knowledge and experience to draw on other than my own casual observations and experience as a faculty member. It would have been a Godsend to have been able to benefit from Peter Lorange's thinking and experience as president of IMD.

Peter has been very successful in moving what was a good European business school in the early 1990s to one that is now widely regarded as one of the best in the world, particularly in the area of executive education. With very little growth in faculty numbers, he and the IMD team of faculty and staff have tripled the volume and quintupled the profitability of the institution. I have been fortunate to be a member of the IMD faculty team for about four years and to experience the later stages of this growth and success. While Peter always puts a lot of emphasis on the role of the "IMD team," I am convinced that without Peter's strong leadership, IMD's success would have been much less certain.

From my observations Peter Lorange has a very clear vision of where IMD is going – much better than most presidents or deans and

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he has been willing to make the tough decisions that have kept IMD very focused on achieving its objectives. He is widely seen as working tirelessly and very effectively at leading and executing IMD's strategy.

While there are certainly major differences in leading IMD to leading a business school in a largely publicly funded university, many of his ideas do have real applicability in that different setting. In my opinion this book is a "must read" for anybody in a leadership role in a business school or any other professional school.

Adrian Ryans

Former dean, Richard Ivey School of Business

and

Professor of Marketing and Strategy, IMD

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Preface

I have been involved in executive education for more than thirty years as a teacher, leader and strategist in schools all over the world, including Sloan, Wharton, Norwegian School of Management and IMD. Now, as I approach the next stage of my life, it seems like a good time to crystallize my thoughts on the subject.

In essence, I shall be claiming in this book that the “classic” business school operating model generally seems to be collapsing. I will identify the most important trends in business education that are contributing to this and give the reader food for thought regarding the optimal business model that an academic institution should choose in order to address these trends. While I do not claim to have all the answers on how the business school model should adapt, I do claim that my colleagues and I have developed a reasonably effective model, which uniquely positions IMD to address these trends, and can thus be of more general interest. Throughout the book, I will use examples from my IMD experience to illustrate and substantiate my points. This book will thus be intentionally biased toward and rather explicit in one way of running a school, perhaps in the same way that Sir Richard Branson might be if he were writing about Virgin. I believe the IMD way is a solid one, but even if the reader has no particular interest in IMD or the IMD examples that I provide, it is still worthwhile reading because no practicing manager or business academic can responsibly ignore the changing context for business school education. There are four main reasons for writing this book:

First, it deals with an important topic – executive education that delivers true thought leadership. For leading corporations, talent is perhaps the *only* truly sustainable competitive advantage. In light of this fact, leading international corporations need to be

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staffed by the best possible executive talent from around the world. Thus, this talent revolution has placed a burden on business schools to offer relevant learning, based on current and practical research, for leading executives-cum-learning partners.* Executive education that delivers true thought leadership has indeed become a key priority for many business schools. Many of these schools, however, fall short of the challenge to meet today's executive education needs. Classic organizational structures – often based on functional disciplines, hierarchy and the tenure tradition – can impede a business school's ability to adapt quickly to the new and emerging requirements of leading corporations. Many business school professors and leaders, as well as the administrative staff that support them, feel the conflict between the “old” ways of creating academic value, based on disciplines and set axioms, and the “new” ways of creating academic value, where professors and practitioners work together in a give-and-take mode, as learning partners. However, it is probably the new mode of academic value-creation – a “lead *and* be led” mode – that is the most likely to prevail. If so, this will have a profound impact on how the business school of the future is organized and managed.

Second, there is a shift taking place in global economic power, and this, too, will likely have an enormous impact on business schools. Traditionally, the locus of economic wealth creation has been in the West – the United States and Europe. Much of the common knowledge taught in business schools can be traced back to business practices from these areas. Today, however, the locus of economic growth has shifted to Asia. Japan has long been the second-largest economy (in terms of GNP) in the world. China is

* The term “learning partner” is used quite extensively throughout this book in place of students, participants, sponsoring companies and clients. We have chosen this term because we believe that two-way partnerships lead to the most effective learning. For the sake of simplicity, however, we have sometimes referred to our learning partners as students, participants, sponsoring companies and clients. While these terms can signal a one-way relationship where the business school's agenda is imposed, this is not in line with the key messages in this book. When we use these terms we are thinking of them as learning partners.

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increasingly playing a more prominent role, and India and Southeast Asia are on the rise. But are the theories being taught in most business schools reflecting this shift and its underlying paradigms? The answer is no. Most business schools are still researching and teaching “Western” business practices. However, we expect that Asian-rooted business paradigms and thought leadership will become relatively much more prominent. This book discusses how business schools might cope with this challenge.

Third, to the best of my knowledge, this book is conceptually sound and relatively well tested. I have had the benefit of being the president of IMD for the last fifteen years. Before that, I was the president of the Norwegian School of Management for four years, and department head at the Wharton School and head of both the Lauder Institute and the William H. Wurster Center for International Management Studies – at the University of Pennsylvania – for several years. My experiences in all of these roles constitute the “testing ground” for this book. One limitation is that the book is based primarily on my own experiences – that is, it is not empirically tested *per se*. However, it is important to recognize that this thirty-plus-year journey represents the type of incremental, scientific insight building that I am proposing throughout this book. Above all, over time, I have brought various thought leadership themes to the table, which then became the basis for dialogue with leading practitioners, who in turn shared their insights regarding how business schools should be run. For me, the book represents an evolution in my thinking. At Wharton, as chairman of the Management Department, I attempted to bring academics from several disciplines together, in effect to create a more cross-disciplinary, less department-based structure. I realized then that this can be both difficult and less than stable. At the Lauder Institute, which I chaired for two years, we created an alternative to Wharton’s main MBA program, which had more of an international focus and which enabled us to introduce the humanities, language and political science into the curriculum – the Lauder students were, in fact, awarded both an MBA and an MA degree! At the Wurster Center

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for International Business Research, which I chaired for three years, we attempted to foster cross-functional research in the arena of international business.

All of these experiences were valuable for me when it came to my ability to handle the position of president at one of Europe's largest business schools, BI-Norwegian School of Management. Here, it became apparent that market segmentation was key. More emphasis was thus put on executive education. BI also went through several mergers – and one of the key things I learned from that experience was that it is more important to emphasize the building of diverse strengths – rather than to create “winners” and “losers.”

My experiences at both Wharton and BI were of relevance to me in my role as president of IMD. They represented experiences that I could build on!

Fourth, this book has the strong potential for implementation. As well as outlining key implications for business schools, there are frequent practical examples from IMD – how we make things happen at this institution. Hopefully, this will aid individual readers in implementing solutions to the wide array of key issues they might see in their own institutions. Clearly, this would apply to leaders of business schools, as well as their staff. It may also have implications for the implementation of sounder learning strategies at corporate universities.

In 2002, one of my books, called *New Vision for Management Education: Leadership Challenges* (2002), was published. The present book is largely consistent with what I wrote then, although it represents a significant set of evolutionary developments, particularly when it comes to better understanding the critical role of research and the interplay between practical research and the learning going on with leading business partners.

I have also written a number of articles over the last few years, touching upon several issues relating to academic leadership. The most relevant ones are listed in Appendix II, with short paragraphs covering the essence of the content. While this book draws on several

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of these articles, some of them rather heavily, it is not a republication of existing articles. The content is largely original.

The target group for the book certainly includes business school leaders, but it is broader than this. University administrators as well as public policy-makers might also find the book of interest. Fundamentally, however, the book is also for all those who are responsible for people development in business – i.e., those who play roles as *partners* with business schools when it comes to people development agendas.

Let me cite finally a crisp, minimalistic philosophical statement from BIC, the Paris, France, based multinational that is active in various consumer products: “Honor the past – invent the future.” Jim Collins, in *Good to great* (2001), cites several companies that have adopted analogous philosophical statements. This stresses that one should try to see the value in what has been good in the past, so as to build on this for the future. This seems to me to be particularly critical when an organization is going through a leadership transition, which is the situation at IMD today.

BOOK OUTLINE

The book starts, in Chapter 1, by laying down the conceptual framework and then placing this in context by looking briefly at how business schools originated and evolved. In Chapter 2, we will examine the key elements that make an executive program an excellent experience for learning partners. Specifically, we will apply this to open and in-company programs as well as to MBA programs. In Chapter 3, we shall delve further into the critical role of research as a key driver for the type of academic value-creation we have proposed. Chapter 4 looks at the marketing activities a business school can undertake to reflect an institution’s commitment to two-way academic value-creation. Chapters 5 and 6 then go on to explore how business schools can develop institutional learning and a strategic human resources plan to ensure continuous intellectual growth and institutional learning for the benefit of all – academics and learning

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partners. In Chapter 7, we focus on the firm and its role in the learning partnership. Throughout the book, we see the importance of strong, professional, proactive leaders at the helms of business schools – as discussed in Chapters 1 through 6 – and also at the helm of corporations – as discussed in Chapter 7. The leadership tasks required for a business school will be discussed in more detail in Chapter 8. Finally, Chapter 9 summarizes what we see as the key success factors for business schools, the factors that perhaps have also brought IMD and its learning partners some success.

In order to drive home the key messages in this book, it is intentionally quite repetitive in places. And, as mentioned, there is a strong bias toward IMD, which I believe is a strength of the book. IMD is unique amongst most business schools, yet it has still been successful, which hopefully makes this case-based story a worthwhile one to tell. Throughout the book, I have attempted to generalize and state some implications. Some readers, however, might ask what they can take away from this. My sense is that, in the end, it will be up to each individual reader to reflect on what has been described and to translate the implications to their own situation, based on their own constraints.

ACKNOWLEDGMENTS

Many people should be thanked for contributing to the insights outlined in this book. I am particularly grateful to IMD's faculty for their continuing support, their exceptionally strong commitment to thought leadership and their continued willingness to engage in positive debate around how "good can be done even better." I have had the privilege of working closely with James Ellert, senior associate dean of IMD, for the past eleven years. He has taught me a lot and I am highly indebted to him. Knut Haanes, Walter Kuemmerle, Daniel Muzyka, Johan Roos and Adrian Ryans provided helpful comments on an earlier version of the manuscript. Beverley Lennox provided important inputs for the first draft of this book, based on the various articles listed in Appendix II, several presentations I have given and

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face-to-face discussions. She has also rewritten the manuscript based on my extensive inputs. Thank you for a good job, Bev! Lindsay McTeague has edited the manuscript, also in an outstanding manner. Eva Ferrari and Annette Polzer have done a lot of transcribing and typing. I am most thankful to all of the above for their inputs, support and encouragement.