Cambridge University Press
978-1-108-42971-9 — The Business School of the Future
Peter Lorange
Excerpt
More Information

1 Why Are Business Schools Generally So Static, and Why Is New Knowledge Needed?

> Adapt or perish, now as ever, is nature's inexorable imperative.
>
> H. G. Wells

> The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn and relearn.
>
> Alvin Toffer

Business schools are increasingly seen as being of key importance for the dynamic development of nations' economies. Educating new generations of strong leaders is key! Still, many business schools are relatively slow when it comes to embracing the necessary changes to deliver the types of qualities required today. It is, of course, far from easy to be effective when it comes to pulling off innovation. And, perhaps surprisingly for many business schools, it is particularly difficult to achieve. Why is this? This book is intended to shed light on this dilemma. My postulate is that the business school of the future must be particularly effective when it comes to self-transformation. In the course of the book, I will suggest a number of ways in which this ability to innovate might be strengthened in the majority of business schools.

A recent article in the *Economist* highlights some of the typical dilemmas experienced by those seeking a university education these days (*Economist*, 2018). While taking a university degree is more important than ever (social prestige; "sorting" requirement for getting jobs, in the private as well as public sector), the actual returns diminish (economic returns; oversupply of degree-holding candidates). This lends credence to one of the main propositions set forward in this book, namely, that the way in which students approach higher education might be changing, suggesting that they will be prepared for the emerging new technology-driven reality. Advances in web-based technology allow students to internalize many of the materials that were traditionally taught in institutions of higher education, either remotely or from home. Thus, studying at home, combined with, say, shorter, intensive workshops at school, might increasingly be the way to study, to synthetize, to focus on cutting-edge dilemmas, and to get the perspectives of other students.

This transformation in education is reinforced by the fact that labor markets are getting tighter, meaning that few individuals will be prepared to give up their professional careers to go back to full-time study. So, in sum, we may see a growth in shorter courses of study that might lead to diplomas of proficiency of various sorts, rather than the more traditional degree studies. Certainly, institutions of higher education might not only adopt distance learning technology but also have to make their curricula more flexible, to allow for the practicalities of distance learning. The governmental sector, which has traditionally funded much of the higher education sector, might also have more of its allocated resources earmarked for this purpose.

It is critical, then, that there should be a relatively high degree of consistency when it comes to the various types of learning being offered in the business school of the future, so that it might be better able to fulfill its mission.

Institutional changes are typically relatively incremental and almost always insignificant when seen in isolation. But, taken together, and if coordinated, these might then indeed have a similar effect to so-called disruptive innovations (Christensen, 2008). I feel that this is perhaps what we achieved at the Lorange Institute using a model that included small classes; no permanent faculty; a modularized, flexible curriculum; and short, intensive workshops with an emphasis on interaction. It may be seen as a sign of success that during my six and a half years as owner, not only were we able to attract high-quality students and client companies but we also managed to run the Institute with a small financial surplus, even producing a small profit at the end!

When setting out to consider what a strong business school of the future might look like, it is important to recognize that there are no absolute "rights" or "wrongs," but rather we should see this as a series of cutting-edge dilemmas. There is clearly not one particular set of prescriptions for what might constitute a good business school or academic institution, but several. There are many roads to Rome, as one might say! Accordingly, we will, in all likelihood, continue to see some of today's leading business schools retaining their prominent positions in the future, based on a well-developed campus, with dynamic faculty members, and distinguished research capabilities. However, many other business schools may have to undergo significant change to survive. Also, as previously noted, while the primary focus of this book is business schools, there are clear implications for other types of academic institutions too, not only for other types of professional schools but probably also for many modern universities.

It should be noted that there is an ongoing and intense debate about how to bring more innovation into higher education. A key starting point was perhaps Henry Eyring's book *The Innovative University*, which was published in 2011 (Eyring and Christensen, 2011). Eyring used to work at Monitor, a consulting firm cofounded by Michael Porter of Harvard Business School, and also worked with Clayton Christensen, another prominent Harvard professor. A key argument in his work is that it may now be time for a more blended pedagogical approach, consisting of a mix of actual in-residence university lectures, together with online individual learning at home. This combination is labeled "blended learning." Christensen and Horn, in their 2008 book, argue that universities and business schools run on more classical lines may also need to cope with such disruptive innovations (Horn and Staker, 2015). This view, however, has been challenged by a Harvard history professor, Jill Lepore, who argued that classical institutions of higher learning were generally not under threat (Lepore, 2014).

This book clearly sides with Christensen et al. It is clear to me that blended learning is here to stay. We will, however, discuss in detail how other key innovations might take place to enhance new pedagogy. This development has been labeled the "Campus Tsunami" by David Brooks of *Time* magazine (Brooks, 2012). Things are moving fast, and that disruption is taking place is beyond doubt. For instance, in 2012, MIT and Harvard opened up their lectures to distance learning through so-called massive online open courses (MOOCs) (Bisoux, 2017). By far the largest college in the US today is the University of Phoenix, three times bigger than Penn State (the present number two), for instance. The University of Phoenix is a big exponent of MOOCs, and of computer-based learning in general.

We cannot, of course, afford to ignore developments in China and India, which might provide us with a good example of where the future expansion of higher education might be expected primarily to occur. With their large and young populations, China and India, rather than the more traditional geographies of Europe or the Americas, might increasingly be expected to lead the way. According to Van der Zwaan, "[China] faces the mammoth task of expanding [its] number of universities and colleges of professional education by what may be a factor of 100, to meet the demand" (Van der Zwaan, 2017, p. 27).

Economic Growth and the Tightness of Labor Markets

Throughout this book, we will consider how the successful business school of the future is likely to be shaped by innovation. A primary focus will, therefore, be on an individual schools' willingness and ability to innovate, which will most often depend upon having a person at the top who treats this as their top priority, as well as being a function of the overall culture of a given school. Should we expect leading schools to be inherently innovative and open? We will discuss this in more detail later in the book, most especially in Chapters 6 and 10.

There are, of course, several more fundamental macropremises when it comes to business schools pursuing innovation. Let's look at two of these, namely the degree of basic economic growth in the particular national context of the school, and the degree of tightness of the labor market facing graduates from any given business school.

When it comes to the impact of the relatively high level of growth in an economy, as in the case of the US (Gordon, 2016; North, 1961), we find a generally high correlation with innovations in the business school sector. Examples of these include MOOCs (Wilson, 2013), "teaching naked" (Bowen, 2012), as well as a large number of new business entrepreneurial incubation centers. In China, on the other hand, where there has been a formidable macroeconomic rate of growth, there are relatively fewer innovations up to now, perhaps with the exception of the pioneering development of a multicontinental business school campus structure, such as the one implemented by Shanghai-based CEIBS (China, Africa, Europe). There have, however, been several notable innovations in many of the rapidly growing parts of Asia, such as, for instance, the SMU-X innovation incubator in Singapore.

While macroeconomic growth has been weak in Europe for a long time period, thus dampening the rate of innovation in schools there, another factor may be playing a role, namely a very tight labor market. This implies that students may hold on to jobs they already have, rather than going back to school to further their studies. Thus, they may be looking for ways to combine their full-time careers with future studies. This has given rise to innovative modular curriculum development, the adaptation of self-study based on modern technology combined with shorter cutting-edge workshops, i.e., blended learning, and an array of innovative EMBA programs.

In this chapter, we will make some preliminary observations regarding the success of innovative business schools, or the lack of it. Arguably, there are at least four sets of factors that might slow down a business school's ability to change and innovate fast:

1. Regulations. There is often a whole swathe of rules and regulations, set by several entities, such as the government or the leaders of a university of which a business school might be part, and/or by the business school itself. Rules of any sort tend to specify what might or might not be permissible, and which thus might have a potentially negative effect on a business school's ability to innovate. "Free space" is restricted. Experimentation may thus be harder or perhaps not allowed at all.

Free-standing business schools – those not controlled by a parent university, or by governmental entities, or by, say, chambers of commerce, as in France – will typically have more freedom to make changes and to innovate. But even within the relatively few business schools that fall into this category, there will, of course, be governance control processes in place, which might easily slow down change processes.

2. The status quo. The staff who work in most business schools, faculty as well as administrators, are typically rather conservative and quite content with maintaining the status quo. Why is this? Partly, since many faculty members may have been trained in certain axiomatic fields, they might not see much need for change to the curriculum. Partly also, many alumni-structures may be custodians of existing routines, which may be seen as "good enough." All in all, they may see little requirement for change.

How might the business school's customers act as a force to accelerate innovation? Regrettably, most students and executives do not tend to have much interest in this either. A major reason is the relatively short time period during which a typical customer interacts with faculty at any given business school, when they are actually enrolled in a program or course. At other times, most candidates would not bother to involve themselves with questions relating to the workings of their course of study. Typically, therefore, pressures from customers (students, participants) to innovate will be relatively light, or nonexistent! Unsurprisingly, therefore, many business schools are relatively slow to embrace student-led change.

There are two groups of stakeholders who might play particularly important roles in ameliorating this: progressive alumni organizations and advisory boards. Let us consider dynamic alumni organizations first. At best, they represent links between a school's graduates, who may now be executives in business, and the business school itself. Emerging educational needs may be funneled from leading alumni and back to the business school. Unfortunately, however, this link may often be weak or even nonexistent. At the business school, there will typically be an alumni office that would be the custodian of much of the interaction with the alumni. Useful feedback can end up here, and go no further! To make matters even more difficult, many alumni offices tend to embrace a more social/activist/political/gender role rather than a professional one.

Advisory boards may have some impact on the business schools that they serve, particularly when the bulk of their members come from the business sector, which is sometimes the case. Here too, however, the various inputs might end up with "intermediaries," such as the dean/

president, and not necessarily "reach" the faculty members. Professors typically do not attend advisory board meetings!

3. Complexity. A third factor that could weaken a school's ability to realistically pull off innovation would be a relatively complex operating context. This may partly relate to the fact that many business schools develop excessively complex formal structures, sometimes with multiple campuses, cooperation with other schools and/or jointly owned centers. The international dimension is often a main driver for this. Cultural differences and challenges caused by large distances between sites may add to the complexity. The management of all of this can easily require a lot of additional attention from a school's leadership team and there might simply not be sufficient energy left to pursue changes and innovations. But it should be kept in mind that major innovations typically require work today, with a payoff that will only take place sometime in the future. The overall managerial principle, when it comes to spending organizational energy on change and innovation, should be : "Today for today, and today for tomorrow"! But, in the case of an excessively complex and formal context, the short-term coordinating processes of a school's top management can become too intense. As noted, there might simply not be sufficient energy and time left to pursue essential changes and innovations (Lorange, 2019b).

A similar set of issues can arise when a business school faces some sort of a crisis. Such crises tend to be largely internally generated, and typically manifest themselves in excessive internal debates. This might lead to a de-emphasis on change and innovation – there would simply be insufficient time and energy left for this – as the focus shifts to clearing up current problems. Externally generated crises, say, from a loss of program income, may similarly lead to a heavy short-term bias. Innovation may suffer!

Naturally, it is always important to focus squarely on these types of short-term issues, when they occur. It may not be realistic for us to expect such business schools, having had to spend so much of their managerial energy and attention on ameliorating these issues, to be able to pursue effective change and innovation. Preserving managerial energy to be able to innovate would thus become a key leadership issue. Excessive firefighting will generally not lead to effective innovation!

4. Lack of vision. A fourth impediment to change and innovation concerns lack of vision at the top. The dean/president may simply not see the need for change! They may indeed find themselves very busy, but typically with relatively less important tasks. It is key for the person at the top to be able to resist being dragged into too much firefighting, and to avoid dealing with too many operational issues.

The dean/president may also not have much of a clear vision regarding the direction in which to steer a school. They might simply not possess a strategic outlook. It should be borne in mind that the dean/president is elected by the faculty at many business schools. The staff and even the students might be involved in this election process. For many of those voting, it may not necessarily be a high priority to elect someone who will introduce a lot of change and innovation. This might actually be seen as too risky, and just too uncomfortable, by many. So, electing someone who might not have much of a change vision might generally be seen as acceptable.

It is also true to say that many business school leaders have so far failed to predict the significant consequences arising from fundamental advances in the ICT sector. While most business schools have their own ICT departments, very few have incorporated key changes in curricula as well as in learning pedagogy. There may be failure at the top here! We will look at this extensively later in the book. The new generation of students is, however, here today! They typically prefer to make use of ICT-based learning to the full, by studying the basics on their own PCs at home, only coming to the business school for group discussions of key dilemmas. These so-called Generation Y (or even Generation Z) students tend to prefer a different pedagogical mode from that followed by traditional Generation X students at most business schools in the past (Stieger, 2015).

Rankings

First of all, it's important to state that there might well be several potentially positive effects that derive from rankings. But there are certainly some potentially negative impacts too. On the positive side, rankings may impact the change processes at schools. Rankings may support schools' strategic processes, above all when it comes to concentrating their resources where they believe these may be of most use. Accreditation processes – the leading ones being offered by EFMD (Brussels), AACSB (Tampa, Florida), and AMBA (London) – may seemingly also lead to these types of benefits when it comes to innovation, but they have, regrettably, in the end a negative impact. In the first instance, the accreditation (or reaccreditation) process involves a lengthy and expensive preparation of materials. It is possible that the subsequent feedback provided to the schools, based on written reports, as well as information that might have been gathered during the visits that constitute an integral part of such accreditation processes, might lead to improvements when it comes to how a given school might want to evolve its strategy. However, this is simply not worth the great expense and effort that is expended by the school. Thus, although the process of ranking and the inherent accreditation processes might have positive effects in relation to quality improvements, these will be limited, at best.

School rankings are, of course, important when it comes to a student's choice of schools and are particularly helpful for those choosing to study overseas. Students may not have access to much other specific information about particular foreign schools. Of course, when it comes to those relatively few international schools that already have a stellar reputation (e.g., the leading US schools, such as Harvard Business School or Wharton, or the European schools IMD, INSEAD, London Business School), published rankings might perhaps not be needed. However, there are now specialized firms that provide prospective students with background information on a wide range of schools (e.g., Keystone).

Changing Strategic Capabilities

When it comes to strategic direction, business schools face the challenge of coping with three key stakeholder groups – each in essence faced with their own trade-offs – in addition to an overall trade-off regarding the relative importance of each of these stakeholder groups. The priorities of these three groups are:

- The business school itself: relevance – rigor – enrollment
- The faculty: research – teaching – consulting
- The students: rigor – salaries – networking (McMillan, 2016).

Over time, a relatively greater emphasis on the priorities of the student stakeholder group has evolved, at the expense of the faculty stakeholder group. And, within the emerging reality, the newly dominant student stakeholder group has developed a greater preference for networking, moving somewhat away from rigor.

These changes suggest that the business school of the future might be developing an emerging strategic structure that focuses on areas such as communication, two-way pedagogical approaches (take+give; listen+feedback), cross-disciplinary project implementations, effective use of web-based technologies, and so on, and at the expense of more traditional capabilities to deliver when it comes to axiomatic disciplines. Perhaps this shift in strategic capabilities might also impact trade-offs when it comes to the other two stakeholder categories, with relatively more focus on teaching by faculty, and relatively more concern paid to relevance when it comes to the priorities of funding institutions.

So, a focus on the management of competing demands will increasingly be key, especially when it comes to the teaching that is delivered on campus. But we shall also see that the successful management of the business school itself will be based on the successful handling of at least three other key dilemmas. Success will depend upon maintaining a balance in how these dilemmas are dealt with. Here they are:

- Research and teaching (pedagogy); "two sides of the same coin." They are equally important for a school's success.
- Innovation and focus on existing school strengths. New cutting-edge capabilities must be developed all the time, while continuing to focus on the utilization of existing strengths, developed in earlier times. So, it is a matter of a dual focus; "today for today and today for tomorrow."
- Web-based (ICT-based) learning at home and discussion sessions on leading-edge dilemmas at school; i.e., "blended" learning. This implies individual home-based study, typically when it comes to more basic materials, and learning in groups at school, typically when it comes to discussing key dilemmas.

According to a recently retired senior McKinsey consultant, Mr. Trond Riiber Knudsen, formerly head of this company's global marketing practice, a lot changed in the world of business in 2009. The predominant business model, which had been in vogue up until then, came under severe criticism, triggered by the severe world economic crisis that started in 2008. This led to a search for new ways of managing. There was a strong feeling that the major mistakes of the past should not be repeated (high levels of unsecured debt primarily linked to real estate; a senseless focus on growth without proper links to customers' values; the emergence of fundamental shifts in consumer values, away from a more traditional post–World War II value set dominated by banking and finance, and so on) (O'Sullivan, 2015; Gilder, 2016).

So, what else supports the claim that 2008 or 2009 might represent a distinct turning point? There are two fundamental reasons, as we see it:

- The demise of the classical economic model, and the dramatic world crisis that came about not least due to deficiencies in this classical model
- A period of acute underachievement in business and social progress in the first two decades of this century, with the old operating system not working as well as it had worked previously. This has the potential to create additional bureaucracy, which may slow us down and make systems more rigid, rather than giving us more speed and flexibility.

Let us now briefly discuss each of these in turn:

The failing economic model. As Alan Greenspan observed, "almost every industrial country found it difficult to overcome the financial crisis in 2007–2008 . . . why did money and banking, the alchemists of a market economy turn into its Achilles heel?" (King, 2016). The central players in industrial economics, above all corporations, led the search for alternative ways to stimulate growth when more traditional monetary measures no longer worked. Of central importance here was the drive toward more innovation and entrepreneurship. And, gradually, many governments and policy-makers followed, offering tax incentives and other stimuli to encourage innovation. In time, an added focus on the so-called network economy emerged, together with new corporate success stores: Google, Facebook, Amazon, and the like. Legislative measures were relaxed or, in several instances, simply not put in place, to stimulate this trend. Hence, the new economy has gradually been able to "take off." Clearly, we have not seen the end of this trend. The emerging business school of the future is clearly part of this.

The need to keep things simple. Confucius once said: "Life is really simple, but we insist on making it complicated." Most of us, as individuals as well as in our organizational roles, tend to complicate things, often unnecessarily so. And this seems to apply to many business schools too. Many of us, including business school leaders, may actually experience a degree of comfort with this level of complexity. Is this OK? My sense is that there are at least two dysfunctional effects resulting from this, which are perhaps interrelated. The first is that excessive complexity can hamper speed. In today's context, with ultra-rapid technological and communication developments, slowing down might definitely hamper a business school's ability to adapt. Also, excessive complexity tends to be synonymous with excessive bureaucracy, another factor that tends to slow down business development and can curtail faculty and staff initiatives and motivation levels.

Morieux and Tollman have discussed this issue in the context of business organizations, but their findings apply to business schools as well. According to their argument, the problem may not be complexity as such, but too much "complicatedness." In today's competitive world, the winners may be those business schools that are able to exploit complexity to create competitive advantage. Excessive complicatedness, on the other hand, is bad. The proliferation of over-complicated organizational structures, procedures, and rules put in place by many schools to deal with the increased complexity of their contexts today proves the point. Such complicatedness tends to be dysfunctional, and impedes schools' performances (Morieux and Tollman, 2014).

To "frame" the phenomenon of complexity, Morieux and Tollman list six simple rules for managing this dilemma:

- Understand what your people do.
- Reinforce integrators.
- Increase the total quantity of power.
- Increase reciprocity.