

## **THE NEW REVOLUTION IN MANAGEMENT EDUCATION?**

### **WHO, WHERE AND WHEN WILL MAKE IT HAPPEN?**

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Thomas Jefferson believed that “*every generation needs a new revolution*” My generation’s revolution in management education was set in motion in the late 50-ties by famous Ford & Carnegie foundations reports. It produced “golden standard” of academic management education (Bennis, O’Toole 2005), which is still prevailing and looked upon as a model everybody should follow. It created a significant gap between academic rigor embedded in the silos of specialized academic disciplines and practical relevance demanding clinical and experiential foundations (Fragueiro, Thomas 2011: 18). For the time being “academic deviation” encapsulated in the “golden standard” of management education is clearly on the winning side. Has the time come for a new revolution ?.

Present financial and economic crisis and public outcry against the ways business is being done seem to substantiate positive answer to this question. Management education gets its share of the blame and need for a change follows. Key question is, however, whether the changes will be “cosmetic” or “revolutionary” ? In order to address this question one has to take into consideration that important changes appeared in the environment of management education and in the markets for the services it delivers long time before the present crisis. Let me name just a few:

- First, management education, which was originally conceived as an elite educational track dedicated exclusively to business (and more precisely to big corporations) found

itself confronted with ever growing demand from millions of individuals world wide seduced by promise of better future, or forced into entrepreneurship and management by evolution of the markets. Medical doctors, art historians, cooks, farmers and representatives of countless other professions, trades or positions are becoming entrepreneurs and managers almost without noticing. They are all seeking intellectual and educational support, and are willing and able to pay for it accordingly with their disposable income highly differentiated across the world.

- Second, this unprecedented massification of demand is coupled with excessive market segmentation and proliferation of highly specific, or even “exotic”, market niches such as to name just the few: show biz management, sports and arts management, wine industry management, hospitality management, public management, law enforcement management etc., etc. These niches are industry and market specific, not universal. French wine industry is very different from Australian, and American filmmaking is different from Indian. This gives new impulse to the universality vs. locality of management dilemma.
- Third, since the 70-ties management education is gaining global reach penetrating first Western Europe, and subsequently Latin America, Asia, Middle East, Africa and the post communist world. Business schools and management education institutions are mushrooming not only in affluent areas equipped with advanced academic institutions of international repute, but also in poor, developing countries, quite often under corrupt and authoritarian regimes.
- Fourth, delivery costs of management education are skyrocketing in the most advanced top notch business schools in the US and Western Europe. In the times of economic downturns and shrinking of the best paying sectors such as financial industry returns on such investments become increasingly uncertain. Institutions

located in less affluent parts of the world can not keep pace. Because of the cost factor management education map of the world can be divided into: core, close periphery, and distant periphery with highly differentiated management education product portfolios and cost structures. In the midst of this creative chaos cash rich BRIC countries are creating their own distinctive management education models.

As a result of the evolution of the markets several important changes are already taking place in management education industry worldwide. The first learning curve, which produced “golden standard” of American style management education has clearly exhausted its creative potential. The next learning curve of management education is ahead of us (Iniguez 2011). This new debate about new model(s) of management education is fueled by sharp criticisms from prominent industry insiders such as Henry Mintzberg. (2004). Mintzberg is arguing that classical MBA training produces wrong people for management jobs: unable of creative thinking out of the box, inexperienced but overconfident, arrogant and manipulative. For the time being the market has proven him wrong: MBA enrollments are up and rising. But how long:?, and what kinds of MBA programs are we dealing with world wide?. Industry landscape is becoming increasingly diversified. Along with the classical American model of university business school several types of stand alone institutions emerged. Some of them are not for profit, some commercial. Management development market is successfully penetrated by for profit companies offering more flexibility and customer intimacy than traditional business schools. Some of the stand alone institutions (mostly European) are research driven, others limit their intellectual ambitions to applied research, and position themselves on the market either as high quality or as low cost providers. Product and price differentiation is reflected in branding rapidly gaining importance in management education. Almost none of the institutions is capable of serving all the needs of the market. This can be only accomplished through resource sharing, networks, alliances, mergers and acquisitions.

Differentiation and fragmentation of the industry is coupled with strong consolidation drive and increasingly important cooperation ties. Since 20 years or so dominating American model of the business school is being challenged in different parts of the world, partially because of the simple fact that others can not afford it, but also because of its inadequacy to specific needs of specific markets and industries.

One could ask a question whether a series of changes already taking place should and could be accelerated and radicalized as a result of the present crisis?. This question applies in particular to the US management education, where “golden standard” has been achieved several decades ago, and basically unchanged, remains the most influential worldwide. Nevertheless several alternatives appear. I am impressed by Howard Gardner’s idea of “the five minds for the future” (Gardner 2008) to be followed by educational systems in order to enable young people to cope with the challenges of the world for their own success and for the common good as well. Gardner identifies five minds to be developed: the disciplined mind, the synthesizing mind, the creating mind, the respectful mind and the ethical mind. Let us examine some ideas enabling business schools to form “five minds for the future”.

Reputable, accredited business schools are certainly good at forming disciplined minds capable of scientific thinking, “state of the art” analysis, and constant development of the skills. Quantitative courses such as Business Statistics, Operations Management, Financial Analysis, Managerial Accounting etc. are particularly instrumental in forming disciplined, rigorous minds. Proliferation of these analytical skills into lower ranking institutions seems an important task of licensing, accreditation and ranking procedures. It has to be remembered, however, that analytical skills are mostly staff level related. Top management positions call for “soft skills”: communication, leadership, teamwork, empathy. Top managers make their

lives on reading people's faces and souls. Even the best analytical minds are very unlikely to make it to the very summit.

Synthesizing mind seems difficult to develop in the academic environment dominated by functional disciplinary silos. Integrative capstone courses such as Strategy or Business Policy are not powerful enough to provide students with interdisciplinary multi-perspective, particularly since they become narrowly specialized silos themselves. What is missing the most are the courses combining "hard" and "soft", "economic" and "social", "managerial" and "institutional". Political Economy, Economic Sociology, Behavioral Economics, Sustainable Business Management, Legal Environment of Business are examples of such courses to be developed and integrated (or in some cases re-integrated) into curriculum. Management education visibly lacks theory. Business schools' students are allergic to theory and demand "practicality". It makes integration and synthesis difficult to impose. There is also the other side of the coin: weakness of the theory in such fundamental areas as Economics and Management. Present economic and financial crisis demonstrated clearly weaknesses and "big holes" in such noble academic disciplines as Macroeconomics and Financial Economics. Management theorists have abandoned the idea of "general theory of management" (epitomized by such names as: Herbert Simon and James March) long time ago: in the early 70-ties. Lack of theory makes synthesis more difficult. Management education badly needs theoretical depth. Intellectual powerhouses such as some of the best business schools are well positioned to fill the gap, and to develop new theories capable of supplementing narrow subjects and practical skills. Management of the future will be certainly more intellectual and will require broader horizons.

Formation of creative minds means development of capability of “thinking out of the box”, as well as courage to experiment with the new ideas, projects and products. Creativity should be considered next stage of intellectual and mental development: after mastering discipline and synthesis. Certainly not everybody can achieve it. Some people are naturally more creative than others, but education can certainly enhance or inhibit creativity. Corpocrat trained on oldish business cases within the framework of silos disciplines runs little chance to be really creative. In the business world, and in management in general, creativity comes very close to entrepreneurship. It is demonstrated by ability to come up with new, unknown and untested combinations of resources, products, markets and partners. Development of such ability can be achieved by study of entrepreneurial successes of the past, but also by practical involvement in entrepreneurial ventures: “learning by doing”, consulting projects dedicated to helping entrepreneurs. In business schools curricula entrepreneurship too often equals “small business”. In my opinion much more attention should be devoted to intellectual entrepreneurship and corporate intrapreneurship. Creativity is often associated with art. Creative management is artistic creation of sorts. Development of artistic sensitivities and enhancement of creativity through art are very rare in business schools curricula. Producing dull business suits wearers remains an underlying idea of most of the industry.

Respectful mind is the opposite of arrogance and superiority complex top business schools graduates are often accused of. Respect shown to others and openness to others neither falls into the category of knowledge, nor skills. It is a dynamic capability enabling to work and to succeed in complex multicultural social setups. Such capability is hard to acquire in the classroom. Teamwork exercises and in depth studies of other cultures can help to develop respectful mindsets. How can we expect respect shown to “others” from someone who never cared to speak any other language than his own mother tongue, and who knows nothing about

history and culture of other nations ?. Business schools curricula should include such topics combined with “one semester abroad” as a prerequisite. Such study abroad exercise should preferably take place in some less developed country, where more painful experiences of the mankind can be observed and felt. Respect is likely to breed compassion and empathy. This helps to understand other peoples’ actions and motivations. In most cases managers are taught how to exploit and manipulate others less fortunate than themselves. Bled School of Management MBAs helping to rebuild Sarajevo are one of the very few exceptions from standard business school routine.

Formation of the ethical mind should certainly go beyond lip service paid to “business ethics” and occasional workshop devoted to the subject. Relationship between business ethics, corporate governance, behavior of the firm and business success deserves serious empirical investigation and serious coursework. In order to observe a moral code one has to understand and to accept its role in the society, otherwise “codes” or “pledges” for graduating students will be treated cynically as an empty ritual. On the practical side voluntary work and community service can certainly help. But can we impose it on our students ?. Ethics is a personal and individual matter. New business schools are mushrooming in countries, where capitalism is still “wild” and people strive for economic success “at any price”. Business schools are expected to make them stronger fighters. How can they cope with such expectations?.

Taken seriously by management educators “five minds imperative” would implicate radical redesign of the business schools’ curricula. The main objective of such a revamp of the program is to broaden the scope of knowledge, to provide more theoretical depth and to encourage “cross-silos” connectivity in the students’ minds. New modes of delivery should be

geared to develop not only knowledge and skills but also capabilities. For example advanced management training should enhance development of artistic and spiritual forms of sensitivity and expression (Hatch, Kostera, Kozminski 2005). I happen to believe that well educated, sophisticated and open minded people with broad intellectual horizons and high moral standards will make better managers than narrow technocrats and “laptop laborers”. Such curriculum redesign would inevitably lead towards longer training. In order to be accepted by the market it can be combined with full time employment and organized in manageable modules. In my opinion part time programs should not be looked upon as a lower quality product. They can perfectly fit specificity of managerial jobs.

American model of rigorously academic and focused university business school is gradually becoming obsolete. Pendulum is swinging towards much more flexible business-like model, which emerged in Europe in the 80-ties and the 90-ties, and broader interdisciplinary profile of instruction. Asian, Central and Eastern European, Latin American business school develop market driven, close to local business needs models of management education within locally affordable cost range. Top US universities, however, will the most likely maintain their leading position in academic research, faculty development and Ph.D. programs. Emerging non American model of management education remains far from being fully mature. It is heterogeneous, eclectic and even chaotic. These characteristics result from the lack of recognition of management as a “legitimate” field of scientific research by academic community, and the lack of “blanket” private funding and “soft money” in general. Emerging management education institutions are predominantly market driven: they have to follow the market in order to survive. In Western Europe this market pressure led to creation of some very fine stand alone business schools. Peter Lorange (2002) shows that such a model of business school can co-exist with the applied research culture. Fundamental research,

however, has to be outsourced from “classical” universities such as those belonging to the American Ivy League.

I visualize my model of the business school of the future using the metaphor of an airline hub with large number of incoming and outgoing flights. Outgoing flights symbolize different categories of educational and intellectual services provided by a business school. Incoming flights represent intellectual, human and material inputs enabling business school’s operation. Two important conclusions can be drawn from this picture. First, scope of activities of a modern business school is highly heterogeneous and has to change constantly with the market. Second, resource base enabling the required scope of activities is so large and diversified that almost nobody can rely exclusively on “own” resources. Activities going on inside the hub are geared toward developing limited range of own resources, harmonizing incoming and outgoing flights, as well as increasing the volume of the traffic, and shaping its structure in accordance with the business school’s strategy. There are many types of airline hubs across the world. Similarly population of business schools is becoming highly heterogeneous and diversified. New models of management education are likely to emerge from new vibrant economies outside of traditional borders of “developed world” of the XX th century.

I see considerable degree of academic and business autonomy as a prerequisite for development of institutions of higher learning in the field of management. This is particularly important for business schools being parts of large and highly bureaucratized university systems. Autonomy imperative results directly from predominantly market driven character of business school’s activities and its dependence upon external, outsourced resources. Autonomy is also needed to maintain boundaryless and flexible character of the school’s

operations. Both academic and business leadership is needed in strategic perspective (Fragueiro, Thomas 2011: 100) . It has to assure both accumulation of academic potential and typically business dimension including expert management of corporate, client and alumni relations, tapping on multiple sources of funding (tuition, government subsidies, corporate and charitable donations etc.), building and promoting powerful brand. Globalization of business activities inevitably pushes business schools into internal and external internationalization. Global management education system can be perceived as a network of interrelated hubs. Networking is becoming the name of the game. The most powerful nodes in the net are likely to perform functions of knowledge creation and development, program innovation and faculty development. Future belongs to “full service”, “full fledged” institutions, commanding considerable own resources, swiftly outsourcing the others, offering broad portfolio of services and penetrating variety of markets under the umbrella of powerful brand name. Are they likely to “colonize” the other hubs ? . Using analogy to other intellectual services such as consulting, legal services or auditing, can we imagine a business school employing 10 000 faculty in 35 countries ?.

How realistic is the perspective of the “next revolution in management education” ? It can only result from strong market pressure more likely to mount in the situation of the present economic and financial crisis. Return to “business as usual” ways will slow down the process of change, with “creeping credentialism” (as Peter Drucker calls it) prevailing, and the markets readily accepting credentials offered by business schools as they are today. Traditional academic culture (including mechanism of academic promotions) and the heritage of faculty centered and faculty (democratically) run academic institutions seems to be another powerful factor blocking the reform. Accreditation and ranking mechanisms petrifying existing standards also make “revolution” less likely to happen. That’s why the next

revolution in management education will probably come from places where above mentioned constraints are less felt and less restrictive.

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