

The past is not the future

Business schools – and the businesses they serve – need to discover a “second curve” if they are to survive and prosper. By **Charles Handy**



When I last spoke to the EFMD conference in 1974 my talk reflected my own personal dilemma. I was at the time the Director of the MBA Programme at the London Business School (although it was then technically still called an MSc because London University did not recognise the MBA as a graduate degree).

I found myself presiding over a programme that I could not fully believe in but was unable to change.

I had soon realised that there are limits to how much you can teach about the practice of management in a classroom. I, along with all my colleagues, had gone through American business schools and had adopted their classroom-based models as the prototypes for ours.

For some reason we did not look to our own examples of other professional schools – architecture, law, medicine or accounting – all of which combined classroom instruction with a form of tutored apprenticeship. It became clear to me then that the MBA more accurately stood for Master of Business Analysis.

There is nothing wrong in that so far as it goes. The problem was that it did not go far enough. We were, in effect, training consultants not managers. And as future consultants, the best of our students were rapidly picked up by consulting firms and investment banks. That was not, I felt, what we were there for.

We also followed the American model along with the Ford and Carnegie Reports and anchored our school in the University of London. I had naively thought that this would allow me to import occasional teachers from their faculties, such as those of philosophy, law and political theory as well as history and science, because I believed that business analysis needed to be enriched by other disciplines to provide a more rounded preparation for a management role.

I soon discovered, however, that the traditional faculties of the university regarded us as a cuckoo in their nest and wanted nothing to do with us. Nor did my own colleagues welcome the thoughts of any such intrusions. What we did import, alas, was the university ethos, one that valued published research more than teaching ability for career promotion. The result was a school that was effectively a collection of subject silos and colleagues who were pushed to teach subjects rather than students.

One of the problems was that almost all of my colleagues were pure academics. They had never had to put their knowledge to work in businesses or any other organisation.

But knowing *What* does not automatically guarantee knowing *How*, let alone knowing *Why*.

In desperation I found myself running workshops in communication skills and listening exercises. But these were inadequate sops in what I saw as a wrongly focused system. I worried that we were turning loose clever but unskilled graduates into a world that desperately needed effective leaders and managers.

The development of our future managers was effectively delegated to myself as programme director. It was in recognition of this that I was promoted to Professor of Management Development, one of only two such titles in Britain, or in Europe, at the time.

It was probably in recognition of my rarity value that I was asked to be one of the early Trustees of the newly formed EFMD, which, indeed, became my sanctuary and haven in those years. It would be interesting to know how many Professors of Management Development there are in this hall today. Few, if any, I suspect. That, I fear, is a symptom of one of our problems – the main purpose of our existence is not recognised academically or culturally.

Even the research that became the focus of attention of most of my colleagues was not the ground-breaking stuff of the physical sciences but rather a recording and interpretation of what was happening in the real laboratories of management, the businesses themselves. Again, useful but not future shaping.

In general, we followed our customers, those same businesses, serving their wishes and using the best of them as our models. We seldom wanted to challenge them, content to feed them with new entrants groomed to their ways.

It was a strategy that made us a successful business but not, I felt, a transformative educational institution. I remember well the day when a journalist rang me to enquire what LBS thought of a new government initiative aimed at business. I heard myself saying “The school does not think....” before stopping myself and suggesting she talk to a particular member of the faculty.

Then I reflected, should not the school have a view on current events? All that brainpower going to waste because we were a collection of individuals not a group with a view. In my more cynical moments I reflected that I was more truthfully the curator of an elite pond where the businesses came to fish for talent and the students came to be hooked.



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As long as my recruitment process captured the right sort of fish everyone was happy, irrespective of what we taught them or what they learned. Anecdotally, past students would tell me that they had enjoyed a tough and stimulating educational experience, one that had made them more self-confident and had led onto a good job, but that they had so far found little use of anything particular that they had learned.

Indeed the surveys, then as now, indicated that only 10% of our learning came from books or study. No wonder, perhaps, that I was disconsolate.

That was more than 40 years ago. Since those pioneering days when business schools were hardly known outside the US they have multiplied around the world.

There are now thought to be over 10,000 business schools overall with nearly 5,000 in India alone. The MBA is a global brand, with many young people seeing it as the necessary entry ticket to good jobs and big salaries.

Clearly my misgivings did not worry anyone else. It is a great success story. But success can lead to wilful blindness and the belief that all will continue as it has in the past. Are they right or are they unwittingly on the road to Davy’s Bar?

“Davy’s Bar” alludes to something that happened to me some years ago and has subsequently led to my own “Theory of Everything”.

One day I was driving through the Wicklow Mountains behind Dublin when I found myself uncertain about the right road to take. I saw a man by the roadside so I asked him if I was on the right road to Avoca.

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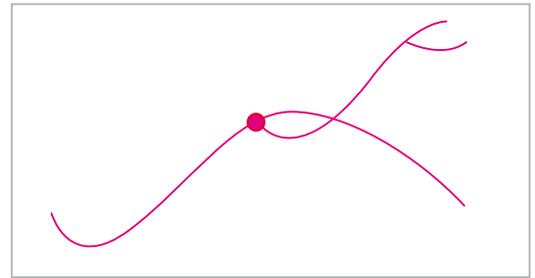
"You are indeed," he said, "and it's easy, just go on up the hill for two or three kilometres, then down for a while until you cross a small bridge and see Davy's Bar on the other side. You can't miss it, it is bright red. Have you got that?"

"Yes. I think so," I said.

"Well, half a kilometre before you get there turn right up the hill."

It sounded so clear that I drove off before I realised what he had said. I got to the bar, turned round and found the right road but as I drove on I thought that in life we cannot do that, miss the road and turn back.

Too many businesses that I knew have ended up in Davy's Bar having missed the turn to the future and can only reminisce about the good times and how they missed their opportunity to change direction.



I went on to formulate my experience as a general principle, the "Law of the Sigmoid Curve", the curve of everything human or made by humans, businesses, governments even empires and, of course, our own lives.

Any and everything will start with an investment of some sort, be it money, ideas or education. More goes out than comes in for a time. Then the line picks up and grows and grows until, eventually, it peaks and thereafter starts to decline. The eventual decline is inevitable; all we can do is determine how long the line might be and at what place we are on it.

That is a depressing prospect for the human race but there is an escape from the inevitable. We can start a second and even a third curve:

The trouble is that the second curve has to start before the first curve peaks because otherwise there are no resources or energy to cover the early investment that will start the second curve. Obvious that may be, but it is hugely difficult in practice because the need to start second curve thinking comes just when everything is going well, when all the implicit messages urge one to continue the status quo.

Where are the business schools on that first curve now? Some believe that they are nowhere near the peak of the curve. LBS has recently raised £100 million to buy and refit the nearby City Hall with a suite of new lecture theatres, confident that life will go on as before only more so.

On the other side of the ocean Richard Lyons of Berkeley's Hass School estimates that one-half of US business schools will be out of business in less than 10 years. Clayton Christensen of Harvard reckons that half of the American universities will be bankrupt in 15 years. Part-time participants and GMAT applications are both declining.

Meanwhile, costs are soaring, in research as well as teaching, with the average two-year programme costing \$120,000, ten times the cost of one online.

Roger Martin, former dean of the Rotman School of Management at the University of Toronto in Canada, has calculated that the total cost of one published article is now \$400,000 and something like \$1.7 million for one that is actually used by managers.

Are business schools becoming just too expensive to survive as they are today? It is my sense, from perusing the excellent publications by Howard Thomas and others on the Future of Management Education for the EFMD, that most of the business schools of the world are at or maybe even beyond the peak in the curve.

It seems beyond doubt that the schools are going to be hit by a disruptive innovation from the new online courses. In my terms, the intruders will steal a march on the incumbents and get to the second curve ahead of them. Change so often comes by the bypass, unnoticed until it is right there, already ahead of you.

The paradox is that just when business schools may be beginning to hit the buffers they will actually be needed more than ever. Businesses are getting ever more complex, too big to be human scale and too self-absorbed to be seen as legitimate to wider society.

These businesses also need to find a second curve, one that defines a new purpose, new structures and new values and therefore requires a new sort of leadership. The opportunity is there for the business schools to match their second curves to those of the corporation, but are they up to the challenge?

They probably have five to 10 years to find that new curve while current programmes keep them going – that is the point of the overlap in the curves, it gives time for experiment. PepsiCo, I understand, does this routinely, with two groups in each division, one promoting the current strategy, the other seeking to disrupt it before others do.

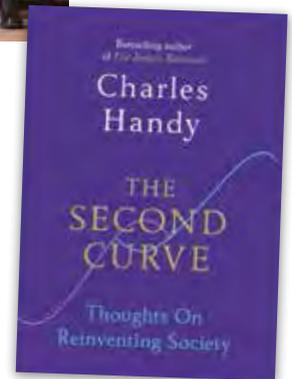
So what should be the elements of that second curve? You are, of course, better placed than me to answer that. But as a concerned outsider I might be allowed to express a view. I have a rule of thumb that if a computer or the internet can do what you do, then let them do it and move onto things that they cannot do. In this case this means leaving a lot of the *What* syllabus to online courses and concentrating on the *How* and the *Why*.

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Different faculty will often be needed, often drawn from outside, and different faculty reward systems will be needed. Maybe the business schools should become leadership academies to recognise the change in emphasis.

Second, in place of research that records/interprets current practice, the new academies should turn themselves into think tanks, exploring the future – of business, of capitalism, of organisation structures and the role of regulation and so on.

These are big asks, which require big changes but my fear is that, left to continue as they are, the schools will become shadows of their former selves, slimmed down, with shorter, cheaper courses, poorer faculty and shabby buildings, relics abandoned in the sands of time.

This article is an edited transcript of an address by Professor Charles Handy to the EFMD Annual Conference, June 2015, in Brussels.

Above

In *The Second Curve*, Handy builds on a life's work to glimpse into the future and what challenges and opportunities lie ahead. Provocative and thoughtful as ever, he sets out the questions we all need to ask ourselves – and points us in the direction of some of the answers.

The Second Curve, is published by Penguin Random House and available in print and e version from Amazon.co.uk