



**Ulrich Hommel** and **Michael Osbaldeston** celebrate two decades of EQUIS and look forward to another 20 years of opportunities

# Maintaining the gold standard

Building on 20 years  
of EQUIS success

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## **The foundation of the system**

Business schools have existed for over a century, originally as places of vocational training which were gradually recast as serious academic institutions. They are one of the major success stories in higher education of the last 50 years both from an academic – faculty, research and publications – and a business perspective – customers, revenue and profitability. In recent decades they have spread rapidly from North America through Europe to Asia and beyond, currently numbering over 15,000 worldwide, with new additions being launched almost daily, particularly in emerging economies.

Yet despite this success, critical comment has also been growing in recent years, fuelled in part by the frustrations of the global economic recession. Business schools have been charged with being too analytical, insular and theoretical; insufficiently global, integrative and collaborative; and lacking in values, ethics and social responsibility. It is hardly surprising then that some leading business schools decided to turn to accreditation to demonstrate their worth and to provide quality assurance to their stakeholders.

The accreditation of management education was initiated as far back as 1916 with a focus on North American schools and later followed by other programme accreditation systems limited to specific countries. But it was not until the 1990s that the growing demand for a European approach to accreditation led EFMD (originally founded in 1971) to seize the initiative and work towards the launch of EQUIS in 1997.

Its precursor was the foundation of EQUAL, the European Quality Link, in 1995 to provide the political framework for the co-operative development of a joint European evaluation and accreditation system for business schools. But the real watershed decision to proceed was taken at the EFMD Deans and Directors Conference held at the Schloss Gracht executive education centre in Germany (now part of ESMT Berlin) in January 1997.

Thus EQUIS was launched to provide European and, subsequently, business schools worldwide with a rigorous tool to assess and improve quality in all aspects of their operations. This year (2017) marks the 20th anniversary of EQUIS, which over a relatively short period of time has enabled an elite group of institutions (currently 172 schools from 42 countries) to state with confidence that they are part of the “1% of leading business schools”.

Perhaps more importantly, the former management education editor of the *Financial Times* in the UK recently stated that five-year accreditation from EQUIS is now regarded as “the gold standard” for international business school accreditation. In the remainder of this article we will trace the development of EQUIS over its 20-year history and highlight some of the future challenges it will embrace with rigor and enthusiasm.

## **The early years**

At the start, an EFMD project team led by Gordon Shenton (on secondment from EM Lyon) and initiated by Bernadette Conraths (the then Director General of EFMD), worked with a group of 19 pioneer schools from all over Europe to shape and fine-tune the EQUIS model and processes that would be applied to assess quality in 10 key areas, including strategy, governance, programmes, students, faculty, research and resources as well as internationalisation, community contribution and corporate engagement.

From the beginning, EQUIS aimed to achieve both recognition of quality and quality improvement in the world’s top business schools – recognition through the award of a quality label that is valued worldwide by students, faculty, employers and the media (having now become a prerequisite for entry into some prestigious rankings) and improvement through the need to meet, and continue to achieve, internationally

agreed quality standards.

EQUIS was conceived as an accreditation system rooted in respect for diversity of institutional and cultural contexts. It promotes no “one best model” of a business school and does not impose standardisation of programme design, course content or delivery mode. It embraces higher education at all levels, whether undergraduate, postgraduate, doctoral or executive programmes.

However it has also had to recognise the dilemmas that result from universal standards applied in widely differing international contexts. “Respect for diversity” is a particular case in point. While EQUIS was designed to promote diversity of all types – cultural, institutional, programme provision and delivery process – it also reflected the nature of diversity encountered within its original geographical region. Assessment of quality begins with an understanding of the particularities of the local context but must also be capable of recognising top-level business schools across Europe, Asia and the Americas.

However, this inherent flexibility did not imply any lowering of expectations regarding basic standards because of local constraints. Rather it meant that the assessment process had to be capable of accepting wide differences in the organisation and delivery of management education across the world.

### The subsequent challenges

While most commentators agree that EQUIS accreditation has had a positive influence on the quality assessment and improvement of business schools, there have also been constant pressures to redefine standards, introduce new areas of assessment and continuously evolve processes to keep abreast of and, where possible, anticipate developments in management education.

Such challenges arise both from schools that have failed to achieve the required standards, sometimes leading to the charge of elitism, and from schools that have been regularly re-accredited, searching for added-value contributions to their improvement processes.

Further challenge stems both from innovators who are experimenting at the forefront of learning, particularly with new technologies, and those who are more concerned with protecting the *status quo*. Related to this is what has been termed “discouragement of innovation”.

Has accreditation involved an over-emphasis

on codifying current best practice rather than identifying what might be required in the future? Does accreditation actually stifle innovation? How can we ensure that accreditation criteria continuously evolve to take account of innovation, particularly in the field of learning technology? A related issue is the selection and development of peer reviewers themselves. How can we best ensure that diversity of experience and outlook are inherent in their deliberations and judgements?

There are no perfect answers to these questions, but the separation of design and development of the EQUIS accreditation system (by the EQUIS Committee) from assessment against the standards (by peer review teams and the EQUIS Accreditation Board) is part of the solution.

Other aspects are recognition of the critical role played by review team chairs and the need for consultation on a regular basis with all stakeholders (Quality Services advisory seminars and workshops). While virtually all challenge has been constructive, determining the pace of evolution, the degree of inclusivity and the balance of assessment versus development remain challenges in themselves. With over 600 peer review visits and more than 1,000 outstanding experts having dedicated their time and knowledge over the past 20 years, the continuous development of the EQUIS system has been greatly assured.

### The recent developments

The three transversal features of the EQUIS system – an international dimension in most of a school’s activities, a strong interface with the corporate world and a philosophy of promoting ethics, responsibility and sustainability – have been strengthened in recent years, together with a greater emphasis being placed on financial performance and risk management. Experience has shown that identification by the Committee of areas for revision, followed by the establishment of task forces drawing on specialist expertise from across the world and leading to consultation with the whole membership about proposals for change, is a process that has served EQUIS well.

A recent case is the task force that led the development of the new standards on Ethics, Responsibility and Sustainability (ERS), which built on the previous narrower concept of Contribution to the Community in order to reflect the

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increasing management concern for ethical behaviour and responsible leadership.

A further example would be the task force on Technology Enhanced Learning (TEL), which has broadened the EQUIS focus on recent “internationalisation” and how best to assess “high-quality research”.

Internationalisation is often perceived as being reflected in the nationality mix of students and faculty, together with advisory board members, partner schools and recruiting organisations. While the cultural diversity of a school’s community, as measured by nationality, is of course important, a much deeper understanding of internationalisation results from an assessment of how a school has adapted its research and education to an increasingly global managerial world. Research that explores international challenges, education that incorporates an international curriculum and exposure that encourages international mobility and employment, all provide further and deeper evidence of true internationalisation.

In the same broader context, other recent business school developments such as the growth of joint programmes, the establishment of satellite campuses, increasing collaboration and partnerships, and the emergence of mergers and other forms of restructuring (many of which have been taking place across international boundaries), all need to be taken into account in understanding and assessing this complex and multi-faceted concept.

The issue of what is high-quality research is perhaps an even more controversial question. Some academics argue that the only reliable measure of research quality stems from publications in top international journals while others see the impact of research output on the business world as a more appropriate method of assessment.



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EQUIS has always defined research as a broad spectrum of intellectual endeavour, ranging from scholarly publications aimed primarily at the academic community through professionally relevant articles and activities aimed at organisations and business practitioners to educationally relevant productions aimed at learners and teachers in universities, schools and companies.

This broad view of research and development encompasses a diverse range of activities concerned with enlarging managerial knowledge and improving business practice. While there is an ongoing need to develop more robust evidence and performance metrics encompassing impact, innovation and engagement, the EQUIS research standards continue to emphasise this broad approach, where measuring the impact on all user communities is an essential element of quality assessment.

Designing new and improved EQUIS standards and policies to encompass increasing complexity is both challenging and developmental but merely reflects the rapidly changing world of management education. The explanation for this ranges from the natural evolution of an established industry adjusting to a period of unprecedented turbulence to the disintegration of a value chain, which is creating opportunities for new players, products and delivery channels.

The future will bring a host of new challenges to the world of business school accreditation. EQUIS is very well positioned to master and thrive on them. In the remainder of this article, we wish to highlight three of these challenges and link them to core strengths of the EQUIS system. Subsequently, and in closing, we will offer a few technology related conjectures how the role of accreditation may change in the future and explain why EQUIS is excellently positioned to shape these developments.



### **More rather than less institutional diversity**

Describing the make-up of business schools is still a straightforward matter: They are integrated providers of management education with a varying focus on degree versus non-degree provision, produce knowledge with a direct or indirect bearing on the evolution of management practices and facilitate a broader engagement with institutional stakeholders ranging from students to businesses and society at large.

While broader higher education trends such as corporatisation and marketisation seem to invite behavioural streamlining and homogenisation, we are at the same time observing a more diverse institutional ecology in our accreditation practice. What may appear contradictory at first, can be rationalised in several ways.

For one, business schools seem to be spanning larger umbrellas around management education to realise synergies with related fields of study. As an example, few would have previously considered clinical psychology a fitting part of a business school; nowadays it is an essential piece in the puzzle when trying to explain the sources and consequences of leadership pathologies in business organisations.

Second, we are currently also witnessing the first credible steps towards technology induced unbundling of business schools, which

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is going beyond the simple outsourcing of support services. Business schools may evolve into multi-sided platforms with some providers maintaining their integrated status and others relying on the external provision of essential core competencies such as educational technologies and content.

Lastly, many parent universities are currently reshaping the institutional boundaries of business schools, for example to horizontally align governance structures or to economise on overhead costs. These moves provide business schools with a larger intra-university reach, which can support the cross-fertilisation of management education with other disciplines. EQUIS welcomes these developments if they help to improve the quality of management education.

Consistent with our core principle of viewing diversity as a stepping stone towards excellence and our non-prescriptive approach to accreditation, we have positioned EQUIS as a catalyst for opening pathways for value-enhancing institutional change and, at the same time, as a system of checks and balances that encourages reflection, where needed, to manage the downsides of organisational change.

What constitutes a business school from an accreditation perspective will need to evolve in the process to account for a different mix of intra-organisational provision and arm's length dealing. Institutional dynamics will probably pick up as well, implying that what gets accredited will become more of a moving target.

We believe that our ability to respond to these challenges is greatly enhanced by the portfolio of services that EFMD has developed over the years around EQUIS. These include the EFMD Programme Accreditation System (EPAS) and the EFMD Deans Across Frontiers (EDAF) Initiative as well as more recent creations such as the EFMD Online Course Certification System (EOCCS) and the Business School Impact System (BSIS).

### **Next step regionalisation?**

The end of the Cold War and the subsequent globalisation produced previously unrivalled economic rents, making societies broadly better off. Open economies are, however, more exposed to competitive pressures, lose some of their ability to buffer disruptive shocks and are supported by weaker regulatory structures. And

as many people have painfully learned, they respond to structural change by dividing the population into winners and losers.

From today's perspective, we could argue that we have not used the "peace dividend" very wisely. A growing segment of the population in developed countries is feeling economically disenfranchised, which has already translated into robust feedback at the ballot box. This happened partially in response to rising migration flows, which are feeding nationalistic and protectionist agendas.

These developments run fundamentally counter to what the business school community stands for. They cannot be aligned with established academic wisdom and are inconsistent with how we are educating our students. Business schools are, however, struggling to formulate a forceful response. Two transversal features of the EQUIS system provide, in conjunction, structure and guidance: internationalisation and ethics, responsibility and sustainability (ERS).

First, it provides encouragement to those schools that are willing to confront the shortcomings of the utilitarian-instrumental perspective of management education, for example by adopting multidisciplinary perspectives that tap into fields as diverse as sociology, philosophy, psychology, economics and law. It also invites business schools to place greater emphasis on addressing the ethical and moral challenges presented by the different forms of modern capitalism. Doing so will enable students to critically examine the role of businesses and managers in society as well as establish the linkage between corporate social responsibility and the accountability of managers for their actions and decisions.

EQUIS offers rewards to business schools that move beyond self-reflection and teach as well as research the "big questions" facing society such as climate change, poverty and starvation. These are all global issues requiring decision makers who can cope with complex problems in a multicultural context. Failing to do so would probably imply that these institutions are becoming less relevant; they would increasingly be perceived as illegitimate players operating on the side-lines of key social, economic and policy debates.

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### More business, less school

The third transversal EQUIS feature, corporate relevance and connectedness, helps to address existing shortcomings in the way business schools interact with external stakeholders. It is a long-standing problem area that has already been extensively discussed in the literature. Business schools have been criticised for producing research with little practical value, for not providing adequate job market skills to students and, more generally, for accepting too many blind spots when dealing with companies directly.

While this issue is not new, it will become increasingly more difficult and costly to ignore. In Western countries, the business of business schools frequently involves earning tuition revenues from degree provision and investing whatever surpluses have not been “taxed away” by the university parent in academic research.

Negative demographic trends at home and supply eventually catching up with demand in Asia will challenge the financial viability of this business model in the medium to longer term. Of concern are also rising short-term exposures to risk as business schools are funding quasi-fixed cost commitments (related to faculty hiring and research support) with the acquisition of volatile revenue streams (often involving concentrated exposures to individual student recruitment markets).

One way of dealing with this issue is for business schools to strengthen their partnership with external stakeholders, especially business organisations. It will lead to a broadening of the institutional revenue base, while a greater focus

on relevance and simple diversification will help to reduce risk. This can, for example, involve more credible efforts of managing the double hurdle of academic research, producing work of good scholarly quality that is at the same time practically relevant. Doing so can support the monetisation of research without walking down the path of commercialisation. At the same time, it can enhance the relevance of degree provision and position business schools as more credible learning partners in corporate talent management and executive education.

EQUIS serves as a sparring partner and staircase to help business schools to realise their quality ambitions. In this context, and this is a distinctive strength of the EQUIS system, business schools are encouraged to move from managing corporate links to establishing corporate relevance and, in the process, to become more relevant themselves.

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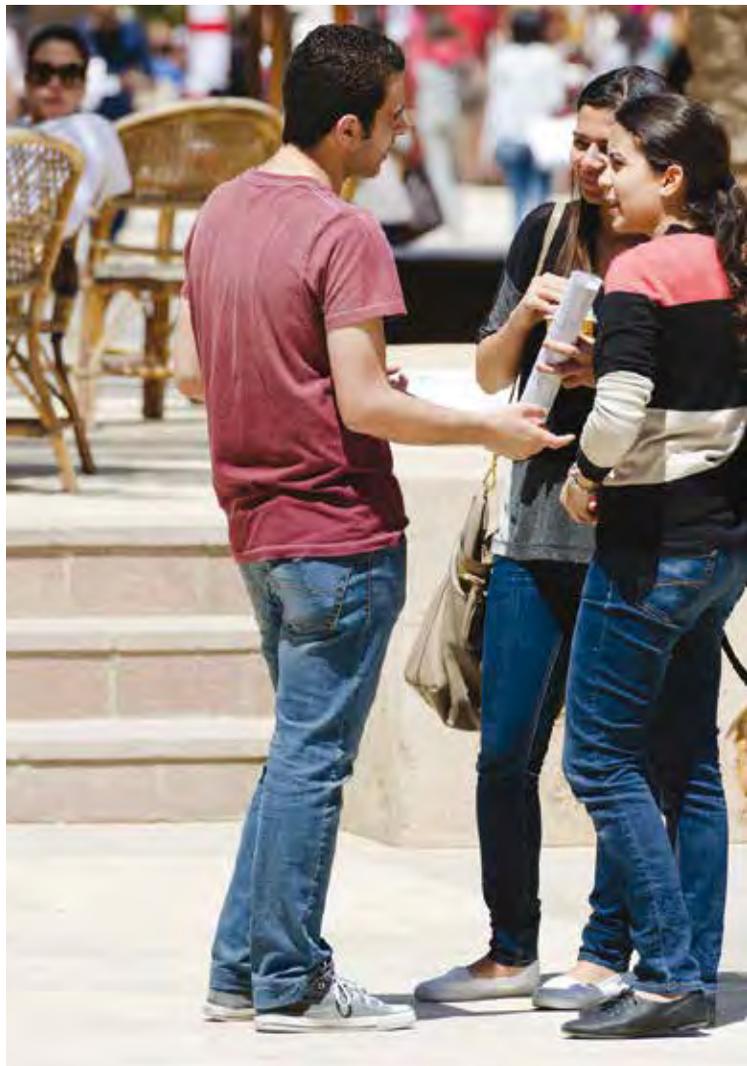


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### How technology will shape our future

Competitive positioning of business schools is currently shaped by a two-stage filtering system with accreditations acting as first-stage “certifiers” and rankings as second-stage “trusters”. As we know, this system is far from perfect. The reliance on self-reported data, survey responses from external stakeholders and inspection leads to informational biases. The subsequent data aggregation artificially reduces the informational richness underpinning competitive sorting and thereby strengthens the zero-sum nature of the so-called rankings game.

The rising potency of big data analysis may eventually deliver a disruptive blow to the rankings game by expanding and shifting the informational landscape used for the ordinal ordering of business schools. We conjecture that this development will ultimately dilute the differentiation between “certifiers” and “trusters” and is likely to further increase the weight assigned to external stakeholder perspectives. If true, then the charge will be upon accreditors to maintain the balance between market-based and more fundamental perspectives of quality and excellence in management education.

A related discussion is the future role of “block chain” technology. Financial institutions have already discovered its potential for organising financial trading, wealth storage and fundraising. The impact of block chain will be felt in higher education as well by transforming how universities and students record and share data. It will facilitate educational unbundling and, in combination with big data, will give the so-called “wisdom of the crowd” a more explicit role in measuring institutional reputation.

Accreditors and ranking providers will need to accommodate these developments. In fact, this challenge is directly aligned with EFMD’s mission on which EQUIS is built. Our focus on quality improvement defines a genuinely positive disposition towards inviting such forms of institutional innovation and cross-fertilisation. Business schools can benefit from the absence of constraining handrails within EQUIS to exploit the full quality potential of these developments.

The third and final piece in the technology puzzle is the potential impact of artificial intelligence (AI) on the management profession. While big data and blockchain will influence how business schools interact with their environment, AI will drive content and pedagogy of degree provision. Evidence is already abundant that many business school graduates are entering career paths for which they are overqualified; they are down-trading professionally.

The spread of AI will further exacerbate this problem. In response, business schools will have to move further away from “tool-focused” teaching, to review the linkages between what we teach and established research paradigms and to provide a stronger impetus for more multidisciplinary work across the board.

EFMD has always embraced its role as a facilitator of critical debates on the future of the business school sector; these will be needed more than ever going forward. In this context, EQUIS has the purpose of bringing such discourses to tangible and quality-enhancing conclusions. This ambition shapes how Quality Services manages the EQUIS system and, especially, how the development of Standards & Criteria is organized. *The Financial Times* referring to five-year EQUIS accreditation as the international gold standard explains more than anything else why the first 20 years of EQUIS are a source of great pride for EFMD. It serves as obligation and encouragement when we begin to write the next 20 years of EQUIS history.



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