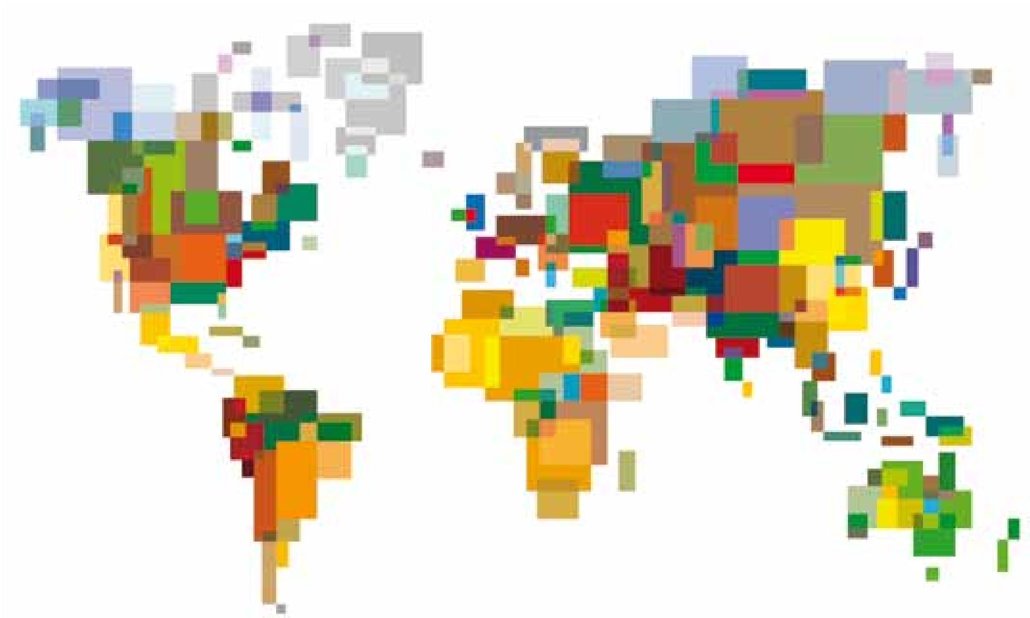
globalisation:



unfinished business for business schools

Business schools have reacted loudly to the challenges of globalisation. But has their reaction been effective or appropriate? **Hellmut Schütte** is not so sure

Business schools have existed for over a century and have remained structurally unchanged since the shake-up of the 1950s following the Ford and Carnegie foundations reports into them.

Today they are still faculty-driven, US-oriented or influenced, delivering residential programmes and are either autonomous of or little integrated into larger universities. As such they operate rather independently.

Business schools have, as a group, been amazingly successful. Very few businesses have been able to enlarge their clientele (number and quality of students) and increase prices (fees) as business schools have done for decades.

Meanwhile, national economies have become more intertwined. Many companies now have dispersed activities across the world or at least across their borders with neighbouring countries. The US has lost its economic dominance and the European Union (EU) its momentum. The continuing growth of the emerging markets, China in particular, is leading to major changes in global supply and demand.

Along with this comes increasing criticism of ideas, if not to say ideologies, made in the US: the belief in rational decision making, private rather than public initiatives, perfect markets, shareholder value and, last but not least, the concept that "the world is flat".

100+

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For an MBA or EMBA student in Beijing or Shanghai working for a successful, state-owned company, such ideas seem bizarre at best. From where they sit, macro-economic growth rates show that government-led capitalism and stakeholder interests can deliver results that are just as good, if not better.

Finally, issues of general economic interest such as resource shortages, climate change and environmental protection are no longer problems that can be tackled by individual countries alone; global co-operation is needed.

This does not mean that business schools have done nothing with respect to globalisation. Indeed, there is hardly a reputable school that does not claim, in its vision statement or advertising, to cater to a globalised world.

They recruit foreign students to ensure an international mix of participants, though it rarely makes a dent in the domestic complexion of the overall student body where the majority are still local.

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Faculty and staff also tend to be dominated by locals who have rarely spent a considerable length of time abroad. This is the “import model”, which is popular among deans as it is good for a school’s image and can be financially lucrative.

The alternative “export model” sends students abroad for short “discovery” missions, either as a group of co-students and faculty or individually on exchange programmes with other schools.

When schools organise MBA, EMBA or executive programmes abroad, they leverage their own “suit cased” faculty and attract outside students. This extends the export of knowledge more systematically. It can also be financially attractive, especially when fixed costs for facilities abroad can be controlled.

What is common to both the import and the export model is that the centre of knowledge, the home campus, remains almost untouched from a conceptual point of view. The underlying assumption is that management is universal, and that the teaching of management can be standardised.

6%

According to Pankaj Ghemawat of IESE, only 6% of research published in the top 20 management journals and 6% of case studies used worldwide deal with cross-border issues.

The true benefit of learning about globalisation, the broadening of the horizon, the exploration of different business systems, the insights into a variety of different modes of operation, the experience of cross-cultural behaviour, the questioning of one’s own ideas as the only ones being “normal”, all of this can easily be eroded and become lost.

We all remember the large numbers of Japanese students attending top US and European schools in the past and reportedly learning “nothing of relevance” for their future careers. How much have business schools meanwhile adjusted to truly foreign students on their campuses where Chinese (and Indian) students have replaced the Japanese?

A very large variation of partnership models and alliances between schools add to or complement existing internationalisation attempts. They range from outsourcing of single modules to dual-degree programmes that span the world. At best, they lead to cross-fertilisation between two institutions of different cultural background; at worst they rely on cost optimisation of non-integrated curricula.

The establishment of subsidiaries, often called campuses despite lacking faculty, has been the most pronounced move abroad. Costly and difficult to manage, it is an expensive exercise.

Few have tried this direct investment route, and even fewer have succeeded. INSEAD probably remains the best example of a school that straddles the world with two integrated fully-fledged “home campuses”.

Compared to multinational corporations (MNCs) with operations in many – often more than 100 – countries, the difference could not be more staggering. As MNCs struggle to devolve more power, try to reduce the dominance of headquarters and open up towards new ideas and initiatives of subsidiaries from the periphery, their close relationship with home-campus-centric business schools must lose its attractiveness.

Who is to blame? Faculty certainly has its fair share in perpetuating the domestic mind-set of business schools. While many non-American graduate and doctoral students spend some time in the US, Americans stay at home. Faculty exchanges and visiting professorships are rare and complicated. In academia one does not make a career by working abroad, though it is something multinational firms appreciate when it comes to promotions.

Obtaining tenure requires staying power in remaining in a given location. Researching local issues in management is easier and less costly than looking at cross-border problems. As a result we see academics in Singapore or Shanghai writing papers based on US databases because they are more reliable and the results stand a better chance of being published in US-based leading journals. Research (or knowledge creation) has remained the least globalised part in the value chain of business schools.

According to Pankaj Ghemawat of IESE, only 6% of research published in the top 20 management journals and 6% of case studies used worldwide deal with cross-border issues. Very few courses exist on international or global business or management. In fact, in most business schools, the area of international business still struggles for full recognition as a discipline or department.

Why have business schools remained so timid and slow in their approach towards globalisation? Why are they so reluctant to follow the lead of the companies that recruit many of their participants and provide them with the bulk of executives for financially rewarding training programmes? Why, in the words of Arnoud de Meyer of Singapore Management University, have they remained business schools rather than become schools for business?

There are many (good) reasons for remaining local, at least in the short-tem.

First, almost all business schools are geographically anchored and have started in a given environment with the help of local or national stakeholders. They often depend on government funding or local sponsorship, have a majority of local/national students, staff and faculty and as a consequence the support and backing of local or national alumni. Their constitution may bind them to their location and disallow ventures abroad. They are not born free.

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Second, education is a regulated activity in many countries and running seminars abroad or setting up a subsidiary campus – let alone issuing degrees and diplomas abroad – requires permission. This is not always easy to obtain.

Third, as many companies and more recently academic institutions have discovered, going abroad requires funds, is costly and is risky. It normally takes years to see the first signs of tangible positive results. And it requires people capable of challenging themselves, of bridging and appreciating national differences and having a vision.

Fourth, does every student of business have to have a global mind-set? What is the percentage of graduates who will ever deal with cross-border issues, let alone be on assignment abroad? The answer is that the percentage is small, very small.

100

The difference between business schools when compared to multinational corporations (MNCs) with operations in many – often more than 100 – countries, could not be more staggering

But it is a misleading question. How does a domestic company analyse and react to the potential entry of a foreign competitor? How many protected industries were cosy cartels before market liberalisation changed the informal domestic rules into international standards? Think telecom, think energy or infrastructure, retail or insurance.

And how does one judge one's own performance without knowledge of international benchmarks. This comparative perspective is required from today's leaders. Sitting in a group capsule and thinking "us versus them" is not sufficient in today's integrated world.

After all that has been said, what would be the right level of globalisation of business schools? This is obviously a question that depends very much on the background of the individual school.

Deeply anchored, long-established and famous schools with a large domestic market and a strong international image will probably stay "local" with a flavour of "global". This applies to most leading US schools.

European schools are younger and not as well funded but operate in a naturally more international environment, reflecting the cross-cultural nature of the EU.

Schools from the emerging markets are...emerging, growing fast, building up knowledge, reaching out in every respect. Not yet steeped in their own history, they should be able to develop new strategies of their own.

Interestingly, business schools do not like to be considered professional firms and consequently a comparison with consultants, auditing and law firms, market research companies and the like, is almost impermissible.

Of course, these firms are not academic institutions and do not award academic degrees or do academic research. But they are creating, assimilating and distributing knowledge along a similar value chain as business schools.

Not too long ago they were delivering local knowledge to local customers. After massive consolidation, the industry leaders now operate as multi-domestic firms in almost all business centres of the world, catering both to local clients and large multinational customers. Balancing the local/global dimensions and providing excellence in their service has made them important parts of business communities across the world.

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There is no reason why business schools could not develop in a similar way.

Globalisation of business schools has started but pales in comparison with the developments in industry in general and professional firms in particular. It is very much "unfinished business".

Because of the expected resistance in long-established schools, a radical new model of a mega-school without single roots has to come from an outsider who is born free from all the constraints under which traditional academic institutions work. This model could consist of globally dispersed activities connected through disruptive communication technologies and held together by a diverse network of dedicated professors located across the world.

Generating global insights and adjusting them to local conditions will live alongside cross-fertilisation between various parts of the world and an un-dogmatic view of best practice.

This could be a truly global business school of the future.

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ABOUT THE AUTHOR

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