

Hamid Bouchikhi wonders if Western business schools will find the rapid growth of business education in emerging countries a happy hunting ground or a potential threat to their current supremacy

Threat or opportunity?

Most Western business schools have seen the development of affluent segments of the population in emerging countries as a golden opportunity.

Virtually all are actively courting well-off potential candidates in Asia, Russia and South America. Many are localising programmes in these regions, either alone or jointly with local players and a few have gone so far as to open their own campuses.

While different schools have adopted different strategies, all are targeting individual candidates or corporate clients who can afford Western levels of fees and are ignoring the "low end" of the market. With a few exceptions, for example, Africa, the continent with the fastest-growing population, is nowhere on their radar.

One could think of business schools' current approach to emerging countries as sensible market segmentation. This may be true but only in the short run. Over the long term, neglecting the low end of the market may actually be a threat to Western business schools. Why?

Recent economic history has taught us repeatedly that new players always enter a market at the low end but rarely stop there. As low-cost, low-quality, low-price players gain experience and build brands, they inevitably target higher-end market segments.

And before long, they are able to challenge incumbents sitting at the top of the pyramid. According to Clayton Christensen, this process is at the core of disruptive innovation.

Fast-growing medical tourism shows us that established Western business schools should not underestimate potential threats from emerging countries to their high-cost business model.

Patients are now traveling to Thailand, India, Hungary, Tunisia or Morocco where they receive world-class treatment for a fraction of the cost in their home countries.

If people are entrusting medical professionals in emerging countries with their bodies and lives what would prevent local and foreign seekers of business education from going to alternative providers in countries with a viable value proposition and able to deliver good instruction, on campus or online, at a much-reduced cost?

Business education entrepreneurs in emerging countries are already setting up shop at an amazing pace and deploying low-cost business models to fit the needs and means of individuals and organisations who cannot afford standard Western tuition levels.

In India alone, the total number of management schools doubled to 2,385 between 2008 and 2012, while total student intake rose from around 100,000 to 300,000.

These business education entrepreneurs do not have to invest in research since the teachable portion of knowledge is publicly available. They do not have to invest in course design either as course syllabi from leading business schools are also publicly available. With the growth of free MOOCs, they do not need to employ expensive faculty for course delivery and will only have to provide low-cost tutoring and grading of exams.

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01/29	6.88	AA+	Aa2	113.21	5.90	0.00	-0.13	1.57		
05/11	4.00	AA+	Aa2	100.01		-0.34	-6.22			
06/17	3.50	A	A3	AA	101.15	2.32	0.06	0.14	1.11	
06/17	4.88	BBB+	Baa2		102.78	2.27	0.07	-0.14	0.87	
10/12	6.13	A	A1	A	103.42	3.62	0.07	-0.02	2.38	
07/13	6.25	A+	A1		107.15	3.82	0.09	-0.05	1.04	
02/14	4.51	A	Baa1					0.05	2.34	
03/15	5.25	A+						0.05	1.28	
05/18	4.53	A								
10/18	4.25	A								
01/18	5.25	A								
01/20	5.25	A								
05/24	5.25	A								

Greece	07/40	4.75
	05/14	4.50
	06/20	6.25
Ireland	04/16	4.60
	10/20	5.00
Italy	06/13	2.00
	04/16	3.75
	03/21	3.75
	09/40	5.00
Japan	05/13	0.20
	03/16	0.50
	03/21	1.30
	01/31	2.00
	05/13	4.25
	07/23	3.25
	04/13	6.50
	05/21	4.00
	05/25	5.00
	05/22	3.75
	05/13	4.45
	04/21	3.85
	04/11	2.30
	04/21	5.35
	04/24	4.75
	03/08	3.05
	03/07	4.00
	03/05	2.05
	03/05	3.45
	03/05	4.75
	03/05	1.75
	03/05	4.25
	03/05	4.55
	03/05	3.05
	03/05	3.85

A3	AA-	104.40	1.90	0.01	-0.55	1.97
	A-	107.45	4.30	-0.01	-0.50	2.22
A2	A	99.22	5.06	0.01	-0.49	1.97

...er London close.

LD & EMERGING MARKET

Ratings	Bid	Bid	Day's	Mth's	Spread
* M* F*	price	yield	chge	chge	vs
			yield	yield	US
Ba3 BB	105.55	4.84		-0.16	-4.24
B2 B	101.39	7.33		0.49	6.01
B1	111.00	7.72	0.00	0.02	5.45
	100.40	5.45	0.04	0.41	
	94.50	8.16		-0.16	

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While elite institutions with strong global brands may not feel the heat for some time yet, the majority of Western business schools may be affected sooner than their leaders think

When they need to involve foreign experts in their programmes, they can bring them online into the classroom thus saving on travel and related expenses.

All business education entrepreneurs have to do is bundle publicly available knowledge, create a context where learners are effectively engaged in the learning process and certify the learning.

As is often the case, many of these schools will remain stuck in the low end of their home markets or go bankrupt, as is already happening in India. But a minority may be able to climb up the learning curve and threaten the dominance of Western business schools that are increasingly relying on demand from emerging countries.

Evidence of such learning curve climbing is fast accumulating. The much sought-after EQUIS accreditation has already been granted to 49 schools in Africa, Asia, Eastern Europe and South America.

Interestingly, 20 out of the 49 schools are in China. To put that number in perspective, France, a country which is home to several dozen business schools, has the same number of EQUIS accredited schools as China. India (with three schools) and Africa (with two) are very likely to increase the number of EQUIS accreditations.

The representation of emerging countries in business schools rankings is more evidence that business schools from emerging countries are closing the quality and internationalisation gap with their Western counterparts.

In the most recent ranking of MBA programmes by the UK's *Financial Times*, the Shanghai-based CEIBS school occupied 11th position, the Indian Institute of Management at Ahmedabad came at 29th, the Shanghai Jiao Tong University was 34th and the Indian Institute of Management at Bangalore ranked 49th.

In Morocco, my own native country, local business schools are embarked on an



internationalisation drive and some may well achieve soon the global visibility of their South Africa, Chinese and Indian counterparts.

ISCAE, generally accepted as the leading local business school, is growing its portfolio of exchange and double degree agreements at a fast pace.

ESCA, its private younger challenger, is very active in international networks. It has played a leading role in the creation of the African Academic Association on Entrepreneurship, a consortium of six African business schools, and has initiated, with the French Grenoble Ecole de Management, the Euro-African Institute of Management.

This multiplication of north-south and south-south alliances and partnerships means that a number of business schools from emerging countries are fully participating in the internationalisation of business education and gaining visibility outside their respective countries. Some of these schools will inevitably be tempted to challenge the supremacy of Western schools.

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The recent acquisition of the Zurich-based Lorange Institute by CEIBS may be an advanced signal of other competitive forays in mature markets by schools from emerging countries.

It is worth remembering that CEIBS was established in 1994 as a Euro-Chinese joint venture. A little more than two decades later, CEIBS is setting foot in the European business education market after establishing a strong presence in Ghana.

While elite institutions with strong global brands may not feel the heat for some time yet, the majority of Western business schools may be affected sooner than their leaders think.

For this reason, it is in the best interests of Western business schools to take a serious interest in emerging countries and learn how to deliver quality education at a lower cost.

By doing so, they would not only make a positive contribution to the development of local people and organisations but also pre-empt competitive threats from this new breed of players that are popping up and flexing their muscle across the globe.

Ignoring or, worse, dismissing ongoing developments in business education in emerging countries may be our profession's next big strategic mistake.

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