The future of business schools

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Abstract

Purpose – Aims to explore the future challenges and opportunities for business schools.

Design/methodology/approach – Reviews the existing situation for business schools, and draws inferences for the future.

Findings – In rapidly developing markets the traditional business school model will most likely survive, assuming that it can be scaled up successfully to meet strong but standard demand for management education. In mature countries it will have to evolve to satisfy a more complex environment with peculiar demands from both students and their employers.

Originality/value – In mature markets, top business schools will either transform themselves to meet those demands or cede some of the terrain to alternative providers of business education.

Keywords Business schools, Education, Emerging markets, Academic staff

Paper type Viewpoint

Since the mid-1990s, the demand for business education has surged worldwide, to the obvious benefit of business schools. In response to that demand, and because of the relatively low cost of entry into the business education sector, many business programs – not to mention entire business schools – have been established around the world[1].

Whether this growth will continue, slow down or even reverse itself in the near future is a question confronting business school administrators worldwide. Irrespective of medium-term variability, however, the long-term trend in the demand for business education around the world should remain on an upward path, assuming the world economy continues to expand, driven by faster growing developing countries.

This favorable global environment provides a great opportunity for business schools, particularly those located in high-growth economies. But it also raises a number of challenging issues, particularly for those located in mature countries. In this paper we review the challenges and examine the opportunities, arguing that in rapidly developing markets the traditional business school model will most likely survive, assuming that it can be scaled up successfully to meet strong but standard demand for management education. In mature countries it will have to evolve to satisfy a more complex environment with peculiar demands from both students and their employers. The implication is clear: in mature markets, top business schools will either transform themselves to meet those demands or cede some of the terrain to alternative providers of business education[2].

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Challenges and opportunities

There are a number of pressing issues facing business schools. They include:

- the effects of globalization on business education and how to respond to this phenomenon;
- the shortage of highly qualified faculty and what to do to make up for the shortfall[3];
- the need to introduce softer skills into the curriculum while preserving the more analytical and concept-based courses;
- the effects of information and communication technologies on teaching and learning methods;
- the need to achieve financial balance and whether current or alternative funding models are sustainable;
- the need to adopt more effective governance structures and to make the appropriate strategic choices that will allow the school to better cope with competitive pressures; and
- the need to strengthen reputation and build up the school brand in order to secure its long term competitive position.

All these challenges, if met successfully, create opportunities for business schools to differentiate themselves from the crowd of business education providers. For example, schools that globalize successfully and offer innovative programs will strengthen their competitive position. And schools that successfully leverage their investment in information and communication technologies could overcome faculty shortage and reach a larger number of students more effectively and efficiently.

What is at the origin of those challenges and the opportunities they offer? They are basically brought about by the profound changes that are taking place in the global business environment and the pressures these changes are putting on business firms and business schools to adapt. We have already pointed out that the business environment is becoming more global and more complex, making management today a lot more taxing than in the past. Firms are no longer protected by borders or able to easily take advantage of information asymmetries around the world to earn abnormal returns. In this context, there is a need for more sophisticated management, for new ideas and for faster rates of innovation, and thus a need for leading business schools to invest in research to better understand these issues and come up with rigorous and relevant answers and suggestions. There is also a need to cope better with diversity in the workplace, not because it is fashionable or ethically correct, but because it leads to more creativity and better decision-making. Here again, business schools can play a major role in developing and training people to be culturally sensitive and capable of working in a multicultural and diverse environment.

In the following sections we discuss in more detail the seven challenges we identified above.

The internationalization of business education

As many companies internationalize and/or face global competition, students and employers demand a business education with a solid international dimension. In response, most business schools have adapted their structure and offerings to satisfy that request, and many now claim to be international. This phenomenon raises a number of questions. What does it mean for a school to be international? How does a school become international? Should the school be a global player, a regional one or should it serve a local market with an international perspective? There are several ways for a school to internationalize its curriculum, its student body, its faculty and its presence. These can be classified into the import model, the export model and the network model[4].

The import model of internationalization aims at "bringing the world to the school", that is, attracting students, faculty and staff from around the world to the school's campus with a maximum number of nationalities represented in the school's programs, its faculty, its administration as well as its governing body. An extreme version of this approach is to turn the school into a global meeting place where there are no dominant nationalities on campus and English is the only language of instruction and communication. But the transformation of a "national" school into a global one through the extreme version of the import model is quite difficult to achieve because national roots and the local context are usually strong enough to prevent a successful conversion. The few schools that have been able to achieve this objective have *not* done so through radical transformation. They were actually created as international schools from the outset and over time opened up to the world while slowly reducing the local or regional dimension. What this means is that it may be easier to create a truly international business school from scratch than turn an existing local school into a world-class international institution.

The export model of internationalization consists in sending abroad faculty and students. The faculty deliver courses off-site but the school's original campus remains at the center of the entire system. These off-site courses are usually provided in rented facilities[5] to students located in the host country and may include students from the original campus. The main advantage of this approach is to expose the faculty to other countries and cultures, thus enriching their knowledge and experience, which they can transfer back to the main campus. It also provides students with the opportunity to study abroad and mix with students from other countries.

To increase this type of student experience, many schools have established exchange programs with a large number of institutions around the world, whereby students from one school spend part of their program attending courses in one or more of the partner institutions. As the number of schools involved in such programs rises, managing the exchange, ascertaining consistency between courses and monitoring standards across schools become increasingly complex. The danger is that the exchange program turns into a routine with little added value beyond the opportunity for students to visit another country and mix with foreign students. In general, successful exchange schemes have a very limited number of partners (usually fewer than five) who work closely together around a well-designed program.

The network model, which is the most developed approach to globalize a business school, seeks to create a multiple-site institution with full-fledged campuses located in different regions around the world – ideally one campus in each of the main economic regions of the world (i.e. the Americas, Asia and Europe). The challenge here is to keep the campuses tightly connected to one another and avoid turning the structure into a multi-local school with quasi-autonomous sites.

The weakness of the multi-local structure is two-fold. The school either ends up replicating itself abroad (its campuses may be *connected* but they are all the *same*) with little added value to the system as a whole beyond an increase in size and revenues, or it ends up creating a set of unconnected local schools (its campuses may be *different* but they are not linked to one another), again with little added value to the whole system beyond an increase in reach and revenues. The problem in the first case is that the school as a whole misses the opportunity to *learn* from each of the local settings in which its campuses are located, since, in effect, the school "clones" itself abroad. The problem in the second case is that the school misses the opportunity to *transfer* between its campuses the knowledge and learning acquired in each local setting.

A truly global school is one with *complementary* and *interconnected* campuses, located in the three major economic regions of the world (the Americas, Asia and Europe). Within such a structure, the knowledge and learning gathered in each location circulate freely between the campuses to the benefit of the entire system[6]. How are the knowledge and learning transferred across locations to enrich the entire the network? Through the *cross-fertilization* that results from the movement of people (students, faculty and staff) and ideas between the school's campuses. With that structure, the school not only offers different programs in each location but, more importantly, *single* programs that require spending time in each one of the school's campuses to learn from the local settings and compare the experience in a structured way. Likewise, faculty not only can do research based on local data but can go a step further by "melding together" the local learning acquired in each location to create *new* insights and knowledge[7].

Obviously, not every school should aim to become a truly global knowledge and learning network. Many will continue to serve their local market. Others will adopt a more regional scope. And a few will be truly global. But the local and regional schools will to some degree, have to internationalize their student body, their faculty and their curriculum – by combining some elements of the import and export models – if they wish to remain relevant in a world that is becoming increasingly connected.

Faculty shortage

Recruiting top faculty is a major challenge for both newer schools and established institutions. Even though the demand for business education has been growing steadily over the last decade, the production of PhD-trained faculty has not risen to satisfy that demand. On the contrary, it has been declining, making it increasingly difficult for business schools to increase their faculty to meet the demand for business programs[8]. What is driving this phenomenon and what are the options for business schools given the shortage of PhD graduates?

As the MBA program became more attractive during the 1980s and 1990s, fewer candidates applied to doctoral programs, preferring instead to go for an MBA degree. And those who had completed their MBA program found it more attractive to re-enter the job market rather than apply for a doctoral program. Furthermore, upon graduation, close to 40 percent of PhD graduates opted for a career in industry[9], where compensation packages are often higher and the risk of failing to achieve promotion is lower. In other words, as the demand for highly qualified faculty went up the supply went down, producing an upward pressure on compensation packages for newly hired and existing faculty, particularly those with a strong record.

The solution is to increase the incentive for students to enter a PhD program, although this may not increase the supply significantly and rapidly enough. Furthermore, it is not clear what incentives should be offered. Most qualified candidates usually receive full support to finance their doctoral studies and, as mentioned earlier, compensation upon graduation is relatively high due to the shortage of graduates in the face of strong demand from schools for PhD-trained faculty. Only non-monetary incentives, such as shorter and less demanding programs, may increase the number of candidates, but this would come at the expense of properly trained graduates.

One approach to alleviate the faculty shortage is to hire faculty trained in fields that have a close association with business administration – such as economics, statistics, computer science and psychology – and help them refocus their research and teaching interests into management studies. In a somewhat similar approach, some universities with broader doctoral programs have encouraged students enrolled in the business-related disciplines mentioned above to do part of their PhD program in business administration, thus facilitating their transition into business schools. Another approach is to attract qualified practitioners and outstanding teachers who may or may not have a doctorate in business administration. And if the training imparted by doctoral studies is deemed indispensable for a business school faculty, then special doctoral programs in the practice of business administration could be established and designed specifically to train practising managers who wish to switch into an academic career.

The latter approach will alleviate some of the shortage of qualified faculty, but it will present another set of challenges for business school administrators: how to manage a faculty with two distinct tracks – those with a standard PhD degree and little or no business experience but a strong academic profile, and those with no PhD degree, or with a specifically designed doctorate in the practice of management, but with significant business and managerial experience and a primary interest in teaching, case writing and clinical research. Schools that manage that process well will have an edge over their peers as well as other providers of business education that have eschewed the more academic, research-based model adopted by top-tier business schools around the world.

Curricula with softer skills

The typical business school course (undergraduate, graduate and, to a lesser extent, executive education) is designed to impart a large dose of quantitative management skills and techniques. But employers, alumni and even students are increasingly demanding so-called softer skills of two types: behavioral and societal. Behavioral skills include the ability to work with others, to communicate effectively, to display multicultural awareness, and to exhibit some entrepreneurial and leadership qualities. In general, these skills have been fairly well integrated into the curriculum of most business schools and do not raise fundamental issues.

The term "societal skills" or, more precisely, "societal values", refer to the ability to make business decisions that are ethical and which take into account corporate social responsibility and sustainable development. Here the challenge is more acute, particularly on the ethical dimension. Can these values be taught? If the answer is positive, should business schools teach them? If the reply is affirmative, then how should they be taught and how much time should be devoted to them? And should this be achieved at the expense of more concept-based, analytical courses? The emerging consensus is that these subjects can be taught and that business schools should teach them, although one must recognize that it would be difficult to turn a manager in his forties or a student in her twenties who are inclined to make unethical and socially irresponsible business decisions into a paragon of proper business behavior. At best one can sensitize them to these fundamental issues in the hope that they will think twice before making unethical decisions.

If we accept the hypothesis that business schools cannot radically change the behavior of people who have reached college age, particularly by putting them through short management programs that are primarily designed to teach the theory and practice of management, then what is the second best option to address the challenge of producing ethical graduates? The answer is to recruit ethically aware students in the first place. That is, schools should use their admission procedures to screen out candidates who have a high probability of making unethical and socially irresponsible decisions. This, of course, is easier said than done. But if one accepts the hypothesis that people's behavior cannot be radically altered as a result of a management course and that, in any case, this is not the *primary* function of business schools, then resources should be devoted to establishing reliable screening techniques.

Once the candidates with the right profile are in the program, how should societal values be taught and how much time should be allocated to this subject? The answer here is *not* to create stand-alone courses in ethics and corporate social responsibility, but to incorporate these issues into the standard curriculum. In other words, core courses in production, marketing, finance or strategy should have one or two sessions devoted to understanding how ethics and corporate social responsibility may affect decision-making and the firm's ability to create value over the long term.

This approach has a major implication for faculty. Rather than having faculty who specialize in business ethics or corporate social responsibility, schools should be thinking about how to train their faculty, who teach standard business subjects, to incorporate societal issues into their curriculum. In other words, before schools can teach societal issues to their students, they should start teaching them to their regular faculty who are the most credible conveyors of such principles to their students. With this approach, societal issues will be imparted within an actual business context and without significantly enlarging already crowded curricula.

Information and communication technologies

A first wave of advances in information and communication technologies (ICT) hit schools in the late 1990s. The major concern then was that all business school activities would eventually become virtual, displacing the traditional classroom-based model of education. That immediate threat has now receded, but the ICT revolution has not died away. The current respite provides schools with a window of opportunity to better understand and integrate technology into their processes and curricula, and in the way they deliver their programs.

Given the previously mentioned factors affecting business schools – the need to respond to the globalization of business education, the shortage of faculty, increasingly demanding customers (degree students and executive education participants) and the need to provide global learning solutions with faster delivery time – the traditional educational model of direct interaction between students and teachers within the confines of a single physical classroom will have to evolve. Technology is part of the solution. A professor in a school with multiple campuses or a school with partner institutions around the world may offer via video-conferencing a course to students located in different campuses around the world. Alternatively, an instructor may deliver a standard course or a business simulation via the internet, simultaneously to students located in different places or to subgroups of students over different periods of time. Students can also take an online course at their own pace without the presence of a teacher. Facilitators can orchestrate online learning communities connecting students around the world to share their learning experiences.

All these new forms of teaching and learning are still being tested and developed. They will not completely replace the traditional classroom model but will complement it. They will allow some schools to reach a significantly larger number of students around the world and satisfy the surging demand for business education, particularly in developing countries. They will also provide the opportunity for business schools to respond to the new needs of companies for tailor-made management development programs. As mentioned earlier, corporate clients increasingly require courses with "proven successful applications of learning back at the job". They also want their managers to take ownership of their own learning throughout their career. Companies do not just want to give their managers a few weeks of learning away from the office. They want to invest together with their employees in improving employees' performance and the firm's results. This requires business schools to extend their links with the clients out of the classroom and into their workplace and offer so-called *blended* programs that combine on-campus sessions with learning in the workplace[10].

The potential benefits of integrating ICT into a school's systems and programs can be significant. If implemented successfully it can help streamline operations, control the rising cost of administrative support, enhance internal and external communications, leverage the limited faculty resources, increase the productivity of R&D investments, reach out to students and alumni around the world and respond to the need of companies and individuals for lifelong learning (we shall say more on this topic in the final section).

Funding models

Most public business schools around the world receive some form of direct and/or indirect government support to complement income from tuition, while private business schools rely primarily on revenues from program fees – particularly from specialized degree programs and higher-margin, non-degree programs in the area of executive education – to fund their activities. It is unlikely, however, that schools will be able to keep on relying on government support and/or a continuous increase in program demand and fees to fund their required investments in physical and intellectual capital.

Governments around the world are seeking to reduce their support to higher education institutions and are encouraging them to look for alternative sources of funds. Simultaneously, the higher margins that most business schools are currently receiving from their executive education programs will come under increasing pressure, not only on the price side but also on the cost side. Program fees will come under pressure as competition intensifies[11]. And the cost of designing and delivering executive education programs will rise as corporate clients, the prime buyers of management development programs, request courses that address firm-specific issues for which customized solutions are sought. The increasing pressure to customize courses and to deliver them rapidly[12] raises costs. And without the ability to raise prices, margins will necessarily shrink.

Financing investment in intellectual capital – essentially highly-qualified faculty with lighter teaching loads and generous research budgets – is expensive and, in light of the faculty shortage mentioned earlier, likely to rise faster than the ability of schools to raise tuition, increase the size of their student intake or launch new programs. But without top faculty, schools will find it increasingly difficult to attract top students and charge top prices.

The answer to this dilemma lies with professional fundraising. This is a major challenge for schools, particularly schools outside the United States, where there is little tradition for philanthropic donations to educational institutions. A significant portion of most US business schools' operating budgets (up to 40 percent in some schools) is covered by donations from their alumni and, to a lesser extent, support from the corporate sector, as well as income from endowed gifts[13]. Non-US schools will have no choice but to follow that path, particularly institutions that have the ambition to rank among the top-tier schools.

Here the challenge is immense, both on the supply and the demand side. The supply of philanthropic funds to educational institutions is very limited outside the United States. It will have to be stimulated by "educating" potential donors about the importance of financial support to schools and by "lobbying" the government to change the tax regime in order to make donations a tax-deductible expense, thereby lowering the cost of giving and hopefully raising the amount donated. Of course, tax incentives alone may not overcome the reluctance to give. The lack of a "culture of giving" may still be an obstacle to generous donations. On the demand side, schools will have to acquire the required fundraising skills and commit significant management and faculty time to developing the relationships that will generate alumni and corporate gifts. As we will argue later, they will also have to modify their governance structure to better cope with this new environment.

Governance and strategic choices

Schools, mostly those outside the US, will have to modify their governance structure for at least two reasons. As mentioned in the previous section, if schools want their alumni and potential corporate sponsors to make significant contributions to their operating budgets and to help them build up their endowments, they will have to involve them in the governance of the school on multiple levels (from the school board to its various advisory committees). This is because those who make significant investments in an institution want to protect their investment and make sure it is put to good use. A presence on the board and/or one of its key committees (MBA admission committee, endowment management committee, and audit and finance committee, to mention some) will provide the required scrutiny and comfort level.

The second reason is that the business of business education is becoming more complex and faces an increasingly uncertain and competitive environment. As a consequence, it is attracting more attention and increasing scrutiny from outsiders (government, the press, the broader public). To protect themselves against making major errors of judgment on financial and strategic matters, schools will not only have to improve their management structure and practice but will also have to benefit from boards made up of experienced business people and administrators.

One aspect of good management is for the school faculty and board to identify the school's strategic choices, select the most appropriate strategy and execute that strategy as flawlessly as possible. Some of the major strategic choices facing schools can be summarized as follows: should the school be primarily a *research*-oriented academic institution that delivers quality business education to fund its research, or should it be primarily a *teaching* institution that carries out some research to enrich its teaching? Should the school specialize in a subset of activities and programs or should it be a full-service school? Should the school remain local or regional, or should it become an international or even a global one?

Two important criteria to select the appropriate strategy are whether the school has the resources (people and money) to carry out the chosen strategy successfully and whether the chosen strategy is aligned with the school's academic model (for example, a significant growth in executive education programs may not be aligned with a strong focus on building a world-class research institution). Whatever the choice, the school will have to design its programs in such a way as to differentiate itself from other schools in the segment in which it has decided to compete – which leads us to brand building and reputation.

Brand building

Brand building is usually associated with commercial enterprises that need to develop markets and raise awareness for their products and services in order to increase their sales and profits. Although this is indeed the case, some of the world's best known brands are also associated with non-profit organizations such as the Red Cross, Médecins sans Frontières, or Harvard University. These strong brands allow these institutions to draw the talent and the resources they need to achieve their mission.

This observation raises a fundamental question. Have these organizations deliberately built their brands through well-orchestrated marketing and advertising campaigns or is their brand the outcome of their successful activities? A strong brand is more likely the outcome of a successful business model than the other way around. For a business school, the brand is thus the manifestation (captured by the school's name and logo) of that school's successful strategy, which allows it to distinguish itself from similar or competing schools in the mind of the general public and the subset of people and companies that have a relationship with the school (students, faculty, staff, alumni, corporate sponsors).

In the case of a business school, the brand is partly supported by the school's reputation (especially the reputation of its faculty and programs) as well as the visibility and success of its alumni. Clearly, schools with a strong brand will attract and retain the best students, faculty, staff and corporate sponsors within their targeted market segment. The challenge for these schools is to go beyond delivering a degree. They must deliver a life-changing experience to their students so that their alumni will say, for example, "I went to INSEAD" and not "I have an MBA".

As the market for business education becomes increasingly crowded and competition between providers intensifies, top schools must strengthen their brands to differentiate themselves if they want to continue to attract the best talent and receive donations. Differentiation will produce a growing variety of offerings and programs (both degree and non-degree programs) making the standard model of the business school less and less common and leading to a lack of clarity in the market. A strong brand is one way to help "consumers" of business education (individuals and corporations) make their choice. For leading schools, being ranked among the world's top institutions is crucial to maintaining brand awareness. For most schools, being accredited by the Association to Advance Collegiate Schools of Business and EQUIS, the accreditation arm of the European Foundation for Management Development, could be essential if they want to attract quality students, particularly foreign students.

The business school of the future

Having first reviewed the future of business schools and the challenges they face, we now conclude with some thoughts on what the business school of the future will look like. Business schools have been around for over a century and still operate today under the same basic model as they did 100 years ago[14]. At the risk of over-simplifying, the basic model of the business school (or any other type of school for that matter) consists of a physical location where we assemble faculty, attract students, deliver courses and finally produce graduates. The process can in fact be likened to a production-based model whereby a selected input (qualified students) arrives at a manufacturing plant (called a school) where it is "processed" by knowledge professionals (called the faculty) to deliver an output (the knowledge-certified graduates) who are then distributed (through placement services) to jobs around the world.

One of the major drawbacks with this notion is that, once those graduates depart, there is very little ongoing contact between them and the school. As the forces of globalization and communication and information technologies converge, much of this will have to change and the production-based model of the business school will have to evolve into one where the school becomes *a knowledge and learning network*. The school of the future will no longer be a place. It will consist of multiple, interconnected locations around the world as described in the section on internationalization. Individuals will no longer go to school. They will join a network, and will do so for lifelong learning and contact building. This transformation, in effect, moves the production-based model towards a much more customer-centric, "service-station model" where regular top-ups of education and networking become the norm.

There are a number of challenges that present themselves once we begin to shift our thinking away from the concept of the school as a location towards one where it becomes a lifelong learning network. Increasingly, the traditional face-to-face course on campus will be just the first step – an entry point into the learning network. But to be a genuine lifelong proposition, the business school of the future will have to find ways to keep its alumni in the network once they leave the physical campus, and to sustain that network by providing its members with the information, contacts, interactions, knowledge and learning that they need. As previously discussed, technology is the key facilitator; schools will have to build the infrastructure required to distribute knowledge continuously in time (over the active life of their members) and space (over multiple locations around the world) and to create a global online community for learning and experience sharing.

Over time, the forces of globalization will further strengthen the learning network. Today's corporate executives and entrepreneurs are more mobile than ever and as they move between companies and countries, their traditional networks of family and friends can become very thinly stretched. Many individuals lack a sense of belonging, and so a business school's global network has a great role to play, helping them to remain connected to something relevant and fulfilling. In effect, the network model transforms an intense, on-campus, short-term experience into a lifelong partnership to the mutual benefit of its members[15] and the school.

An immediate question comes to mind: who will fund such an undertaking? Even though most recent graduates would be somewhat reluctant to pay for joining the network (and they should initially be invited to join free of charge or at a minimal fee), they will eventually become the major source of funding to the school through future donations. There is no better prospect for a gift than an engaged alumnus or alumna who is continuously connected to their school and their fellow alumni. Furthermore, this global knowledge and learning network does not have to be limited to the school's alumni population and its faculty. Over time, it could be enlarged and enriched to include other business schools as well as corporate partners, particularly technology firms that may contribute through regular upgrades of the technology infrastructure required to support and sustain the network.

Finally, the network school will also have to rethink its relationship with its faculty. In the traditional educational model, a faculty member is required to live and work within a short radius from the school campus. This model will have to evolve and adapt itself to the concept of the business school as a network. In the future, faculty will increasingly see themselves as quasi-autonomous knowledge professionals[16] and some of these professionals will need the flexibility to live and work away from their primary school campus, in places that are closer to where their research material is found, which may or may not be on one of the multiple campuses that make up the global knowledge and learning network of the future. They may also want to be associated with a small number of institutions around the world linked together through a common educational and research project, a phenomenon that may eventually lead to a new practice: the appointment of faculty to more than one institution.

Concluding remarks

In this paper we reviewed some of the most challenging issues facing business schools and made a few suggestions on how they could meet those challenges, pointing out that the current business environment also offers great opportunities for new and established schools to innovate and strengthen their competitive position. Although the long-term demand for business education is expected to continue to grow, it is not evident that business schools as we know them today will be the dominant providers of business education in the future.

Notes

1. It is obviously less costly to offer an undergraduate degree in business than, say, biology, or to create a business school than a medical one.
2. Note the distinction we make between the future of business education and that of business schools. Even though the demand for business education is expected to remain strong, this does not imply that business schools are producing the right graduates or that the future of business schools is safe. In this respect see Pfeifer and Fong (2002, 2003), Connolly (2003) and Mintzberg (2004).

3. A survey of deans and directors of business schools indicates that the two most challenging EQUIS accreditation criteria are international issues (71 percent of the respondents found it most challenging to challenging as opposed to somewhat challenging or neutral) and faculty (54 percent). See *EFMD FORUM Magazine* (Spring, 2004). For a discussion of some of the challenges faced by business schools see AACSB International (2002) and Friga *et al.* (2003).
4. For a more detailed discussion on the alternative forms of internationalization available to business schools, see De Meyer *et al.* (2004).
5. Facilities are rarely acquired. An alternative is to use facilities made available by partner schools.
6. This is the concept of the meta-national firm, developed by Doz *et al.* (2001), which is here applied to educational institutions.
7. Note that the export model could achieve some of these effects. But the network model goes a step further by institutionalizing the process and thus greatly enhancing its chances of success.
8. See AACSB International (2003). The report indicates that in the United States, the country with the largest production of doctoral programs in business, the number of business doctorates declined from 1,327 in 1995 to 1,071 in 2000 with the trend expected to continue in the future. By 2015 the US shortage of business PhDs is anticipated to reach 2,500. The same phenomenon is affecting other countries.
9. See AACSB International (2002).
10. See van Dam (2004) on how blended or hybrid courses are designed and implemented.
11. Competition comes not only from other business schools (existing or newly established) but also from alternative providers such as corporate universities, consulting companies and firms specializing in the delivery of specific training in areas such as change management, leadership and coaching. The latter often offer a portfolio of courses tailored to a broad range of participants, from entry-level employees to board members, making them very attractive to corporate buyers of management training. And since many of them do not invest in intellectual capital, they have a lower cost base and can charge relatively lower prices for their services.
12. Once a company has decided internally that it needs a tailor-made course, it will usually ask a number of providers to submit a bid. The winner is expected to deliver a customized program within three to four months, a period of time that is much shorter than in the past.
13. Endowed gifts are donations invested in assets that are expected to generate income and capital gains. Some of that revenue goes to support the school's ongoing expenditures. Some schools have endowments running into several hundred million dollars.
14. Graduate business schools were originally a US phenomenon. The first MBA program was offered by the Tuck School of Business in 1905 at Dartmouth College. Some of the ideas presented in this section were reported in an interview that appeared in the *Australian Financial Review* (Mair, 2002).
15. Note the evolution of the notion of "student" into "member" and "partners". Traditional schools have "students" who are there to be taught by their teachers. As the teaching became more interactive and learning more important, "students" evolved into "participants". As tuition started to rise and competition for the best participants increased, participants became "clients", a somewhat unfortunate development. In the future they will become "members" or "partners" of global knowledge and learning networks.
16. In this respect see Bouchikhi and Kimberly (2001), who develop the notion of knowledge entrepreneurs.

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