



Strategy means choice: also for today's business school!

Strategy means choice

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Abstract

Purpose – To share some key strategic paradigms for business schools with leading educators, academic administrators and executives.

Design/methodology/approach – The article is normative. The normative propositions and conclusions are drawn from the research done for the author's monograph *New Vision for Management Education: Leadership Challenges*. A number of case studies are reported, as well as an inductive study of IMD.

Findings – There is a need to focus on growth niches, such as executive education rather than MBA, undergraduate or PhD education.

Research limitations/implications – Limitations include the lack of a large-scale database established from rigorously compiled survey data, and the lack of parametric/non-parametric statistical analysis.

Practical implications – Leading business schools must be demand-oriented, must listen to customers-cum-executives and corporations, should undertake research that points towards thought leadership, and should work with the business world through lifelong learning networks.

Originality/value – The article draws on IMD's strategy, implicitly and explicitly, and builds on experiences tried out there. IMD's strategy is unique. The paper also reports on unique, new thinking on strategy-setting and key priorities for business schools and academic institutions.

Keywords Business schools, Teaching, Learning, Strategic change

Paper type Viewpoint

Introduction: the knowledge revolution

The knowledge revolution is gaining momentum, with far-reaching strategic implications for organizations in both the corporate and private sectors. More than ever before, knowledge in itself is becoming part of value creation in an organization. And since "human capital" is increasingly seen as *the* key asset in the value-creating equation, a high quality of "human capital", with a relevant knowledge base, is vital. Thus, strategic human resource management will be essential for an organization to be more competitive, effective and – in the end – successful today. This means that all the organizational entities in a networked, less hierarchical society will have to make new choices. Firms will adopt knowledge-driven strategies and will have to choose which know-how to focus on primarily. And, based on this, they must see new business opportunities before their competitors, by concentrating on particular areas of thought leadership where their proprietary know-how can be applied.

Business schools will also have new choices to make, relating to how they would prefer to *serve* the new, networked society. Which entities in this networked society will they primarily target? Where can they add value? What competences can be researched, developed and taught? Where can they find areas of growth?



Future trends in management education

A new competitive map for today's business schools is emerging (Lorange, 2002). We shall look at some of the key changes in the competitive landscape in order to better understand some of the major choices that business schools are facing today.

First, it should be noted that many of the classic supply-driven offerings of business schools are fundamentally rather commodity-focused today. Many schools typically provide the basic offerings. Despite claims of innovation, there is still relatively little differentiation in what most of these schools offer.

In the undergraduate segment for business education, for instance, literally thousands of business schools are active today, with an enormous number of faculty members teaching a huge population of students. Much of what is on offer is built around narrowly defined disciplines. We certainly cannot expect the undergraduate area to add much growth, particularly bearing in mind the demographic realities in many countries, with declining numbers of young people. However, some growth could perhaps be achieved here through more innovative teaching. This could include carefully linking business disciplines to other basic university disciplines, thus creating new professional offerings that provide a better foundation for young people entering the knowledge society.

Perhaps a more active decision-making dimension will be necessary here, as opposed to merely asking students to passively list various alternative theories. This might better prepare students to operate in the networked society, where decisions will have to be made based on self-generated initiatives and self-imposed responsibilities. To understand that strategy means choice – also for the young student – will be increasingly important. To borrow from Norman Schwartzkopf (1992), “When in doubt, he/she must be prepared to do the right thing!”. The undergraduate business curriculum is ripe for innovation to meet these new challenges – but are business schools delivering?

The MBA segment is also a crowded field, and much of the classic MBA education is rather conventional (Mintzberg, 2004; Pfeffer and Fong, 2002). But, as Mintzberg states, the call should be to develop “managers, not MBAs”. The issue here is thus also one of bringing more relevance into the curriculum, in terms of what students will need when entering the networked society. The focus will perhaps increasingly be on integrated offerings for various disciplinary fields, through integrative modular program designs, rather than through offering semester-length courses in particular specialist topics, such as finance, accounting, etc. More orientation toward project work will probably be called for, including practical “consulting projects”, etc. Experienced faculty will be essential here, since they must understand what effective knowledge utilization actually *means* in the real-life networked society. Needless to say, many of today's MBA program offerings are far off this model. And many of the professors are probably not up to par. So here, too, there are significant challenges for most business schools.

The executive MBA segment is perhaps growing in importance, since it attempts to build on what practising executives in the networked real world actually need. It builds on participants' specific needs from their own work settings, i.e. it deals with executives who are already active in today's knowledge society. The call for relevance here will be just as strong as it is on conventional MBA programs. Perhaps many of these demands are more often met when it comes to executive MBA programs – they

are typically newer, with less tradition to take into account, and they are often taught by professors who also have executive experience. Above all, the students are more likely to be vocal – to *demand* relevance.

The doctoral program curriculum may also be in need of change. Perhaps a key challenge now will be to educate professors to also play a role as thought leaders through their research and teaching in the new networked society. This would mean training them to do different types of research than before, perhaps also more team-based research, and perhaps preparing them to be comfortable about dealing with new research methodologies, such as non-axiomatic clinical work, small-sample second-generation multivariate analysis, etc. Perhaps new faculty members will need to be trained with more cross-functional breadth, rather than in the traditionally deep, narrow, discipline-specific way.

This has several implications when it comes to calling for a revised strategy for business schools. Let me point out three.

Research is probably becoming even more important

Research has of course always been important. A major reason for research has been to explore, or even push, the boundaries of knowledge to discover new insights. Although this will continue to be vital, another dimension of research will become even more critical, namely exploring what sets of insights will be essential in order to develop thought leaders. This will perhaps call for research that is more closely linked to real-life business, typically more cross-functional in nature, and where the test will be whether the new insights have an impact when organizations in the new networked society apply them. It will also be increasingly important for the research to be disseminated in the classroom more quickly, to ensure that it remains at the cutting edge. The test of relevance will perhaps increasingly be what makes the best sense for practitioners in the modern network society.

Above all, learning while teaching, and hence also researching while teaching, will become even more important. Having insightful students will thus increasingly become an asset. Working on practical projects with them will perhaps open up new avenues for research. This will be in rather stark contrast to the more classical narrowly focused research, which is often aimed at discipline-based refereed journals for publication. Until now, this type of research, which also generally emphasizes the individual researcher, has been more or less dominant. I would expect this trend to change.

Research in the future will probably mean more emphasis on alternative ways of dissemination as well:

- A more “minimalist” trend seems to be prevailing (Strebel, 2005). One typically needs less in the networked society – one does not welcome long “messages”. This calls for the publication of briefer research notes, rather than fully-fledged articles. When a reader appreciates a note and would like to know more, he/she can subsequently gain access to the more detailed manuscript. We will thus probably see a move toward shorter, more focused substance-based publications, backed up by additional texts and data for those who want to know more. Similarly the traditional, typically rather long, cases may be on their way out, and shorter caselets, or learning scripts, may instead become the basis for

learning. This is in line with what we have already seen for a long time in several fields of the basic sciences in medicine, etc.

- More emphasis on synthesis, on bringing things together, on creating patterns based on cross-disciplinary analysis. This is perhaps often best done via research monographs rather than through in-depth, narrowly focused articles.
- More effective dissemination of research results to practitioners. Here, the classic practitioner-oriented business journals will continue to play a role, but perhaps even more effective web-based dissemination will probably also be developed.

In total, we can expect not only the nature of research to change, but also the types of publications. This will, above all, mean a different outlook on what the fundamental value-creating axioms should be for driving research – there will be a shift toward more relevance, rather than pushing the boundaries of discipline-specific knowledge *per se*.

Learning, pedagogy and course design are likely to become even more critical

As noted, the student in the emerging knowledge-driven networked society is likely to have less time and will look for easier access to what he/she needs to learn. The test will be more immediate value for the learner. Learning will thus have to be as efficient as possible, with, so to speak, fewer transaction costs for the learner. Today there is rapid innovation when it comes to what seems to be more efficient pedagogy. This will probably mean relatively more action learning, relatively more web-based learning, more emphasis on role plays and simulations, etc. In total, the battery of learning approaches will probably be wider and more eclectic.

The student will demand more, and the learning must be seen as being relevant to each one

The networked knowledge society will mean more competition among educational institutions, with more choice for students, i.e. more of a “buyer’s market”. This is underscored by the fact that there is a relatively low barrier to entry for establishing new business schools that aim to meet the emerging demands of students in the networked society. And we shall of course continue to see most of the established business schools – few will go out of business! All of this means too much supply. Student demands will be even more key!

It is therefore particularly critical for business schools to increase their responsiveness to students. The curriculum must be relevant, as defined by the student! Fast feedback, for instance, will be a must. Societal stakeholders will also demand more tangible results, in that they might increasingly insist that students be able to play a useful role in the network-driven society more or less as soon as they enter the workforce. Students may also increasingly require that the inner structure of the business school does not create what they might see as barriers for them. Anything that might make it more difficult for them to develop a holistic learning viewpoint might be resisted. I shall discuss the implications of this for the organization of the modern business school later.

In short, the business school’s value offerings will be demand-driven

We have seen that the students, i.e. the participants, indeed the market itself, will decide what they want, what they demand, based on *their* assessment of their need.

This will be shaped by what the networked knowledge society requires. This demand-driven focus stands in sharp contrast to the classic supply-driven focus, where business school professors offered their courses as individual faculty members and with a typically narrow, discipline-specific focus. This supply-driven approach is unlikely to find demand any more.

We can, however, now ask: does this mean too much of a “give, give, give” situation for faculty members? Does it create a lack of balance between faculty members and students? Will it signal an endless trend toward the ultimate loss of meaningful perspectives for the faculty members? Is there anything in it for them? The answer can be found in the premise that two-way learning will now become critical. The new breed of faculty members will also be learners – from their own students. The one-way teaching mode will be less and less prevalent, and two-way interactive learning processes will take over. It will be key for the progressive faculty member to thus learn from good students. Good, demanding students become critical. And in this lies the ultimate reward for the faculty member. But how can such a new context be created at the business school? A new strategy will be necessary.

Key strategic issues facing today’s business school

What type of strategy will now take the business school to the cutting edge, the forefront? Where can the business school add value? “Strategy” clearly means “choice” here, in that there will be a vast set of possible opportunities for the business school to focus on. The potential domain is enormous.

This therefore implies that, more than ever before, the modern business school needs to choose where to focus – that choice means survival, even prosperity. Let me now raise several issues to do with the choices the business school probably needs to make to be able to play a more effective role in the modern knowledge society (Lorange, 2002).

Choice of strategic terrain

A key issue is the extent to which a business school wants to continue to emphasize its narrow discipline-specific focus, versus attempting to pursue a more cross-functional, problem-oriented direction. One way to deal with this would be to develop two faculty groups: one classic “academic” group, which would perhaps be evaluated according to more traditional criteria, above all relating to one’s publication record in refereed journals and perhaps ultimately leading to tenure; and a more practitioner-oriented group, which would typically not be evaluated according to classic research output only, and perhaps with heavy emphasis on teaching capabilities. Typically, these professors would not receive tenure. One can debate, however, whether it is healthy for a business school to have two classes of faculty, two types of citizen. The evidence for whether this is practically feasible or not seems to be mixed. But the business school will have to make a fundamental choice here.

A second key issue would be to be clear regarding which types of programs to pursue in particular. For instance, should the focus be relatively more on classic offerings, such as an undergraduate program, an MBA program, a PhD program – or should it be relatively more on executive education? Should the delivery concentrate more on a classic MBA versus an executive MBA, and so on? And, for more mature

activity segments, such as an MBA program, the question would be: what size should the program be? Should one go for quality rather than quantity?

It seems vital that the quality of the academic value creation must be safeguarded when it comes to each of these choices of strategic terrain. How can one ensure innovation, cutting-edge program offerings, cutting-edge pedagogy and, above all, cutting-edge research associated with thought leadership to deliver in the chosen segments? I feel that the answers to these questions can, to a large extent, be found by modifying a business school's internal structure and processes. How can the structure and processes be delineated so that the school can in fact become a more natural part of the modern networked society?

The business school's structure

A key question would be whether a business school's structure and processes might lead to relatively too much inflexibility, too much silo thinking, too many kingdoms (Herbold, 2004). Is there too much disciplinary fragmentation in academic departments? Is there too much of a difference between the administrative and academic sides? If the answer is yes, perhaps one way to improve this would be to dismantle many of the typical academic departments, thereby creating larger, cross-disciplinary entities. Another way would be to place less emphasis on the differences between academic and administrative units – after all it is the same team!

It might also be useful to focus on the professional hierarchy ladder. The question is whether seniority is so critical in today's networked, brain-driven society. The answer is probably no. What matters is "brains" rather than seniority *per se*. This would perhaps call for less emphasis on the typical hierarchical promotional process within the school. This can often be both political and time/energy-consuming. Perhaps less energy might then be spent on this – energy that could possibly be better spent on research. A flattening of the hierarchy pyramid – with, say, one title for all – might be the result. And this might again lead to easier practices in terms of eclecticism in teams – in research and in teaching.

The ultimate question perhaps has to do with whether tenure is still relevant or not. Given the demand-driven realities today – where continuously renewed thought leadership is called for, and where much of the value creation is based on demand rather than on classic narrowly focused academic supply – the form of contract for professors might need to change. Perhaps a non-tenured, annually renewable contractual form is called for. This would be based on the performance of each faculty member on a year-by-year basis. And a professor who is no longer contributing to thought leadership might be asked to leave. Everyone must justify his/her position – just as in all other types of organizations in the networked society.

Finally, when it comes to remuneration for faculty members, perhaps this could also be more performance based, with a relatively higher part of the overall salary being bonus-driven. The bonus should perhaps have both a team-based component and an individual component, such as research output, teaching innovation/evaluations, and demonstrated citizenship.

The financial side

Following on from the implications of the new demand-driven reality, one can also, as noted, question whether society will continue to pay for a large part of a business

school's budget in the future. Perhaps society will ask the participants themselves to pay a larger part of the burden of running the school, through tuition? We can expect that market pressure will lead to higher tuition and more commercial value being demanded – and that there will be more willingness to pay for this. We can also expect that much of the research will be more directly valuable to companies, and hence they will also be more willing to pay for it. The implication is that many business schools should probably be run more like businesses in their own right. There should thus be more focus on balancing the incomes and the outcomes, more of a realization that the members of the school themselves need to generate these resources, and thus not a state/government spending attitude from the faculty members.

This involves a dramatic shift in culture for many members of the faculty. In the classic business school, they are users of resources made available to them, and the focus for each individual faculty member is perhaps mostly on how to get as big a piece of the resource “pie” as possible. In the new business school, the issue will be more how one can jointly generate resources that can then be shared in a fair, reasonable way, favoring those who actually provide the most value creation.

Information technology

Clearly, IT will also be critical in preparing the business school to make the strategic choices necessary to excel in a networked knowledge society.

Administrative support driven by IT has been in place for a long time, enhancing the business school's productivity. Marketing-driven IT is now being developed. The key here is that databases will allow for more segmentation, more of an interactive, “minimalist” dialogue with individual potential clients, more e-based communication, more responses from the business school to particular individual demands. The mass-marketing-driven strategies of the supply-driven era seem to be largely gone. Rather, the demand-driven reality implies much more targeted marketing communication – and this can only be achieved through modern IT.

The pedagogical uses of IT are also now being increasingly explored. We have already seen that many of the basic factual learning offerings can be offered via the web. This is no longer an issue of debate. Participants can cover the basics on their own *before* they come to the business school. The issue now is how to further develop web-based support for cutting-edge learning. Perhaps this development might be able to offer particularly strong incentives for lifelong learning support?

Conclusions

We may have to look at the modern business school – as part of the new networked society – as more of a network entity itself and less of a classic free-standing organizational entity with its own academic departments. More than ever before, the business school is networked with business and with other key institutions in society, such as regulators, government agencies, etc.

Business school users are more like “participants” and less like “students” in the classic sense of the word. The key will be to develop a value creation proposition for these typically older participants with their own pedagogical challenges. Research is critical, above all for the business school to be at the cutting edge of thought leadership. This research must be quickly added to the teaching agenda to maintain relevance. Typically, research is more and more team-based, with less classic, narrow,

discipline-specific focus. Faculty and staff may increasingly be part of a single team, with no separate worlds for the various academic departments, compartmentalized administrative departments, hierarchies and tenure. The business school itself may become a prime example of a networked organization.

In short, the modern business school should offer an alternative way of delivering quality and value to its participants, to corporations and to the modern networked society, different from that of the classic, discipline-based, supply-driven business school. The days of the Humboldtian-type business school seem to be numbered.

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