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NEW CHALLENGES FOR B SCHOOLS: SEEKING A GREATER IMPACT FOR DEVELOPING LEADERS, NOT JUST MANAGERS

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ABSTRACT

Business schools have made a very important contribution to management education over the past decades. The new economic and social context creates new challenges for them. Their capabilities will have to evolve if they want to have a deeper impact. Leadership and management are two notions that are often used interchangeably. However, these words actually describe two different concepts. Hard work and technical ability might once have been enough to ensure promotion to the boardroom or the partnership table. Today interpersonal skills, a flair for selling ideas and a capacity for developing people are all just as important. But even combining all those talents as good management is no longer sufficient. The top positions in business are occupied by leaders now, not managers.

Leadership isn't just a fancy name for effective management. There are obviously common elements to being a good manager and being a leader, but the pixie dust of great leaders comes down to their ability to inspire others. School of Business challenges the command-and-control-follow-me approach, instead emphasizing an enabling role. In certain courses on leadership training, participants learn to distribute power and support from behind rather than simply leading from in front. "As leaders inspire the minds and hearts of their followers, we also ask them to act humbly and 'egolessly',". "They need to empower others to take a front seat by facilitating relationships, authenticity, meaningful conversations and the self-expression of team members."

The present study attempted to provide an overview of Management and Leadership: How the two work together. This paper will not cover all issues or concerns; but will focus on a few vital areas of both topics and will explore the relationship of three dimensions of innovative human resource practices (IHRPs): that is, the extent of introduction of IHRPs, their importance for organizational goal achievement and satisfaction with implementation of IHRPs, with organizational commitment (OC). Regression analyses showed that the perceived extent of introduction of innovative human resource practices by the organizations was the most significant predictor or organizational commitment.

KEYWORDS: Business Schools, Leadership, Managers, Leaders

INTRODUCTION

Both leadership and management are crucial, and it doesn't help those responsible for the work of others to romanticize one and devalue the other. To survive and succeed, all groups and businesses must simultaneously change in some ways and remain the same in others. They must execute and innovate, stay the course and foster change. Yes, the guidance, group skills, and mindsets required for serious change and innovation differ from those needed for continuity and steady execution. But that only means those in charge must be able to act as both change agent and steward of continuity, manager and leader, as the situation requires. The challenge is to discern when one versus the other is needed. To idealize leadership and demean management only makes that challenge even harder.

Professional managers at the helm of the organizations contributed to their growth and development and also to their financial and strategic sustainability. Chief executives and senior managers gradually took over from the investors or entrepreneurs who had started the companies.

To avoid all the positive and negative connotations around "leadership" and "management" today, we often use the term "boss." It's not a perfect title — no one likes to be "bossed around." To paraphrase Mary Parker Follett, a management writer in the early 1900s, the mark of a good boss is how little actual bossing he or she must do. Still, "boss" or its equivalent in other languages is widely used across generations and cultures to refer neutrally to the person in charge, the one responsible for the work of others, the one to whom each of us must answer at work.

If you're a boss, think of yourself as the one responsible for the work of others, the one who must manage and lead as necessary, without favoring one over the other. Focus on whatever is required of you to make your people productive. Most of all, take care not to conceive of yourself as the glorious leader always blazing new trails while leaving the gritty, mundane details of making it all work to lesser beings. Kent's friend may say, "I'm not a manager," but the survival of his business probably owes as much to his management skills as it does his leadership talents.

What is “enough”? Enterprise leaders must be able to (1) make decisions that are good for the business as a whole and (2) evaluate the talent on their teams. To do both they need to recognize that business functions are distinct managerial subcultures, each with its own mental models and language. Effective leaders understand the different ways that professionals in finance, marketing, operations, HR, and R&D approach business problems, and the various tools (discounted cash flow, customer segmentation, process flow, succession planning, stage gates, and the like) that each discipline applies. Leaders must be able to speak the language of all the functions and translate for them when necessary. And critically, leaders must know the right questions to ask and the right metrics for evaluating and recruiting people to manage areas in which they themselves are not experts.

Business schools are still very young institutions. All in all, by developing generations of managers they have had a positive impact on people, companies and society. Thousands of people around the world are enrolled in MBA programs and open, executive education programs. The positive effects of business school education on the lives of many people and on the success of many companies is widely acknowledged. The failures and mistakes of business school-educated managers and the firms that trusted them – including those brought to light by the 2007 financial crisis – cannot obscure the positive impact business schools have had in producing good professionals and, through them, fostering job creation, investment and innovation. This is particularly important in emerging countries such as Mexico, Brazil, India or China, where the growth of companies has gone hand in hand with growth in higher education and the number of students graduating from business schools.

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.
- 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.

ESSENTIAL MODEL OF SUCCESSFUL BUSINESS SCHOOLS

Various different models of business schools emerged in the United States and, later, in Europe. The Harvard Business School, for example, from the time it was founded emphasized the desire to have an impact on the practice of management and the focus on a comprehensive general management, approach to the profession, an approach shared by Dartmouth and Kellogg. Other schools, such as Chicago, MIT, Stanford and Wharton, did not put so much emphasis on having an impact on management practice as on developing a rigorous body of knowledge around the different managerial functions that could be successfully applied to relevant business problems.

Irrespective of the different models they embodied, these and other schools based their models on certain key factors. The first was the creation and development of a full-time faculty made up of professionals with an academic qualification (mostly a doctoral degree) and some real- world business knowledge and experience. Faculty quality was key to designing good, solid programs and having a deep impact on students.

Faculty members also did research with the aim of creating or disseminating new knowledge in traditional disciplines such as marketing or operations, or new areas such as innovation or leadership. Faculty quality and rigorous programs were the essential drivers of good students, especially before and after the Second World War, when business schools were not yet well known and the programs they offered had no tradition in the field of higher education.

The quality of the students, the impact the programs had on them and the widespread adoption of ideas, concepts and models developed in business schools gradually created a demand among recruiting firms, initially more strongly in the United States than in Europe. Most alumni were very pleased with their business school experience and many were the first to "sell" the schools and their programs. Encouraged by alumni, many companies started to take advantage of the new programs either by hiring business school graduates or by sending senior executives on open, general management programs.

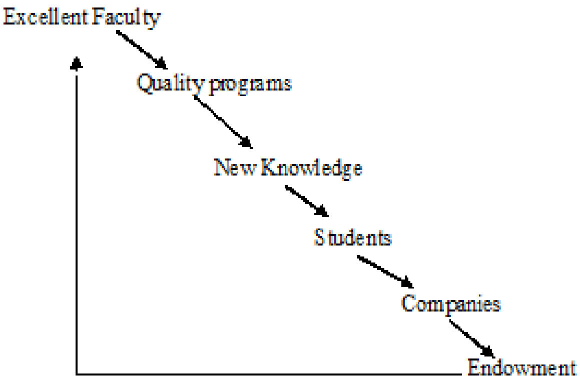

Figure 1: Business Schools: A Successful Model

This model (see Figure 1) has been the benchmark of the success of many business schools in the United States and Europe in recent decades. Yet this successful model has created its own problems and the business context in which business school graduates must work has changed significantly. The financial crisis and the changing context have brought sharp criticism of business schools, calling their role into question.4 Business schools will therefore have to change if they want to continue to have a positive impact on people, firms and society.

A MODEL IN CRISIS

Business schools have been widely criticized in the past few years, especially in relation to the corporate scandals and the current financial crisis. Analyzing the criticisms, we can distinguish two categories of observations. The first relates to factors external to business schools, mainly the financial crisis, globalization, the notion of the firm and the reputation of business. The second category has to do with certain internal gaps or deficits in business schools themselves.

External Factors

The role of business schools. As happened with the dotcom crisis at the end of the 20th century, some observers accuse business schools of having a hand in the unfolding of the current financial crisis.5 They have a point, as we will see, although for reasons other than those usually given, such as the collapse of the banking system in the United States, basically because investment banking was not the most important industry for most business schools and MBA graduates were not the most important source of young talent for investment banks.

It is true that many MBA graduates went to work on Wall Street, but the total number of MBA graduates in significant managerial positions in investment banking companies was relatively small even in the case of schools for which investment banking was the most important recruiting industry; and their responsibility was probably similar to that of other managers who had not been to business school. There were other professionals with major responsibilities in those firms, including accountants, lawyers and financial analysts; and there were regulators whose job was to supervise them. For most investment banks, moreover, graduate business schools were not the most important suppliers of talent, as the total number of students was small compared to the numbers coming out of undergraduate schools in a wide range of disciplines, including mathematics and physics.

Whether schools and their programs could have provided better frameworks of business and ethics, and a better integration of the two; or whether senior managers with a good business school education could have done more to prevent the implosion of investment banking; or more importantly, whether, given a better education, those graduates could have set a better example of professionalism and integrity; that is a different question. Because their programs are so influential, business schools (and their graduates) have a special responsibility to set the highest professional and ethical standards in the corporate world.

Globalization: Globalization and its impact on the business world is another area of concern. Many Western companies have failed in their efforts to become more international or global. Some have made major mistakes in their efforts to penetrate foreign markets. Many more have had cultural problems when working in foreign environments.

Developing and transferring talent in global companies has become a nightmare. Business schools have not done a good enough job of making the case for globalization and clarifying the specific need for it and the variety of dimensions, experiences and human and cultural values to be explicitly taken into account. However, the international growth of firms is still a recent phenomenon about which there is a lack of empirical evidence covering a long enough time period. Business schools need to do a better job of understanding it, teaching it and, more importantly, practicing it in their programs and activities. There is no denying that business schools have a long way to go in terms of taking globalization more seriously.

Corporate Crisis: The third relevant factor is the serious damage inflicted on firms' reputation over the past decade. In many countries, companies used to be admired institutions that created jobs, generated investment and were drivers of progress. Business leaders, be they board members, CEOs or senior managers, were admired professionals who put their skills and capabilities at the service of companies.

These are important issues for society. Business schools, many of them still clinging to the traditional financial-based models of management, have been very slow to react to these challenges and integrate ethics across the curriculum. As institutions whose mission is to educate managers and business leaders, business schools must rethink the role of companies in society, the job of business leaders and how to include these dimensions in their programs.

Internal Factors

Unfortunately, the challenges for business schools do not come only from the outside world. Their own development and success have sown the seeds of internal discord that need to be tackled. Areas in which many business schools show major deficits include mission, Governance, faculty development, relevance, humanistic approach and funding.

The Governance Deficit

Academic institutions in general have a poor track record in governance. There are many possible explanations, but the lack of professionalism in their management (very often academics with no particular leadership skills are in charge) and the powerful voice and influence of senior faculty are important factors. Business schools are influential institutions. As such, their governance matters a great deal.There are several levels of governance to be considered in business schools.

The first is the relationship between the parent university and the business school, which very often can result in lack of strategic and financial autonomy. The second is the accountability and powers of the dean and senior faculty. There is no single best model here, but it is certainly an issue that is not always well defined in business schools.

The third is the role of faculty in designing programs, shaping research initiatives, promoting faculty to tenured positions and shaping the strategy of the school. Good governance needs to give faculty an appropriate role in business schools, one that does not block change. Finally, the role of alumni and advisory boards also needs to be defined in the governance model.

The Faculty Development Deficit

It is well known that a faculty crunch is coming for many business schools. In informal discussions among business school deans and administrators there is a view that there may not be enough PhD graduates to replace the senior faculty due to retire from top business schools over the next two decades. Faculty growth for new projects is a major challenge. And the deficit looks even bigger when one considers how to develop the kind of faculty needed to best achieve a business school's mission. In many business schools, faculty development seems to be left to take place spontaneously.

For some faculty members this may work; for others it does not. Worst of all, it leads to a waste of time, resources and human aspirations that can be devastating for students, scholars and schools. Leaving faculty development to the entrepreneurial initiative of individual faculty members is the equivalent of neglecting the role of mentor.

The Humanistic Deficit

The aspiration to make management a more solid, science-based profession had another unintended effect: it led to the adoption of an economics-based model of the firm as an abstract organization whose social purpose is to make very efficient use of resources and maximize shareholder value. In this model, senior managers are agents whose functions are delegated by the principals (shareholders).

Unfortunately, certain management and financial theories and the more prominent role of capital markets as drivers of modern capitalism have displaced some of those early ideals. The force of pragmatism in getting results, irrespective of what happens to the individuals working in the organization, has become the dominant paradigm in the practice of management. As a result, organizations have become more impersonal and individuals are often treated as just another resource, causing employee loyalty to evaporate. Yet companies depend on and consist of people, so the claim that people are important is stronger than ever. Despite this, many decisions are taken without consideration of their impact on people and companies. Our management models are completely void of the human presence; decision making is mechanical and financial incentives shape people's motivations. Even so, this approach is weak, as the underlying model of human behavior is weak and relies almost exclusively on economic incentives.

Business schools have contributed to the spread of this view by underplaying the role of individuals in organizations and business decisions. New research paradigms have been built around models in which human beings and their qualities are either absent or are manipulated by assumptions that do not fit with the way people behave in the real world. This is an area that needs serious improvement and business schools should take up this responsibility.

The Financial Deficit

In the race to build the best possible schools and the most gifted faculty, business schools have paid higher salaries to their professors. Faculty financial compensation in business schools is already higher than in most professional schools. Many schools have cut faculty's teaching workload, in some cases turning teaching into an irrelevant sideline, in order to increase their research output. At the same time, business schools have been trying to attract top students with better scholarships. These factors, combined with higher investments in technology and other physical assets, have put schools under financial pressure.

The challenge for business schools is to develop an economic model that will make them sustainable in the long term. There is no one recipe; each school must design its own model. Their development will be a test of how well they are run.

CONCLUSIONS

Management has become a very relevant and decisive profession in our societies and a driving force of economic growth in the twentieth century. Business schools have been very successful institutions over the past decades. Most of them have had a very positive impact on individuals, firms and society at large, both in the Western world and in emerging countries and regions.

The question is how business schools will face the new realities and demands of the twenty first century, which are radically different from those of the early twentieth century, when the first business schools came into being in the United States, or the 1950s and ’60s, when many more started in Europe, the United States and other parts of the world.

Today’s business schools face daunting challenges. The reason is that their educational and research agenda is determined not only by their faculty, but also by companies and society. The identity and reputation of business schools depend very much on the service they provide to their constituencies. As stated earlier, a very important contribution they can make to the business world is to redefine the notion of the firm, the meaning of the management profession, the role of senior managers, the service orientation that professional managers must have, and the unique mission of companies in society, beyond generating economic value.

The current crisis of the capitalist system goes beyond the crisis of management and leadership, but it certainly has some roots in the crisis of the banking system and the poor leadership in many banks and other non-financial firms. The problem in many of those firms was not a lack of knowledge or technical skills, but a lack of the basic ingredients for leading organizations: a mission, a commitment to professionalism and service, a sense of justice and an aspiration to do good in society through the business world.

These are complex and demanding needs that have an impact on business schools and how their mission is perceived by the business world and society. Business schools alone cannot solve these problems, but they and their faculties have the potential to help address many of them. Though the challenges are huge, the need for excellent business schools is even clearer today than it was roughly a century ago, when the first schools were founded. The opportunities for great educational programs and relevant.

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