Anne Sweeney of Disney-ABC on the Future of Show Business

Putting the Spotlight on BBA Programs

European B-Schools Take on the Rankings
The Rankings Game
Andrea Gasparri of SDA Bocconi explores the ramifications of the European rankings.

The Law-Abiding Executive
Too often overlooked, legal literacy should become an integrated part of the business curriculum, argues attorney Hanna Hasl-Kelchner.
Oh, Brother!

“The only constant in life is change.” Even though we repeatedly hear, and even believe, this old aphorism, we often still want to hold fast to the way things are. For many in business and academia, change may seem uncertain, unexpected—and sometimes unwanted.

I’ve been guilty of trying to hold on to the familiar—to my own detriment. In college, as my classmates trekked to newly opened computer labs to write their papers, I stubbornly refused to join them, using my sturdy Brother electric typewriter instead. When an English professor pointed out that I could save time if I would only use a computer, I responded curtly, “I like my typewriter. Computers just don’t interest me.”

Inevitably, of course, I came to realize that my old Brother typewriter and I couldn’t keep up with the pace of change. Thus, I began my transformation from technological philistine to technophile. My junior year, I bought my first PC, with its DOS commands and tiny 25 kilobyte hard drive. Then came my first college e-mail account and a connection to a text-based World Wide Web; next, Windows 98 and AOL chat rooms. Today, I have my laptop, with its 80 gigabyte hard drive, wireless high-speed Internet connection, and enough technological capacity to launch the space shuttle. Every time I hit the “Del” key rather than empty a bottle of Wite-Out, I think of my sophomoric self and wonder: What on earth was I thinking?

Many business educators, too, have come to realize that change, while unnerving, can bring a number of advantages. Disciplinary silos have become integrated curricula. Field trips to Wall Street have become on-campus trading rooms. Overhead projections are now PowerPoint presentations, and handwritten spreadsheets have morphed into Excel printouts. Wired has become wireless. Just as one new innovation takes hold, yet another one appears, requiring still another shift in mindset. But through it all, business schools have sought to evolve with and adjust to the ever-changing dynamics of the business world.

In our articles “Bachelor No. 1” and “New Looks at the Old BBA,” we hear from business educators who are transforming their BBA programs; they aim to update a curriculum that they argue has stayed static for too long. Also in this issue, we talk with Anne Sweeney, president of Disney-ABC Television Group. Sweeney is passionate about changes in the television industry that are pushing it toward new delivery models. At a time when change can either push us kicking and screaming or inspire us to new heights of innovation, Sweeney says she chooses to be inspired.

I still have that Brother typewriter. Somehow I can’t bear to part with it, even though it serves no other purpose than to remind me that sometimes, change is good—an exciting challenge to be embraced, not a difficulty to be avoided. After all, even though no one can know for sure what challenges lie ahead, everyone can learn and improve as a result of facing them head-on.
Letters

The Ethical Approach

Thank you for the article “On Course With Ethics” in the September/October issue of BizEd. Authors Robert Giacalone, Georges Enderle, Linda Treviño, and Doménec Melé authored essays that effectively combine to cover many of the basic issues that business schools must address.

As associate editor of the Graziadio Business Report and in my private practice as an editor, I work with faculty, students, and other individuals writing on business topics. In light of Sarbanes-Oxley, the aftermath of Enron, and other topics related to ethics in business, schools of business must lead their faculties, students, staff members, and constituents in ongoing examinations of the multitude of issues related to ethics as practiced in domestic and global arenas.

As your authors have pointed out, American businesses and academic institutions are increasingly involved in China, Brazil, and the gradually emerging African countries as they engage in business ventures that are cooperative and, perhaps in some cases, exploitative. BizEd continues to contribute constructively not only by reporting on and examining many important issues, but also by regularly reminding us all that ethics cuts to the heart of resolving conflicts large and small. An understanding of ethics goes a long way toward ensuring growing, stable economies and peace in the world.

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Clarification

“Building on Success,” which appeared in the September/October issue of BizEd, referenced the efforts Raymond A. “Chip” Mason has made to support initiatives at the College of William and Mary’s Mason School of Business in Williamsburg, Virginia. The April 2005 gift of $4 million gift supports faculty growth and development. The naming of the school celebrates the broader partnership with Mason and is not tied to any one gift.
Spellings Report Spells Out Future for Higher Ed in U.S.

Is higher education in the U.S. in trouble? Yes, if it doesn’t undergo a series of tough reforms. That’s the gist of a report recently offered by the Commission on the Future of Higher Education, which was organized last year by U.S. Secretary of Education Margaret Spellings. The charge of the 19-person commission was to develop “a comprehensive national strategy for postsecondary education that will meet the needs of America’s diverse population and also address the economic and workforce needs of the country’s future,” according to government press releases.

Already controversial, the Spellings Report has been released to the American public via a series of drafts that first appeared this summer. The commission studied four key areas of higher education today: access, affordability, quality, and accountability. The report offers far-reaching recommendations that the commission admits will only be achieved with the cooperation of diverse stakeholders—colleges and universities, accrediting bodies, state and federal policy makers, elementary and secondary schools, the business community, and parents and students.

Castigating American higher education as complacent, the report claims the U.S. educational system is risk-averse, self-satisfied, and unduly expensive. Like railroads and steel manufacturers, the report warns, the education industry must adapt or risk being left behind by educational systems in other countries. Among the commission’s suggestions:

- Foster more cooperation between K–12 systems, post-secondary institutions, and policymakers to insure that access to higher education is simpler and more straightforward. The authors of the report noted that they were “particularly troubled by gaps in college access for low-income Americans and ethnic and racial minorities.”
- Improve the affordability of higher education by urging colleges and universities to implement cost-cutting measures, increase productivity, and adopt new technology. The commission also recommends simplifying the current standard financial aid forms and putting greater emphasis on need-based financial aid.
- Insist on more transparency and accountability from colleges and universities. These institutions would contribute information about cost, price, and student outcomes to a consumer-friendly information database that would allow stakeholders to compare institutions. In the report, postsecondary schools and individual faculty are encouraged to increase their use of learning outcome measures, while accreditation agencies are urged to “make performance outcomes...the core of their assessment as a priority over inputs or processes.”
- Embrace “a culture of continuous innovation,” designed to serve the knowledge economy through new pedagogies, curricula, and technology. The commission would also like to see schools develop a strategy to encourage lifelong learning among Americans.

The report is bound to spark much debate among educators, says Arthur Kraft, dean of the Argyros School of Business and Economics at Chapman University in Orange, California, and the board chair for AACSB.

“The report from the Commission on the Future of Higher Education will have an impact on all of us,” says Kraft. “This is especially true of the accreditation process of AACSB International. Anyone familiar with our standards and processes knows that we emphasize overall high quality and accountability. On the other hand, some aspects of the report will have a significant impact on us if the recommendations are implemented in their current form. I remain optimistic that a common ground may be reached that satisfies all stakeholders. Otherwise, we will be challenged.”
BiZEd 

MBAs Are Flourishing

2006 is shaping up to be a good year for MBA education, according to several recently released surveys. Applications are up across the board, more women are enrolling in business school, and new MBAs are enjoying a robust job market.

Applications are up. Business school application levels surged in 2006, according to the 2006 Application Trends Survey conducted by the Graduate Management Admission Council of McLean, Virginia. According to the survey, two-thirds of full-time MBA programs saw application levels rise in 2006, up from about one-fifth the year before. Applications also rose for part-time and executive programs. The 2006 GMAC Application Trends Survey incorporates responses from 230 MBA programs at 147 graduate business schools around the world.

The job market is strong. The higher volume of MBA applications reflects steadily improving prospects for MBAs. The eighth annual State of Student Recruiting survey, conducted by WetFeet Research and Consulting of San Francisco, gathered information from more than 1,000 MBAs. According to WetFeet, the average number of job offers received by MBA students at top-tier schools increased to 2.3 in 2005–2006, up from 2.0 the year before.

Those numbers are supported by other 2006 GMAC surveys, which show that average salaries for new MBAs are continuing to rise and a majority of business school graduates are able to secure a job before graduation. According to GMAC, corporate recruiters report that they feel better about the economy—and are visiting more business school campuses to hire newly minted MBAs.

“Our research shows a significant increase in the recruiters coming to MBA programs and in the number of offers each recruiter is making,” says David A. Wilson, president and CEO of GMAC. “The increase in applications only reinforces the conclusion that the market for MBAs is hot and getting hotter.”

A new survey published by the Queen’s School of Business in Toronto might explain why. According to that survey, which was distributed to 400 business leaders in Canada, 78 percent of executives would rather hire a candidate with an MBA than without one, if other factors are equal. Specifically, what executives like about MBAs are the candidates’ superior skill sets, familiarity with a variety of business disciplines, exposure to business issues, level of qualifications, and commitment to their careers.

More women seek MBAs. While the market is good for all MBAs right now, it might be particularly receptive to women. GMAC’s Application Trends Survey shows that 64 percent of full-time MBA programs received more applications from women in 2006. Forty-seven percent of part-time programs received more applications from women, and 50 percent of executive programs did so.

That’s not a surprise to Linda Livingstone, dean of Pepperdine University’s Graziadio School of Business in Los Angeles, where women make up 46 percent of this fall’s full-time MBA class. “We’re seeing many women who are interested in entrepreneurial pursuits that allow them to control their own future,” says Livingstone. “Even if they choose to enter the corporate world, women are rewarded for their creativity and entrepreneurial skills.”

And yet, women face many barriers when attempting to pursue their MBAs, according to the Queen’s survey. The report found that respondents saw three key obstacles to women enrolling in MBA programs: family responsibilities (cited by 36 percent), lack of financial resources (18 percent), and lack of female role models (6 percent). Interestingly, while 56 percent of the women responding to the survey believe there are multiple barriers to female enrollment in MBA programs, just 30 percent of men in senior positions feel the same way.

Livingstone believes that MBA programs can draw more female candidates by removing some of those obstacles—specifically by offering flexible programs, hours, and locations, as well as an applied and relevant experience.

“It’s becoming increasingly popular to offer classes in the morning during the week as an alternative to evening classes in part-time programs,” Livingstone says. “It’s also becoming popular to eliminate the summer session or develop programs that blend in-class with e-learning options. But getting the opportunity to tackle real business issues in real time with companies in the classroom is the draw for women.”
AASCB Accreditation in The Netherlands

The Accreditation Organization of The Netherlands and Flanders (NVAO) has become the first European accrediting agency to accept AACSB accreditation as equivalent to satisfying its own requirements. AACSB has granted international accreditation to 527 business schools in 30 nations, including the University of Antwerp in Belgium.

This confirmation of AACSB’s accreditation process eliminates unnecessary duplication for educational institutions that are trying to satisfy the requirements for both organizations. The recognition also makes it possible for AACSB documentation, reports, and accreditation decisions to be accepted by the NVAO as sufficient evidence of quality in the business programs.

“We are delighted to have been accorded NVAO recognition, which is a convincing validation of the review process that AACSB delivers to schools pursuing AACSB accreditation,” said Jerry E. Trapnell, executive vice president and chief accreditation officer of AACSB International. “Validation from NVAO highlights the respect other accrediting bodies have for the rigorous review provided by AACSB as a world leader in global accreditation.”

Entrepreneurs and the Law

Entrepreneurs who understand the legal issues affecting their businesses are less likely to make costly blunders, and a new program at the University of Arizona’s Eller College of Management in Tucson is aimed at giving business students just such a competitive advantage. The program, which received startup funding from the Ewing Marion Kauffman Foundation, is a partnership between Eller’s McGuire Center for Entrepreneurship and the university’s James E. Rogers College of Law.

Students from four areas of the law school—intellectual property (IP), entrepreneurial law, corporate law, and tax law—will create a mock law firm that offers counsel to venture teams from the McGuire Entrepreneurship Program. Entrepreneurship students will learn how to engage the legal community throughout all stages of venture planning, while law students will gain practical experience advising clients who start up business ventures.

Faculty involved in the partnership expect the possibilities to extend beyond teaching into research. “A rich economic literature exists on the relationship between IP law and fostering innovation,” says law professor David Adelman. “There could be much greater crossover between work on IP policy and the economic and legal work examining small businesses and innovation.”

AICPA Funds ‘Bridge’ Scholarships

The American Institute of Certified Public Accountants (AICPA) Foundation awarded AACSB International a $25,000 grant to fund scholarships for the AACSB Bridge Program. The grant money provided individual scholarships for attendees at the first AACSB Bridge Program seminar, held in October at the University of California, Irvine.

“We appreciate the generosity of the AICPA Foundation in funding scholarships for Bridge Program participants,” said John J. Fernandes, president and chief executive officer of AACSB International. “This scholarship money will be put to good use by senior business professionals who hope to make a successful transition to teaching in a business school environment.”

The AACSB Bridge Program is a five-day intensive seminar that helps senior executives become qualified candidates for faculty positions. The program is a joint project of AACSB, the Paul Merage School of Business at the University of California, Irvine, and the Marshall School of Business at the University of Southern California. For complete information on the Bridge Program, including qualifications and applications, visit www.aacsb.edu/bridge.
NEW APPOINTMENTS

■ William W. Keep has been named the inaugural dean of the Sprott School of Business at Carleton University in Ottawa. Currently, Keep is a marketing professor at Quinnipiac University in Hamden, Connecticut. His six-year appointment at the Sprott School begins January 1.

■ Rodney K. Rogers has been appointed the new dean for the College of Business Administration at Bowling Green State University in Ohio. He was previously an associate dean and director of academic programs at Portland State University’s School of Business Administration. Two other appointments have been made at the school: Hokey Min has been named professor and the James R. Good Chair in Global Strategy, and Janet Hartley has been named the Owens-Illinois Professor of Business.

■ Pascal Morand has been named dean of ESCP-EAP European School of Management, with locations in Paris, London, Madrid, Berlin, and Torino. Morand, a professor of economics and most recently dean of the Institut Français de la Mode, took over from Jean Louis Scaringella, who led the school for seven years.

■ Olav Sorenson has been named the Jeffrey S. Skoll Chair in Technical Innovation and Entrepreneurship at the University of Toronto’s Rotman School of Management.

■ Bruce A. Reinig is the new chair of the Information and Decision Systems department at San Diego State University’s College of Business Administration in California.

■ Erik R. Sirri has joined the Securities and Exchange Commission as its next Director of the Division of Market Regulation. Sirri, a professor of finance at Babson College, also has recently been a visiting scholar at Harvard Law School.

■ Guia Marchisio has been named a faculty associate of the Cox Family Enterprise Center at the Coles College of Business at Kennesaw State University in Georgia. Marchisio, who joins the Coles College as an assistant professor of management, most recently taught at SDA Bocconi in Milan, Italy.

■ John Sibley Butler has joined Babson College in Wellesley, Massachusetts, as a Distinguished Scholar and adjunct professor. Butler will help design and deliver academic programs and a collaborative entrepreneurship incubator project between Babson College and neighboring Olin College of Engineering.

■ Oliver Aptel has been named General Director of the ESC Rennes School of Business, succeeding Michel Besnehard, who will retire in France.

■ Robert Newman has been appointed managing editor of the Journal of Labor Research and will begin his duties in 2008. Newman is the chair of the department of economics and a Mack Hornbeak Endowed Professor in Economics at the E. J. Ourso College of Business at Louisiana State University in Baton Rouge.

■ Debra J. Ringold, professor of marketing at Willamette University’s Atkinson Graduate School of Management in Salem, Oregon, has been named the chairperson of the board of directors for the American Marketing Association.

■ Alan Jenkins has been appointed as the academic director of the executive MBA program run in partnership by ESSEC Business School in Paris and the University of Mannheim in Germany.

GIFTS AND DONATIONS

■ Real estate owner Jay. H. Shidler has donated $25 million to the University of Hawaii in Honolulu. In recognition of his gift, the school is renaming the College of Business Administration the Shidler College of Business at the University of Hawaii at Manoa.

■ Canadian businessman Paul G. Desmarais and his family have donated $15 million to the University of Ottawa in Ontario, Canada. The contribution will be recognized with the naming of the Desmarais Building, a new 12-story flagship building that will serve as the home of the School of Management and Faculty of Social Sciences.

■ The David Eccles School of Business at the University of Utah in Salt Lake City has announced a $13.25
In appreciation, the college will be creating the Pierre & Claudette MacKay Lassonde New Venture Development Center, which will consist in part of already existing programs, including the Pierre & Claudette MacKay Lassonde New Venture Development Center.

The Wharton School of the University of Pennsylvania in Philadelphia announced a $5 million gift from Robert M. Levy, chairman and CEO of Harris Associates, and his wife, Diane. The gift will establish the Diane v.S. and Robert M. Levy Social Impact Fund with $2 million; provide supplemental funding of $2.75 million to the existing Levy Endowed Fellowship Fund; and benefit the University of Pennsylvania’s Museum of Archaeology and Anthropology with $250,000.

Georgia businessman James M. Hull has donated $2 million to the College of Business Administration at Augusta State University in Georgia. In appreciation, the college will be renamed the James M. Hull College of Business.

New York hotel investor George L. Ruff has donated $1.5 million to DePaul University in Chicago to establish a professorship in real estate studies. The gift from the Trinity Hotel Investors co-founder will go toward faculty recruitment. The center expects to name its first George L. Ruff Endowed Professor next year.

The University of Washington Business School in Seattle has received $1.5 million from Robert J. Herbold, managing director of Herbold Group LLC and retired vice president and COO of Microsoft. One-third of the money will be used to establish the Robert J. Herbold Professor of Entrepreneurship, while $1 million will be used to build the Robert J. Herbold Venture Creation Lab.

Seth Hammer, associate professor of accounting at Towson University in Maryland, has been named one of the state’s top CPAs for the second consecutive year by Smart CEO.

Barbara Gutek was recently presented with the Distinguished Service Award by the Society for the Psychological Study of Social Issues. Gutek is professor in the department of management and organizations at the University of Arizona’s Eller College of Management in Tucson.

The Academy of Management has recognized two members of the department of management and organization at the University of Maryland’s Robert H. Smith School of Business in College Park. Professor Kathryn M. Bartol received the 2006 Distinguished Service Award, and professor emeritus Edwin A. Locke has received the Distinguished Scholarly Contributions Award.

Chee Chow has received the Outstanding International Accounting Educator Award for 2006 from the American Accounting Association. Chow is an accounting professor at San Diego State University’s College of Business in California.

Jack VanDerhei and Ruth Helman have won the 2006 Media Recognition Award given by The National Association for Government Defined Contribution Administrators Inc. for the publication, “Will More of Us Work Forever? The 2006 Retirement Confidence Survey.” VanDerhei is a professor in the department of risk, insurance and healthcare management at The Fox School of Business, Temple University, Philadelphia, Pennsylvania. Helman is research director at the public opinion research firm Matthew Greenwald and Associates, Washington, D.C.

Author Jim Collins has partnered with the University of Virginia’s Darden School of Business in Charlottesville to create an interactive multimedia product based on his best-selling book, Good to Great. “The Good to Great Experience,” developed in collaboration with Darden Business publishing, features three hours of customizable video as Collins explains the concepts found in his book.
The Erivan K. Haub School of Business at Temple has launched a program that will enroll its first students in January.

The University of Pennsylvania in Philadelphia is offering a graduate degree program for learning leaders through a partnership between the Wharton School and the Graduate School of Education. The Executive Program in Work-Based Learning Leadership focuses on business, leadership, technology, and strategy within the context of work-related learning.

Beginning this fall, undergraduate business students at the Fisher College of Business at The Ohio State University in Columbus will have a chance to earn Green Belt certification in Six Sigma. Working under the supervision of a Six Sigma Black Belt, students will enroll in two ten-week classes, complete a project for a local nonprofit organization, and take the Green Belt certification exam.

Facilities

In September, Drexel University’s LeBow College of Business opened new facilities in Malvern, Pennsylvania, to house its LeBow Evening Accelerated Drexel (LEAD) MBA program. The new facility allows LeBow to host guest lectures and provide student amenities for LEAD such as wireless access and onsite advising.

The University of Minnesota in Duluth has broken ground on new environmentally friendly facilities for its Labovitz School of Business and Economics. Total cost of the building is expected to be $23 million, funded in part by a $4.5 million gift from donors Joel and Sharon Labovitz. The 65,000-square-foot new building, which is expected to open in 2008, will be certified for Leadership in Energy and Environmental Design (LEED) by the U.S. Green Building Council. Architects are Perkins+Will, an international firm that specializes in environmentally sound design.

Other News

The Aspen Institute takes on the topic of corporate governance in its newest online edition of “A Closer Look at Business Education.” An interview with emeritus Harvard professor Michael Jensen helps answer the question, “What defines good corporate governance?” The article also examines how the issue is managed in global MBA education. It can be found at www.beyondgreystripes.org/pdf/cgreport.pdf.

The W.P. Carey School of Business at Arizona State University in Tempe has launched a program that brings high-achieving high school graduates directly into the business school. This fall, 121 elite freshmen took advantage of Carey Direct. They will complete two years of pre-business coursework before applying to a professional program in one of seven academic programs offered at the Carey School. The new program is expected to improve retention among top students and produce more high-quality graduates.
Anne Sweeney’s soft-spoken manner and quiet energy belie her status as a powerhouse in the entertainment industry. She has been named the “Most Powerful Woman in Entertainment” by The Hollywood Reporter, one of Fortune’s “50 Most Powerful Women in Business,” and one of Forbes’ “World’s 100 Most Powerful Women.”

Ask her about this recognition, however, and she immediately defers to her team and to the “up-and-comers” in the entertainment industry, whom she values for their energy and ideas. “It’s wonderful to be recognized, not just for my accomplishments, but for my team’s accomplishments,” says Sweeney. “But it begins and ends there. I’m more impressed when I look at new talent, when I see who’s coming up in the spotlight.”

Sweeney began her own business career unconventionally. She earned a bachelor’s degree in English from The College of New Rochelle in New York and a master’s degree in education from Harvard University in Boston, Massachusetts, planning to be a teacher. Her plans began to change when, at 19, she landed a job as a page for ABC, an experience that sparked her passion for the entertainment industry. After she completed her master’s program, she was hired by Nickelodeon, then a brand-new cable network for children’s programming. Starting as an assistant, Sweeney eventually became its senior vice president of program enterprises.

In 1993, she worked with television executive Rupert Murdoch to launch the cable network FX and served as its CEO. In 1996, she moved to The Walt Disney Company, where she served as president of the Disney Channel and executive vice president of Disney-ABC Cable Networks. She was promoted to president of Disney-ABC Television Group in April 2004 and also serves as the co-chairman of Disney Media Networks.

Most recently, Sweeney headed a deal that is part of what she has called a “seismic shift” in the entertainment industry. In May and June, ABC.com offered episodes of its most popular television shows, including “Lost” and “Desperate Housewives,” via an ad-supported, free-streaming model on the Internet. The company was also the first to offer viewers the chance to purchase episodes after their airing on television for $1.99 on Apple’s iTunes online music store. These moves represented a break in traditional program delivery—and a threat to the status quo. But now that new technologies are emerging and younger audiences are seeking out alternative delivery of content, the entertainment industry can’t afford to “cling to old models or old ways of thinking,” says Sweeney.

That’s true for businesses in all industries, Sweeney emphasizes. To serve business well, she says, today’s business graduates must be able to embrace change with a passion for innovation, an ability to think creatively, and an unbridled enthusiasm for “what’s coming next.”
We want students who are ready to put aside the way they watch television and think about television. They need to be able to view television in new ways, because it’s constantly changing.

You took a nonstandard route to the executive’s office, earning degrees in English and education, rather than business. Did you ever consider earning your MBA or seeking additional business training?

I’ve taken business courses along the way. I took the Harvard Negotiating Seminar, which I found extremely useful, and I’ve taken accounting courses for people in creative fields. I’ve had some excellent mentors in business. But for me, my business education was mostly about learning on the job and working with some smart MBAs.

When you look at the latest MBA graduates who are sending your company their resumes, who gets the interview?

I really look for people who have a passion for what they do, people who are truly interested in the future of media and the future of our company.

What qualities get them the job?

I’m looking for true leaders, not people who are focused on being No. 1 among a finite set of competitors. I focus on the people who have a bigger idea of where we can go, whether in entertainment, in technology, or in our international sphere. I look for people who are brave and who are willing to get behind big ideas. I need people who are unafraid of change, who are willing to break some china to try out a new idea. Then, they have to be willing to live with the consequences.

How important is a business degree’s pedigree to your company when it considers whom to hire? Do students with degrees from top-ranked business schools or specialized “entertainment MBA” programs have an advantage over those from general MBA programs?

No, they don’t. It’s really about the interview. It’s about their passion and excitement about what they want to achieve and where they want to go in their lives and careers.

What do you most want business schools to teach these new hires before they come to your company?

The message I have for business schools is to make sure their students are ready for change, ready to think out of the box. For our company, we want students who are ready to put aside the way they watch television and think about television. They need to be able to view television in new ways, because it’s constantly changing.

In a recent appearance at Pepperdine University’s Graziadio School of Management, you noted that it will be “internal entrepreneurs” who keep companies relevant. How do you define an internal entrepreneur? What skills do business schools need to impart to students to create that mindset?

I was talking about people who value innovation, who focus on being leaders instead of maintaining the status quo. All the big corporations were built by entrepreneurs. For Disney to continue to be successful, it has to be run by people who are internal entrepreneurs, who think differently. I’m fortunate that my boss, Bob Iger, the president and CEO of the Walt Disney Company, is one of those people. He has imparted to me the three goals of our company—developing creative strength, leveraging technology to support our content, and emphasizing international growth and expansion. Those are the goals of an entrepreneur. Those are not the goals of the person who is just trying to keep things going.

You entered into a decidedly “intrapreneurial” venture when ABC began to offer episodes of some its shows via the Internet and through iTunes. What has been the most difficult aspect for you as you experiment with these new models of delivery? How do you try to step ahead and anticipate future trends?

When we decided to work with Apple and iTunes, we just felt that there was enough “there there” to take the risk. Disney had spent so much time talking about the future, so much time talking about the opportunities digital had to offer, but nothing had happened. When this opportunity with Apple presented itself, we came to the conclusion that it was the smart thing to do. Whether it works or not, we know we’ll learn a great deal from this experience.

In May and June, we also conducted a two-month test in which we offered our shows on ABC.com. Viewers couldn’t download the shows, but they could watch them. We wanted...
With Numbers Like Ours, You’d Probably Expect To See Ivy On The Wall.

Whether it’s the 1383 average SAT score for our entering freshman class or the $157,000 average annual compensation for incoming EMBA students, SMU Cox boasts impressive numbers. In addition, 100% of our full-time MBA students study abroad to gain firsthand knowledge of the global marketplace. The educational experience our students receive is enhanced by a mentoring program that includes more than 220 executives representing every major industry. So while there may be no ivy on the wall, you have to admit, our oaks look mighty distinguished.

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to see what we would learn about this mode of delivery and how it would work. We set it up so that we had one sponsor per episode, and we learned a lot about advertising and how it lived in this kind of format. We learned the average age of the viewers who accessed these shows on the Internet, and whether this experience worked for people. Again, this was a test, because we were thinking and feeling that this was a venue for our programming, but we first had to find out.

What did you learn that was most helpful?
In that two-month period, we had 5.7 million streams of our shows. The average age of the person accessing these programs was 29, while the average age of viewers watching the program on the broadcast network is about 46. Already we’ve found that we are responding to a younger audience, and we know where they are. We also learned that 87 percent of people who watched the shows online, and who responded to an exit review, correctly identified the sponsor of the program and had a good opinion of the sponsor. That was critical knowledge, not just for us but for our advertisers as well.

By offering shows on ABC.com, ABC angered many local affiliate stations, who fear that they’ll be cut out of the loop if online programming takes off. In the long term, as technology advances, their worries could become reality. How do you manage the painful aspects of these changes, especially as they affect traditional mainstays of your market?
We worked very hard this summer to engage our affiliates in this exercise. We were able to reach an agreement with them so that the new player could launch in September, not only on the network’s Web site, but also on the 215 local affiliate sites across the country. This is as much their future as it is ours; they’re confronted with exactly the same challenges that we are. So, it was important to me for them to be a part of ABC.com. For example, viewers could come to the ABC.com player through affiliate Web sites. Our affiliates remain part of an important delivery system, but they also must confront these changes, as people have access to more and more technology. It’s something that we’re all going to have to monitor very carefully.

Business schools also are experimenting with alternative delivery methods, such as podcasting, for educational content. What have you learned about serving a younger demographic that demands more choices in the way content is delivered?
Whether it’s educational content for business schools or media content for the entertainment industry, the key question to ask is, “What’s the appropriate technology for the content I want to deliver?” Not every technology works for every type of content. That’s part of what we’ve been testing with both the iTunes deal and at ABC.com. In June, we also launched DisneyChannel.com, which is a broadband service aimed at 2- to 14-year-olds. While we had 5.7 million streams in our two-month test at ABC.com, we had 34 million streams in June and July on DisneyChannel.com. That told us a lot about the differences between today’s 2- to 14-year-olds and today’s 27-year-olds. It’s important that you understand your constituents—your viewers, your consumers, your students—and learn exactly what technology they’re using to access what types of content, Then, you can better figure out which one works best for what you’re trying to do.

Risk-taking is a big part of your job. Do you think business graduates who come to work for your company know the basics of risk management? How have you learned to differentiate between risks that are worthwhile and those that are reckless?
To be fair to recent graduates, it’s more about their first one or two jobs out of school than it is about their education. I was very lucky. I walked into a “brave new world” after graduate school when I signed up at Nickelodeon. I think I was its tenth employee. I remember that every year when we created our budget, we also had to write a shutdown scenario. I knew that I was working in a startup where everything was possible, but nothing was a sure bet.

In retrospect, that was a defining experience for me. It helped me learn to enjoy taking risks and look forward to figuring out what was next, because nothing was given. We were never assured that our business would be around the next day or the next week. It was all about being more relevant to the industry in that moment.

Do you think your outlook on risk would be different had Nickelodeon failed?
I really have no way of knowing, but I did discover early on that I loved the challenge of the unknown. When I went over to Fox to start FX, I had never started anything from scratch by myself without an infrastructure that I knew and trusted. Having to put all of that together reaffirmed the fact that I loved the hard jobs. I love the jobs that I don’t know how to do. I love getting in there and figuring it out and making some good, big, noisy mistakes along the way, which is really part of the learning process.
What would you say has been your most educational mistake along the way?
In the early days of Nickelodeon, we ran a show that was about almost superhuman kids who had achieved unbelievable things, either in sports or music or science. We learned very quickly that our audience felt absolutely no connection to these kids. If anything, it made them feel bad; it didn’t make them feel that they were connecting to people just like them. That show’s failure was an important lesson.

About knowing the audience you serve?
Absolutely. And when you make a mistake like that, you need to get even closer to your audience and listen even harder. That’s the only way you’ll understand your mistakes and avoid making them a second time.

When you speak to business students, what do you most want to emphasize as they prepare for their careers?
My theme song is, “Think outside the box.” Students should know that they can’t always put things through traditional filters, and they should understand that business has to change to survive. It’s very important not to try to model everything they do after something that has come before.

The iTunes deal is a perfect example of that. There wasn’t a model that we could follow to determine whether or not we should agree to the deal. But we did know that delivering shows via iTunes would be groundbreaking. When I held the iPod for the first time, I saw our content through a new lens. I saw something that could make our product more convenient for people to access, and I saw an opportunity to protect our content from piracy, which was critical to us. I knew it was important to take the risk.

As you look to the future of the entertainment business, what worries you the most?
I think what worries me most also gives me the most joy. I love not knowing what’s going to happen next. I don’t have a crystal ball. I don’t know the next great technology that will impact us the most, but I love the challenges and the potential for growth that change presents.

If you were to teach a business school class on the most important lessons you’ve learned over your career, what topics would be on your syllabus?
At the top of the list would certainly be innovation, the value of startups, the value of problem solving, and the value of teams.

Are business schools doing a good job of teaching those skills?
I think business schools are teaching these skills, but these skills are also learned on the job. Students need to view learning as a lifelong pursuit. It doesn’t stop when they get out of school. Students also have to know that mentors who can teach them are everywhere—not just people who have gone before them, but the people they’re working with today.

You’ve emphasized how important mentors have been to you in your career. How important do you think mentors are to success in business?
My mentors have come from inside and outside the company, and over the years I’ve found that mentorship is incredibly important. It comes in many different forms—it’s not always a formal process. Sometimes your mentors are your bosses, sometimes they’re the people who inspire you by their actions. I think students really have to go into their first jobs looking for people who inspire them, looking for information, looking for opportunities to learn.

We have a wonderful mentoring program at ABC, and I’ve been fortunate enough to be a mentor over the last couple of years. I can honestly say that I’ve learned as much from my mentees as I hope they’ve learned from me. It’s very likely in any conversation with them that I’ll put my problem of the day on the table with them and see how they would solve it.

Besides seeking out mentors to inspire them, what do you think is most important for students to know as they embark on careers after business school?
Students should know that their success depends on lifelong learning. No one arrives at a job knowing how to do it perfectly, and no one really should. They should arrive with a lot of trepidation, a lot of energy, and a great desire to learn. That’s where the good ideas come from.
Today’s business undergraduates are taking trips overseas, enjoying hands-on learning, and developing leadership skills—just like MBA students. The similarities don’t stop there.

by Sharon Shinn

When James Danko is called upon to give a speech to a Villanova University stakeholder—or anyone interested in business education—he likes to say, “This is the era of the undergraduate business student.” The dean of Villanova’s School of Business in Pennsylvania notes that the events swirling around graduate business education have created something of a perfect storm that has benefited the BBA.

“There was the recession and the decline in applications, and there were significant people like Warren Bennis taking shots at full-time MBA programs,” says Danko. “Employers are starting to look toward undergraduate markets when they’re recruiting and hiring. The reality is that undergraduate programs are really hot right now.”

In fact, they are. Since 1995, undergraduate business degrees have accounted for about 69 percent of all the business degrees awarded in the U.S. During that same period of time, the number of graduates from business bachelor’s programs has grown by roughly 80,000, and in the 2003–2004 school year, more than 300,000 individuals were awarded bachelor’s degrees in business. By contrast, only about 140,000 people earned master’s degrees in business in that year.

Even more impressive than the number of BBA degrees being awarded is how much BBA programs are changing. An added emphasis on experiential learning and global perspective is almost required these days, and deans are looking for ways to strengthen their undergraduate business curricula even more. The launching of BusinessWeek’s undergraduate business school rankings is expected to make many schools reassess—and perhaps upgrade—their BBA offerings. In fact, it’s clear that some schools are modeling their enhanced undergraduate degrees after the degree that has been so visible for so long: the MBA.

What’s more, some deans are starting to think that undergraduate education might give them a better return on investment. For years, the rankings race dictated that schools pour resources into their MBA programs, but the cost of recruiting and supporting grad students has led to rising expenses.

“We’ve decided we’re not going to continue to elevate our resource commitment to the MBA,” says Daniel Smith, dean of Indiana University’s Kelley School of Business in Bloomington. “Instead, we are putting incremental resource increases into the undergraduate program, both in terms of dollar investments and faculty investments. To strengthen our presence in the marketplace, we want to produce more quality students and have a larger faculty producing high-quality research.”
He’s not the only dean who expects to make such an impact primarily through upgrades to his undergraduate program. To add more prestige to their programs and more power to their brands, deans of business schools across the spectrum are refashioning their BBAs.

**The Basic Degree**
At first glance, it might not seem like the BBA has undergone extensive changes. After all, at most schools, the BBA is essentially an arts and sciences degree girded with basic business classes. According to Albert Niemi Jr., dean of Southern Methodist University’s Cox School of Business in Dallas, Texas, fewer than 50 hours of the typical 120-hour BBA degree are devoted to business.

Says Niemi, “If you look at the infrastructure behind a liberal arts and sciences degree, there’s no significant difference between a political science major and a finance major except finance majors have degrees that are more marketable.”

But while that liberal arts bias continues, schools are packing undergraduate programs with more experiential learning, more global exposure, and better job prep.

In addition, a few of the subjects traditional to MBA programs are making their way into the undergraduate curriculum, says Robert Jenkins, dean of the Farmer School of Business Administration at Miami University in Oxford, Ohio. He notes that essential MBA topics such as leadership, ethics, supply chain management, and entrepreneurship are infiltrating the BBA. Many undergraduate programs are also emulating their graduate counterparts by offering more course integration.

“My own observation is that most pedagogical changes happen at the MBA level first and cascade down to the undergraduate level,” says Jenkins.

Today’s BBA might also be spending more time in the b-school, as more schools are admitting students directly from high school. By recruiting freshmen with excellent GPAs, high SATs, and strong leadership potential, business schools are strengthening their programs by securing top students. Meanwhile, freshmen are not only guaranteed a place in the business school, but they often get special treatment during their first two years.

“Freshmen take enrichment programs, and they periodically have dinner with the dean. They bond together as an entering class like a new class of MBAs,” says Niemi of the Cox School.

At Kelley, most of the direct admit students go into the honors business program, which includes such benefits as access to visiting executives and attention from a career counselor. “They get a little more hand-holding,” Smith points out. “The MBA has become a high-touch program, and we’re starting to offer the same services to our honors and direct admit students.”

There’s the M-word again. The more deans talk about their undergraduate programs, the more it becomes clear how much today’s deans are modeling the BBA after the MBA.

**BBA as MBA**
The resemblance between the graduate and undergraduate degrees is particularly strong in two areas: globalization and experiential learning. Both now permeate the undergraduate curriculum.

Global perspective: At Cox, about 30 percent of the BBAs have an international experience before they graduate, and within five years, the school hopes that number is 100 per-

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**A New Rankings Race**

When BusinessWeek published its first rankings of undergraduate business programs this summer, Dan Smith was happy to find Indiana’s Kelley School comfortably placed at No. 10. But he realized that the undergraduate rankings race had just begun. He says, “I looked at my undergraduate program chair and my associate deans, and I said, ‘Our lives will never be the same.’”

Across the U.S., deans echo the sentiment. While U.S. News & World Report has ranked undergraduate programs for years, its impact has been relatively minor. Those standings are determined largely by reputation as participating deans offer their opinions of other programs.

“The U.S. News ranking is a beauty contest,” says Albert Niemi of Southern Methodist University. “But BusinessWeek is asking undergraduates the same questions it asked MBAs 20 years ago. Are you getting a good deal? Would you go back to that school? What’s your level of satisfaction? Since student satisfaction will be an important part of the undergraduate rankings, schools will have to make sure they offer a rigorous experience along with high-level satisfaction.”

That challenge is seen as an exciting opportunity by some. “Because the U.S. News ranking is largely reputational, it’s hard to dramatically influence it,” says Smith. “But BusinessWeek talks to the two constituency groups...
Howard Thomas.

“...can choose to add a year for international study, says dean...”

Warwick Business School in the U.K. and the Farmer School—ramping up their international options. This fall, the Farmer School launches its China Business program for undergraduates, which requires intensive language and cultural study, examination of American and Chinese business practices, a summer internship with a company engaged in China-related commerce, and one semester studying at a Chinese university.

Warwick offers a specialized international undergraduate degree that requires students to take two foreign languages at an advanced level and spend one year overseas at another university. Students in Warwick’s other degree programs also can choose to add a year for international study, says dean Howard Thomas.

Experiential study: Many programs are also making sure students get real-world training. Students at the Kelley School can participate in a series of workshops, yearlong for-credit courses that focus on a particular field such as investment banking, consulting, or brand management. A professor hand-picks the students, teaches the content, reviews resumes, conducts mock interviews, and occasionally leads the students on trips to destinations such as Wall Street.

At the National University of Singapore, students not only can gain practical work experience through internships, but they also can participate in a consulting practicum. There, supervised by a faculty member, they execute actual projects at real companies. Says Joan Tay, deputy director for the school’s BBA Career Services Office, “Students have to negotiate the job scope with the company, plan, research, assess, and make recommendations. The experience is entirely different from internships, as students take on strategic roles as consultants to tackle real company issues.”

At the Farmer School, experiential learning is the focus of a decades-old program called Laws Hall & Associates, which operates like a marketing and communications agency. Held every semester on the Ohio campus and every summer in London, the program allows students to spend a full semester working with a fee-paying corporate client such as Pillsbury or Procter & Gamble. A similar program in Farmer’s Interactive Media Studies program brings together interdisciplinary student teams to provide digital solutions for technology-related problems.

Jenkins admits that these segments of the BBA curriculum sound like something that would appeal to a grad student. He notes, “At the end of the day, what makes a great MBA program? Strong leadership skills, strong global perspective, strong experiential learning. Those are the components we’ve replicated in our undergraduate program.”

And corporations are starting to notice. Deans report that recruiters are displaying more and more interest in BBAs that have better skills than the average undergraduate, though less life experience than the typical MBA.

“As MBA salaries have skyrocketed, recruiters have started looking for students who are a little more astute than the run-of-the-mill undergraduate, but not really MBAs,” says Smith. “For example, in consulting there’s an incredible demand for business analysts that could be met by high-end undergraduates with a little specialized training.” Business schools are looking for creative ways to help their undergrads fill that niche.

“It’s pretty indefensible, in today’s world, to be turning out graduates who don’t have significant global immersion.”

—Albert Niemi Jr., Southern Methodist University
MBAs can sometimes be jaded. But if you tell undergraduates that they could be the next Bill Gates or Martha Stewart, they actually believe it.”

—Daniel Smith, Indiana University

What This Means for the MBA
So why would anybody need an MBA? That’s a question that undergraduate deans are beginning to ask out loud.

“I do see a softness in the MBA hiring market,” says Danko. “Companies that used to hire full-time MBAs instead might be hiring undergraduates that they can form to their own mold.”

Adds Niemi, “If you’re turning out really high-quality BBAs, you could cannibalize some of your MBA market.”

Does this bigger, better, smarter BBA graduate spell trouble for master’s level business education? “I think the jury’s still out,” says Smith. “For some students, a good undergraduate program will get them down the career path fast enough that they may not need an MBA. Including bonuses, some salaries for kids right out of the undergraduate program are $60,000 to $75,000. My guess is, in five years, these people will be way up the career ladder, and they’d be nuts to go back and get an MBA.”

Still, most deans believe the MBA has an unassailable place in business education, primarily as a tool that helps individuals with some job experience switch industries. “The MBA is largely a post-World War II phenomenon that helped people make a career change,” says Niemi. “The MBA was really intended for someone who didn’t have an undergraduate degree in business, who found himself on a career path that he wanted to change. The best option was to go back to school, retool, come out with an MBA, and shoot off in another direction.”

“The MBA provides an environment where really bright people working together get a lot of experience in problem solving and strategic thinking,” says Jenkins. “These students develop a level of confidence and strategic capability that is unique to an MBA based on age, background, work experience, and what they learn from their peers.”

Smith foresees a time when strong BBA programs will nudge MBA programs into new formats. “An individual who has an undergraduate degree in business and six or seven years of experience, and who wants to go from being a business analyst to a consultant, might want to look at a one-year MBA,” he says. “On the other hand, if someone has an undergraduate business degree but wants to skip from being a CPA to being a brand manager, maybe he still needs the two-year program.”

The Job’s the Thing
As b-schools turn out more undergraduates ready for tough jobs in the real world, many of them are putting a greater emphasis on helping students actually find those jobs. Some schools are upgrading their placement centers and adding professional services to be certain students are ready for the work world.

While Villanova works through a centralized university placement office, the b-school has launched a Center for Student Advising and Professional Development. There, students are required to go through a “CEO program,” attend professional development seminars, and have one-on-one sessions with counselors to prepare them for the job market.

Similarly, at Indiana, Kelley students take two different three-credit hour courses on career development and preparation. Classes not only cover professional development, business etiquette, resume presentation, and mock interviewing, but give students a glimpse into what kinds of career paths are open to them.

National University of Singapore also offers a career prep program known as The Finishing School. There, students keep current on trends and industries, research companies they’re interested in, and study corporate culture. “We prepare our students at least one year ahead of graduation by engaging them constantly in career events such as recruitment talks, networking cocktails, forums, discussions, workshops, regular e-mail updates, and individual career counseling,” says Tay.

The specialized career center at SMU’s Cox School makes life easier for recruiters, Niemi believes, and is also a huge boost for students. “The best way to have satisfied students is to make sure they get great jobs at the end of four years,” he says. “When BusinessWeek started MBA surveys in the ’80s, the first place schools put resources was their career centers. Now that BusinessWeek is ranking undergraduate programs, I think you’ll see many schools start to offer more career services for BBAs.”

While not all business schools have specialized placement centers, it’s clear that many of them will need to start pouring more resources into grooming undergraduates for their first jobs. Not only will improved placement centers help schools earn higher rankings in student satisfaction, but they also will help schools stay competitive with other programs actively courting undergraduates with revamped curricula and services.

Bracing for the Future
The competition for students will only get tougher as undergraduate business programs blossom, believes Quek Ser Aik, vice dean for undergraduate studies and associate professor at National University of Singapore. “Online degree pro-
grams might become a serious challenge, enabling working adults to gain a BBA without quitting their jobs,” he says. “We also see more competition from international schools offering programs locally, because the BBA course is one of the easiest programs to export.”

Rising demand for classroom space and increasing pressure to maintain high quality in their programs may also force many schools to tighten admission requirements, which could create tension with alums who want to see their children enrolled at their alma maters. Yet while demand is intense now, some worry about what will happen in a few years when demographics predict a drop in the number of college-age individuals.

“Right now we have a big wave of echo boomers enrolling, so we’re at the peak of undergraduate business education,” Danko says. “The question becomes, in the year 2010 when we know there will be a dip, what will the effect on quality be?”

But now, while enrollments remain high, deans face very familiar challenges. As Warwick’s Thomas sums up, “They’re the same ones they’ve always been. Get the very best students, hire the very best faculty, teach the very best curriculum, in the very best facilities.”

What makes such challenges special for these deans, however, is that they’re geared toward undergraduate programs—and frankly, no matter how much BBAs may look like MBAs, there’s still a key difference. Call it youth.

On the one hand, these students need so much more guidance than more seasoned MBAs. “BBA students cannot usually bring to class the rich experience of the MBA students,” says Quek. “So the chances for learning from each other are much reduced within the BBA. It is also harder to motivate BBA students to think strategically, since they don’t even know how things work out operationally.”

Yet an undergraduate program is “a wonderful time to teach students the right kinds of things,” Thomas says. “Undergraduate education is generally important, I don’t care what subject it is. You’re teaching students to think and mature. This is the time when most kids are testing their views of the world.”

And often those worldviews are rosy. “Undergraduates are so beautiful because they approach the world with wide-open eyes,” says Smith. “MBAs can sometimes be jaded. But if you tell undergraduates that they could be the next Bill Gates or Martha Stewart, they actually believe it. It’s awesome.”

If undergraduate programs continue upgrading at the current rate, there’s an even better chance that the next business mogul will be hitting the streets very soon. As bachelor’s programs become tougher, more international, and more focused on job skills, an undergraduate business degree will become an even more prized commodity—while business schools become even better training grounds for the working world.  

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A s the flagship program at many business schools, the MBA has long garnered the lion’s share of resources and attention. Over the last few years, in fact, the MBA has been the target of comprehensive redesigns, as business schools aimed to make their graduate programs more innovative and relevant. During this time, the BBA has remained largely in the shadow of its educational big brother.

Attention has shifted, however, as more business educators view the BBA program as a point of distinction for their schools and brands, rather than the lesser sibling to their graduate offering. Many schools are looking for new ways to provide undergraduates with more integrated coursework and more memorable, meaningful educational experiences. Two schools that have been through this process—the University of Maryland’s Robert H. Smith School of Business in College Park and Drexel University’s Bennett S. LeBow College of Business in Philadelphia, Pennsylvania—share the directions they’ve taken to design their brand-new BBAs.
The BBA—Resized

The Smith School redesigns its undergraduate curriculum to combine small-school community and big school opportunity.

by Howard Frank

For many years, the BBA program at the University of Maryland’s Smith School of Business was no different from those at many other business schools. Our program offered a number of courses and major concentrations but was not designed to offer an integrated educational experience. Students completed their general academic curriculum during their freshman and sophomore years; then, as juniors and seniors, they were “thrown over the wall” from the general university into the business school, with little orientation.

Two years ago, we decided that our BBA program had to be as central to our mission as our MBA, and we began the ongoing process of reinventing our undergraduate curriculum. The result is our new Smith Undergraduate Fellows Program, which launched with our 2006–2007 freshman class. Our aim for the Fellows Program is to offer undergraduates the specialized experiences and personal attention of a small school, as well as all the interaction and opportunity our large campus can provide.

Big by Nature, Small by Design

Before we began our BBA redesign, we studied seven other undergraduate business programs. We paid particular attention to those at New York University’s Stern School of Business and the University of North Carolina’s Kenan-Flagler Business School. The Stern School’s program was large, serving approximately 2,000 students; it offered a weeklong orientation to incoming freshman, a freshman honors program, an executive lecture series, mentorships, and subsidized international travel. Kenan-Flagler’s program was small and personalized, serving about 600 undergraduates, providing a number of experiential opportunities such as its global scholars “living and learning” program.

The NYU and UNC programs represented to us the best of two types of undergraduate environments—the diverse opportunities of a large school and the personal community of a small school. More important, these two schools weren’t just allotting resources to their BBA programs. They were treating students as individuals, each with his or her own personal academic and career aspirations.

We knew we would have a challenge to offer both types of environments in one program. NYU could draw on more resources than we had to support a BBA program; with its smaller student body, UNC was better positioned to offer individualized educational experiences. It seemed impossible to find the time, staff, and financial resources to give each of our 2,800 undergraduates a specialized educational program.

Our Smith Undergraduate Fellows Program, however, allowed us to accomplish our educational objectives, within our budget, by building these capabilities into our existing structure. The program divides our large freshman class into eight smaller cohorts. Each group then progresses through a series of whole-class activities and specialized academic concentrations. By creating smaller educational tracks within our larger academic structure, we can offer students the advantages that both small and large campuses have to offer.

Community of Fellows

As Freshman Fellows, students begin their undergraduate experience in our freshman lecture course, “Introduction to 21st-Century Business.” This course is divided into eight sections of 30 students each. Our aim for the Fellows Program is to offer undergraduates the specialized experiences and personal attention of a small school, as well as all the interaction and opportunity our large campus can provide.

In their freshman and sophomore years, students study, work, and play with their smaller cohorts, participating in activities ranging from movie nights to service projects. During their four years as Smith Fellows, our undergraduate cohorts participate in internships in the United States and abroad, field trips to businesses across the country, visits to the floor of the New York Stock Exchange, and retreats and conferences that foster leadership skills.

Beginning in their junior year, Smith Fellows will apply to one or more of 11 educational tracks, which include entrepreneurship, electronic marketing, supply chain management, global opportunities, Quality Enhancement Systems and Teams (QUEST), the Business Honors Program, the Accounting Information and Assurance Teaching Scholars Program, the Lemma Senbet student-managed investment fund, Reuters Financial Certification, the Six...
Sigma Fellows Program, and the Smith Research Fellows Program. Each track accommodates from ten to 100 students, allowing them to specialize in specific areas of business without sacrificing their general business education.

In the entrepreneurship track, for example, we offer four courses on the principles and practices of entrepreneurs, as well as co-curricular activities with the Smith School’s Dingman Center for Entrepreneurship. Entrepreneurship Fellows participate in projects and workshops, help organize business plan competitions, and meet entrepreneurs and venture capitalists. In our international track, students who have expressed an intention to earn dual degrees in business and a foreign language will take part in study-abroad experiences and summer language immersion courses. Our International Fellows also have the opportunity to live in an on-campus Language House, where they will speak in their chosen language at all times, and to pursue international internships. Each track takes a “learn-by-doing” approach that gives students a jump-start on their post-graduation careers.

On the Right “Tracks”
The Fellows Program marked a true break from tradition for the Smith School. As a result, we knew we would need to address several challenges to put the program in place:

Changing the mindset. While our faculty acknowledged our undergraduate program as important, many viewed it as less vital than the MBA program. To get faculty excited about our new Fellows Program and tracks system, we began an intense campaign to promote the potential of our new BBA to faculty.

Convincing the administration. For any business school to make major changes to its undergraduate program, it first must gain the buy-in of the university’s administration. In our case, C.D. “Dan” Mote Jr., president of the University of Maryland, had recently issued a challenge to all departments to provide students with a “special program experience.” As a result, when we announced the creation of the Fellows Program, senior university management expressed great enthusiasm for the new venture.

Finding enough faculty. We must create enough smaller tracks to accommodate each one of our 2,800 students. However, each track requires a substantial commitment of faculty and staff.

Finding the funds. We knew that the Smith School would be the main source of funding for the Fellows Program. We jump-started the program with $9 million of a 2005 gift by our namesake, Robert H. Smith. The university, alumni, and other corporate partners also demonstrated their support through scholarship and special funding.

Making it fast and flexible. Finally, we knew that our new model would have to be designed with built-in flexibility to allow for trial and error. The experimental nature of the Fellows Program allows us to roll out tracks almost immediately, as quickly as the next academic year. For example, we recently started a computational marketing track. The new track isn’t a marketing major, but rather an overlay on our overall tracks system. Consequently, we don’t have to jump through the usual university hoops that require us to define the major and then present it to a variety of program committees for approval.

Now that we have offered the new computational marketing track to the first group of juniors, we are committed to offering it for two years. We have the option to change, refine, or even eliminate it after two years. The structure of our tracks system gives us the freedom to try new things, fail, and try again, with the least amount of organizational trauma.

New BBA, New Possibilities
Only in its inaugural year, the Smith Undergraduate Fellows Program has already benefited our school in significant
ways. For instance, the Fellows Program has created a wave of faculty innovation. The challenge has captured their energy and imagination—and harnessed their inherent competitiveness—as each department tries to create the best new Fellows tracks.

We realize that we still have questions to address: How will the selection mechanism work for each track? And in how many tracks can students participate? Undergraduate students have tremendous energy and appetite in enrichment programs, and some Smith students already participate in multiple opportunities. However, students’ appetites for learning may inspire them to take on more than they can handle. The Smith School must consider these issues as we move forward. While we want our students to take advantage of opportunity, we also want them to keep their educations as balanced and focused as possible.

We also plan to encourage more cross-disciplinary collaboration, including a number of joint recruiting programs with other colleges within the university. These collaborations will join our International Fellows program, which works in partnership with the foreign languages department; and the QUEST track, which recruits students from the A. James Clark School of Engineering and the College of Computer Sciences.

Ultimately, we plan to create as many as 30 Fellows tracks, with 50 to 150 students each. New tracks under consideration include sports management, real estate management, biotechnology management, nonprofit management, consulting, leadership, and the arts. We believe our overlay model, which places the Fellows track system over our existing system of majors, holds great promise not only for the Smith School, but for other business schools searching for a way to maximize the opportunities within their BBA programs while still working within their own budgets and programs.

Our graduate students have long benefited from specialized educational experiences tailor-made to their career aspirations. With the enthusiastic support of our faculty and external community, we hope to give our undergraduate students the same attention, opportunities, and outlook on their business education and careers. After all, when our BBA students graduate, we want them to have more than a major and a diploma. We want them to view their time in our undergraduate program as uniquely memorable, meaningful, and essential to their success.

Howard Frank is the dean of the Robert H. Smith School of Business at the University of Maryland in College Park.

The Undergraduate Portfolio

LeBow College’s My LIFEfolio integrates coursework across the curriculum and offers a repository of knowledge for students to access and augment throughout their undergraduate careers.

by Frank Linnehan

About two years ago, George Tsctsekos, the dean of Drexel University’s LeBow College of Business, asked the business faculty to develop a plan to revise our undergraduate curriculum. As we delved into the process, we realized that the problem was not with our undergraduate business courses, but with the process of undergraduate education itself.

At one meeting, one of our faculty members pinpointed the true difficulty: “Most of us, but undergraduate students in particular, have a very short half-life of knowledge,” he said. “After students take a course’s final exam, they forget what they’ve learned. Then, they go into a course that builds on that previous knowledge and tell the professor, ‘We’ve never seen this material before.’”

We shouldn’t be surprised that students often don’t take advantage of opportunity, we also want them to keep their educations as balanced and focused as possible.

We also plan to encourage more cross-disciplinary collaboration, including a number of joint recruiting programs with other colleges within the university. These collaborations will join our International Fellows program, which works in partnership with the foreign languages department; and the QUEST track, which recruits students from the A. James Clark School of Engineering and the College of Computer Sciences.

Ultimately, we plan to create as many as 30 Fellows tracks, with 50 to 150 students each. New tracks under consideration include sports management, real estate management, biotechnology management, nonprofit management, consulting, leadership, and the arts. We believe our overlay model, which places the Fellows track system over our existing system of majors, holds great promise not only for the Smith School, but for other business schools searching for a way to maximize the opportunities within their BBA programs while still working within their own budgets and programs.

Our graduate students have long benefited from specialized educational experiences tailor-made to their career aspirations. With the enthusiastic support of our faculty and external community, we hope to give our undergraduate students the same attention, opportunities, and outlook on their business education and careers. After all, when our BBA students graduate, we want them to have more than a major and a diploma. We want them to view their time in our undergraduate program as uniquely memorable, meaningful, and essential to their success.

Howard Frank is the dean of the Robert H. Smith School of Business at the University of Maryland in College Park.
Education is a very competitive market, and every student we lose—for financial, personal, or other reasons—is a loss for our school and our faculty.

Four Essential Areas
My LIFEfolio launched in the 2006–2007 academic year and is currently being used by all 500 of our freshmen. The electronic portfolio is divided into four essential skill sets that we believe our students will need to make the most of their education and their jobs after graduation:

Writing. In planning the content of My LIFEfolio, we conducted focus groups with employers, who told us that new hires often have difficulty in communication and writing skills. The writing component of the portfolio allows students to store their papers, track their progress, and address their weaknesses.

Quantitative Reasoning. Incoming freshmen may come to us with excellent SAT scores and take all the required math courses. But by the time they come to the business school in their junior years and enroll in economics, statistics, and finance courses, many have forgotten their math skills. By using My LIFEfolio, students can now retain and refer back to course notes, coursework, and relevant materials from their undergraduate math courses.

Career. About 70 percent of undergraduate business students at LeBow College take part in our co-op program, which allows them to combine their academic study with three six-month periods of full-time, paid, professional employment. The career area of My LIFEfolio allows them to create interactive resumes that link to projects they’ve completed in school, store performance appraisals from their co-op employment, and create a career plan.

Business Concentration. During their junior and senior years at LeBow, students often choose a major concentration in business. This area of their portfolio allows them to create continuity between their basic foundation courses and their advanced, specialized courses. To support this function of My LIFEfolio, we’ve asked each of our departments to upload relevant materials into the program, including basic materials and case studies that span two or three years of study.

Creating these four areas of My LIFEfolio has required strong faculty support, not just in the business school but across the Drexel campus. The English department, for example, has created a course called “Business and Literature,” which will be a capstone course in our students’ writing portfolios. Students will have the option to upload their work into the portfolio to create a record of writing skills for themselves and future employers. The math department will also be creating portfolio assignments, which will live in My LIFEfolio for future use.

Retention and Reflection
We had originally planned to support the new portfolio program with a $150,000 grant for curriculum reform, but when we failed to get the grant, we looked at other options. Fortunately, Drexel University already had licensed an electronic portfolio product from ePortaro, a company based in Sterling, Virginia. Some student organizations had taken advantage of the software, but the program was not being used in a systematic fashion and its basic templates did not really suit the purpose we had in mind.

However, we were able to work with ePortaro to design electronic portfolios that had the look and function that we required and that were compatible with our course management software, WebCT. As students upload their assignments into WebCT, they also will be able to transfer their work into their portfolios automatically.

If an undergraduate portfolio system were used only as a repository for assignments and homework, it would be nothing more than an electronic file. Our faculty wanted to make sure that My LIFEfolio would become a living document for students, which would allow them not only to save information but also to build a base of knowledge and continuous improvement.

Consequently, we are developing ways for students to reflect on their portfolios and undergraduate education. For example, we are building a one-credit career course, which will be taken the first term of senior year and will require students to give a 20- to 25-minute presentation of their career portfolio to faculty. In their presentations, students will reflect on what they have learned, what they have accomplished, what their plans are for their careers, and what their expectations are for the future.

We have many students who reach their senior years still undecided about what path to take after graduation. We
hope that if we build into the portfolio this type of reflection and capstone experience, students will be better able to identify their passions and talents. They’ll be able to see what they like to do and put that into perspective as they set their career objectives.

A More Meaningful BBA
We are still working through three primary challenges with the My LIFEfolio process. For instance, we currently lack the connectivity that we would like between the portfolio and our career development software. We are working with ePortaro and our career services to make that connectivity possible.

Second, we must create a system where students are actively using My LIFEfolio on a continual basis. We realize that the portfolio system will not work if we make it voluntary. Much of its use must be course-embedded, whether students are taking our business courses or history, math, and political science courses through the university. We are working with faculty throughout the university to make the portfolio an active part of our students’ educational lives.

And third, we must use the portfolio to keep our students connected to the school while they’re working on their co-op experiences. Too often, we’ve heard our students say that the best thing about being an undergraduate business student at Drexel was our co-op program. That response concerns us—our students were saying that their best learning experiences at Drexel took place when they weren’t even on our campus!

So, we also want to build elements into the portfolio that will connect students to campus while they’re out on co-op, such as online courses they can take while they’re working.

These efforts, of course, are to enhance both our undergraduate curriculum and our students’ satisfaction with their education. Like other business schools, we want to retain each of our students through graduation. Education is a very competitive market, and every student we lose—for financial, personal, or other reasons—is a loss for our school and our faculty. By making our students’ experiences more satisfying and meaningful, we better ensure that they will view Drexel as an integral part of their education as students and as alumni.

Now that My LIFEfolio is in its first year, our faculty are seeing more possibilities for it, not only for promoting course integration and learning assessment, but also for instilling in students a different attitude toward learning. We want students to understand that education is not a one-off, course-by-course experience, but a continual, lifelong process.

In the end, we want to make our students’ experiences as meaningful as possible. My LIFEfolio is a tool for learning and a historical record that students can use not just as business undergraduates, but as successful business professionals. 📚

Frank Linnehan is the associate dean of undergraduate studies at Drexel University’s LeBow College of Business in Philadelphia, Pennsylvania.
Especially in the U.S., media rankings of business schools have been a contentious issue almost since they first hit the newsstands in the late 1980s. While administrators acknowledge that the rankings may have had some positive impact on business schools, most argue that the rankings are often based on flawed data and arbitrary measures that don’t accurately reflect the quality of business school programs. For better or worse, however, the number of media rankings continues to escalate. The rankings have become a truly international issue.

In Europe, where the popularity and influence of rankings have soared, deans and other business school leaders wrestle with many of the same concerns and frustrations expressed by their counterparts in other parts of the world. The perspectives, influences, and rationales that influence Europe’s business schools add to the complexity of the ranking issue. To start, Europe’s social, cultural, and historical diversity is extraordinary. Fiscal systems, welfare programs, and the purchasing power of currencies vary widely. These differences do not establish a smooth playing field for the rankings game.

Moreover, the rules of the rankings game can seem murky and abstruse, even for schools with extensive resources. Schools may achieve remarkable success in fulfilling their missions, invest heavily in physical resources, recruit better professors, and successfully launch graduates into the corporate world—but they cannot be certain that their rankings will improve.

Even so, academic leaders in Europe agree that high rankings can improve visibility, strengthen brand recognition, and attract applicants, faculty, recruiters, and donors. To gain that advantage, European business schools must better understand the perspectives, influences, and rationales that influence them, so that they can develop more effective strategies and philosophies concerning the ever-present rankings. Such exploration may be helpful, not only to business school leaders in Europe, but to schools across the globe.

**The Bologna Declaration**

Europe’s ranking race became even more complex after June 1999, with the establishment of the Bologna Declaration. Now undersigned by 45 countries, the Bologna Declaration marks a transformation of higher education in Europe. The Declaration’s main objectives are twofold: It aims to promote cooperation among its signatories to pursue quality assurance and to unite the university systems of its signatories into one “interchangeable system.” Many of the signatory countries already have implemented the principles of the Bologna Declaration, signing agreements for the exchange of credits, students, and professors.

To gain a competitive edge in the high-stakes rankings game, European academic leaders must understand how diverse European markets and subjective methodologies skew the playing field.

by Andrea E. Gasparri
It also seems certain that the Bologna Declaration will compel increased competition among universities and schools for funding and status. In fact, many business school leaders in Europe acknowledge that the Declaration will likely spur even more focus on the rankings, as schools increasingly view them as both benchmarking tools and as a means to showcase their strengths. The Financial Times has already initiated a new ranking on the Bologna Masters (MSc), supplementing those on MBA, EMBA, and executive education. More publications are likely to follow suit.

Is this good for Europe? Many believe that the rankings will play a positive role, but there are some risks—namely, that academic leaders will lose perspective on their true missions. As external factors such as the Bologna Declaration influence the rankings, many deans will ask themselves, “How can my business school improve its position in a ranking?” They may invest resources in recruiting better professors, adding programs, and improving their educational offering, not to better their schools, but to better their ranking performance. Ironically, such efforts will not guarantee that their schools will improve their rankings, as they do not guarantee such a result today.

Some of these factors are connected to purely statistical facts, while others are linked to the parameters defined by each ranking, or to monetary, fiscal, and welfare issues, all of which can cause marked fluctuation in the rankings. Those leaders who focus too heavily on these fluctuations risk losing sight of the importance of real improvement factors. Understanding the real meaning of the results of the rankings is, therefore, of paramount importance for all business school stakeholders.

Understanding the Obstacles
In addition to confronting the pressures of external forces, European schools must deal with problems that many believe are inherent in media rankings. The compilation and comparability of data, stability of results, and the influence of weights are major issues.

Compilation and Comparability of Data—Business schools continually cope with problems inherent in compiling their data for the rankings. Cost is one issue, of course; but there are also risks of violating privacy laws, of conflicting interests in terms of advertising, and in the possibility that the responding sample may not be representative of the institution.

But perhaps of more concern is that media organizations can provide little assurance that all schools apply consistent methodologies. And since there is no common standard for data collection, business schools can be hard-pressed to provide accurate, comparable data.

For example, salary measurements are riddled with problems. For Europeans, the meaning of the term “salary” is uncertain. Is this net? Gross? Does it include contributions and taxes paid by the employer on behalf of the employee? Gross plus fringe benefits and delayed payments, such as the staff severance fund? What about fiscal rules, social security systems, salary composition, fringe benefits, and currencies? Given such differences among countries, defining salary for ranking purposes is a minefield. To make matters worse, sometimes the media give no indication at all regarding the definition of salary.

Severance funds represent a good example of a data comparability point. These funds, which exist in some countries and companies, represent an important salary measure for many Europeans. In certain cases, these funds represent one month’s salary per year. By not including severance funds in their calculations, the media rankings do not take into account about 8 percent of the real value of paid salary.

Another source of potential salary miscalculation is the annual holiday allotment for employees. In continental Europe, for example, that value is in the range of 30 days;
in the United States, it’s around ten days. The difference in terms of total working days per year is close to 10 percent, which equates to an approximately 10 percent difference in salary either in terms of a better standard of life or in terms of other working opportunities. In the Financial Times MBA ranking, a 10 percent difference in salary could easily mean a change of some 15 positions for schools in the mid-range.

These differences, which are not taken into account in some of the rankings, are significant. In addition, the fiscal implications connected to pension funds and health care systems cannot be neglected, in principle, without an influence on the results of rankings that refer to the salary as the main comparison parameters.

The most accurate rankings take into consideration the changes in relative prices by adjusting them according to the Purchasing Power Parity and the average salary per industry. No ranking, however, takes into account factors such as fiscal differences.

**Stability of Results**—Even if all rankings data were accurate and true, adjusted to account for fiscal differences, holiday allowance, and other variables, there is little certainty that the results of the rankings would be a precise reflection of the schools’ performance. Year after year, changes in position of various schools in the media rankings seem correlated more to statistical noise than to actual changes in the schools’ performance.

For example, a review of the full-time MBA rankings of the Financial Times over the past six years indicates that the schools in the first group of 25 are reasonably stable. In the next 75 schools, it’s a different story. The changes in this second group appear substantial. Some schools increase their positions systematically, some decline. Some go up and down in a sort of sinusoidal pattern while others remain stable.

If the same data is compared again two years later, the average absolute change of the schools in the second group of 75 is 12 positions between the years 2005 and 2003, while that average change increases to 15 when years 2006 and 2004 are compared.

This analysis seems to suggest that “shock absorbers” should be applied in the rankings, as has already been done in some of them. Even better, emphasis should be placed on the three-year average position, as done in others. A year-by-year evaluation appears in principle to be misleading, at least outside the first group of schools.

Not surprisingly, if schools’ positions in the various rankings for 2005 are charted, there is a wide distribution of results as positions change depending on the parameters of the ranking. This is understandable, given that the media rankings refer to specific programs and not to the school as a whole. Even so, many academics and consumers share a tendency to generalize a school’s ranking for a given program to all the programs of that school. Business school leaders must guard against that tendency and honor the limitations of each ranking’s findings.

**The Influence of Weights**—Another “weighty” problem is that each ranking publication chooses different parameters by which to compare schools and adopts its own weighting system of those parameters. Of course, publications have the right to choose their own weighting systems, provided they are clearly indicated. Still, it’s easy to wonder what the results might be if small changes were made to the weights a particular publication employs. What would a “sensitivity analysis” show?

To conduct a thorough sensitivity analysis, the whole calculation process of a ranking’s raw data would have to be reproduced—an impossible task, because not all the raw data is available. However, simulations, which use a simplified calculation model and available data, can give at least
a preliminary indication of a trend. Five simulations were conducted involving two of the most important parameters in the Financial Times’ MBA rankings: salary and salary percentage increase.

The first simulation was run using the publication’s own system, which weights salary and salary percentage increase at 20 percent each. Successive simulations modified these weights to 18 percent and 22 percent; 15 percent each; 21 percent and 19 percent; and 25 percent each. The weights of the other parameters were adjusted accordingly.

The simulation showed that the relative positions among schools can change significantly when the weights are changed even slightly. Minor changes in the weighting systems cause a school’s relative position to another school to change by up to ten positions. As this simple experiment indicates, any interpretation of the rankings should be done with an awareness of how weights can significantly influence results. A school may achieve a certain position in a certain ranking for a certain program in a given year, but it should be made clear that position was determined “according to that specific weighting system.”

Rankings and Ratings

Such subjective weighting systems beg the question: Can rankings be trusted at all? Not if one views them as valid comparisons that account for the diversity among business schools, not just in Europe, but in the global market. In physics, for example, representing a complex phenomenon with a single number requires researchers to follow similarity laws. As one might suspect, scientists find it rare that a complex phenomenon can be represented by a single number. This has happened only in a few cases and has been determined by very famous scientists, like the Mach number for supersonic speed in different media. In the majority of cases, it’s impossible to reduce any event to a single number—just as it’s impossible to confine the characteristics and offerings of a business school to a single numerical rank.

As business school administrators know, business school

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Reactions to Rankings

Rankings have become increasingly influential in Europe, especially international rankings such as those published by The Financial Times and BusinessWeek. But in some countries, national rankings are having an even greater impact, driving competition to higher and higher levels.

In France, for instance, many schools have pursued “multiple accreditation,” a characteristic that is prized by French national rankings. As a consequence, business schools in other parts of Europe have followed suit, applying for EQUIS, AACSB, AMBA, and national accreditations, with different peer review teams often visiting candidate schools every year. Yes, schools benefit from the exchange of experience the review teams offer, but pursuit of multiple accreditations can be costly, in both time and money.

Given the attention European business schools are giving to the rankings, two groups have elected to study the issue in more detail. For example, the European Foundation for Management Development (EFMD) is working on rankings through an open discussion with deans and directors. It aims to issue an updated version of its position document.

AACSB International’s European Affinity Group, which comprises representatives of 20 European business schools, also is exploring the subject of rankings in more detail. The group plans to analyze the effects of the rankings in the European market and make proposals to improve the system. The objective of the affinity group is to stimulate the debate in a constructive way. Its members have adopted the principle that “rankings should help the community to understand the values and differences of academic institutions. They should tolerate diversity and give clear signals on the intrinsic strengths and weaknesses of systems building upon very different traditions, as well as different social, political, and economic contexts.”

Preliminary recommendations have already been released by the European Affinity Group for extended discussion on the AACSB Web site on data collection, evaluation of research, governance, job placement, salary, internationalization, reputation, and methodology.

A comparison of various ranking procedures is also being carried out by the European Affinity Group. Special attention is being given to German and Swiss universities, which have decided to utilize online rankings where visitors can personalize their choices, according to their specific requirements.
rankings do not respect similarity laws; they’re currently driven more by the business of publishing than by science. The fact that rankings results vary so widely from one publication to another is proof in itself that the information should be interpreted with caution. Factor in the diversity of schools in Europe—and around the world—and such interpretations become even more complex.

To offer useful and valid comparisons, rankings should refer to only one parameter. For instance, the *Fortune* 500 ranks companies based on their revenues. *Forbes* magazine ranks CEOs based on compensation. Business schools, too, could be ranked according to the number of programs, the size of their student body, or the percentage of international faculty.

To compare multiple facets of business schools, a system of ratings would be much more appropriate—and more reliable. Much like a report on new digital cameras might award each model a number of stars, rather than a specific number, based on a complex comparative methodology, publications could use a similar system of ratings. However, ratings are less appealing to readers and publishers than rankings, which are tremendously popular and attract wide readership. That mass audience for rankings makes their continued presence all but inevitable.

The only rational solution seems to be to go toward a combination of rankings and ratings. If publications offer the public both options—rankings based on a single parameter and ratings based on many parameters—they maintain their readership *and* offer a more valid basis of comparison. Everyone receives the benefits of rankings and must cope with fewer of their inherent drawbacks.

Right now, the best course of action for European schools is to educate all stakeholders about what rankings measure—and what they don’t. European schools may be new, comparatively speaking, to the rankings game. Still, they must develop strategies that may lead to greater value and accuracy of rankings on a global basis. Business schools everywhere must participate in this effort.

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The Law-Abiding Executive

A ccording to some estimates, CEOs spend approximately 20 percent of their time dealing with legal issues; yet their formal business education typically leaves them ill prepared to deal with matters related to the law. Doing business without understanding the legal system is like driving a car without understanding all the rules of the road. You could be buckled up, obeying the speed limit, and paying the utmost attention to safety—but you’re still headed for disaster if you’re driving on the wrong side of the white line.

Today more than ever, executives need a basic education in legal literacy, because the law touches virtually every decision a manager makes. The wrong decision—or the right decision made too late—can cause a small problem to mushroom to a crisis. Meanwhile, more regulation, more personal liability, more criminalization of civil wrongs, and more multibillion dollar verdicts significantly raise the overall cost of doing business.

In the U.S., for example, the Sarbanes-Oxley Act is a recent regulatory buzz saw that has ripped through publicly traded companies. The law was adopted in an effort to restore investor confidence in the wake of the Enron and WorldCom scandals. Yet, rigorous deadlines for compliance with SOX and the high costs associated with it have left some executives so battle-fatigued they just want to leave all legal issues to the lawyers. But they can’t; managers, not lawyers, are the frontline decision makers.

The best course of action is to incorporate legal literacy into the business’s decision-making process. Legal literacy lets managers avoid predictable surprises and control legal costs that could otherwise detract from their bottom line. Best of all, it lets them manage the company’s legal risk instead of being managed by it. This leverages the law into a strategic competitive business advantage.

It Starts with Education

Traditional business educators focus on so many issues vital to commerce—accounting, finance, marketing, operations management—but ignore the legal risks that can derail their students’ success in all these business areas. Even worse, I have seen professors sometimes treat these legal issues with disdain.

Take, for example, the finance professor who tells his students that insider trading laws undermine market efficiency. While that conclusion may have some mathematical merit, it fails to respect the fact that markets serve society, and society values fairness. The use of inside information is unfair. To keep markets equitable, we have laws and regulations that set the standard for acceptable behavior.

Another example is the accounting professor who says it’s pointless to have laws discouraging accountants from preparing the books they will later audit because no firm would damage its reputation by acting improperly and risking a conflict of interest. That comment, which I heard prior to the Enron-Arthur Andersen debacle, ignores the realities of decision-making psychology. In the case of Andersen, the members of the accounting team were motivated to keep the client happy because they were experiencing the loss aversion associated with the fear of losing millions of
dollars in revenue. They developed a decision-making blind spot that ultimately led to Andersen’s demise.

I’ve also seen the law disregarded in a class where the professor discusses what happens when business negotiations break down. Instead of focusing on the substance of negotiation and why it’s important to understand differing points of view, this professor disparages lawyers in general. Unfortunately, his attitude leaves students with the impression that the law and lawyers are inconvenient roadblocks.

Such attitudes—especially those that paint lawyers as redundant or even detrimental to business—unwittingly promote overconfidence in business students and lead them to believe that the ends justify the means. Worst of all, students who take on these same attitudes tend to engage in aggressive business practices once they become managers. They are prone to take extra legal risks—triggering legal liabilities ranging from negligence to brazen malfeasance—because they fail to recognize until it’s too late the avoidable opportunity costs the legal system imposes on them.

If these managers continue to pursue aggressive at-risk business behaviors, their bad habits eventually will catch up with them. Their pricing strategies will run afoul of antitrust laws, their accounting will invite regulatory scrutiny, or their employment practices will result in class action lawsuits. At that point they’ll be learning about legal risk management the hard way, through expensive trial and error—or worse, error and trial.

Crafting a Course

When designing a legal literacy course, a school must strike the right balance between helping students reach an intellectual understanding of core concepts and giving students the tools to apply them. A school might offer one course that spans two semesters, a one-semester course, or a combination of introductory and upper-level business law courses. Generally speaking, a successful legal literacy course has three components: the right content, the right presentation, and the right teachers.

Content. Business and law speak different languages. When studying legal literacy, business students must first build their legal vocabularies. But a vocabulary data dump can quickly turn into “buzzword bingo” if the data is not enriched by context—if the legal concepts are not explained in terms of how they can affect an executive’s day-to-day decision making.

Case studies that allow students to see the concepts in action help drive home key points. Take, for example, the
Any school that wants to prepare an interdisciplinary legal literary course should cover the following topics in the curriculum:

**Contracts.** Business involves the sale of goods or services. Transactions are contracts. Therefore, contract law is pivotal.

**Antitrust law.** Businesses compete with each other, and they must do so fairly. Antitrust laws regulate unfair trade practices such as price discrimination.

**Employment law.** The farther executives climb up the corporate ladder, the more time they will spend on employment issues. Managing those issues well helps them avoid unnecessary lawsuits.

**Torts.** Product liability can translate into huge legal costs and bleeding balance sheets. In the rush to market, executives may want to gloss over unfavorable product development results. But that attitude can result in class action lawsuits (as in breast implant cases) or in a massive number of individual lawsuits (Vioxx cases). Moreover, as was true for asbestos products manufacturer Johns Manville, the crushing weight of litigation can drive a company into bankruptcy.

**Intellectual property law.** As information increasingly becomes the coin of the business realm, it becomes more important to protect intangibles such as ideas and inventions. An understanding of intellectual property law can help a manager protect a business against loss, strengthen market brands, and create bona fide assets. For instance, when the Internet company Pets.com failed, its biggest asset was its sock puppet logo—which sold for more than twice the operations of the company were worth.

**International law.** Global markets require managers to be conversant with legal systems around the world. In the U.S., a binding contract is created by offer, acceptance, and consideration; in most parts of the world, it also requires price. An executive who assumes U.S. contract law applies in other countries may think he has an enforceable contract when he really doesn’t.

**Attorney-client privilege.** Attorney-client privilege was created to allow for the free exchange of ideas between lawyers and clients and to keep those discussions within the confines of that relationship. Clients cannot be forced to testify about legal advice they received from lawyers hired to represent them for that purpose. However, if an individual gets a second opinion from a friend who happens to be a lawyer, but who has not been retained to represent the company in this matter, the privilege has just been waived. Now the executive does have to testify.

It’s very clear that law and business intersect at countless points. Business schools that cover these points in the classroom will give their students the ultimate advantage in the corporate world.

Concept of joint and several liability. In a joint venture situation, all of the joint venture partners are on the hook for all of the liability incurred by any one of them. Most people assume that liability among partners is proportional. Common sense suggests that an individual is only responsible for his own actions.

Joint and several liability, however, is imposed by operation of law. It allocates the responsibility automatically for everyone whether they know it or not—and therein lies the problem. A case study could present a joint venture in which one partner is a wheeler-dealer with a high risk tolerance. Scenarios could show how quickly cash flow projections are invalidated when he makes one false move and everyone else becomes responsible for his actions.

Once the hidden risk of joint enterprise is unmasked, business professors can use the case to show how ignorance of the law might drive a business into bankruptcy. Such context also gives the professor an opportunity to teach risk management techniques such as contractual indemnity provisions and due diligence. Best of all, students learn the ability to minimize risk while maximizing opportunity.

Given that the MBA curriculum is already a crowded roster, most schools do not have the luxury of offering a wide variety of business law courses. That’s why they need to make the few courses they do have count. Securities law and the specifics of insider trading may be sexy, but not every business is publicly traded. Spending precious classroom time on a legal subject with marginal value dilutes the legal literacy experience. Instead, a legal literacy course should include concepts that the majority of students will encounter and that affect the widest range of industries.

**Presentation.** A legal literacy course should show students how legal issues are part of the chaotic mix of day-to-day business and how these issues are attached to decisions that executives make every day. It should give students the ability to notice what’s going on around them that could potentially cause trouble. Too many managers are focused on one area of business—the balance sheet or the marketing challenges—to notice that they might be in legal trouble in some broader area like employee relations.

In a famous Harvard psychology experiment, volunteers were told to view a short film of a basketball game and count the number of passes the players made. Partway through the film, a man dressed in a gorilla suit walked into the room, tried to distract the volunteers by beating his chest, and then walked out. Half of the volunteers were so intent on watching the basketball players that they did not notice the gorilla. The corollary lesson is that when managers concentrate too
Business educators can help put students on the right side of the law by teaching them to appreciate the central role law plays in business sustainability.

hard on one area of business, they miss issues related to another area. They can’t afford such a narrow focus.

The best learning experiences simulate real-world corporate pressures. For example, when Andrew Grove was CEO of Intel, he wanted to ramp up his employees’ knowledge of antitrust law. Recognizing that perfunctory rules and training would not be enough, he used hands-on training to embed antitrust compliance deep into the corporate psyche.

The way other companies would practice fire drills, Intel practiced antitrust compliance, conducting random audits and collecting the kinds of documents the Department of Justice or the Federal Trade Commission might demand in a subpoena. Mock depositions were conducted as part of the simulation to duplicate the experience of what it’s like to be grilled by a hostile lawyer. Firsthand experience is a powerful teacher, and this was reported to be among Intel’s most effective tools. Once managers have watched opposing counsel lob a grappling hook into their documents, they are much more cautious about what they say and how they say it.

Other companies use the same technique to practice their crisis management skills. Typically only the CEO and the general counsel have advance notice of the crisis management fire drill. After all, dealing with the unexpected is the whole point. During a monthly staff meeting, for example, a staffer might bring the senior vice president a note about an urgent customer matter or a sexual harassment complaint. Will the manager’s response contain the liability, or will the situation escalate? Will the company’s written crisis management plan even be consulted?

Live simulations can be extremely effective in the classroom, too, as Duke University has proved in its Corporate Education division. In a leadership course, student teams are assigned to disassemble and reassemble certain parts of real race cars. This exercise tests decision making and leadership skills in a way no abstract lecture or written case study ever can. It forces students into active learning and creates a memorable experience with much more staying power than any lecture.

Thus, simulations or hands-on exercises are excellent ways of reinforcing the importance of legal literacy in the minds of business students. They expose deficiencies and help hone decision-making skills. They increase the likelihood of law being an integral part of the knowledge base when real-world pressures conspire to keep executives from seeing the gorilla in the room.

Instructors. Ideally, business law instructors should have one foot planted in the academic world and one planted in the real business world—although the edge may go to those with broad hands-on business experience. Many law school professors have not practiced law beyond the level of a third- or fourth-year associate at a prestigious firm. As a result, they have not been privy to partner-level client discussions and the strategizing that lies at the heart of preventive law. On the flip side, law professors who practiced law long enough to attain partner status might have been too specialized in their careers; they might not have the necessary breadth of experience to teach a legal literacy course.

The legal literacy course really calls for a corporate generalist, who most often can be found within an organization’s in-house legal department. Such generalists have close ties to management and a better understanding of the business issues managers wrestle with every day. A lawyer with an MBA or business management experience often can integrate law into business seamlessly. One of the highest compliments I ever received came from a student who said he didn’t think of me as a lawyer, but as a businessperson who happens to be a lawyer.

If a school has trouble locating an academic with practical legal experience, administrators could design a course that is team taught by an academic and a practitioner. Of course, team teaching requires a high level of mutual respect and partners who pull their respective weight. The disdainful finance professor mentioned earlier need not apply to team teach such a course; neither should the stereotypical, arrogant lawyer. The team needs a collaborative mindset to successfully prepare business students for the legal challenges they will face in the working world.

Signposts to Success

Business educators can help put students on the right side of the law by teaching them to appreciate the central role law plays in business sustainability. If students develop legal literacy, they gain a tool that they can use as a competitive business advantage when they’re executives. A well-designed interdisciplinary course provides a legal road map for new graduates who are just learning how to navigate the road to running a business. 2

Hanna Hasl-Kelchner is a corporate lawyer whose career spans private, government, and in-house practice. She is a former adjunct professor at Duke University’s Fuqua School of Business, where she taught legal leverage in full-time and executive MBA programs. She is currently associate general counsel and national counsel for trademark enforcement at Lorillard Tobacco Company. A frequent guest speaker on the subject of preventive law, she is also the author of the 2006 book The Business Guide to Legal Literacy: What Every Manager Should Know About the Law. She writes a blog about the topic on www.legalliteracy.com.
Staying Informed on Patent Reform

In research conducted for the National Academies of Science, two professors hope to provide information that will aid in U.S. patent law reform. Stuart Graham, assistant professor of strategic management at the Georgia Institute of Technology’s College of Management in Atlanta, Georgia, and Dietmar Harhoff, professor of management at the University of Munich, Germany, closely compared U.S. and European patent systems. Their research has become especially important now that U.S. policymakers have passed the Patent Reform Act in 2005, which calls for the U.S. to adopt features of the European patent system.

In their paper, “Can Post-Grant Reviews Improve Patent System Design?,” the researchers explain their “twin study” that compared U.S. patents, both litigated and nonlitigated, to equivalent patents granted in Europe.

In the U.S., Graham explains, patents are granted on a “first-to-invent” basis. Even if someone holds a patent on an invention, that patent can be challenged or revoked if another person can prove he or she invented it first. Such challenges often involve complex and expensive litigation—such lawsuits cost $4 million, on average.

In Europe, however, patents are granted on a “first-to-file” basis. Under this system, the first to obtain a patent for an innovation owns that patent, even if it is later found that someone else invented it. To oppose a patent, petitioners ask for a post-grant review through the patent office, a process that costs much less than U.S. litigation—about €15,000 (or US$19,000) on average.

Not surprisingly, researchers found that Europe’s post-grant review process would drastically reduce the cost of patent challenges if adopted in the U.S. In addition, in their twin study of international sister patents, Graham and Harhoff found that six percent of patents that weren’t challenged in the U.S. were challenged in Europe. Many of those patents were eventually deemed invalid and revoked.

“Under the current U.S. system, many patents are being used solely to demand royalties from companies, hold up manufacture, and stifle innovation,” says Graham. “Under a less expensive system, many of these unused patents would be eliminated.”

Graham says that the next step in this research is to study how firms are using the international patent system to protect their innovations.

“Policy makers should have accurate information when making policy decisions,” Graham says. “Advocates on both sides of the issue need better information so that they can help the system.”

Redefining ‘Elite’

The emergence of the Internet has had a profound impact on industries from marketing to shipping, but its influence is also being felt in unexpected places—including elite, research-oriented institutions of higher education. Technological advances have drastically simplified communication across long distances, making it easy for faculty who are conducting research to work with colleagues across the country or around the globe.

Because collaboration is no longer dependent on co-location, elite universities might be losing the edge when it comes to research, believes E. Han Kim, a professor of finance at the University of Michigan’s Ross School of Business in Ann Arbor. Working with collaborators Adair Morse of the Ross School and Luigi Zingales of the University of Chicago, Kim studied the research productivity of economics and finance faculty at 25 top U.S. schools from 1970 to 2001. They found that, while individual universities may be losing ground in the research race, academic research as a whole has received a boost as a...
result of technological facilitation. In the 1970s, according to Kim, faculty were more productive when surrounded by other top-notch faculty at an elite university. He notes that this effect weakened in the 1980s and disappeared in the 1990s, as technology changed the way professors could communicate. “As a result,” Kim says, “there has been a substantial increase in co-authorship between scholars at elite and other universities.”

Another result of this trend, according to Kim, is that an increase in campus-to-campus co-authorship reduces the importance of personal interaction with colleagues on site. Thus, he says, “one traditional advantage of elite universities—to act as a focal point attracting the smartest faculty—is at risk.”

Courage at Work

Everyone loves a hero, the one who displays tremendous courage in the face of incredible odds to accomplish unbelievable feats, says Monica Worline, an assistant professor of organization and management at Emory University’s Goizueta Business School in Atlanta, Georgia. But in the workplace, she argues, actions don’t have to be grand to be courageous. She asserts that employees who display small acts of courage—from refusing to commit an unethical act to admitting to a mistake—can be among a company’s greatest assets.

Worline’s study of courage in the workplace began with her doctoral research at the University of Michigan. For her dissertation, Worline interviewed 650 people who worked in the tech industry, asking each if they had ever seen an instance of courage in their workplaces. Her dissertation took an unexpected turn on September 11, 2001. “There was a huge demonstration of physical and moral courage as a result of the attacks on 9/11, which inspired people in so many ways,” says Worline. “It renewed my sense of the importance of studying courage in the workplace.”

She and fellow doctoral student Ryan Quinn became especially interested in United Flight 93, the only one of four hijacked flights where passengers organized to fight their attackers. Worline and Quinn studied all information in the public domain regarding the crash, including media coverage, books, data from the flight recorder, the 9/11 Commission Report, documents from the trial of Zacarias Moussaoui, and studies from the crash site. Their findings are outlined in the paper, “Capabilities for Courage: The Story of United Airlines Flight 93.”

The authors found that several factors had to be in place to inspire the passengers to act. Passengers needed to be able to gather information, via cell phone calls, about their situation; they needed to contact loved ones for support; many passengers drew on their religious faiths for strength; they needed to gain permission from other passengers to act; they needed to find weapons, such as food carts and pots of boiling water; finally, and perhaps most important, they needed time to achieve the first five objectives.

Worline admits that Flight 93
“WE HOPE TO SHOW THAT ENGAGEMENT IN THE GLOBAL ECONOMY ISN’T JUST ABOUT EXTRACTING WEALTH, BUT ALSO ABOUT BUILDING WEALTH FOR FUTURE GENERATIONS.” —David Levine, Berkeley’s Haas School of Business

Research

represents an extreme example of courage under duress. But she sees lessons for business in its example. She notes that many successful businesses work to create “cultures of courage” that provide employees with the time, information, and resources they need to take action when necessary, says Worline. These workplaces allow employees to disagree respectfully with management when they feel it’s in the best interest of the company. Moreover, they recognize acts of courage that their employees display and share these stories to inspire others.

“Managers need to recognize and reward the people who are truly acting on behalf of the organization,” says Worline. “Such recognition would help build even more courage into the entire fabric of the organization.”

Global Trade and Children’s Health

David Levine, professor at the University of California at Berkeley’s Haas School of Business, and co-author Dov Rothman, assistant professor at Columbia University’s Mailman School of Public Health in New York, New York, aim to quantify trade’s effect on children’s health in their study, “Does Trade Affect Child Health?” Recently published in the Journal of Health Economics, the study found that globalization does indeed present a slight benefit to children.

To measure trade’s effects, Levine and Rothman used a model that was first developed by researchers Jeffrey Frankel and David Romer in 1999. With this model, Levine and Rothman predicted a country’s openness to trade based on its geographic features, such as whether it has a coastline. They adapted the model to measure the relationship between a nation’s openness to trade and three measures of children’s health: mortality rates for infants and children under 5 years old; stunting, or low height for a child’s weight; and wasting, or low weight for a child’s height.

According to their study, an increase of 15 percentage points in predicted trade, as a share of gross domestic product, corresponds to approximately four fewer infant deaths per 1,000 births. Levine and Rothman also found that an increase of 20 percentage points in predicted trade as a share of GDP reduces stunting by approximately 7 percent, while an increase of 20 percentage points raises life expectancy by roughly six months. Their model also predicts that increased trade often leads to higher immunization rates for measles and larger expenditures on public health as a share of GDP.

Such positive findings were not a given, Levine explains. While economic theories have shown that improved trade often leads to improved nutrition, water quality, and health care, history also shows that the effects of globalization aren’t always positive. “Most recently, globalization led to the spread of HIV/AIDS,” says Levine. “We had reasons to fear that the disruptions that often accompany globalization could be costly.”

The findings of this study may be reassuring for global business, but Levine warns that business still must be aware of the impact of its actions. “Our results were less scary than some critics had predicted; but business still must work collectively to avoid the worst excesses that can afflict newly industrialized countries, from pollution to sweat shop labor,” says Levine. “We hope to show that engagement in the global economy isn’t just about extracting wealth, but also about building wealth for future generations.”

Can ‘Lean’ Work for the Public Sector?

What works for Toyota may also work for firms in the public sector, according to two professors at the Warwick Business School in the United Kingdom. Research by Zoe Radnor and Paul Walley, senior lecturer and lecturer, respectively, in operations management at WBS, indicates that the lean manufacturing methods employed by the Toyota Motor Corporation can also be applied to public sector services to improve employee morale, customer satisfaction, and process efficiency. The project was funded by the Scottish government.

Radnor and Walley began their research in the summer of 2005, investigating eight case studies and three pilot studies of the implementation of lean manufacturing philosophies in public sector organizations, including some in health and government. They also surveyed a number of other organizations. By the time they had finished their research, they had discovered that the use of lean practices in health services organizations, for instance, generated several positive outcomes:
They reduced the time required for adapting disabled people to housing from more than 200 days to 12 days.

They reduced backlogs in lost and found departments by 80 percent.

They increased the number of patients being seen within 62 days of contact to around 80 percent, up from 40 percent.

They reduced the time patients spent in treatment by 48 percent.

The researchers found similar results when lean practices were implemented in the government sector. For instance, the implementation of lean manufacturing techniques reduced the time legal departments took to prepare reports to six days, down from 77 days.

Although their research shows very positive results for public service organizations, in terms of improved service, customer waiting times, processing times, productivity, and staff morale, Radnor and Walley are quick to point out that these changes were made over a long period of time. They aren’t to be seen as “quick fixes.”

“Implementation cannot be forced,” says Walley. “The research recommends a steady process of implementation over a long period of time.”

More important, says Radnor, the lean manufacturing approach must be customized to the private sector before it is applied to any organization. “Many organizations are not ready to adopt ‘lean’ immediately,” she says. “They don’t possess the change management experience or the right leadership style to make the transition right away.”

To read the full report, visit www.scotland.gov.uk/Publications/2006/06/13162106/0.

Through the College’s nationally recognized Center for Entrepreneurial Studies, student entrepreneurs traveled to Malawi, Africa, in 2006 with an improved treadle pump to help local farmers achieve sustainable economic growth.
Putting Podcasts to Work

The iPod and other digital audio and video players are the latest innovation to garner the attention of higher education. Eager to tap the technology’s potential, business schools are using the players as conduits for content ranging from course lectures to school news to expert commentary.

One of the most comprehensive experiments with this technology has been the iPod project at Duke University in Durham, North Carolina. Since 2004, faculty from multiple departments—including music, language, writing, theater, engineering, and public policy—have used the iPod for course content dissemination, lecture podcasting, and study support. Students were encouraged to use the device to gather support materials for their courses, including recorded interviews, environmental sounds, and biometric data. Duke’s report on its use of the device, the “iPod First Year Experience Final Evaluation Report,” indicates that students highly valued the ability to download course materials to their digital players.

Still, the university faced several challenges and limitations in the project. The university had to start from scratch to develop training support to help students and faculty use the technology. Faculty also reported difficulty in finding materials in appropriate formats, and some classrooms weren’t set up to create audio and video recordings of appropriate quality.

Since the university began its project, Duke’s Fuqua School of Business also has begun experimenting with the applicability of digital players for business education by creating podcasts of university content for the general community. It joins other business schools that are taking different approaches to integrating podcasts into courses and communications:

- The Fuqua School recently launched its public iTunes Web site, called iTunes U, at www.fuqua.duke.edu/itunes. The site allows users to download Fuqua speeches, interviews, and conference presentations to their digital players.
- In September, HEC Paris in France issued customized video iPods to its MBA students to allow them to access campus information, recorded lectures, tutorials, and course revision materials; obtain RSS feeds; and review video of their own work and presentations.
- Richard Wilding, a professor of supply chain risk management at the Cranfield School of Management in the United Kingdom, is providing a series of podcasts for professionals. The podcasts, posted at www.cranfield.ac.uk/som/lscm, feature interviews with leading experts in the field and are designed to help busy professionals access essential information quickly.
- The Stanford Graduate School of Business in California now has a podcasting channel, Social Innovation Conversations, available online at www.siconversations.org. The channel offers free audio of conferences, lectures, and expert interviews that address the world’s most pressing social and environmental issues.
- Richard McKenzie, an economics professor at the Merage School of Business at the University of California in Irvine, has created 52 podcasts so far, including videotaped portions of his course and audio selections from his new textbook. He posts the podcasts on his Web site at www.merage.uci.edu/~mckenzie/module.htm.

As business schools undertake these and other initiatives, they also are taking care not to cross the line between educational enhancement and gimmick. The key, many educators believe, is to ensure that
podcasts encourage and improve interactions between the school and its community.

At HEC, educators consider higher education’s use of digital players to be of value not only to the community, but also to researchers exploring the trend, explains Valérie Gauthier, associate dean of the HEC MBA. As Duke has done, HEC plans to study how students use their iPods. Researchers hope to provide more information about how such technology will be useful on campus and in the workplace.

Digital audio and video players provide business schools an opportunity to stretch their offerings in new directions, says Raymond Smith, Fuqua’s associate dean for executive education. Says Smith, “New learning technologies allow us to think differently about the ways we design and deliver learning programs to busy executives around the world.”


TOOLS OF THE TRADE

ERPsim Tests Students’ Decision-making Skills Under Real-time Conditions

A new simulation system in enterprise resource planning (ERP) was recently tested for the first time at Canada’s HEC Montreal in Quebec. The simulation software, ERPsim, was designed by Pierre-Majorique Léger, Gilbert Babin, and Jacques Robert, professors at HEC Montreal’s Department of Information Technologies, and Robert Pellerin, a professor from the Ecole Polytechnique in Palaiseau, France. The software is compatible with SAP R/3, a software package in the mySAP Business Suite. To run the simulation, schools must be a part of the SAP University Alliance.

Forty MBA students used ERPsim to participate in the final exam competition for their Enterprise IS (ERP) course, part of HEC’s MBA in English. The daylong simulation pitted eight teams of five students against each other in managing a company that manufactures muesli cereal. The software presented students with a simulated economy where they had to manufacture up to six cereal varieties; purchase raw materials; bag and package the cereal; and handle inventory, sales, and distribution.

The software is the only one of its kind, say its designers, because it gives students the opportunity to try out an ERP system, which many large companies use to manage their business processes, under realistic market conditions. Those conditions include changing interest rates, prices of raw materials, and harvest quality. Students’ decision-making and operations management skills were tested in all areas except for data on orders and deliveries, which were automatically generated by the ERPsim software.

Léger, Robert, and Babin plan to publish a textbook on using the simulation system titled ERPsimulation Games with SAP R/3. The book is scheduled to be available by September 2007. Léger, the initiator of the ERPsim project, also has written a white paper on the process, “Using a Simulation Approach to Teach ERP Concepts.” To contact the creators of ERPsim, or read the full paper, visit www.hec.ca/sap/ERPsim/docs.html.
Technology

“IT IS IMPERATIVE THAT WE ADDRESS EXISTING INEQUALITIES IN BROADBAND ACCESS.”

—Al Hammond, director for the Broadband Institute of California

Free Wi-Fi May Close the Digital Divide

Two new wide-ranging wireless networks—in areas as far-flung as Silicon Valley and the Brazilian Amazon rainforest—promise to connect underserved populations to the latest technology. In California’s Silicon Valley, planners are working on a free wireless network that will reach to 38 cities. In Brazil, Intel Corporation plans to invest more than $1 billion over the next five years to create a wireless, high-speed network for residents and provide computers to healthcare centers, public schools, and universities.

The network in Silicon Valley is slated to launch in 2007. As one of the largest wireless networks in the U.S., the network will reach approximately 2.4 million people. In Brazil, Intel already has installed a network for the city of Parintins, a town of 114,000 on an island in the Amazon River, and donated the computer equipment necessary to access it. The network currently serves a primary healthcare center, two public schools, a community center, and Amazon University. Intel plans to extend wireless PC access to millions of citizens in Latin America and train more than a million teachers to use the technology in the classroom.

Although such efforts are clearly designed to bridge the digital divide, some experts are still asking two important questions: Will a free network truly make broadband Internet service accessible and affordable to everyone? And how should municipal networks be built and operated to reach groups that currently are the least served by broadband?

In October, in response to the Silicon Valley project, the Broadband Institute of California and Santa Clara University’s Center for Science, Technology, and Society hosted a public hearing on municipal broadband and its effects on the technologically underserved. The hearing was part of a project to educate representatives from the region’s underserved groups so that they can make well-informed policy recommendations about commissioning their own networks.

Experts testifying at the public hearing included public and private partners responsible for building Silicon Valley’s wireless network. In addition, a panel of community members represented a wide spectrum of ethnically diverse people that statistically have the lowest rates of broadband access in the county, including low-income individuals, the disabled, seniors, and rural residents.

“If broadband is a critical economic engine for communities to provide jobs and a way to close the digital divide, it is imperative that we address existing inequalities in broadband access,” says Al Hammond, director for the Broadband Institute of California and a law professor at Santa Clara University’s School of Law. “The public needs to ask these questions before the networks are built, not later.”

Taking Tech to Market

As business schools seek out more real-world opportunities for their students, educators are turning to science laboratories, not just corporations. Two management professors at San Diego State University’s College of Business Administration in California, for instance, have found that the environment of innovation can be a fertile ground where students can learn where technological innovation and commercial viability intersect.

Professors Alex DeNoble and Sanford Ehrlich recently created a course aimed to help researchers at Los Alamos National Labs (LANL) in New Mexico recognize the commercial potential of new technologies. Developed at the request of LANL, the course is a part of the school’s Entrepreneurial Management Center (EMC).

Launched during the 2005-2006 academic year, the course required student teams to work closely with researchers at LANL and evaluate the market potential for technologies still in their early stages. On each project, students also worked with mentors with experience in commercialization. During the course, students evaluated nine technologies from LANL in fields such as nanotechnology, solar cell technology, optical lasers, cooling technologies for integrated circuits, and cybersecurity. At the end of the course, students delivered a presentation to LANL, including their assessment of market potential, risks, barriers, trends, and intended applications.

The course will be held again in the 2006-2007 academic year, when LANL representatives plan to present students with ten new technologies.
MBA at 24

Management education has suffered so much criticism in recent years that I’m no longer surprised to hear a collective groan at social gatherings when I reveal my status as a recent MBA. But I also receive a few appraising glances, because I’m something of a rarity—one of a relatively small group of students accepted into MBA programs with little or no work experience. I firmly believe younger students can bring energy and diversity to the graduate business classroom, while helping keep the quality of the student body extremely high.

Critics believe that young, inexperienced students cannot benefit from an MBA education. The argument goes that twenty-somethings who lack extensive professional experiences and industry contacts cannot contribute to classroom discussions or help classmates establish personal career networks. As an early career admit myself, I believe these critics are missing the point.

I entered Stanford University’s Graduate School of Business directly after finishing an undergraduate degree in engineering at the University of South Florida. Admittedly, I was somewhat intimidated by the polished former consultants and bankers who seemed to be speaking a different language. Even so, I quickly found my feet.

I began working with two colleagues and a professor to examine the business applications of a new technology. We founded a digital signal processing (DSP) company, which recently won first prize in the Stanford Entrepreneur’s Challenge Competition. My fellow students and I were guided by our educational backgrounds, general business insights, and the direction of a seasoned professor—not work experience.

Yet, over time, the window for seeking that transformative experience has narrowed, which has had an adverse effect on applications. It is now widely believed that top programs will not even consider candidates who lack the requisite four or five years of work experience. The rising opportunity cost has led some desirable candidates to reconsider pursuing their degrees—and some candidates, particularly those who want to start a family, never apply. In an interview, Clark flatly stated that the old MBA model did not work for women and might have discouraged some of them from pursuing the degree.

Desirable MBA candidates also have been siphoned off by online and part-time programs, corporate training, and executive education. These options look even more attractive to individuals if their companies will pay the tuition as an incentive for having them stay.

Traditional business schools have responded by reaching out to prospective students earlier. Some schools are adopting innovative policies such as deferrals of admission, fee waivers, and feedback sessions for denied applicants. As a result, early admits have spiked, and class compositions have evolved. I believe this changing b-school classroom offers a better dialogue, enhanced networking—and a higher level of learning.

So far, initiatives aimed at bringing younger students into the MBA program have met with tentative acceptance. Professors I have spoken to say that younger students bring a welcome element of diversity to the classroom. Recruiters have been cautiously receptive to this new group, since early career students tend to be more flexible about job location and position.

Evidence suggests that the early admit program works well for younger MBAs. Professors George Dreher and Katherine Ryan of Indiana University’s Kelley School of Business recently conducted an empirical study of students who had no prior work experience before they attained their MBAs. They discovered that these younger employees were more satisfied with their careers, received a greater number of promotions, and took home more cash than some of their more
experienced peers. They can afford to be more patient about advancing within an organization, and they can take the time to grow into leadership roles.

A look at the current CEOs of Fortune 100 companies also indicates that the right individuals can do spectacularly well by drawing on the lessons of education received at a young age. Among this select group—which includes Jeffrey Immelt of GE, Kevin Rollins of Dell, and Paul Otellini of Intel—25 had less than two years of work experience upon beginning their MBA degrees. Fifteen arrived in an MBA program directly from an undergraduate program. Perhaps these managers did learn a thing or two when, by today’s standards, they were too young to be considering graduate degrees in business.

It’s clear that business schools are changing the MBA admissions game. And younger MBA students might just change the parameters of business education.

I am extremely grateful that Stanford took a chance on me. I believe all my fellow early admits would agree that we have had a transformative experience. We are proud of our own past accomplishments and admire our more experienced colleagues, but we know that we, too, have an excellent chance of making remarkable future contributions. It is my hope that other early career admits will be similarly humbled and inspired by their MBA experience.  

Rory McDonald was an early career admit into the MBA program at the Stanford University Graduate School of Business in California. He is now a Ph.D. student at the school.

Bryant University is pleased to announce Faculty Appointments 2006-2007

Since it was founded in 1863, Bryant University has been committed to recruiting and supporting highly accomplished and credentialed faculty from prestigious institutions around the world. Ninety-eight percent of all full-time Bryant professors hold Ph.D.s or the highest degrees in their fields.

This fall, we have the privilege of welcoming seven new faculty members to the College of Business.

Alexandra Aguirre-Rodriguez  
Assistant Professor Marketing  
Ph.D., University of Illinois at Urbana-Champaign

Madan Annavarjula  
Assistant Professor Management  
Ph.D., International Business, Temple University

Lookman Buky Folami  
Assistant Professor Accounting  
Ph.D., Accounting, Georgia State University

Eileen Kwesiga  
Assistant Professor Management  
Ph.D., Organizational Behavior and Human Resources, University of Texas

Andres Ramirez  
Assistant Professor Finance  
Ph.D., International Finance, University of South Carolina

Michael Roberto  
Associate Professor, Trustee  
Professor of Management  
D.B.A., Harvard University

Guang Yang  
Assistant Professor Marketing  
Ph.D., Management/Marketing  
University of California, Irvine

The Character of Success

Ronald K. Machlley, President  
V. K. Unni, Vice President for  
Academic Affairs  
Bryant University  
Smithfield, Rhode Island  
www.bryant.edu
In July 1994, 14 firefighters perished fighting a blaze on Colorado’s Storm King Mountain, partially because of poor decisions made by an ill-prepared leader. “Excessive optimism, untested assumptions, unheeded warnings, poor intelligence, failure to clarify authority: at Storm King, nearly all the great enemies of good decision making were present in abundance,” says Wharton professor Michael Useem in The Go Point. Useem’s absorbing account of the Storm King disaster is only one of the stories he tells of real-life decision making at its most critical and consequential. After interviewing hundreds of leaders, Useem distills their collective wisdom into a decision-making template for crucial moments. These include “using small steps to make hard decisions, building a network of counselors and oracles for testing ideas, keeping options open until they must be closed.” The book gets the reader’s heart racing—and mind working. (Crown Business, $25)

Risk management is key for anyone, from the CEO considering an acquisition to the individual contemplating buying a house. But what might be even more important than risk management, according to David Apgar, is risk assessment. In Risk Intelligence, he theorizes that a company that properly assesses the risk to a particular enterprise wins a distinct competitive advantage. Competitors that overestimate the potential risks will decide not to try to break into the market. “Competitors that underestimate those risks will be unprepared for the occasional losses they will suffer and will have to adjust or abandon their projects,” he writes. Apgar further believes that some risks are nonrandom and, therefore, learnable. Executives who can identify learnable risks—and learn about them quickly—will have a better shot at making critical decisions. They might end up managing those risks with the same tools brought to bear by any other manager, but their ability to size up a situation accurately will keep them in the forefront of their markets. (Harvard Business School Press, $29.95)

Rosabeth Moss Kanter knows exactly what tomorrow’s leader will look like. “Leaders of the future will be progressively more cosmopolitan, innovative, diverse, and values-oriented,” she writes. “They will increasingly come from countries outside of North America and Europe...where leaders must also address daunting obstacles such as poverty or environmental degradation.” Kanter is only one of 27 contributors to The Leader of the Future 2, a compilation of essays edited by Frances Hesselbein and Marshall Goldsmith. A sequel to a ten-year-old volume of leadership essays, this book gathers an impressive lineup of high-profile experts: Stephen Covey, Jeffrey Pfeffer, Charles Handy, Peter Senge, Ronald Heifetz, Noel Tichy, Jim Kouzes, Barry Posner, and more. Their expertise spans everything from understanding diversity to managing the knowledge worker. The result is a broad look at some of the most pressing questions of leadership today—and tomorrow. (Jossey-Bass, $27.95)

If you could redesign and rebrand your desktop stapler, what would it look like and how would you market it? That’s one of the exercises Lynn Altman offers in Brand It Yourself, a practical and easy-to-read book that bubbles with ideas. Altman and her partner have developed Brandmaker Express, a ten-day process through which they create branding campaigns for new products, and she generously shares every detail of that process here. She advocates a short turnaround because the tight timeframe helps spark creativity and fuel adrenaline; she also focuses on one project, and one singular attribute of the product, at a time. Presenting unused ideas from real campaigns—as well as an ongoing deconstruction of that stapler
The 21st century might be the era of sustainable business, and two books offer insights into what companies can expect as they green their operations. Either book can give CEOs or business professors an excellent starting point for considering sustainable practices.

In The Triple Bottom Line, Andrew W. Savitz and co-author Karl Weber examine the forces that are causing more companies to measure their success according to business, environmental, and social impact. Companies that find the "sustainable sweet spot"—the area where business interests and stakeholder interests overlap—will produce new products, new management methods, and a more sustainable business model. In today's interconnected, global, and full wired world, every business will have to start considering sustainable issues, the authors say. “You can’t pretend you are operating in a vacuum,” they write. “Instead you’re in a crowded neighborhood where everyone knows your business, has an opinion about it, and feels that he or she has the right to express that opinion and try hard to change your behavior. Call this period the Age of Accountability.” They make a compelling case. (Jossey-Bass, $24.95)

Also persuasive are Daniel C. Esty and Andrew Winston in Green to Gold, as they take an unflinching look at how companies have dealt with environmental issues—both successfully and unsuccessfully. Companies riding the “Green Wave” are often bowing to two sources of pressure, the authors note: “First, the limits of the natural world could constrain business operations, realign markets, and perhaps even threaten the planet’s well-being. Second, companies face a growing spectrum of stakeholders who are concerned about the environment.” While folding environmental imperatives into company practices can save money and stoke innovation, such moves are not easy, they warn: “Like excellence in any form, you have to work for it.” They not only recite success stories, they also list common mistakes companies make as they attempt to turn a green attitude into gold. The result is a forthright but hopeful book about how to win the green revolution. (Yale University Press, $25)

Andy Cohen thinks it takes magic to make a business successful—and he means that literally. In Follow the Other Hand, Cohen presents a fable of a struggling young executive whose family-owned business is re-energized by the insights of Merlin the magician. Sounds a little contrived, but the premise works well and the story-telling is fun. For instance, one of Merlin’s lessons is that you have to make the audience part of the act. Houdini “pre-engaged” his viewers by having them see how long they could hold their breath, then he had himself locked in an airtight container for longer than any of his watchers could afford not to breathe. His audience was connected to the act before Houdini even began to perform. How can a business manage the same trick? Merlin describes the time M&M’s allowed consumers to vote on the colors they’d most like to see on the chocolate candies. Other ideas appear with a wave of Cohen’s wand. Turns out a business book can be magic, after all. (St. Martin’s Press, $22.95)

Quick Look

Finding the Best Business School for You offers a scholarly view of a subject geared to a commercial audience—individuals who might want to pursue an MBA. Authors Everette E. Dennis and Sharon P. Smith take an analytical approach to putting the MBA in context, discussing the history of the MBA, recent changes in degree delivery, accreditation standards, media rankings, and how the needs of a changing workplace give rise to a resilient and lifelong learner. In short, the book is a comprehensive look at how today’s business degrees have evolved to fit into today’s business environment. Degree seekers who want to know “Which b-school is right for me?” won’t find a quick answer here, but they will learn a great deal about the MBA and how it might fit into their lives. (Praeger Publishers, $39.85)
Thirty of IESE’s Global Executive MBA students recently completed a two-week module in Shanghai, which included a tour of Volkswagen’s manufacturing plant in that region.

Like many global executives, these executives possessed a great deal of international work experience before enrolling in the class, but few had direct experience with the Chinese market, says Pedro Videla, an associate professor of economics who accompanied them to Shanghai.

Videla wanted them not only to tour businesses, but also visit local markets, interact with vendors, and network with expatriate executives now living in China. “It’s important that students see for themselves how fast China and other emerging economies are changing,” Videla says. “They must see not only how China’s businesses work, but also what its daily life is like.”

Videla especially wanted his students to visit Volkswagen, which has been in China since 1985, a time when China was just starting to open its economy to the global market. Students learned how the company is adapting to China’s transition from a labor-intensive economy to a capital-based, technologically driven economy. In addition, Volkswagen, once one of the only car manufacturers in the country, now faces mounting competition from newer arrivals.

“Eight to ten years ago, Volkswagen held more than a 30 percent share of the automobile market. Now, as competition for China’s expanding middle class grows, it holds less than 15 percent,” says Videla. “Still, many business leaders realize that if China becomes as big a player in the global market as many expect, they must establish a presence there to win a share of a very large market.”

IESE operates its China study module through a relationship with the China European International Business School in Shanghai. The school’s objective mirrors that of many business schools, both inside and outside China, that are integrating study of the Chinese economy into international curricula, says Videla. To stay on top of global development, he says, faculty must make regular visits to regions that promise to be increasingly important to the global economy, such as China, India, Russia, Brazil, and Africa. Schools also must create and continually update case studies on businesses in these economies.

Citizens in China’s rural areas are still struggling, Videla emphasizes. But in China’s metropolitan centers, new highways, building developments, and investments are rapidly changing the landscape. Global investment in China is already 40 percent over its gross domestic product, and its economy is growing at a pace of 30 percent per year. China’s business student population is steadily growing to meet its increasing demand for skilled executives. Many of today’s MBAs from outside China also may end up living and working in China, says Videla. It’s up to business schools, he adds, to let them know what to expect once they get there.