FEATURES

GLOBAL STRATEGIES
What worked—and what didn’t—when the University of Maryland exported its business program to China.

DEVELOPING THE WORLD
The Global Business School Network aims to use management education to lift emerging nations out of poverty.

INVESTING IN IRAQ
Iraq: business schools aim to compete globally, says Herbert Davis of George Washington University.

NORTH AND SOUTH
The Latin American model has lessons to offer global business education according to Jorge Haddock and Robert Grosse of George Mason.

TRACKING THE TRENDS IN GLOBALIZATION
Where do students want to study? Where do schools want to open satellite campuses? Survey numbers tell the story.

THE BEST MEDICINE
More medical professionals are enrolling in business school to learn skills they can use to reinvent a struggling health-care industry.

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Global, Connected, Committed

The Guinea worm is a parasite that can live inside a host for years and cause painful, debilitating illness. The bad news is that there’s no cure. The good news is that the World Health Organization, the World Bank, various governments, 13 pharmaceutical companies, and the Bill & Melinda Gates Foundation have banded together to try to eliminate Guinea worm and nine other tropical diseases. The Gates Foundation, in fact, has just pledged US$363 million toward the London Declaration on Neglected Diseases.

That was the CNN headline, of course—$363 million!—on top of $750 million the foundation recently pledged to the Global Fund to Fight AIDS, Tuberculosis and Malaria. But the story became even more compelling when I took a closer look at the drug companies that also have committed to the cause: AstraZeneca of the U.K, Eisai Co. of Japan, Novartis of Switzerland, Johnson & Johnson of the U.S., and Sanofi of France. The other participants—Abbott, Bayer HealthCare AG, Bristol-Myers Squibb, Gilead, GlaxoSmithKline, Merck, MSD, and Pfizer—are equally diverse and multinational.

Now, I’m not saying companies are motivated by sheer altruism. There’s tremendous economic opportunity at the base of the pyramid, where millions of people make millions of small purchases. There’s also inventive opportunity in emerging markets, as Vijay Govindarajan and Chris Trimble point out in their new book Reverse Innovation, reviewed in this issue. Govindarajan and Trimble note that products created for the needs of developing nations often can be reformatted and released in Western countries, bringing in profits in both markets.

But I am saying that the real headline of this story is that billion-dollar competitors from an assortment of developed nations have pooled their resources and expertise to address some of the world’s wickedest problems in some of the world’s poorest nations. And I’m thinking that description sounds really familiar. Because today’s business schools are training their students to thrive in just such situations—on globally distributed teams working in emerging economies with the goal of turning business into a force for good.

In this issue, we examine the globalization of business education from just that perspective as we investigate the benefits that accrue—on all sides—when schools from developed and developing nations partner on business education. We check in with Iraqi schools seeking accreditation, Western schools launching partnerships in China and Latin America, and associations facilitating networking opportunities among universities around the globe.

I find myself wondering if any of the schools featured in this issue might have enrolled the next Bill Gates. Not just the visionary tech entrepreneur, but also the passionate philanthropist who collaborates across nations on humanitarian causes. Business schools could be training that someone right now.
Today’s Deans Are Going Global

As business schools become increasingly international, so does their leadership. Results from AACSB International’s 2011–2012 Deans Survey shows that a significant portion of today’s deans are crossing borders either for short visits or long work assignments—though there’s still a sizable contingent of deans who prefer to stay on their home continents.

According to respondents, 49 percent of today’s deans came to their current positions from different institutions, and of those, 10 percent came from institutions in different countries. Even more impressive is that 19 percent received their highest degrees from institutions located in different countries than the ones where they hold their current positions. That figure is echoed by the 19 percent of respondents who currently hold deanships in countries other than the countries of their birth.

The Quintessential Dean

The international experience of today’s deans is only one area explored in the new survey. Answers to other survey questions help build a profile of today’s typical business school dean, a 57-year-old man who already has held this position for 4.6 years. If this is his first deanship—as it is for 72 percent of respondents—it is likely that he most recently held a post as associate dean or department head at the same school where he is now dean. And although there has been a slight uptick in the number of women taking the dean’s position in recent years, today’s dean is most likely a he: Eighty-two percent of survey respondents were men. For more information about the survey, contact research@aacsb.edu.
INSEAD has announced plans to develop its own EMBA test as an alternative to the standardized Graduate Management Admission Test. To create the exam, INSEAD is partnering with Prep Zone, a company founded by two alumni in Singapore. While the school still will accept the GMAT, the new test option will be tailored specifically to INSEAD’s applicant pool.

“Our test will provide a more well-rounded way to assess our applicants and reduce the bias against some cultural and educational backgrounds,” says Peter Zemsky, deputy dean of degree programs and curriculum.

In comparison to the GMAT, INSEAD’s test retains relevant elements in multiple-choice quantitative and verbal sections, but eliminates some mathematical, grammatical, and vocabulary elements. The new test also includes material that requires candidates to use varied data to reach conclusions, and a mini case analysis that candidates must present orally so examiners can gauge communication skills.

The INSEAD EMBA test will be administered regularly on the school’s three campuses in Fontainebleau, France; Singapore; and Abu Dhabi, UAE. Tests are combined with panel interviews. More information is available at global.emba.insead.edu/home/.
headlines

Upticks for (E)MBAs

THE EMPLOYMENT PICTURE currently looks bright for students pursuing master’s degrees in business, whether they’re focusing on MBAs or EMBAs.

According to the results of the Executive MBA Council 2011 Student Exit Benchmarking Survey, graduates of recent EMBA programs enjoyed a 16.3 percent bump in salary and bonus packages from the start of the program to its finish. For students in the 2011 survey, the average salary and bonus package at program start was US$135,323; by the end, it was $157,423. In addition, 37 percent of students in the survey reported receiving promotions during their time in the program.

Judging by the 2011 survey, which included 3,212 students from 102 programs, EMBA graduates are also highly satisfied with their EMBA experiences. Using a ten-point scale, respondents ranked the quality of their programs at 8.4, their willingness to recommend their programs at 8.7, and their likelihood of supporting the program as alumni at 8.2. For more information, visit www.executivemba.com.

Similarly positive results were reported by the MBA Career Services Council, an association of career management offices and companies who hire MBA students. According to the organization’s fall Recruiting Trends Survey, 70 percent of schools reported an increase in on-campus activity for full-time positions compared with last fall’s activity. Forty-six percent reported an increase in job postings for internships.

Increases in recruiting activity are occurring across most sectors. Over 40 percent of respondents reported growth in industries such as consulting, consumer products, energy, pharma/biotech/healthcare products, and technology. Real estate and government continue to be the weakest industries. In contrast, financial services showed a decrease compared with a surge last fall. The increase in recruiting activity was mainly driven by mid-size and Fortune 500 firms, with all other company types staying the same.

Honors for Entrepreneurs

THE 2012 EXCELLENCE in Entrepreneurship Education Awards were announced in January by the United States Association of Small Business and Entrepreneurship (USASBE). Oklahoma State University took the prize for National Model Undergraduate Entrepreneurship Program, an award sponsored in 2012 by Texas Christian University. The University of Missouri Kansas City was named National Model Graduate Entrepreneurship Program; the University of Portland was recognized for its Outstanding Specialty Entrepreneurship Program and the University of North Carolina at Greensboro for its Outstanding Emerging Entrepreneurship Program. The Special Recognition in Entrepreneurship Education Innovation award, sponsored this year by the University of South Alabama, went to the University of Utah.

Also presented in January were the USASBE 2012 Entrepreneurship Lifetime Achievement and Advocacy Awards. Winners were Karl H. Vesper of the University of Washington, who took home the Max S. Wortman Jr. Award for Lifetime Achievement in Entrepreneurship; Patricia Greene of Babson College, who won the John E. Hughes Award for Entrepreneurial Advocacy, which was sponsored by the Coleman Foundation; and Michael H. Morris of Oklahoma State University, who was named Entrepreneurship Educator of the Year. Jennifer Schnidman Medbery, founder and CEO of Drop the Chalk, was named Woman Entrepreneur of the Year, an award sponsored by the Jim Moran Institute for Global Entrepreneurship at The Florida State University.
Transitions at AACSB

AACSB International has announced that Robert D. Reid will succeed Jerry Trapnell as the association’s chief accreditation officer on October 1. Reid is former dean at James Madison University’s College of Business in Harrisonburg, Virginia. Trapnell, who has served as executive vice president and chief accreditation officer since 2004, will remain with AACSB on a part-time basis to lead its accounting accreditation efforts.

An active member of AACSB for many years, Reid has served as chair of the Maintenance of Accreditation Committee, as a member of the Accreditation Coordinating Committee, and as a member of AACSB’s board of directors. In addition, Reid is the current president of Beta Gamma Sigma, an international honor society of business school students at AACSB-accredited institutions.

Robert S. Sullivan of the University of California in San Diego has been elected vice chair-elect for AACSB International. Other officers and directors chosen in the 2012 election are: Stefanie A. Lenway of Michigan State University and Linda A. Livingstone of Pepperdine University, who will represent U.S. accredited institutions; Peter Lindstrom of the University of St. Gallen and Michel Patry of HEC Montréal, who will represent accredited institutions from outside the U.S.; Hongbin Cai of Peking University and Sarah Dixon of the University of Bradford, representing nonaccredited institutions from outside the U.S.; and Shaun Budnik of Deloitte LLC, representing the business community.

In addition, Barron H. Harvey of Howard University and Richard K. Lyons of the University of California in Berkeley have been appointed to serve for three years on the association’s board of directors.
Diversity Matters

TWO CALIFORNIA business schools are among those instituting new measures to ensure diversity among their faculty, staff, and students.

The Graduate School of Management at the University of California in Davis has launched a schoolwide diversity plan led by newly appointed chief diversity officer Linda Oubre. Specific initiatives include establishing a new faculty committee on diversity; recruiting diverse faculty and staff; increasing the diversity pipeline for all academic programs through recruitment and retention programs; and strengthening relationships with partners and external programs, including the National Black MBA Association, the National Society of Hispanic MBAs, the National Association of Asian MBAs, and the Forté Foundation.

The Haas School of Business at UC Berkeley has hired Eric Abrams to be its first director for diversity and inclusion. The school had already seen an uptick in minority applications since it rejoined the diversity-oriented Consortium for Graduate Study in Management in 2010. Applications from underrepresented minorities for the class of 2013 jumped 44 percent and the percentage of underrepresented minorities enrolled nearly doubled to 9.6 percent of the class. In addition, MBA students are promoting the push for diversity by planning initiatives such as the Bay Area MBA Diversity Mixer to connect students with local professionals, MBA alumni, and prospective students.

Both schools are partnering with other University of California business schools on the Summer Institute for Emerging Managers and Leaders (SIEML). The summer institute, to take place annually at one of the six UC business schools, will provide first- and second-year students from historically black colleges and universities with an expenses-paid summer fellowship program. For more information, visit sieml.universityofcalifornia.edu.

Competitions with a Twist

MANY SCHOOLS hold competitions, usually revolving around business plans and venture startups, but occasionally schools put new twists on the old models:

- The Wharton School of the University of Pennsylvania in Philadelphia wants to promote the idea that what looks like failure can often be translated into success. In its recently concluded “Brilliant Mistakes” competition, entrants were challenged to submit a description of an error that they committed, which led them to a new concept or innovation that helped transform a project or organization.
  
  The competition was inspired by the book Brilliant Mistakes: Finding Success on the Far Side of Failure. Wharton’s Paul Schoemaker, author of the book, was one of the competition judges, as was Eric Schurenberg of Inc.com., the media sponsor of the event. Also serving as judges were other Wharton faculty and Deloitte’s John Seely Brown. The grand prize went to Stephen Salzman of UCLA Medical Center, who described his research into the effects of adrenaline on athletes.

- The Wharton School also recently conducted the 2012 Financial Literacy Essay Contest, which was open to any registered users of its Knowledge@Wharton or Knowledge@Wharton High School sites. In 500-word essays, students, professionals, and retirees from all countries were invited to explain why financial literacy is important to them and to describe the goals they will meet by achieving financial literacy.

- Babson College in Wellesley, Massachusetts, combined former business plan competitions into a new event called the B.E.T.A. (Babson Entrepreneurial Thought and Action) Challenge. The competition recognizes major milestones student businesses have achieved by taking action. Winners of the graduate and undergraduate B.E.T.A. Challenge will receive a grand prize of US$20,000 in cash and in-kind donations of services from corporate sponsors, respectively. In addition, $2,500 will be awarded to two other finalist ventures.
SHORT TAKES

NEW APPOINTMENTS

Sarah Gardial has been named the first woman dean of the Henry B. Tippie College of Business at the University of Iowa in Iowa City. Her most recent appointment was as vice provost of the University of Tennessee Knoxville, an institution where she has worked since 1986. She takes up her new duties in Iowa on July 1. Gardial will replace retiring dean William “Curt” Hunter.

Srilata A. Zaheer has been selected as the new dean of the Carlson School of Management at the University of Minnesota in Minneapolis. Zaheer, the Elmer L. Andersen Chair in Global Corporate Social Responsibility, joined the Carlson School in 1991. She most recently held the position of associate dean of faculty and research prior to her appointment to interim dean in June 2011. Her formal term as dean began in March, immediately after her confirmation.

Starting July 1, Paul M. Bobrowski will be the new dean of the School of Business Administration at the University of Dayton in Ohio. He spent six years as dean of the College of Business at Auburn University in Alabama. He succeeds interim dean Joseph Castellano.

The University of Arkansas in Fayetteville has announced that, effective July 1, Eli Jones will become dean of the Sam M. Walton College of Business. He also will hold the Sam M. Walton Leadership Chair in Business. Currently Jones serves as dean and E.J. Ourso Distinguished Professor of Business at Louisiana State University’s E.J. Ourso College of Business. Before joining LSU he held various positions at the University of Houston.

Larry E. Penley has been named interim chief academic officer and provost for the Thunderbird School of Global Management in Glendale, Arizona. Penley, who was formerly professor and dean at Arizona State University and formerly president of Colorado State University, is expected to hold these interim positions until the school completes an international search for a permanent CAO.

In other news from the Thunderbird School, Barbara McConnell Barrett has been selected as interim president. She has held an eclectic variety of previous roles. In addition to being a business executive and corporate board member, she has

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served as U.S. ambassador to Finland, senior advisor to the U.S. Mission to the United Nations, chairman of the U.S. Advisory Commission on Public Diplomacy, and president of the International Women’s Forum. Barrett will replace Ángel Cabrera, who has assumed the presidency at George Mason University in Virginia.

Audencia Nantes School of Management in France has appointed Alexandre Perrin as director of the Audencia Master in Management program. He replaces Jean Charroin, recently named director of Audencia Nantes School of Management.

The Albers School of Business and Economics at Seattle University in Washington has named retired Costco CEO Jim Sinegal as its first senior executive in residence. During his three-year term, he will serve as a guest speaker, mentor students, lead a faculty seminar, and assist in developing a case study on Costco.

STEPPING DOWN

On June 30, Roy Savoian will retire after completing 14 years as dean of the College of Business at Central Washington University in Ellensburg. He will remain on the college faculty as a professor of economics, teaching and serving as director for the recently established Institute for Innovation and Entrepreneurship at CWU. Under Savoian’s leadership, the college earned initial accreditation in business from AACSB International in 2010. The school also created a supply chain management program under his tenure and achieved greater visibility in the greater Seattle business community.

NEW PROGRAMS

Grenoble Graduate School of Business (GGSB) in France is launching a new MSc in fashion, design, and luxury management, starting in September. Students will have the opportunity to take courses at GGSB’s Grenoble or London campuses; a study trip to Italy is also part of the experience. GGSB is working with the School of Fashion and Design, London, to deliver the program. Classes will cover the principles of luxury branding, sectorial analysis, technology and innovation, sustainable design, inter-cultural management, event management, distribution channels, digital marketing, and other topics.

International business school INSEAD has launched its Global EMBA program in Asia in a format specifically designed for Asian students. According to dean Dipak Jain, the new section will include shorter modules, require less time away from the office, and keep candidates closer to home. The new program, which begins in August, will operate similarly to the European and Middle East sections. GEMBA Asia, GEMBA Europe, and GEMBA Middle East will each start in their respective regions, then come together in the second half of the program for modules on the school’s three campuses in France, Singapore, and the United Arab Emirates. Participants also share electives with TIEMBA, INSEAD’s joint program with Tsinghua University in China. Another program originating on INSEAD’s Singapore campus will be a master of finance degree, scheduled to begin in April 2013.

Oklahoma State University’s Spears School of Business in Stillwater is launching a PhD in Business for Executives. Its first class comprises 19 participants representing 10 industries. According to dean Larry Crosby, the three-year program is “designed to bridge the gap between advanced scholarship and the contemporary needs of business and industry, leading to an acceleration of business leadership capabilities for the participants and for the economy.”

At Indiana University in Bloomington, the Kelley School of Business and the School of Education are collaborating on a new Executive EdD degree. The program allows School of Education students—who are often preparing for administrative roles—to earn masters’ degrees in strategic management at the Kelley School while earning their doctorates in educational leadership. The EdD cohort meets one week-
end per month for three years. All business school courses, with the exception of the First Year Kelley Connect Week, will be offered online.

**Rouen Business School** in France is launching a new master of science in supply chain management which will begin in October. The 15-month program will cover all aspects of the chain.

This fall, undergraduate students in **Butler University’s** College of Business in Indianapolis, Indiana, will be able to major in risk management and insurance. The program, which is also available as a minor, will focus on teaching students how to mitigate and manage risks through a combination of insurance and non-insurance techniques.

**The University of Miami** School of Business Administration in Florida is launching a Lean Six Sigma Green Belt Certification Program this May. Classes will take place over three consecutive weekends and will be followed by a process improvement project at the university’s Miller School of Medicine. The projects will tackle issues ranging from reducing customer wait time to cutting accounts receivables.

**New York University’s** Stern School of Business and the NYU School of Medicine have partnered to offer an MD/MBA program that allows students to complete both degrees within five years. During the immersive program, students study full-time at the School of Medicine for the first three years. They spend the summer of the third year through the spring semester of the fourth year at NYU Stern to pursue MBA coursework. Students return to the medical school for the summer and fall of the fifth year, followed by a final semester at NYU Stern in the spring. The new program is part of the medical school’s Curriculum for the 21st Century (C21), which features a spiralizing curriculum, earlier direct patient contact, and intensive use of technology.

**COLLABORATIONS**

- The Indian Institute of Foreign Trade (IIFT) in New Delhi and **ESC Rennes** School of Business in France have signed a
memorandum of understanding to promote academic exchange between the two schools. Students in the Master Program Grande Ecole (PGE) at ESC Rennes now can pursue their MBAs at IIFT, while MBA students at IIFT can pursue the PGE at Rennes. IIFT students with bachelor’s degrees also can enroll in one of the international master’s programs at Rennes.

DePaul University’s College of Commerce in Chicago has partnered with the China Financial Futures Exchange (CFFEX) in Shanghai to provide a program to train their executives and mid-level managers in financial markets, including derivatives trading, risk management, and regulation. As part of the 12-week program, about a dozen executives traveled to DePaul’s business school in downtown Chicago, near the city’s financial district. The program is expected to strengthen ties between the state of Illinois and China and heighten Chinese awareness of Illinois as a place to do business.

The International Committee of the Red Cross has joined the Corporate Learning Network of IMD in Lausanne, Switzerland. Key decision makers of the organization—which fields more than 12,000 people in 80 countries—will be looking for training in the latest management practices. They will also work with IMD faculty to solve specific challenges in strategy, innovation, and human resources.

GRANTS AND DONATIONS

The College of Commerce at DePaul University in Chicago recently announced a US$30 million gift from investment pioneer and philanthropist Richard H. Driehaus. The record gift is expected to be transformational for the business school as it enters its centennial year. In recognition of the school’s longtime partnership with Driehaus, the school is being renamed the Richard H. Driehaus College of Business at DePaul University.

John A. Miller and Sandy M. Miller, two alums of the University of Denver in Colorado, have provided a US$1 million gift to the Daniels College of Business. The money will be used to establish the Miller Family Professorship in Applied Economics.

Energy company F J Management of Ogden, Utah—formerly known as Flying J—is donating US$3.5 million to two business schools in Utah. The Jon M. Huntsman School of Business at Utah State University in Logan and the David Eccles School of Business at the University of Utah in Salt Lake City will each receive $1.75 million. The money will go toward supporting career services centers and student scholarships.

The University of Cincinnati in Ohio has established the Bourgraf Professorship of Entrepreneurial Practice at the Carl H. Lindner College of Business. The new professorship, made possible by a US$1 million endowment from Elroy and Elaine Bourgraf, supports the college’s Center for Entrepreneurship.

The Sauder School of Business at the University of British Columbia in Canada has opened its new CAN$70 million home on its Vancouver campus. The expansion, which added 55,000 square feet to an existing 216,000-square-foot structure, includes a new facility for Sauder’s Robert H. Lee Graduate School, a dedicated undergraduate center, a rooftop conference center, and three new lecture theaters. Further enhancements include revitalized classrooms, state-of-the-art learning and videoconferencing technology, and new environments for student collaboration and study. A fresh façade spans the front of the pre-existing complex to provide a new face for the school. The building, which was designed by Acton Ostry Architects Inc., has been recognized with several Canadian awards honoring excellence in architecture.

Murray State University in Kentucky has renamed its business school the Arthur...
J. Bauernfeind College of Business to honor the investment and portfolio manager who has been the single largest donor to the school. His many previous gifts include funds to establish the Arthur J. Bauernfeind Endowed Chair of Investment Management.

**OTHER NEWS**
- **Pace University** has simultaneously opened two Entrepreneurship Labs (E-Labs) on its campuses in Lower Manhattan and Pleasantville, New York. Designed to nurture the entrepreneurial spirit on campus as well as in the surrounding urban areas, both E-Labs will provide mentoring for entrepreneurs and seed capital for new ventures. The E-Labs also will host events featuring guest speakers, workshops and competitions, many of which will be open to the public. E-Lab’s first director will be Bruce Bachenheimer of Pace’s Lubin School of Business.

- **EDHEC Business School**, based in Lille, France, is inaugurating its first campus in the heart of Paris. Like the school’s executive campuses in London and Singapore, the new facility is designed to meet executive education needs.

- The Master of Science in Mathematical Risk Management offered by **Georgia State University’s** J. Mack Robinson College of Business in Atlanta has been named an Accredited University Risk Program by the Professional Risk Managers’ International Association. As a result of this designation, graduates of the Mathematical Risk Management program may be able to waive the first two exams in a four-exam sequence required to earn the organization’s Professional Risk Manager credential.

**CORRECTION**
On page 38 of the March/April issue, in the article “Dispelling Myths About Online Education,” there is an inaccuracy in the sentence that describes the number of courses offered by the New York University School of Continuing Professional Studies. Each year, NYU-SCPS actually offers more than 3,000 courses, of which 400 are offered online. The numbers in the article refer only to its Leadership and Human Capital Management graduate program. That program has 30 courses, of which about 15 are offered online every semester.
As Western business schools consider exporting their programs to emerging nations, the University of Maryland’s Smith School shares lessons it learned about opening a campus in China.
In 2003, the University of Maryland’s Robert H. Smith School of Business went to China to offer executive MBA programs to managers in Beijing and Shanghai. At the time, not many Western business schools had entered the emerging market, and we had high hopes for the impact we could have in an economy that was growing and changing so rapidly. But after five years, we had failed.

Perhaps we were a bit naïve. After forging a partnership with a prominent university in Beijing, we entered the market without setting clear expectations on both sides. On our end of the partnership, we entrusted our critical startup in the Middle Kingdom to an inexperienced team hired in China that wasn’t quite sure how to attract the right students and ensure their attendance at every class. We underestimated the difficulties that come with working in an emerging market: language barriers, cultural differences, misaligned expectations, and complicated banking arrangements (which often involved all-cash transactions). We also underestimated the complexity of the logistics required to operate a program from the other side of the world.

Fortunately, failure can breed success. Our namesake, real estate developer and philanthropist Robert H. Smith, said it best in his commencement speech here in 2008: “Failure gives you the opportunity to make a leap of learning. When you have come to a place where you have exhausted every other option, that is when you say, ‘There must be a better way to do this.’”

Those early mistakes taught us important lessons about how to be successful in China. So in spring 2012 we are relaunching our EMBA program with the University of International Business & Economics (UIBE) in Beijing. But this time, we have a better understanding of China’s corporate culture, which is helping us set clear expectations for the participants in our executive education programs. We’ll also take a different approach in several areas:
■ We'll work with an experienced firm that has a successful track record in China’s higher education market. It will assist with our marketing and recruitment on the ground.
■ We'll maintain stronger ties with our EMBA program in College Park, Maryland. This will include hosting our Chinese cohort in the U.S. during a portion of the program.
■ We'll share equal risk—and equal reward—with our local partner. This time around, things are different.

Emerging with Opportunity
This time around, China is different, too.

The country has become a dominant global force—as have many other developing markets. According to the U.S. Department of Commerce, emerging economies contributed 30 percent of the world’s GDP last year, and they are all experiencing rapid growth. It is clear that business schools need to be in these countries as much as corporations do, because there is a huge market for world-class higher education.

That market is also expanding beyond Asia. The “Arab Spring” and the change of governments in the Middle East and North Africa are setting the stage for new emerging economies. Transitioning countries not only need political leaders, they also need business leaders. They need modern managers who can lead through uncertainty and take advantage of a rapidly changing global landscape.

In order to compete and succeed, leaders need to know how to run operations, use marketing tools, navigate global finance, raise capital for projects, and cultivate investments in countries and companies. They need strong management education from first-rate business schools.

But business schools also need the chance to explore emerging markets. Most business schools emphasize the principles of social value creation and social entrepreneurship—harnessing the power of business to make money and create transformative social change. If we enter emerging markets, we can practice what we preach about doing well by doing good.

We do good by helping to further education in these markets and creating a solid future for global business. We do well because we reap financial rewards and enjoy the benefits of rich student and faculty exchanges. We also learn how to do the most good with the fewest resources—a critical lesson in these economic times, especially for state-funded public research universities like ours.

Business schools that want to get involved in emerging nations can choose among three primary strategies. What works for one school might not work for another, so administrators must weigh the pros and cons of each approach before committing to one.

Strategy 1: The Partnership Model
An individual business school can forge a partnership with a school in an emerging market to offer programs jointly. In some countries, the governments require that the foreign university only operate in partnership with a domestic university, and in such cases, this is obviously the only strategy that can be used.

Though our first stint with the partnership model in China didn’t work out the way we had hoped, it wasn’t the model or our partner that was the problem. There are many examples of this model working well. Olin Business School at Washington University in St. Louis forged a successful partnership with Fudan University in Shanghai, and they have been...
offering an executive MBA program together since 2002. USC Marshall School of Business in Los Angeles and Shanghai Jiao Tong University offer an EMBA degree. When we restart our program in 2012, we will again employ the partnership model.

**PROS:** There are many potential advantages to this model at both the pedagogical and financial level. No matter how well you think you know a market—and how much global knowledge your institution possesses—your chances of running a successful program in another country will be markedly improved if you join forces with a local university entrenched in business education. Furthermore, your students will gain greater knowledge about the region and the country if you employ some faculty from the partner institution to teach in your program. During Smith's first EMBA program in China, one of the criticisms we heard was that very little of our content and case analysis focused on China and Asia. Our faculty could not deliver this, and we should have gotten the professors from our partners more involved.

There are other benefits to incorporating faculty from the partner school. Those professors will be more accessible to local students than teachers who reside in another country and only visit the school periodically. In fact, local faculty make a global program more cost-effective precisely because your school will not need to pay for their travel and accommodations.

**CONS:** True partnerships are always challenging because every decision has to be made jointly and everything needs to go through shared governance. Decision making is slow in most educational institutions, even in the United States, and if you factor in the pace of decision making in most emerging-market universities today, things can move at a snail's pace.

It also can be difficult to ensure that the quality of the program is always up to your standards when a partner institution is involved with admissions and instruction. It’s your brand at stake, and students will expect the level of teaching you promise.

It is always challenging to have a dialogue with a partner on “quality” without getting into conflict or appearing to be condescending. One way to avoid conflict at the outset is to jointly benchmark programs at top-tier universities. The benchmarking, which should consider key course content as well as the structure of the overall curriculum, ensures that both partners are equally committed to quality from the get-go.

Even if partner schools agree on quality, they might have different approaches to finances and financial decision making. Most Western universities have to pay their faculty a premium to encourage them to teach in global locations, especially emerging markets. This could cause a lot of heartburn for the partner institution, where the pay often is comparatively low. The partner school might object to the salaries you pay your professors, or might insist on raising the pay for its own instructors just to be equitable, and this can increase the cost of the entire program.

**Strategy 2: The Colony Model**

A university also can choose to operate its own program and facilities in a new market, a model that requires significant investment on the part of the school. France’s INSEAD has used this strategy to create a thriving operation in Singapore. Duke University’s Fuqua School of Business, based in Durham, North Carolina, has expanded to outposts in China and Russia; it also has aggressive plans to replicate these programs in places like India, Latin America, and sub-Saharan Africa.

**PROS:** The biggest advantage of this model is full control over all dimensions of the program: admissions, quality of instruction, metrics for student performance, governance, and finances. When you have full control, you can more easily decide whether to enter or leave a market, and your decisions won’t be affected by the political and institutional realities of another party. In addition, you will be better able to safeguard your school’s brand by ensuring quality programming.

In this model, you can certainly take advantage of local resources and engage regional experts to improve your understanding of the market. You also can hire faculty from domestic universities to teach some of your classes and impart their local and regional knowledge.
You could reap significant cost savings from having a percentage of classes taught by local faculty, and you could ensure quality of instruction because they would be paid directly by your university and be accountable to it.

CONS: The main drawback of this model is the significant upfront investment. You have to take on real financial risk, because there’s no guarantee that you’ll attract enough students to ensure that your revenues balance your costs.

Something else to consider is that the government leaders in emerging nations sometimes change their minds about allowing educational institutions to operate in their countries without a partner or with the goal of making a profit. For example, India recently passed a law allowing foreign direct investment in the educational sector, but banned universities from repatriating their profits. It probably won’t be long before Indian government officials start auditing these institutions. In other countries, local governments might insist that a foreign university take on a partner long after the university has already invested all the initial startup money.

One way to get around the need for significant investment capital is to utilize the third strategy for globalizing business education, which is to work directly with the local government.

Strategy 3: The Investment Model
In this model, the government of a specific region or country invests in a school’s startup operations because it wants to promote better educational offerings in that area. For instance, the European Union partnered with the Chinese Ministry of Foreign Trade and Economic Cooperation in 1994 to create the China Europe International Business School (CEIBS), now based in Shanghai. In May 2009, CEIBS started an MBA program in Ghana.

There are many other examples. Georgetown University of Washington, D.C., collaborated with the government of Qatar, which essentially built the entire infrastructure for the university’s School of Foreign Service. Similarly, Duke University is relying on the government of Kunshan to absorb a significant portion of the investment cost of building the classes for Fuqua’s programs in China.

PROS: The biggest advantage of the investment model is that the university planning a program in the host country does not incur a significant upfront cost or major financial risk. The entity that makes the initial investment—whether that’s a government or another institution—provides financial and personnel resources to ensure the continuity and success of the program. The trick is to make sure that the investing institution has the proper financial incentives to make a long-term commitment to the success of the project, which will reflect on the reputation of your business school.

CONS: The main potential negative is that investors may be more interested in the short-term ROI than the quality of the educational program or the brand equity of your business school. Your faculty probably will not be willing to compromise on admissions standards, quality of instruction, or level of student performance, but your partner may be interested in large enrollments and full classes, which will help it pay off its investment more quickly.

Business school administrators could be stuck in the middle of an intense argument. Each side might be able to back up its position by pointing to contractual obligations, such as those required by tenure. Your obligation to investors would make it difficult to walk away from the venture, while a lack of support from faculty might make it difficult to actually implement the academic programs. This can be a very tough spot indeed.

Where Do You Start?
Once you’ve decided to expand into an emerging market, you must figure out how to get started—and how you can manage such a venture even if you’re on a shoestring budget. There are several approaches that can be successful:

Seek advice. Talk with other business school leaders about what worked and what didn’t.
Do your research. The Smith School encountered problems when we first entered China because we didn’t do enough research to fully understand the new market. It’s important to grasp in advance what language barriers might exist, what blended learning options will work in this market, and what the appropriate price points might be.

Get involved with mission-focused organizations. One such organization is the Global Business School Network (GBSN), whose mission is to strengthen global business education. (See “Developing the World,” on page 30.) The Smith School joined GBSN in the fall of 2009, and we co-hosted the group’s annual conference in Washington, D.C., in 2010. At the time, many GBSN participants were discussing new ways to collaborate. As a result, we have begun working on faculty and student exchanges to new areas, including Nigeria, Kenya, and South Africa.

Travel to emerging markets. Through GBSN, I was introduced to Ishrat Husain, dean of the Institute of Business Administration (IBA) in Pakistan, and I visited his institution in August 2010. It was an eye-opening trip to a country where terrorism, violence, and poverty are everyday concerns and have real impacts on business. But I experienced IBA’s commitment to quality education and saw evidence of the leadership’s global networks that will ensure academic and financial success.

Collaborate in other markets for specific projects. The Smith School’s Dingman Center for Entrepreneurship has been partnering with Peking University’s Guanghua School of Management in Beijing to offer our China Business Plan Competition, an entrepreneurship contest that marked its seventh year in January 2012. A couple of years ago, our students teamed up with Guanghua’s students to create businesses together and learn about entrepreneurship for a semester. Chinese students traveled to College Park in August of 2010, and our students traveled to Beijing for the final competition the following January. We continue this rich relationship, which has become a standout experience for our students and the students in China.

Start small, then grow. Entering a new market doesn’t have to mean offering a full degree program at first. There are many other ways to forge partnerships that could lead to deeper relationships later.

For instance, we focused on short-term executive programs when we launched our partnerships with Indian business schools, specifically the Management Development Institute in Gurgaon, near New Delhi, and the Indian Institute of Management in Bangalore. Starting small allowed us to learn not only the dynamics of Indian schools, but also the realities of the market for business education in India. Our expectation is that we eventually will create several joint degree programs in India: specialized master’s programs in finance and supply chain management, as well as an MBA program that uses state-of-the-art distance learning technologies.

Play host to delegations from other institutions. You never know what opportunities can arise when your institution is open to visitors from foreign universities and business schools.

New Developments

Today, Brazil, Russia, India, and China are the emerging economies that get most of the attention, but new markets are opening up in South America and the Middle East. As business school leaders, we must continue to engage with the BRIC nations as they become more dominant, but we also need to consider how to get involved in other countries as they develop.

At the Smith School, we’re focused on getting our China strategy right, but we’re also committed to exploring many other markets globally. We believe that, as we refine our approach and expand our reach, we’ll not only reap ben-
Developing the World

Is management education key to lifting emerging nations out of poverty? Guy Pfeffermann of the Global Business School Network thinks so—and top schools are committing themselves to the same cause.
Poor management perpetuates poverty. With those emphatic words, the Global Business School Network identifies one of the primary challenges it sees facing business today: how to strengthen management education in emerging economies. Founded in 2003 by the World Bank, the organization originally focused its efforts on Sub-Saharan Africa, but it has expanded its reach to Asia, Latin America, and other parts of the world. In November 2006, GBSN was spun off from the World Bank to become an independent nonprofit headquartered in Washington, D.C.

Largely conceived as a networking organization, GBSN facilitates relationships between member schools in developed and developing nations through an annual conference and other opportunities. Faculty at Western schools mentor their counterparts in developing nations. In return, schools in the West gain access to information and research in countries where previously they might have had few connections or little experience. Since 2003, membership has almost tripled, from 18 to 50 business schools.

In addition, GBSN also implements specific programs in emerging markets. In the past few years, the organization has launched five healthcare management initiatives in Africa, funded by entities such as the Gates Foundation’s Global Health Program, Johnson & Johnson, and Nigeria’s National Primary Healthcare Development Agency. These included a conference among African business schools that are teaching health management programs and a workshop for senior management professors who are engaged in training medical personnel.

From its inception, GBSN has been led by Guy Pfeffermann, a 40-year veteran of the World Bank and previously chief economist of its International Finance Corporation. He’s passionate about the notion of management education as one of the most powerful tools to strengthen emerging economies.
“No one knows what causes development, and all the aid programs in the developing world have achieved mixed results,” Pfeffermann says. “One factor no one has really tackled is poor management. Places like Uganda and Ghana not only deal with the problem of corruption, but also with the problem of having a tiny talent pool in terms of management and leadership.” With the help of GBSN, he believes, all that could change.

**While many business school deans would agree with the premise that well-trained managers are essential for the development of emerging nations, is there any research that supports the claim?**

There has been little empirical research about what impact a management education has on business outcomes, but what evidence exists does show a relationship. For instance, Nick Bloom of Stanford University found that, in the U.K., there are much lower mortality rates at the hospitals where the managers have business degrees. He is also conducting a survey of Indian textile plants to measure the impact of skilled managers.

Even though there’s little empirical evidence that better management leads to better outcomes, I believe it’s intuitively obvious.

**Membership in your organization costs US$5,000 for schools in high-income countries and about half that for schools in emerging nations. How does it benefit a business school to become a member?**

At the conference we had last year in Mexico City, we asked the representatives of member schools what value they see in GBSN. The schools in advanced countries like Europe and the U.S. come for the networking. They want to find out how to run experiential student projects in developing countries, and they want to strike up relationships with schools that are trying new ideas. The ones from developing countries want help with faculty development.

But there’s another important member benefit: Whenever we have the funding, we advertise consulting possibilities to our members. For instance, we recently helped set up the Karachi School for Business and Leadership in Pakistan. We let our members know that we wanted ten or 12 gurus, one for distance learning, one for curriculum design, and so on, and these were paid consulting positions.

We don’t have a large number of these projects, but professors at our member schools know that there is the chance that one day they can sign on to a really intellectually satisfying assignment. Of course, they get paid far less than if they were consulting for a company like GE! My sense is that they’re thrilled when GBSN opens the door to these opportunities. A professor from IMD recently did a case on an illegal bar in a slum in Nairobi. I mean, what could be more interesting?

**What criteria do you look at when considering applications from schools that want to join the organization?**

The official answer is that we want high-quality schools that are leaders in their countries. A school in Kenya will be nowhere near the level of a top school in Europe or the U.S., but it might be the best business school in its region.

My own answer is, we want people who have their hearts in the right place. We want people who don’t just talk, but who do things—who are interested in collaborative research—who might want to team up with a professor in India to conduct research on microfinance. We want quality and engagement.

**Slightly more than half of your current members are from Westernized nations; the rest are from emerging nations in Africa, Latin America, and Asia. Where would you like to see the most growth in membership?**

I think we need to increase the membership in parts of the world where we’re thin on the ground, such as Asia and Latin America. At the same time, we want diversification not just by geography, but by functional expertise. Ideally, I would say, we’re looking for about 100 members.

**As the head of GBSN, you have an opportunity to visit business schools all over the world. What do you see as the real keys to creating a global program?**

So often, when I visit schools, they tell me how international they are. They show me the hall with the flags from 150 countries. They
say that 37 percent of their MBA students are foreign. To me, that doesn’t make them international.

What I find more compelling is when a school like ESSEC wants students to speak three languages by the time they graduate from the MBA program. Or when a place like the Moore School of Business at the University of South Carolina sends every student—graduate or undergraduate—overseas for a minimum of several months. When you visit its campus, you find all these people who spent two years in Hong Kong or Spain or South Africa. They speak the language perfectly, they understand the culture, they can function in that country. To me, that is real internationalization.

**What obstacles do Western schools face in their quests to build truly international programs?**

I was, for an unfortunate nine months at the World Bank, the head of a research division, and my mandate was to get researchers to support World Bank operations. It was a total failure. None of the professors I contacted were interested in going to Ecuador to help with an agricultural project, for instance. All they cared about was publishing articles in refereed...
One of the obstacles to a school becoming truly international, to be very cynical, is that professors teach what they know, and the curricula often haven’t changed in 50 years.

The U.S. invented business schools about 100 years ago, and anything that’s been around that long becomes institutionalized. There’s something to be said for starting out with a blank slate. Take Japan and Germany after World War II—they had to reconstruct themselves from scratch, and they became much more modern than England and America.

I don’t think there’s any school of quality in Africa, outside of South Africa, that is more than ten or 15 years old. So these schools are embryonic, and like all embryos, they have much more freedom to innovate. It’s much harder to do that if you have 700 professors who have been at the school for 30 years.

But that’s changing now. I see more professors writing cases on business in emerging nations. And those cases are fascinating.

What do you think it will take to make Western schools more interested in getting involved in emerging economies?

One of my pet ideas is that we should change how the media rank-ings are structured and what they measure. If a student graduates from business school and goes to work for the Red Cross or Oxfam, his salary is going to be miserable compared to what he could make on Wall Street. And that will hurt the school’s rating, because some rankings only measure salaries. I think if the rankings could be relaxed, more schools might be comfortable teaching nontraditional business courses.

Of course, some schools, such as MIT Sloan and the Tuck School of Business at Dartmouth, are doing a lot in the developing world already. Most of these efforts are quite costly, so one issue is to find models that are more affordable, such as the one used by the Thunderbird School of Global Management.

In the end, it comes down to individuals. If the deans are committed to getting their schools involved in emerging markets, I think it will happen. I think it’s the deans and the students who are doing the pushing in this direction, and the professors are the ones who are being pushed.

In fact, the students might be a powerful factor! We frequently hear that students are the ones who lobby for schools to offer more programs in areas like sustainability, corporate social responsibility, and social enterprise.

Yes! Many young people will pick a business school because it offers the opportunity to do worthwhile work in a developing country.

My colleague Nora Brown organized a video contest called “Can an MBA Change the World?” We invited students to send us five-minute videos showing work they had done in developing countries. What came in was absolutely fantastic—the enthusiasm and intelligence these students showed was beyond belief.

As a prize, the leader of the team that made the winning film was invited to our conference in Mexico. The winner was from the Haas School at the University of California in Berkeley—but students from three other schools also secured their own funding to come to Mexico and show their videos. They were all wonderful.

Once Western business schools decide to enter emerging markets, what key challenges do they face? What factors might trip them up if they’re not prepared in advance?

They have the choice of entering the market on their own or partnering with local institutions, but there are obstacles in either case. When schools go in on their own, sometimes the local universities feel like they’re being invaded, so there can be some hostility.

But if a Western school partners with a local institution, there can be no assurance that each partner will perform adequately. There are also cultural issues that sometimes
make it very difficult for schools to run joint programs.

In addition, there are brand and reputational issues. For instance, the IMD case that I mentioned earlier about the illegal bar in Nairobi was jointly branded with Jomo Kenyatta University of Agriculture and Technology in Kenya. But very few top schools would be happy publishing a case presented like this.

**What parts of the world do you think business schools should set their sights on next?**

I think it’s worthwhile to look at the size of markets in other countries, and to consider if these are economies that need more business schools. Turkey is doing extraordinarily well, and it only has a handful of topnotch business schools. Brazil is also flourishing but is facing a huge shortage of management talent. Colombia, Peru, Ghana, Kenya—they’re all doing quite well. But local employers say that growth has outstripped the supply of local management talent and that the gap is growing.

Many of our member schools are looking for relationships with schools in less well-known places. At our conference in Nairobi, participants from the University of North Carolina in Chapel Hill met with participants from Nairobi’s Africa Nazarene University, and the next thing you knew they were involved in a capacity-building exchange. This is what makes my life worth living.

GBSN’s seventh annual conference will be held June 11 through 13 in New Delhi, India. The second MBA Challenge Video Contest was held earlier this year, and the organization plans to make the competition an annual event; student videos will be posted its Web site. More details on both initiatives can be found at www.gbsnonline.org.
Still recovering from political conflicts, business schools in Iraq are taking steps to rebuild their faculties and participate fully in the global business education community— and that includes pursuing accreditation.
recently, I was recruited to undertake an incredible challenge. I was asked to complete a comprehensive assessment of the business and finance education delivered by Iraq’s colleges of management and economics. According to the technical proposal I received, I was to help these business schools with curriculum design and capacity building, provide technical assistance, seek out university partnering opportunities through a grants mechanism, and identify and recruit faculty consultants to assist with upgrading curricula.

But I was astonished to see that the technical proposal included another item among my responsibilities: I also was to introduce Iraq’s colleges of management and economics to AACSB accreditation. My first reaction was to ask, “Who wrote this?”

Iraq currently has 32 public and private universities with colleges of management and economics. The oldest university, or the “Mother University” as the Iraqis like to say, is the University of Baghdad. Most American business educators would not believe that any of Iraq’s business schools would be ready to even consider international accreditation.

Soon, however, I came to realize that most educators outside of the Middle East are misinformed about higher education in Iraq. Prior to the 1990s, Iraq’s universities were among the leaders in higher education in the Middle East. These universities were sought-after destinations for students interested in religion, languages, and philosophical thought, as well as professional fields like engineering, pharmacy and medicine. Iraq itself possesses the world’s third-largest proven oil reserves, making it a potentially powerful player in the global economy and placing it in a position to regain a position of prominence.

Since 2003, the United States has contributed significantly to refurbishing Iraq’s devastated universities, including $750,000 through USAID for textbooks in business and other subjects related to the practice of finance and accounting. The country’s major universities in key urban areas, particularly those in and around Baghdad, have a fairly good infrastructure, including reasonably well-equipped classrooms with computer and Internet capability, although demand certainly exceeds availability.
However, Saddam Hussein’s rule and the Iraq War have taken their toll. Iraq in the worst of times experienced assassinations of leading academics and a brain drain, leaving its universities with an insufficient number of academically qualified professors, especially those with educational, research, and teaching experience outside of Iraq. This shortage of qualified teaching staff has been compounded by an enormous demand for higher education. A top priority for Iraqi business schools is to rebuild their universities and teaching staffs and again engage with the global higher education community—and for that, they will need to build strong partnerships with schools in the West.

**My Biggest Challenge**

My journey to Iraq started in March 2010, when I received a phone call from AECOM International Development, a Virginia-based subsidiary of AECOM Technology Services, headquartered in Los Angeles, California. The company’s representative asked if I would consider participating in a project to strengthen Iraq’s financial and private banking system. The assignment would be part of a project funded by the U.S. Agency for International Development (USAID). The project’s primary goal is to support the development of Iraq’s private banks and enhance financial intermediation. This would also include, for me, working directly with Iraq’s Ministry of Higher Education and Iraqi universities to help them strengthen their curricula, develop their faculty, and support the country’s business growth, private banking sector, and financial education institutions.

Because I knew little about private banking, I initially declined their invitation but due to the company’s persistence, I allowed them to submit my qualifications as part of their technical proposal to USAID. I forgot about the project until I received an email in July 2010 congratulating “us” on winning the project and advising me that I was expected in Baghdad in ten days.

While I enjoy international development work and have spent some 30 years involved with the private sector, governments, and higher education institutions throughout Asia and the Middle East, I was looking forward to the upcoming academic year teaching in the School of Business at George Washington University in Washington, D.C. However, since a large part of GW’s mission is its commitment to global education, I decided to discuss this opportunity with our new dean, Doug Guthrie. With his encouragement, and that of my department chair, I found myself in Baghdad a few weeks later to take on one of the biggest challenges of my academic career.

**Higher Education in Iraq**

Once in Baghdad, I was able to recruit a small but very talented team and together we began to educate ourselves about Iraq’s universities. Finding information on the structure and system of public and private universities in Iraq was our initial challenge. Even more difficult was the task of having everything translated from Arabic to English.

Data on enrollment, gender distribution, and numbers of students studying in certain disciplines—information routinely available for universities in the West—was lacking or incomplete. Since there has been a proliferation of private universities during the past few years, identifying officially authorized universities and the programs they offer was also a challenge; however, with help from the Ministry of Higher Education and Scientific Research (MOHE) we were able to get a better picture of the Iraqi higher education environment.

Iraq includes the Kurdistan Region in Northern Iraq, as well as Central and Southern Iraq. The Kurdistan Region is semi-autonomous, so it follows a structure of
higher education that is separate from, but parallel to, that of the rest of the country. According to recent estimates, Iraq has 59 public and private universities; 342,000 students attend public schools, and 41,000 attend private ones.

Increasing the enrollment of women is a concern among the world’s business programs. One of the first things we learned was that women currently comprise a large percentage of students enrolled in Iraq’s universities. For example, women make up 30 percent of the enrollment at Al Mansour University College in Baghdad. At Baghdad University, about 49 percent of students are women. Also, just recently, a woman, S. Mansour, was appointed as the dean of the College of Management and Economics at Baghdad’s Al Mustansiriya University. Additionally, women hold other administrative appointments in the colleges as directors of programs or department chairs.

I quickly discovered that it would be physically and financially impossible, given our timeline and budget, to do a comprehensive assessment of the quality and availability of finance and business education throughout Iraq. Therefore, with the concurrence of USAID, our small project team was able to tailor our work to focus on undergraduate finance and banking education, which was consistent with the purpose of the Iraq Financial Development Project. I considered that a good first step toward strengthening the emerging private banking system in the country.

**From Thought to Action**

Shortly after arriving, I was invited to meet with Mosa Aziz Al-Mosawa, the president of the University of Baghdad. The meeting was an eye-opener. I learned just how much Al-Mosawa was interested in learning about professional accreditation for the university’s College of Management and Economics. In fact, nearly every president and dean I met immediately understood the importance of accreditation for their schools. They just didn’t know what they would need to do to accomplish that goal.

Adib Al-Ajeli, the former Minister of Higher Education, also invited me to dinner with the key officials of the Ministry to discuss accreditation. The Minister, who had taught in other Middle Eastern countries and was familiar with the Accrediting Board for Engineering and Technology (ABET), wanted to know about equivalent professional accreditation for Iraq’s colleges of management and economics. He then asked me to organize an accreditation workshop at the Ministry for close to 40 deans of Iraq’s colleges of management and economics—and he wanted it done in three days.

That was the point where my perception of my mission in Iraq changed. Why shouldn’t Iraqi schools begin their pursuit of professional accreditation by focusing on the standards of the AACSB? If we were going to help strengthen business and finance education in Iraq essentially from the ground up, why not start with pursuing AACSB membership—and, eventually, accreditation? I contacted Jerry Trapnell, executive vice president and chief accreditation officer at AACSB International, to inquire if the organization would be interested in assisting us. I fully expected to be told that our goal was unrealistic. I was surprised when Trapnell replied that he was prepared to help however he could. Trapnell then prepared a Webinar for use in Iraq, including workshop materials that were translated into Arabic.

We held two workshops on accreditation for the deans, senior faculty, and senior officials of the Ministry of Higher Education. The first workshop introduced participants to institutional accreditation and how it works in the United States. The second introduced them to professional accreditation by discipline and to AACSB specifically. A few months later, we held a second full-day program for the same attendees to explain in detail...
the requirements for AACSB membership, the grants mechanism our project had established to help Iraqi universities apply and pay for their initial memberships, and the process of accreditation.

**Defining the Curriculum**

Next, we faced several more monumental tasks which included identifying the country’s current core curriculum in finance and banking; outlining how different universities throughout Iraq were teaching these subjects; and, finally, developing and proposing an international standard curriculum.

Of the more than 30 universities in Iraq that offer programs in management and economics, 15 offer programs in finance and banking. Each university in Iraq is permitted some discretion in how it delivers the official curriculum. Some of these universities offer degree programs, while others offer only courses related to finance and banking.

With the help of a local consulting company, we then interviewed deans and faculty, collected course syllabi and other instructional materials, and surveyed ten leading universities throughout Iraq on their programs. Next, we acquired the core curriculum for finance and banking that is mandated by the MOHE. While universities have some latitude in how they deliver their curricula, their faculty cannot deviate from the mandated content by more than 20 percent—when they do, they must submit any proposed changes to the Ministry for review and approval. Such centralization means that curricular changes are incredibly difficult to make.

We then collected instructional materials from faculty members and purchased text materials in local bookstores. We found that teachers often prepare their own instructional materials using foreign textbooks, which they translate into Arabic and then publish and sell to Iraqi students. Because of the process by which these materials are developed, there were inconsistencies among courses designed to cover identical material.

In the meantime, we also needed a partner university to help us translate materials into English and evaluate them against standard international practice. Eventually, following a competitive process, we chose the United Arab Emirates University (UAEU). The UAEU’s Faculty of Business and Economics recently earned AACSB accreditation, has an undergraduate program in finance and banking, and has faculty with significant language capabilities in English and Arabic.

The UAEU team not only translated course materials—a time-consuming task in itself—but also helped us develop survey instruments, evaluate instructional materials, and benchmark the Iraqi curriculum against six leading international programs. These programs included The Wharton School at the University of Pennsylvania and the Stern School at New York University; Warwick Business School at the University of Warwick in the United Kingdom; the Australia National University; the American University in Cairo in Egypt; and the Faculty of Business and Economics at the UAEU. We selected these schools because their programs are internationally and regionally recognized, and they each hold AACSB accreditation.

From this benchmarking process, we were able to develop an international standard curriculum in finance and banking to propose to the Iraqi Ministry of Higher Education. The report offered specific recommendations for the future of business education in Iraq, including AACSB membership, as well as a proposal for the longer-term goal of accreditation. On September 21, 2011, the report, including the proposed international standard curriculum, was presented to the Minister of Higher Education His Excellency Ali Al-Adeeb.

**Facing Facts**

In our report, we emphasize multiple areas where Iraqi business schools must improve. First and foremost, many of the instructional materials these schools rely on are obsolete. They’re focused on issues relevant to a centrally planned economy under state financial control—not one that is transitioning to a market economy. Some of these instructional materials go back 35 or 40 years. Schools also need to incorporate new technology into their business and finance courses, so they can better train a new cadre of business academics in contemporary issues of finance and
banking practice. Additionally, most professors lack even a technical knowledge of English, which will be essential if Iraqi universities are going to compete internationally.

Our report notes that while the existing curricula in Iraq’s colleges of management and economics emphasize finance and banking education, they do not teach the soft skills such as management, leadership, and negotiation that are critical to success in today’s global economy. The existing pedagogical style is nearly entirely instructor-centered—our report recommends that schools adopt a more student-centered pedagogical approach. To assist in these efforts, long-term development grants have been awarded to two AACSB-accredited universities: the University of Dubai in the UAE and Shippensburg University of Pennsylvania in the U.S.

Finally, Iraqi business schools must do a better job of reaching out to the Iraqi people and the professional business and finance communities. Many Iraqis do not understand the importance of the private banking sector and its critical role in intermediation and economic development for Iraq.

Implementing change in so many areas will take time. However, Iraqi educators understand that these areas must be improved if they are to move forward. They can do this by partnering with AACSB-accredited universities and by engaging with the AACSB through its workshops and member network. If Iraq’s colleges of management and economics are to join the ranks of the leading business programs in the world, it will require a concerted effort on the part of the leadership of the Ministry of Higher Education, AACSB International, and the universities themselves to bring this plan to fruition.

So far, three of the major universities in Iraq, including the University of Baghdad, Al Mansour University College, and Al Mustansiriya University, have been accepted as members of AACSB International. Established in 1956, the University of Baghdad is Iraq’s premier public university, with a total enrollment of 58,379 students; its College of Management and Economics enrolls some 9,500 students. Established in 1988, Al Mansour University College is the country’s oldest private university, with a total enrollment of 2,737 students and 240 students in business-related studies. Al Mustansiriya University, also a public university, was established in 1968. Its total enrollment stands at 38,247 students, with about 6,923 students in its College of Management and Economics.

A Brighter Future Ahead
“The Future of the Global Muslim Population,” a January 2011 study by the Pew Forum on Religion and Public Life, estimates that Iraq will have a population of 50 million people by 2030. If Iraq is to become a leading economy in the Middle East, it will need a well-educated and competitive workforce.

The deans of Iraq’s colleges of management and economics know that they have a huge challenge ahead of them. They also understand that they have to move quickly and effectively to reach a higher standard of excellence. What’s particularly important is that other universities in the Middle East are interested in seeing Iraq succeed and, consequently, are cooperating with Iraqi schools in that process.

When I first came to Iraq, I had no idea just how much interest there is in seeing Iraq emerge again as a premier destination for higher education. I also did not realize just how strongly Iraq’s universities wish to play a key role in shaping their country’s future.

A substantial investment in Iraq’s higher education system is essential to accommodate the demands of a modern market economy and to enable young Iraqis to have a productive and rewarding future. As we have seen recently, so much of the unrest in the Middle East lies in a lack of opportunities for the region’s young people. A significant investment in higher education generally, and in business education in particular, is critical. Iraq’s colleges of management and economics are anxious to develop their programs through membership in the AACSB. The fact that they recognize the importance of professional accreditation in the pursuit of excellence is a step in the right direction.

Herbert J. Davis is professor of strategic management and international affairs at George Washington University’s School of Business in Washington, D.C. From September 2010 until October 2011 he served as director of the Higher Education Component of USAID’s Iraq Financial Development Project. He is the current senior advisor to the project.
North & South

Business schools in Latin American countries may inhabit different cultures than their counterparts in the U.S., but they have much to share with their neighbors to the north.
Like so many business schools around the world, those in Latin American and Caribbean countries (LACC) are taking steps to become more globally competitive—and they’re doing so at a rapid pace. But they are achieving this goal much differently than many of their international counterparts. Although Latin American schools tend to follow the U.S. model for business education, they also rely on international alliances more extensively, use practitioner-instructors more frequently, and tie corporate involvement into their curricula more closely than schools in the U.S. and Europe.

Such strategies can work against LACC schools when it comes to being recognized by international ranking systems and accrediting bodies, which place great weight on the scholarly output of academically qualified faculty. Many U.S. and European educators might view the LACC approach to global development as, at best, nontraditional—or, at worst, counterproductive to building globally recognized business programs.

But many LACC schools are earning that global recognition. In fact, of the nearly 2,000 LACC business schools—which include undergraduate, graduate, private, public, and even for-profit institutions—16 are accredited by AACSB International and another 49 are in the process of seeking AACSB accreditation. Dozens more have obtained or are seeking accreditation from EFMD or the Association of MBAs (AMBA). From Mexico to Argentina, schools are pursuing international accreditations in greater numbers to compete globally for students and to be more visible among the world’s business schools.

LACC schools have developed a number of innovative and untraditional approaches to curricular design. These approaches strike a balance between an emphasis on corporate involvement in their curricula and an effort to adopt best practices in global management education. We believe these models offer valuable examples for other schools that want to strengthen their international programs and sharpen their competitive edges—all while following their own unique missions.
Minding Their PQs

Work with the business community is important to any business school, but LACC business schools take corporate involvement to another level. They maintain much closer links to their corporate partners than U.S. business schools typically do. This model affects their curricula in three significant ways and presents them with a number of advantages—and disadvantages.

First, many LACC schools were actually founded by the business community. These range from schools launched by groups of companies, such as EGADE Business School at Tec de Monterrey in Mexico; by chambers of commerce, such as ICESI and Universidad del Norte in Colombia; by single companies or their foundations, such as Dom Cabral in Brazil, Arthur J. Lok School in Trinidad, and Universidad Adolfo Ibañez in Chile; and by religious groups that encourage business, such as IAE in Argentina, IPADE in Mexico, and PAD Escuela de Dirección at the Universidad de Piura in Peru. A number of for-profit schools have entered the market in recent years as well, including the Apollo Group and Laureate International.

Second, because they have such strong corporate ties, LACC business schools often take a very pragmatic view of business education. They place a strong emphasis on decision making and real-world application of business knowledge in their curricula—so much so that company managers and executives are often recruited as instructors. While schools in the U.S. emphasize case studies and research by academically qualified (AQ) faculty, LACC schools tend to place more emphasis on practice-based learning and professionally qualified (PQ) instructors.

Third, graduate business education throughout Latin America is primarily part-time, because most MBAs and other graduate business students work full-time while they attend classes.

All three of these aspects mean that LACC schools have more direct links to the corporate community, which only enriches the curricula. Working MBA students and instructors who are practitioners themselves bring a wealth of real-world business knowledge into the classroom. This further strengthens the support that schools receive from the business community over time.

But LACC schools’ reliance on corporate relationships comes with several drawbacks:

Too few full-time students. Because so many of their students hold jobs, few Latin American MBA programs have more than 50 full-time MBA students. These programs often have hundreds of part-time students, which can hurt them in the international rankings that compare schools based on the number of full-time students they enroll.

Too little time for international projects. Because Latin American professors are so involved with university organizations, companies, and external organizations, they often have limited time to gain international experience. Latin American professors’ local obligations also leave little time for them to take international sabbaticals. They often leave their posts only for doctoral studies, a pursuit that is, in itself, a huge challenge.

Too many PQ faculty. The fact that LACC schools recruit so many instructors from the corporate world can result in an excess of professionally qualified instructors and a scarcity of academically qualified instructors. This presents a challenge for these schools, both in the rankings and for accreditation.

Even though the Latin American model places LACC schools at a disadvantage in the global market in some ways, they are not willing to sacrifice their close corporate relationships in their pursuit of global status. They see too much value in those ties to let them lapse. Instead, they are looking at other ways to achieve their goals.

Shifting Focus—to Research

Because LACC schools have focused so heavily on practice-based instruction, they have underemphasized publication in international journals and other outlets. In fact, research in international publications is often not considered mandatory for Latin American faculty. But since they began making global competitiveness a priority in the late 1990s, Latin American business schools have been doing more to encourage their professors to publish internationally.
The language barrier presents another challenge. In most regions, business faculty speak and write in Spanish or Portuguese, while most international journals are published in English. For the purposes of accreditation, it is generally sufficient if a school’s faculty publishes in local-language outlets for research. However, if LACC schools want to appear in international rankings, it’s becoming more necessary that their faculty publish in English-language journals.

Recently, LACC schools began to redouble their efforts to increase the scholarly output of their faculty. They’re working to attract more professors with doctoral degrees and more experience with academic scholarship. They’re also investing more in educating existing faculty members at the doctoral level and supporting them in their efforts to publish in international outlets. Still, the challenge remains quite daunting as few Latin American business schools offer PhD programs. This is yet another factor that leads to low levels of AQ faculty, and difficulty meeting the AQ requirements of AACSB accreditation.

**Boosting Research Capacity**

LACC schools are finding other ways to hire more AQ faculty and increase scholarly publication, while still maintaining their emphasis on corporate relationships and application-based instruction.

For example, LACC schools offer a range of incentives to encourage their professors to pursue doctoral studies and scholarly research. The Universidad Católica de Chile, INCAE in Costa Rica, and Centrum in Peru provide financial bonuses to faculty whose research appears in journals with high impact factors, as measured by Thompson Reuters’ Journal Citations Reports.

INCAE also provides AQ professors with annual research budgets to permit them to travel to international conferences, buy database access, and pursue other ways to support their scholarship. In addition, many schools offer a reduced teaching load for AQ faculty, further supporting their research efforts.

While they have been playing catch-up in academic research, Latin American business schools have been quite innovative in other areas of scholarship. Schools such as IESA in Venezuela and INCAE have long histories of publishing business cases and technical notes that identify practical ways to apply business knowledge to real-world problems.

Interestingly, using a tactic similar to one used by European schools seeking accreditation, Latin American schools that needed more AQ faculty originally pursued visiting faculty from abroad. Serendipitously, the programs have been enriched by this high-quality faculty sharing. As a result, many LACC academic and scholarship programs have evolved, growing more robust, because of the cross-pollination of ideas and viewpoints.

For example, Tulane University’s Freeman School of Business in the southern U.S. has created a technologically supported educational model that aims to boost the number of doctorally qualified faculty in Latin America. In this model, Tulane offers a PhD program to Latin American business school professors, which allows them to study in their home countries via weekend and occasional weeklong modular courses. As part of this program, these professors stay at Tulane for parts of four summers to work on their PhD theses with their lead professors. During the school year, Tulane faculty travel to Latin America to teach the program’s courses.

The program has been offered...
in Caracas, Venezuela, where Venezuelan and Colombian professors meet for classes with Tulane professors. It also is offered in Mexico City, where Mexican professors likewise meet for classes on a regular basis for two years, and then pursue their PhD thesis projects with an advisor. Approximately 100 Latin American business professors have completed the program to date. In return, Tulane benefits from additional tuition revenue and greater international exposure for its own professors.

One of the key elements of the program is to encourage the student-professors to produce dissertations that include one chapter prepared with the intention of publishing it in a leading academic journal. This effort enables Latin American professors to re-enter the academic world upon completion of their PhDs with at least one paper ready to submit for publication and a clear idea of what is required to compete in the world of academic journals.

Mission-Based Innovations
While they might still face challenges establishing themselves in the global business education community, LACC schools have repeatedly demonstrated their ingenuity and initiative in designing programs other business schools would do well to emulate. They’ve proven their strengths in three areas in particular:

Making all students entrepeneurs. Entrepreneurship is a large part of business programs worldwide, but few schools require all students to start legally registered businesses—especially at the undergraduate level. At the Universidad del Pacífico in Peru, all undergraduate business majors, either individually or in small groups, set up and launch legally registered companies during the final semester of their programs—in fact, doing so is a requirement for graduation. The school doesn’t expect all students to become entrepreneurs, but it wants to ensure that, by the end of their studies, they all understand what it takes to set up a business.

Going paperless. In a small number of cases, LACC schools are leaders in taking advantage of new technology. For example, ESAN in Peru was the first school in Latin America to provide laptops to its MBA students. More recently, in a move toward becoming a paperless organization, the school became the first to give its students iPads.

Going the distance. The Global MBA for Latin American Managers, a joint venture between Monterrey Tec in Mexico and Thunderbird School of Global Management in the U.S., is a larger example of a school making the most of its technological capacity. In the 1990s, Monterrey Tec wanted to take advantage of its advanced distance education program, so it pursued Thunderbird as a partner to offer a dual-degree MBA.

Launched in 1998, the Global MBA is offered via videoconference at Monterrey Tec’s campuses in Monterrey, Mexico City, Guadalajara, and Queretaro, as well as other sites in Latin America. The program has operated for more than a decade and has graduated more than 1,000 MBAs who come from Mexico and the U.S., as well as other countries ranging from Bolivia to El Salvador.

Even in that early era for online learning, Monterrey Tec was bold enough to rely on its videoconference technology, using PictureTel equipment and a satellite for distribution. Today, the program implements a well-orchestrated instructional package, which includes local facilitators at each campus, a Web-based platform for teaching materials, and lead instructors from Tec and Thunderbird. Classes are offered live in real time, with video and audio interaction between instructor and students in 13 locations around the Americas. Because the model requires a local presence in each market served, it is not easily replicated, and the Tec-Thunderbird alliance has remained the sole provider of this program in the region.
This model is particularly attractive because it combines—and strengthens—unique competitive advantages from each school. Monterrey Tec’s distance learning capability has been developed by Universidad Virtual, the distance education arm of the overall university. Thunderbird has further developed its expertise in international business. This model, which leverages the core competencies of each school to serve students and managers in their regions, could be used by other groups that want to link constituents together—such as theoreticians with practitioners, family-owned companies with researchers, or bottom-of-the-pyramid companies with individuals with management skills.

**Next-Level Partnerships**

While schools in the U.S. and Europe frequently form international partnerships, these collaborations can languish, since often the schools do no more than exchange a handful of students and faculty every year. Similarly, when U.S. schools partner with Latin American schools, they rarely do more than host MBA and EMBA residencies.

Schools in Latin America, however, don’t just form frequent alliances with U.S. and European schools. Most use them intensively, relying on them heavily to promote student and faculty exchanges, technology transfers, and executive education programs. The benefits of these activities include greater global presence, stronger curricula, and more well-rounded faculty.

Furthermore, the number of agreements with foreign schools tends to be quite high for Latin American business schools, relative to their U.S. counterparts. It is not uncommon in the region to find schools with 30 to 50 international student exchange agreements. Although most of the agreements do not result in large numbers of students going in either direction, they often include strategic activities such as inviting groups of foreign students to campus for a week to learn about “Doing Business in Latin America.” This structure has proven quite attractive to U.S. schools seeking to internationalize their own programs.

Many LACC schools also have regular programs in which they invite U.S. and other non-local professors to visit and give guest lectures, engage in joint research, and generally share their knowledge with local students and professors.

For example, Católica de Chile and Monterrey Tec have “Extraordinary Professor” designations that they bestow on foreign professors, who are invited to spend short periods of time on campus getting involved in a variety of activities. ESAN in Peru and Universidad de los Andes in Colombia have one-week and three-week summer programs, respectively, that bring in foreign professors to teach special courses. By highlighting the expertise of these professors, the schools attract both local and foreign students to these highly globalized experiences.

Latin American schools often have more links to Europe than their U.S. counterparts, particularly and not surprisingly, with Spain. Exchange programs and other alliances with Spanish business schools such as Instituto de Empresa (IE), IESE, and ESADE are quite common.

A common language and cultural heritage foster these relationships, so it is almost paradoxical that in both contexts (Spain and Latin America) schools are aiming to offer more programs in English. This situation could, in fact, be a basis for an increase in U.S.-Latin American cooperation, since U.S. schools can provide English-language instruction. Latin American schools then could provide reciprocal services in the form of seminars on the Latin American business environment.

**Taking Notes on LACC**

Latin American business schools’ extensive involvement with the business community has been, for the most part, based on the need to create high-quality business programs. But these interactions have enriched their curricula and provided experiential opportunities for students inside and outside the classroom. They’ve also served as significant sources of funding to LACC schools.

There is no doubt that LACC institutions can benefit from collaboration with U.S. and European business schools for academic research and student exchanges. The examples here show that there is also plenty to take note of in the Latin American model—and plenty to learn from observing how LACC schools balance the richness of their historical missions with their aim to build innovative programs with global reach.

Jorge Haddock is dean of George Mason University’s School of Management in Fairfax, Virginia. Robert Grosse is the director of the school’s Center for Global Business Innovation and Transformation and former dean of EGADE Business School at Monterrey Tec in Mexico.
Tracking the Trends in Globalization

Where do students want to study business? Data from the Graduate Management Admission Council and Educational Testing Service build a picture of today’s business students—and where they’re attending classes.
One way to track how management education is globalizing is to look at where potential students are taking admissions tests and where they’re sending their scores. And the answer is: everywhere.

Not only are more non-U.S. members taking the GMAT, says Bob Ludwig, director of media and public affairs for the Graduate Management Admission Council based in Reston, Virginia, but talent is flowing from all parts of the globe to all others. “The shifts show growing interest in studying in regions such as Europe and Asia,” he says.

Similar trends are evident at ETS in Princeton, New Jersey. Between 2010 and 2011, the company’s GRE program saw a more than 33 percent increase in score reports sent to institutions in Asia and a 6 percent increase in scores sent to Latin America. Here’s a closer look at some trends, as suggested by test-taking patterns around the world:

- **Students are increasingly international.**

  Last year, 258,192 GMAT exams were taken around the world, up 21 percent from 212,532 ten years previously. During this period, the number of non-U.S. citizens taking the test increased from 45 percent to 55 percent of the student pipeline. Forty different citizen groups took more than 500 GMAT exams in 2011, up from 35 groups in 2001.

  At ETS, international test volumes also have experienced dramatic growth in the past ten years, increasing by nearly 40 percent between 2001 and 2010. In 2011 alone, the volume of students taking the GRE test increased by nearly 25 percent internationally. While growth was recorded in many regions, including Europe and Africa, there was a 28 percent increase in China and 43 percent increase in India.

- **Students want to study all over the world.**

  In 2011, GMAT examinees sent 750,399 score reports to global business schools, up from 607,884 ten years ago. Graduate management programs in 25 countries received more than 500 score reports from prospective students taking the GMAT exam in 2011.

  ETS does not release figures on where test takers are sending their scores, but the company notes that, because more international schools are accepting GRE scores for admission, GRE score reports sent to international schools rose by more than 17 percent in 2011 compared to 2010.

- **More students want to study in English-speaking nations—or where business courses are taught in English.**

  ETS’s English-language proficiency test, the TOEFL, saw an 8 percent increase in 2011 over 2010 numbers. The most significant growth was seen in parts of Asia, the U.S., Europe (including Poland and France), and Mexico. The organization expects to see more students taking TOEFL exams in 2012, in part due to changing admissions policies in places like Australia and the U.K, which now accept TOEFL results for certain visas.

- **Graduates are thinking internationally.**

  When GMAC surveyed 40,000 prospective students in 2009 and 2010, it found that 41 percent were considering attending an international business school program. In addition, 41 percent of global prospective students indicated that a study abroad component was a desirable activity in the programs they were considering. And they knew the experience would be useful: Twenty-six percent of prospective students expected to work outside their countries of citizenship after they completed their graduate business degrees.

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**Globalization By the Numbers**

**15%**

The percentage of AACSB International member schools that offer instruction in more than one language, according to AACSB’s 2010–2011 Business School Questionnaire.

**16%**

The percentage of AACSB member schools that have campuses in countries other than their own. The most popular additional locations are in Europe (where 61 percent have second campuses), Asia (57 percent), and Latin America and the Caribbean collectively (24 percent). Answers are drawn from AACSB’s 2010-2011 Collaborations Survey.

**29%**

The percentage of member schools that would find it desirable to collaborate with schools in Asia. In addition, 26 percent are interested in collaborating with European schools, 15 percent with schools in Northern America, and 14 percent with schools in Latin America and the Caribbean.

**6,655**

The number of existing partnerships between AACSB member schools and other institutions, according to 241 respondents to the Collaborations Survey. Nearly half of those partnerships (3,183) are with European institutions. Other popular partner locations are in Asia (1,484 existing partnerships) and Northern America (1,086). Of the respondents, 77 have partnerships with institutions in Africa, 562 with institutions in Latin America, and 263 with institutions in Oceania.
To train healthcare leaders effectively, business schools and faculty are developing a better understanding of one of the world’s biggest and most complex industries.

BY TRICIA BISOUX
Surgeon Dale Varner has long believed that there’s a better way to deliver healthcare in the U.S. As an associate medical director of resource stewardship for managed-care organization Kaiser Permanente’s Colorado Permanente Medical Group, he is convinced that “fee for service” medicine—the prevailing model in the U.S. that pays American doctors for each test they order—is in the best interest of the doctor, not the patient.

Now a second-year MBA at the University of Denver’s Daniels College of Business in Colorado, Varner decided to go to business school to build on models such as Kaiser Permanente’s, which rewards doctors based on the health and wellness of their patients. “I realized that there was a lot I didn’t know about the business of healthcare and a lot more I could bring to the table if I learned,” says Varner. “I don’t want to start my own venture. I just want to do my job better.”
Many healthcare professionals who share Varner’s outlook are enrolling in business programs in larger numbers. Business schools are quickly designing a host of new case studies, courses, certificates, and degree programs for this group, aiming to give students the tools they’ll need to cure what ails healthcare. But first, business faculty must quickly get up to speed on an industry that is more diverse, more complex, and perhaps more at risk than any other sector.

From Obstacles, Opportunities
As more business schools offer healthcare-related programs, they’re discovering that the medical industry is incredibly volatile, especially in the United States, says Kevin Schulman, professor of medicine and director of the Fuqua Health Sector Management Program at Duke University in Durham, North Carolina. “This is the most uncertain business environment healthcare has ever seen,” says Schulman.

That means that many business faculty are learning a great deal from their students about how the industry works. And they’re finding that business practices that work well in other sectors often don’t translate directly to healthcare, because of several unique factors:

The regulatory environment—Healthcare is one of the most heavily government-regulated industries in the world. For that reason, the “try-and-fail” mantra that drives innovation in the business world can be a foreign concept in healthcare. Rather than navigate government red tape or risk patient safety, healthcare leaders often prefer to maintain the status quo.

In fact, courses on regulatory compliance dominate master of healthcare administration programs, leaving little room to teach innovation, says Scott McLagan, executive director of the International Masters in Health Leadership (IMHL) program at McGill University's Desautels Faculty of Management in Montreal, Quebec, Canada. In that way, they can discuss issues, hear different perspectives—and ultimately learn from each other.

Mintzberg designed the IMHL program after the same model he created for the school’s International Masters Program in Practicing Management. IMHL enrolls healthcare executives for five 12-day modules over 16 months. The modules cover areas such as self-reflection, leadership, navigation of complex systems, collaboration, and innovation. Students complete self-study assignments to familiarize themselves with topics such as finance, accounting, and marketing. At the end of the program, students complete papers under the guidance of a faculty supervisor.

The program also includes manager exchanges, in which pairs of students spend three to five days at their partners’ workplaces. On these visits, students see how providers in different cultural contexts address universal problems.

“The solutions might be different, but the issues are the same all over the world—aging populations, access to care, cost of

What’s Happening @ The Fuqua School of Business Duke University
Durham, North Carolina

Students in the Duke MBA Health Sector Management (HSM) program can choose to pursue either a concentration or a certificate. To earn the concentration, MBAs complete at least two HSM required courses, an additional healthcare-related elective, and an HSM independent project, in addition to the core curriculum. Required courses include an overview of the healthcare system and a course in health economics and strategy. To earn a certificate, students must complete the requirements for a concentration, as well as two additional electives and one archived online course.

Discovering Solutions
One of the best ways to develop innovative solutions for healthcare is to bring together students from diverse backgrounds in the industry, says Henry Mintzberg, director of the International Masters in Health Leadership (IMHL) program at McGill University’s Desautels Faculty of Management in Montreal, Quebec, Canada. In that way, they can discuss issues, hear different perspectives—and ultimately learn from each other.

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“The solutions might be different, but the issues are the same all over the world—aging populations, access to care, cost of
director of executive education at Daniels College. “About 70 percent of the curriculum in MHA programs is mandated by regulatory agencies. Imagine what an MBA would look like if that much of its curriculum was mandated by government! A person with an MHA knows a lot about how to comply with laws and very little about recreating business models.”

**The lack of competition**—In healthcare, laws of supply and demand don’t readily apply. Patients are rarely able to “shop around” or compare prices, because so little information is available on cost and quality. Those covered by insurance have no incentive to demand that providers lower their fees. These factors create an inefficient market, where providers and insurers are largely immune to market forces that might compel them to change.

**The fear of change**—Many physicians fear the unknown, says Kel- lie Leitch, a pediatric physician and director of the Health Sector MBA program at the University of Western Ontario’s Richard Ivey School of Business in London, Ontario, Canada. “The very nature of innovative ideas is that they’re untested. Doctors are uncomfortable when they have no evidence to prove that a new approach provides better patient care,” she says. “Physicians, especially those in North America, don’t want to admit weakness. They don’t want to say, ‘I don’t know how to use that iPad.’”

But business schools can address this fear through class discussion and experiential projects, says Leitch. In that way, they can reduce physicians’ anxiety about innovation and show them how to embrace new models without sacrificing patient outcomes.

**Frightening Figures**

Most business faculty admit that the scope of healthcare’s problems are overwhelming. The Organisation for Economic Co-operation and Development (OECD) reports that healthcare represents the largest expenditure for its 34 member countries, averaging 6 percent of GDP. If today’s rates of spending continue, the OECD predicts that spending among its members could reach an average of 12 percent of GDP by 2050.

The U.S. is facing the biggest potential crisis. It spends about $2.3 trillion on healthcare annually—close to 18 percent of its GDP and more than any other industrialized country in the world. By 2025, that could increase to 25 percent, according to the U.S. Congressional Budget Office. The 2010 World Health Report estimated that many nations’ healthcare systems waste 20 percent to 40 percent of the money allotted to securing healthcare for their citizens. Much of that money is mired in transactional costs related to billing, auditing, and redundant systems.

“If you need care in Canada, you receive it immediately. Our acute care is second to none in the world,” says Leitch. “But why do hospitals continue to have to walk patient information across the street from a doctor in one building to a doctor in another? We have electronic tools available that streamline this process, but we haven’t incorporated them.”

care,” he says. “We hear from Ugandan students who live where community clinics don’t have doctors available, so care is delivered by nurse practitioners. In Holland and England, most children are delivered at home by midwives. We can learn a lot from each other. Each country is advanced in its own way.”

The IMHL program enrolls doctors, nurses, consultants, lawyers, psychologists, pharmacists, and insurance executives. One cohort also included an economist with the World Bank; another, an Olympic gold medalist in diving who was creating a health foundation in Los Angeles. Such diversity is especially valuable during the manager exchanges, when a head nurse from Montreal might be paired with a surgeon from the Philippines, or a doctor from Kuwait might be paired with a mental health administrator from Ghana.

An even more tangible outcome of the program is the “impact project,” which requires students to work on a project that promises to drive a specific change within their own organizations.

Their shared knowledge of—and excitement about—their industry makes exciting solutions possible, says Mintzberg. “We can’t design these programs knowing nothing about healthcare and tell students, ‘Do it our way.’ Instead, we help them discover how to design solutions that work for them.”
The problem is even worse at many facilities in China, says Wei Zhang, assistant professor of management and director of the Centre for Health Care Policy and Management at the China Europe International Business School in Shanghai. “Chinese citizens don’t have access to health insurance, so they pay out of pocket for their care. That causes their expectations to be very high,” says Zhang. “They see service sectors like restaurants and hotels advancing very fast, but they complain that stepping into a Chinese hospital is like traveling back in time 20 years. The public’s expectations are forcing many hospital executives to realize the value of management education.”

**Strength in Numbers**

In 2010, ten schools formed the Business School Alliance for Healthcare Management (BAHM) so their faculty could collaborate, promote research, discuss trends, and share educational best practices. The five founding members of the consortium include Duke University’s Fuqua School of Business, Northwestern University’s Kellogg Graduate School of Management, the University of Pennsylvania’s Wharton School, Harvard Business School, and the University of California at Berkeley’s Haas School of Business. Other members include the Yale School of Management, Vanderbilt University’s Owen Graduate School of Management, the Boston University School of Management, Arizona State University’s W.P. Carey School of Business, and the University of Colorado Denver Business School. BAHM is open to any school with healthcare programs taught by academically qualified faculty.

The formation of BAHM reflects the increasing coordination and growth of health sector management programs at business schools worldwide. According to AACSB International, business schools that offer master-level programs with a healthcare focus increased from 100 in the 2007–2008 academic year to 109 in 2009–2010; those reporting a specialized degree in healthcare increased from 32 to 41 in that same period.

But because these business schools have few faculty trained in healthcare fields, many are partnering with schools of medicine or public health to be able to address the complex needs of the healthcare industry. For instance, the University of Miami School of Business in Florida recently launched its first MD/MBA joint degree with UM’s medical school. These kinds of joint ventures are becoming more important, because they allow each school to teach what it knows best, says Steven Ullmann, professor and director of the school’s programs in health sector management and policy.

Duke’s Schulman holds MD and MBA degrees, but the lack of PhDs with this specialization concerns him, especially as more business schools enter the healthcare space. “When we train our PhDs, we train them in general areas like strategy or finance or accounting. Very few receive training in issues specific to healthcare, let alone have medical degrees,” he says. “We need a core of PhD-trained research faculty in healthcare to move some of our theories and conceptualizations forward.”

‘Starting from Ground Zero’

Business faculty with medical training aren’t just better equipped to understand a complex industry. They’re also better able to discuss current issues with students, who increasingly are physicians who want to improve their practices.
When the University of Miami started its healthcare programs 30 years ago, “if we had one doctor in the program it was a lot,” says Ullmann. “Today, in a class of 35, we might have 15 or 20 doctors. They’re realizing that their medical practices have become businesses, whether they like it or not. They know they’ll need to understand business to run them.”

However, unlike students in general graduate business programs, most physicians have never had any management experience and have little knowledge of standard management practices, says McLagan of Daniels College. “I come from manufacturing, where we were doing lean management in 1988. It’s bizarre that this concept is brand new to leaders in healthcare!” says McLagan.

Not only that, many physicians must overcome the logic-driven, autocratic style of leadership that they were taught in medical school. “After taking one of our courses, one physician told me that doctors probably need at least a day of remedial training to help them forget all the things they learned in medical school about being good leaders,” McLagan says.

The healthcare curriculum at Daniels places a heavy emphasis on peer interaction and experiential activities, McLagan says. For instance, in one project related to customer experience management, students must return to their own practices to experience them from the patient’s point of view. They must assess factors such as how well patients are treated, how clear the signage is, and how long patients must wait.

“These physicians come back

A View from the Cleveland Clinic

James Stoller is a pulmonary specialist and chair of the Education Institute at Ohio’s Cleveland Clinic, which delivers executive education through the Samson Global Leadership Academy. To transform healthcare, he says, it will take leaders with emotional intelligence, technical expertise, and an understanding of the business.

On the most important skill for health sector leaders...
Most doctors already are pretty quick studies on the technical side—they can interpret legislative issues. But the most important attribute these individuals need is emotional intelligence. At our academy, we offer 360-degree feedback and coaching to help executives develop emotional intelligence, because it’s so critical.

On designing business programs for healthcare...
Business schools need to draw on the expertise of people who know both business and healthcare, because only people in healthcare can appreciate its nuances. We take a dyadic approach to teaching leadership, with business school faculty “married” to our own faculty. That way, business principles are taught hand-in-hand with applied, real-world lessons of healthcare environments.

On the best time for doctors to pursue management training...
Leadership should be taught at medical schools, and some schools are now incorporating leadership and team-building competencies into their curriculum. But much of this training might be more appropriate post-medical school, for those identified as emerging leaders. At the Cleveland Clinic, we look for high-potential leaders—usually mid-career physicians who are likely to assume leadership positions over the next five to 15 years. We take them offline and enroll them in our internal leadership courses.

On being leaders and clinicians...
In our model, it’s possible to be a doctor and a leader at the same time. Continuing to engage in clinical practice gives us more credibility and enhances our understanding and appreciation of the challenges we face.

On creating a more effective, sustainable healthcare system...
It will require reform on many fronts, socially and legislatively. But we’ll be far better positioned to be successful if we cultivate a cadre of leaders with both technical competencies, such as understanding finance and the legislative environment, and leadership competencies.
What's Happening @ Daniels College of Business
The University of Denver
Denver, Colorado

Daniels College enrolls one to three healthcare professionals in its general MBA program each year, but the school focuses on the healthcare industry mainly through its executive education arm. In 2006, it began to deliver executive programs to Kaiser Permanente administrators; it now offers programs for organizations such as Denver Health, the largest community hospital in Colorado, and Centura Health, the largest hospital group. So far, these specialized programs have proved very successful—currently Daniels enrolls 172 executives in these programs annually.

Zhang of CEIBS has seen another ideological commonality among healthcare executives attending that school’s healthcare programs—they view their industry’s issues as social problems, not business problems. “Many think that it’s the responsibility of the Chinese government to fix what’s wrong,” he says.

Zhang advises his students to discover ways to create value for customers and treat their organizations like businesses. “This seems like common sense, but it’s a foreign concept to many of these Chinese executives,” says Zhang. “That discussion can be eye-opening for them.”

Faculty see the results of their efforts once graduates begin to apply their new knowledge in the field, says Ullman of UM. “An ophthalmologist in our program told me that he was able to adjust his net revenues by $90,000 a year as a result of one thing he learned in class,” he says. “Another graduate has been able to reduce costs and infection rates in a foreign trauma center. That’s the kind of functional application we want to see.”

Addressing ‘Meaningful Use’
Physicians and others in the healthcare industry have a very strong incentive to improve their approach to medicine—mainly, many are doing so because soon they’ll have little choice. Various public policy interventions are forcing the industry to change. The healthcare sector in the United States, for example, was especially compelled to action once the U.S. Congress passed the Affordable Health Care for America Act in 2010, in a push to ensure all Americans had health insurance. The bill, which has sparked vehement debate and is currently under review by the U.S. Supreme Court, is scheduled to be fully in place by 2014.

Schulman of Duke believes that the bill was well-intentioned, but will do little to improve the quality of care or reduce costs. “Debate over the bill focused solely on access to health insurance,” he says. “It ignored two other huge issues that are actually more important: the cost and quality of care and the sustainability of the system.”

Those issues may be addressed by legislation that received less attention, but may have a greater transformative effect: The Health Information Technology for Economic and Clinical Health (HITECH) Act, which Congress passed in 2009. HITECH calls for organizations to adopt “meaningful use” of electronic health records (EHRs).

HITECH’s “meaningful use” requirement has created a new market for talent and research in the U.S. Healthcare facilities spent more than $88 billion on adopting EHRs, creating health information exchanges, and adopting other new technologies, according to “The New Gold Rush,” a report by PricewaterhouseCoopers. This development has created a need for IT workers in the health sector—
and has inspired many U.S. business schools to launch field studies to see how providers can integrate EHRs and other new systems with minimal disruption.

The Center for Health Information and Decision Systems (CHIDS) at the Smith School of Business at the University of Maryland in College Park is now conducting several research projects related to technology adoption in healthcare fields. Researchers there are working on methods of downloading a patient’s medication history into a portable health record. They hope to learn whether electronic prescriptions are more efficient. They also are studying how the implementation of electronic health record systems affects workflow.

For years, critics have questioned the relevance of business research—this is the perfect opportunity for business schools to show how relevant their research can be, says Ritu Argarwal, director of CHIDS. “Business schools have tremendous intellectual capital in business transformation, organizational change management, and IT implementation,” she says, which puts them in a perfect position to help healthcare organizations achieve meaningful use requirements.

Sharing Solutions
To create a larger community of scholars, business schools are developing more symposia to bring together diverse perspectives and share ideas. Last year, the University of Miami dedicated its second annual Global Business Forum to “The Business of Healthcare.” The event was attended by 150 leaders in the industry, including Kathleen Sebelius, U.S. Secretary of Health and Human Services, and Jeffrey Immelt, CEO of General Electric, who called healthcare “the world’s biggest systems problem.”

The McCombs School of Business at the University of Texas at Austin held its “Innovation in Health Care Delivery Systems” in April 2011. The second annual event featured research papers from students and faculty from business, law, medicine, pharmacy, and communications. The studies shared at the event included one that found that surgical teams who received specialized group training had patient mortality rates that were 18 percent less than those of teams who did not receive the training. Another discussed a geriatric care facility where nursing staff came together after any patient suffered a fall-related issue to discuss the cause of the accident. As a result, they were able to reduce the number of fall-related injuries overall.

In this way, business schools can provide important forums where people can share findings and ensure the best ideas spread throughout the field, says Reuben McDaniel Jr., McCombs’ chair of healthcare management in the department of management science and information systems. At the McCombs conference, he says, people from the schools of nursing and social work shared ideas about how to encourage patients to demand more from their providers. Those from pharmacy and information systems discussed best practices in adopting EHRs and other technologies.

“It has been difficult to get the healthcare industry to embrace innovation. That’s why we want to bring people from all disciplines together to talk about their research. As business educators, we can help the industry come together to develop the solutions,” McDaniels says. “And as our faculty develop a better understanding of these challenges, they become more and more interested in working on them. It’s the difficulty that makes it exciting.”

What’s Happening @ China European International Business School

Shanghai, China

Three years ago, when CEIBS launched a healthcare elective in its general MBA and EMBA programs, 28 students enrolled; the latest offering attracted 62 students, the maximum the elective can accommodate. The school also offers a management certificate program for hospital executives, which serves experienced physician-administrators who are CEOs or vice presidents from China’s largest hospitals. CEIBS recently launched its Centre for Health Care Policy and Management to support multidisciplinary research. The school now is expanding its healthcare programs to Africa and other emerging markets. In March 2011, it launched a hospital management program in Ghana in West Africa, building on an EMBA program it began there three years ago.

“What’s Happening @ China European International Business School” can be downloaded at tinyurl.com/7qscxt4. For more on topics discussed at the University of Miami’s Global Business Forum, visit UMGlobalForum.com. To read about topics discussed at the third annual “Innovation in Health Care” symposium at the University of Texas at Austin, visit www.mccombs.utexas.edu/health-care-symposium. For information about the Business School Alliance for Healthcare Management, visit www.bahm-alliance.org.
Research

Race Counts in Retail

A NEW STUDY finds that a retail store can gain or lose nearly US$100,000 in annual revenue, depending on how closely the race of its employees matches that of its customers.

Four researchers analyzed data from 739 outlets in a U.S. department store. They found that when ethnic representation of a store’s employees correlated closely with its customer base, that store could improve customer satisfaction and increase annual productivity by $625 per employee. The stores in the study averaged 150 employees each, which correlates to a potential $94,000 per store—or more than $69 million for the parent company.

The study was conducted by Derek Avery, associate professor of human resource management at Temple University’s Fox School of Business in Philadelphia, Pennsylvania; Patrick McKay, chair of human resource management at Rutgers University in Piscataway, New Jersey; Scott Tonidandel, professor of psychology at Davidson College in North Carolina; Sabrina Volpone, a doctoral student in human resource management at Temple; and Mark Morris, organization effectiveness director at retailer JCPenney.

While many in the retail industry believe that it’s smart to reflect the race of customers on the sales floor, this study quantifies how doing so can affect the bottom line, says Avery. The researchers found that the effect can be even more pronounced for stores with a higher number of minority customers, who may tend to return to stores with a higher representation of their race on staff.

However, the authors offer their findings with a warning—companies shouldn’t adopt hiring quotas for employees of a particular race, which is discriminatory. Instead, they recommend that companies regularly assess factors such as their customer bases and applicant pools and then do more to send the right signals to those audiences.

“Is There Method to the Madness? Examining How Racioethnic Matching Influences Retail Store Productivity” appears in the February 2012 issue of Personnel Psychology.

Research Recognitions

The Chartered Management Institute has named The Cult of the Leader by Christopher Bones its Book of the Year for 2011/2012. Bones is professor of creativity and leadership at Manchester Business School in the United Kingdom; he also is dean emeritus of the Henley Business School and former director of Cadbury-Schweppes. One judge noted that Bones’ book, chosen from 154 entries, was a must-read for “anyone wanting to help plot society’s way forward and should be mandatory reading for our politicians.”

Yadong Luo, Emery Findley Distinguished Chair and professor of management at the University of Miami School of Business in Florida, has been named the world’s foremost international business scholar by the Management International Review. Of approximately 1,100 academic articles published between 2001 and 2009, Luo published 24 of them, ranking him No. 1 on MIR’s list of the top 25 scholars around the world.

The Alliance of Merger & Acquisition Advisors has
The more power people wield, the more isolated they may become, according to researchers at London Business School in the United Kingdom, Stanford University in California, and Northwestern University in Evanston, Illinois. That’s because their power can make them cynical and distrustful of others’ thoughtful actions.

The finding is ironic, because those who seek power often do so because they want more people to love and value them, say Ena Inesi, assistant professor of organizational behavior at London Business School; Deborah Gruenfeld, the Moghadam Family Professor of Leadership and Organizational Behavior at Stanford’s Graduate School of Business; and Adam Galinsky, the Morris and Alice Kaplan Professor of Ethics and Decision in Management at Northwestern’s Kellogg School of Management.

“Celebrities and the powerful are attractive targets for those who seek their friendship for more instrumental purposes,” says Galinsky. “This doubt prompts the question: Are they interested in me or do they only want access to my power? Do they love me or my celebrity?”

“Without this ambiguity, kind acts produce benevolent attributions that inspire trust, encourage reciprocity, and build stronger relationships,” the authors write. “With this ambiguity, a vicious cycle ensues. The cynical attributions for others’ kind acts ultimately taint the gestures, tarnish the response, and diminish the potential for true intimacy.”

In an online survey, the authors found that those indicating they had received favors from subordinates reported less trust and a lower desire to reciprocate the kindness than those who indicated they’d received favors from peers with equal power. In another survey, the authors found that married individuals who earned more than their spouses reported feeling more cynical about their spouses’ true feelings—and, as a result, less committed to their marriages.

For future research, Inesi plans to explore this phenomenon further by examining how power holders’ self-worth becomes intertwined with how others view them. She is now working with Sunyoung Lee of London Business School and Kimberly Rios of the University of Chicago in Illinois to collect data on how the powerful invest time and money on objects and actions that provide visible proof of how much power they possess.

Measuring the Benefits Of Good Governance

**Companies Often** balk at the added costs they incur when implementing strong governance policies, viewing them as a net loss to the company. But in a recent study, four researchers find that those costs often translate into better market performance.

The study “The Value of Information in Cross-Listing” was conducted by Arturo Bris and Salvatore Cantale, finance professors at IMD in Lausanne, Switzerland; Emir Hrnjic, assistant professor of finance at the National University of Singapore; and George Nishiotis, associate professor of finance at the University of Cyprus in Nicosia.

“It’s generally assumed good governance has to be imposed or recommended from the outside because the costs are greater than the benefits,” says Bris. “Our study demonstrates this isn’t necessarily the case. In fact, voluntary adoption is rewarded almost immediately by the markets.”

Bris and Cantale observed the performance of hundreds of companies incorporated outside the United Kingdom on the London Stock Exchange (LSE). For almost two decades, these companies could list in the LSE’s overseas segment via two processes. The first is voluntary, but requires that the firm abide by a strict set of rules set by the Financial Services Authority and submit to monitoring by the U.K. Listing Authority. This method is still in use today. The second, the Stock Exchange Automated Quotation International market (SEAQ-I), required far less scrutiny. SEAQ-I was discontinued in July 2004.

The authors found that companies that volunteered for the first process enjoyed an average stock price increase of 3.81 percent in the 20 days around their regular listing. By contrast, firms traded on SEAQ-I—that is, those that did not volunteer for their financial practices to be monitored—saw their stock prices fall by an average of 0.038 percent in the same period.

“We can see the unwillingness of a company or a board to comply with good governance is usually the result of selfish behavior,” says Cantale. “We argue that, in such instances, the most effective approach for regulators is not ‘comply and explain,’ but rather ‘comply or else.’”

The study is forthcoming in *The Journal of Corporate Finance*.

Excess Corporate Cash Could Create Jobs

**If U.S. Corporations** invested their excess cash in capital projects, they could create as many as 2.4 million jobs over the next three years, according to researchers at the University of Maryland’s Smith School of Business in College Park. The researchers estimate that nonfinancial corporations are holding about US$508 billion in excess cash—only one-fourth the amount that many had believed companies were hoarding, but enough to make a difference in turning the U.S. economy around.

The study, conducted through the school’s Inforum Research Center, was commissioned by the United Nation’s International Labour Organization as part of its Global Employment Trends 2012 report.

But even though companies *could* invest that money, it doesn’t mean they will, says Jeffrey Werling, an economist and executive director of Inforum. “It’s not surprising that U.S. industry would be tight-fisted given the highly uncertain economic environment, but the consequence is a low level of total investment, economic growth, and job creation,” he says. If companies invested even half of that cash, they could create more than 1 million jobs in 2012 and 2013.

Excerpts from the Inforum study are available online at ter.ps/d8. The full Global Employment Trends 2012 report can be found at ter.ps/d7.
Is the ‘Bell Curve’ a Myth?

Researchers at the Indiana University’s Kelley School of Business in Bloomington and Longwood University in Farmville, Virginia, are questioning the validity of a long-revered benchmark of average individual performance—the bell curve, which plots performance of individuals in a group so that equal numbers fall on both sides of the mean. The majority fall somewhere in the “average” range, while only a few people produce extremely high or extremely low performance. The researchers claim that, in many instances, the plot of individual performance runs not from worst to best, but from most productive and valuable to most unethical and criminal—producing data that follows a “power-law” distribution.

The study was conducted by IU’s Herman Aguinis, professor of organizational behavior and human resources, and Longwood’s Ernest O’Boyle, an assistant professor of management. Boyle will join the faculty at the University of Iowa in July.

The researchers built a database of more than 600,000 individuals. Then, they conducted five studies in which they applied normal and power-law distributions to assess performers in four fields: academia, entertainment, politics, and college and professional sports. For example, authors chose to analyze individuals on sports teams so they could easily identify “counterproductive behaviors” and trace them to specific individuals—such as yellow cards in soccer and errors in baseball.

The researchers saw the power-law distribution at work in all four fields. These studies suggest that organizations may be able to identify their top performers early on—as well as those on the other end of the spectrum, who are most likely to engage in unethical or illegal activities.

The also warn that top performers in the workplace can also possess selfish streaks, which can damage organizations. “When we recommend looking for ‘superstars,’ we mean those who don’t just do their jobs well, but also create a good work environment,” says Aguinis.

‘Greenwashing’ Works

THE MORE INFORMATION that companies disclose about their sustainable practices, the more the public views them as “green”—even if their practices aren’t particularly environmentally friendly. That’s the finding of a study by Charles Cho, associate professor of accounting and management control at the ESSEC Business School in France; Ronald Guidry, assistant professor of accounting at Illinois State University’s College of Business in Normal; Amy Hageman, assistant professor of accounting at Kansas State University’s College of Business Administration in Manhattan; and Dennis Patten, professor of accounting at Illinois State University.

The researchers analyzed the annual reports, corporate social responsibility reports, and 10-K financial reports of companies listed in Newsweek magazine’s 2009 green rankings of large U.S. companies. They found that the companies with the worst environmental performance have the best environmental reputations.

The reason? Companies with poor performance—particularly those in industries that are environmental targets, such as utilities, oil, and gas—disclose more because they have greater incentives to promote sustainability practices, says Hageman. In essence, they get credit for disclosing their environmental practices, not for the practices themselves.

Plus, because environmental disclosures are not heavily regulated by government, companies can use them “as marketing pieces to spin their own stories, including positive messages about being green,” says Hageman. She adds that these companies may have little incentive to improve their actual environmental performance, since they aren’t experiencing the negative effects usually associated with poor practices.

GIBS Offers Online Modules

THE GORDON INSTITUTE of Business Science in Johannesburg, South Africa, will make ten course modules available through GIBSdirect, its recently launched online learning portal. For each module, students will be able to access lecture notes, articles, case studies, and faculty video, as well as discussion forums where they can interact with faculty and other students.

Students can enroll in individual modules or in several at one time. They also can opt to complete all ten modules and then undergo a final assessment of their knowledge to earn the GIBS Programme for Management Development certificate. Although students are allowed to work at their own pace, they must complete each module within two months.

“Our research and experience show that such deadlines contribute to better completion rates” in online learning environments, says Sue Swart, GIBS digital marketing manager. This model of learning also opens GIBS’ programs to students outside of Johannesburg, and it allows them to spread their educational expenses over a period of time.

Each module costs 3,000 rand (about US$400). The first two modules offered through GIBSdirect include “Marketing and Financial Management” and “Leadership and People Management.” The additional modules will be rolled out over the next year.

For information about GIBSdirect, visit www.gibs.co.za/gibsdirect.aspx.

NEWSBYTES

■ ANALYTICS INSTITUTE
In February, Indiana University’s Kelley School of Business in Indianapolis opened its Institute for Business Analytics, which will support academic programs, cross-disciplinary research, conferences, and case competitions in the emerging field of business analytics. The institute aims to study techniques such as predictive analytics, optimization, and simulation to help companies use data about their customers and processes in ways that improve their productivity and performance.

■ OP-ED SITE FOR USC
The University of Southern California has created ThinkUSC, an online digest of opinion-based commentary that its faculty have contributed to print and online publications. The site will republish op-ed essays in full and ensure that they will remain accessible, even if the link to the original expires or requires readers to pay to read the piece in full. The site is available at think.usc.edu.

■ ONLINE MBA AT HOWARD
Howard University in Washington, D.C., accepted students into its inaugural online Executive MBA program this semester. The program consists of 42 credit hours and lasts 18 months.

■ EXAMINING E-MARKETING
This spring, two schools launched programs that target online marketing tactics. New York University’s Stern School of Business added a digital marketing specialization to its MBA program. The specialization links courses in Stern’s marketing and information systems departments. The David Eccles School of Business at the University of Utah in Salt Lake City partnered with Online Marketing Gurus, a team of digital marketing experts and instructors, to offer a new Internet marketing certificate program. Launched in April, the program features instruction on interactive marketing tactics and the impact of Internet marketing on a firm.
Collaborating in the ‘Cloud’

“THE CLOUD” is becoming a catchall term for online networking spaces designed to support more seamless and continuous collaboration among workers. But interactions in work-based clouds are much different than those on casual social networks like Facebook. For that reason, more business schools are bringing “the cloud” into the curriculum.

Recently, 400 students in “Management 1000,” a special course at York University’s Schulich School of Business in Toronto, Ontario, Canada, developed their leadership skills by learning to collaborate on coursework virtually in the cloud. They used IBM SmartCloud for Social Business, a cloud services platform that aims to provide the fluidity of social networking interactivity within a confidential business space.

Students used IBM SmartCloud for online meetings, file sharing, workload sharing, deadline tracking, and overall project management as they created comprehensive business plans over the semester. “The students were already familiar with consumer social networking sites, but this project exposed them to how people communicate and collaborate in a real-world business setting,” says Jean Adams, special assistant professor in policy specializations and acting associate director for the school’s Institute for Research on Learning Technologies.

Cisco, another player in the cloud services market, has been working on developing its own cloud platform. Known internally as “Futurama,” the project works to integrate Cisco’s collaboration products such as WebEx and Social Miner into a business-based social network that allows users to migrate seamlessly from one tool to another, according to IDG News Service.

Cisco is expected to release products resulting from Futurama later this year. For information about IBM SmartCloud, visit www.ibm.com/smartcloud.

New Ranking For Online MBAs

SUPER Scholar.ORG, an online education and career information resource, released a new ranking of the top 25 online MBA programs. The rankings include programs accredited by AACSB International, as well as regional accrediting bodies. SuperScholar’s metric is based on quality, marketability, and affordability as determined by a school’s market reputation, admissions selectivity, accreditation, and cost.

Taking SuperScholar’s top three spots were the University of Florida’s Hough Graduate School of Business, the University of North Carolina’s Kenan-Flagler School of Business, and Indiana University’s Kelley School of Business. For the full ranking, visit www.superscholar.org/best-online-mba-programs.

Clouds Gathering—Cloud computing will become a US$241 billion business by 2020, up from $41 billion in 2010, according to Forrester Research Inc.
Is the End Near For Textbooks?

THE OPEN-EDUCATION platform Connexions, based at Rice University in Houston, Texas, wants to shake up the US$4 billion college textbook industry. It plans to build a library of free online publisher-quality textbooks for five of the country’s most-attended college courses.

Connexions recently launched its OpenStax College textbook initiative, funded by the William and Flora Hewlett Foundation, the Bill & Melinda Gates Foundation, the 20 Million Minds Foundation, and the Maxfield Foundation. Connexions published its first two books—in physics and sociology—in March. Three more books, including two in biology and one in anatomy and physiology, are in production and slated to go online this fall.

“If we capture just 10 percent of the market with these first five textbooks, an estimated 1 million college students in the United States could save $90 million over the next five years,” says Rice’s Richard Baraniuk, the founder and director of Connexions. The textbooks will be competitive with texts that retail for $150 or more, according to the organization. Students can access the texts for free online or order low-cost printed color copies for about $30.

At a time when publishers have kept the prices for even digital textbooks fairly high, OpenStax is just one of many initiatives designed to bring the cost of textbooks down through technological means. In 2011, for example, Temple University provided 11 faculty members with grants of $1,000 each to help them “ditch the textbook and build their own mix of learning materials,” says Steven Bell, associate university librarian. The professors responded by using a combination of mostly free online materials, as well as Web sites and e-textbooks they created themselves.

Last year, the University of Massachusetts at Amherst did the same, providing eight faculty members with ten grants—$1,000 per course—to develop alternatives to textbooks. The school estimates that the $10,000 investment saved students $72,000 in textbook costs. Administrators plan to fund 20 more such grants for the 2012-2013 academic year.

MIT OpenCourseWare, which houses MIT’s collection of free online course materials, is now working with textbook publisher Flat World Knowledge to provide free textbooks to those accessing OCW Scholar courses. This marks the first time OCW has worked with an open-source textbook publisher. The first three OCW courses to use Flat World Knowledge textbooks include Principles in Microeconomics, Introduction to Psychology, and Solid State Chemistry.

So far, these efforts have affected courses mainly in the arts and sciences, but business schools could follow suit. On its Web site, OpenStax invites faculty from all disciplines to contribute to textbooks in all core under-
graduate subjects. And in January, BizEd reported on the University of New Hampshire’s Whittemore School of Business’ pilot program that evaluated the effectiveness of using only a digital textbook in its Introduction to Business course.

Some universities have tried to break away from the traditional textbook model in the past—and failed, due to a lack of feasible alternatives. But some professors are finding that the online materials now available allow them to teach entire courses without textbooks, with no negative consequences to student learning. In some cases, digital materials may be even better than traditional texts because of their variety and timeliness, says Temple’s Keith Quesenberry.

Quesenberry, an advertising professor, received one of the school’s $1,000 grants for his course “Morality, Law, and Advertising.” He used the grant to gather court case briefs, journal articles, and codes and ethical standards published by bodies such as the Federal Trade Commission.

“It seemed like students were more engaged and less burdened, getting to and completing assignments earlier,” Quesenberry says. “The textbook was this thing they hated. This removed a barrier for them.”

Other schools are joining forces to convince publishers to offer volume discounts for e-textbooks. Cornell University, the University of California at Berkeley, the University of Minnesota, the University of Virginia, and the University of Wisconsin are working together to negotiate bulk purchasing agreements of e-textbooks with publishers. The effort was led by Internet2, a networking consortium for the higher education community that supports development of Internet technologies and applications.

In response, McGraw-Hill and software company Courseload is offering an eText Pilot Trial Pack to students for free at those five universities for the spring 2012 semester. The pack includes e-textbooks and the Courseload reader and annotation platform. Students can also opt to pay $28 to print an e-textbook on demand.

This pilot is based on Indiana University’s eText model, which also seeks to make digital textbooks available to a greater number of students at reduced cost. (See “IU Strikes E-Book Agreements” on page 58 of BizEd’s January/February issue.) In February, IU announced that Harvard Business Publishing had agreed to create eTexts for students on IU’s campuses.

“Efficient markets have informed buyers and sellers, and this multi-university pilot is a big leap forward for institutions to better understand how they can shape the market during the transition to digital,” says Brad Wheeler, vice president for information technology and chief information officer at Indiana University.

As initiatives such as those mentioned above are expanded, they just might be catalysts for growth in the market for low-cost or free digital textbooks. And as far as the educators who’ve created their own digital alternatives are concerned, these efforts have the potential to replace textbooks altogether.

Information about OpenStax can be found at www.openstaxcollege.org. To read about the Internet2 and eText initiatives, visit www.internet2.edu and etexts.iu.edu.
The Ethical Society

ALTHOUGH ACADEMIC honor societies have been in existence for centuries, in recent years many school officials have lost their enthusiasm for them. I’ve heard faculty—even deans—express the idea that honor societies are of limited value; that they are outdated organizations whose time has passed. And yet, I maintain that these societies still deserve a prominent place on university campuses, partly because of that very concept of honor.

In recent years, as business schools have come under fire for the misbehavior of prominent CEOs, administrators have considered the best way to introduce ethics into the curriculum. Some schools have instituted mandatory oaths of honor, through which graduates pledge that they will act with honesty, loyalty, and integrity in all their business dealings. I believe that honor societies already address this very important issue. While they are created to recognize and reward students for academic achievement, they have the effect of encouraging members to behave ethically over a lifetime—and of inspiring nonmembers to meet high standards as well. Consider these points:

- Membership in an honor society offers the very best students recognition over and above their diplomas, which reinforces a deeper relationship between the school and its top graduates. And because membership in honor societies is usually lifelong, graduates are constantly reminded of the ideals and behaviors they are expected to uphold.

- Many honor society chapters do a great service to individual members, the faculty, and the school itself. For instance, students serve as ambassadors for the school, engaging with important stakeholders such as corporate leaders and alumni.

- The best honor societies challenge their students to make the most of their intelligence and their education. For instance, Beta Gamma Sigma is composed of the top business students, alumni, and faculty from AACSB-accredited schools. This is what BGS tells its members: “You are the best based on your academic career. Now go out and do great things in your professional life.” They know they can never rest on their laurels; they must always push themselves to do more and be better.

- Honor societies provide inspiration for other students on campus. When I was dean at James Madison University, we staged many induction ceremonies for Beta Gamma Sigma, and we always invited nonmember friends, family members, and faculty to attend the events. I believe such recognition ceremonies encourage all students—and faculty and staff—to step up their own efforts in all their endeavors. I also believe that when others are introduced to the activities and philosophies of honor societies, it raises the level of ethical awareness among the whole community.

Beta Gamma Sigma recognizes students who have excelled in business overall, but many fine new societies recognize students who have shown outstanding talent in specific fields such as management, accounting, finance, decision sciences, and marketing. Other societies honor success at certain class levels, success across several disciplines, or—like the Golden Key Society—general academic excellence. Finally, the world’s oldest honor society, Phi Beta Kappa, has been a treasure trove for those in the liberal arts and sciences since it was established in 1776. Its motto, “Love of learning is the guide of life,” is something all of us in the academic world can appreciate.

Because there are a number of societies operating today, students with particularly strong skills may be members of several organizations. At James Madison, for instance, some students might be invited to join BGS as well as Mu Kappa Tau, which is dedicated to students majoring in marketing. This

Honor societies have the effect of encouraging members to behave ethically over a lifetime.
only reinforces the positive impact of honor societies, because dual memberships enhance students’ networks, strengthen their ties to their schools, and offer them yet another framework for ethical behavior.

With all the benefits that honor societies offer, why do some academics regard them with disfavor? Their cynical attitudes might spring from the fact that there has been a proliferation of for-profit organizations that are “honor societies” in name only. They accept anyone, regardless of credentials, and they ask for payment with no value in return. Well-meaning students are deceived into thinking they’re joining a prestigious organization as they look for any advantage in the looming chase for meaningful employment. What these students find is that “membership” gives them nothing more than a worthless piece of paper, and they end up believing all honor societies are dishonorable. I’ve seen countless Facebook postings, tweets, and blogs in which students ask if there is any value to joining a specific society identified by letters from the Greek alphabet. Invariably, there will be numerous responses along the lines of “Don’t join any of them” and “All these things are rip-offs.” These students may be referring to pseudo-honor societies, but such comments damage the reputations of legitimate organizations.

These lesser societies also damage the reputation of the school, because some students will blame the administration for allowing such organizations to contact them. I believe it’s our responsibility as educators to help students understand not only the value of honor societies, but also the difference between the ones that can help them in their careers, and the ones that might actually hurt them. In effect, we must show them the difference between societies that promote ethics and societies that have none whatsoever.

But how do we differentiate between the two? Administrators and faculty who are unsure about whether or not an honor society is legitimate should first visit www.achsnatl.org, the Web site of the Association of College Honor Societies, which certifies honor societies. If an organization is not included on ACHS’s certified list, administrators should scrutinize it more closely before encouraging their students to join.

The best honor societies—and of course I include BGS in that group—will not only offer real value to their members, they will also endure. On February 19, 2013, BGS reaches its 100th anniversary, which it is marking through events under the umbrella of “Celebrate a Century of Excellence.” Among its many special programs will be “BGS Gives Back,” an initiative that tracks how much time its 680,000 members spend volunteering and the many ways they do it. BGS will also celebrate at academic conferences and AACSB-accredited schools throughout 2012–2013. The organization will host several “Meet the Leaders of Business” events where collegiate and alumni chapters will be invited to participate.

Like BGS, other legitimate honor societies provide business schools a tremendous opportunity to connect with their best students while providing role models for all students. As schools search for ways to integrate ethics into their classrooms, they should remember that, through honor societies, they have a way to integrate ethics into the very lives of their students—through graduation and throughout their professional careers.

Robert Reid is president, member of the board of governors, and lifetime member of Beta Gamma Sigma, based in St. Louis, Missouri. The former dean of James Madison University’s College of Business in Harrisonburg, Virginia, he has been named future Chief Accreditation Officer for AACSB International in Tampa, Florida, to begin in October. More information about the celebrations for the BGS anniversary can be found at www.betagammasigma.org/centennial.
REVERSE INNOVATION
AUTHORS: Vijay Govindarajan and Chris Trimble

TOO MANY companies try to approach emerging nations with scaled-down and less expensive versions of products that have succeeded in Western markets, but that tactic is bound to fail, say Govindarajan and Trimble of Dartmouth. Customers in these nations are starkly different from their Western counterparts; they have less money, unreliable infrastructures, different regulatory systems, different preferences, and a bias toward sustainable technology. To succeed in these markets, corporations must design new products from scratch. “You must let go of what you’ve learned, what you’ve seen, and what has brought you your greatest successes,” the authors write. “In fact, it’s best to assume you’ve just landed on Mars.” The payoff is not just the huge market at the base of the pyramid. Products such as portable ultrasound machines that have been “reverse innovated” for emerging nations are often hugely popular in Western countries. If MNCs don’t design these products, the authors warn, local “emerging giants” will—with wide-ranging and game-changing consequences.

UNCOMMON SERVICE
AUTHORS: Frances Frei and Anne Morriss

SERVICE JOBS represent 80 percent of the U.S. GNP, so why is good service so rare? In this upbeat and highly readable book, the authors isolate “four service truths” that companies must understand: They can’t be good at everything, so they have to choose to perform badly on some dimensions. They have to fund great service through high fees, low costs, or some other tradeoff. They can’t expect employees to show superhuman dedication, but must create a model that “sets up average people to excel as a matter of routine.” And they have to make customers do some of the work, whether it’s hunting for the items they want in a cavernous warehouse or assembling the final product at home. Frei, a Harvard professor, and Morriss, who is with the Concire Leadership Institute, guide readers through the process of identifying their own core attributes, as well as the ones customers really value. Then they, too, can become organizations with “offerings, funding strategies, systems, and cultures that set their people up to excel casually.”

WHAT MATTERS NOW
AUTHOR: Gary Hamel
PUBLISHER: Jossey-Bass, US$26.95

HAMEL, MANAGEMENT guru and London Business School professor, offers a passionately argued and extraordinarily articulate discussion of everything wrong with management today and what might be done to fix it. He identifies five issues that companies need to address or embrace—values, innovation, adaptability, passion, and ideology—and offers five unblinking, uncompromising essays on each. In a chapter on values, for instance, he heaps scorn and indignation on the scandal-plagued CEOs of the past decade, but then he asks the next hard question: “Are you going to be a values leader or a values laggard? It’s easy to excoriate fraudster CEOs and greedy bankers, but what about you? … We can’t expect others to be good stewards if we’re not.” He doesn’t cut government regulators any slack, either. “The bomb that blew up the U.S. economy may have been detonated on Wall Street, but it was manufactured in Washington, D.C.” It’s a tough, beautiful, angry, and hopeful love letter to capitalism.

A WIDE LENS
AUTHOR: Ron Adner
PUBLISHER: Portfolio/Penguin, US$29.95

IN THE 1990s, Michelin developed a “run-flat” tire that the
company, the media, and car manufacturers expected to revolutionize the industry. But despite its clear advantages, the tire never caught on. Why? Service stations didn’t want to invest in the equipment and training that would allow them to repair the tires. According to Adner, a business professor at Dartmouth, Michelin didn’t understand that it had to manage its entire “innovation ecosystem” in order to get its creative new idea to market. His book offers the idea that any would-be innovator must consider “Co-Innovation Risk, the extent to which the success of your innovation depends on the successful commercialization of other innovations; and Adoption Chain Risk, the extent to which partners will need to adopt your innovation before end consumers have a chance to assess the full value proposition.” Companies that view innovation supply chains with this wide lens will discover the blind spots where innovation could fail—and correct the problems before they roll out a costly disaster.

THE STRATEGIST
AUTHOR: Cynthia Montgomery

Yale professor Robert J. Shiller understands that a huge segment of the population is angry at the 1 percent with all the money, but he thinks they’re wrong to blame the financial system. In FINANCE AND THE GOOD SOCIETY, he makes the case that traditional finance instruments can be used to “help us create a better, more prosperous, and more equitable society”—but key reforms are needed. He’s not talking about legislation that hobbles financial innovation, but investment safeguards that take “human quirks” into account and taxation structures that address economic inequality. It’s a deeply intelligent and elegantly argued contribution. (Princeton University Press, US$24.95)

Despite the powerful twin forces of technology and globalization, it’s still true that ALL BUSINESS IS LOCAL, according to CEIBS dean John Quelch and consultant Katherine Jocz. “Place” might be the most important of the famous “4Ps” of marketing, they argue, partly because consumers “have strong mental associations with places and place images that carry over to product preferences.” Place also matters in the very broad scope—as when Google faced challenges providing its services in China—and in the more narrow and immediate one—as when GPS-enabled mobile devices recommend nearby restaurants to users. In today’s marketplace, the authors say, companies must consider both the global and the local context to survive. (Portfolio/Penguin, US$25.95)

“Perhaps no business pursuit is messier than creating an organization from scratch,” observes Harvard’s Noam Wasserman in THE FOUNDER’S DILEMMA. He’s most interested in the “people problems” inherent in any startup, including what motivates founders to start a business, why they choose their partners and investors, and why they bow out. He’s also fascinated by the choices they make early on—such as hiring unqualified family members—that could have profound implications when the company starts to grow. “At each fork in the road, the wrong decision can send the startup over a cliff. … Each outcome also heightens the startup’s chances of success or failure.” (Princeton University Press, US$35)
The Amazing Case

Last October, the University of Pittsburgh’s Katz Graduate School of Business organized its inaugural “Great Case” business ethics case study competition, open to graduate students in business, law, and public policy. The competition was sponsored by the Katz School’s David Berg Center for Ethics and Leadership, the Greater Pittsburgh Compliance Roundtable, and Pitt’s School of Law. The school invited participants from the University of Pittsburgh, as well as nearby Carnegie Mellon University and Duquesne University.

The competition, which involved 31 teams of two students each, was conducted in three rounds. In the first, held in the School of Law’s moot court room, students had to identify potential ethical issues in a fictitious corporate memo. In the second, held at the Katz School, they examined the company’s ethics policy for conflicts of interest and presented evidence for any conflicts they found.

For the final round, at the school’s University Club, the teams wrote five-minute briefs that recommended one of four courses of action to shareholders. Here, the judges—who included compliance officers, law and business professors, and financial investment professionals—questioned the teams before choosing a winner. They scored each team based on the content, clarity, and creativity of their responses.

Teams had 45 minutes to complete each round—those that arrived late received a five-point penalty. The winning team from Carnegie Mellon received $3,000. The top three teams were invited to attend the 2011 Pittsburgh Financial Services Symposium the next evening.

The Case

Teams reviewed an existing case study from the Thunderbird School of Global Management in Glendale, Arizona, which explores the ethical and legal ramifications of joint venture investments made by homebuilder Lennar Corp. in 2008 during the housing crisis.

The Inspiration

Katz faculty modeled the competition after the television show “The Amazing Race,” in which two-person teams race to destinations around the world and complete a challenge at each stop. “We mimicked the ‘Amazing Race’ model to bring energy and a bit of chaos to the event,” says Audrey Murrell, lead planner for the competition and director of the school’s Berg Center. The school engaged undergraduate business students as volunteers to help coordinate the competition and guide visiting students to each building.

Future Plans

The school will hold the “Great Case” competition again in October 2012. For the second run, faculty plan to use an original case study and invite students from a larger number of schools.