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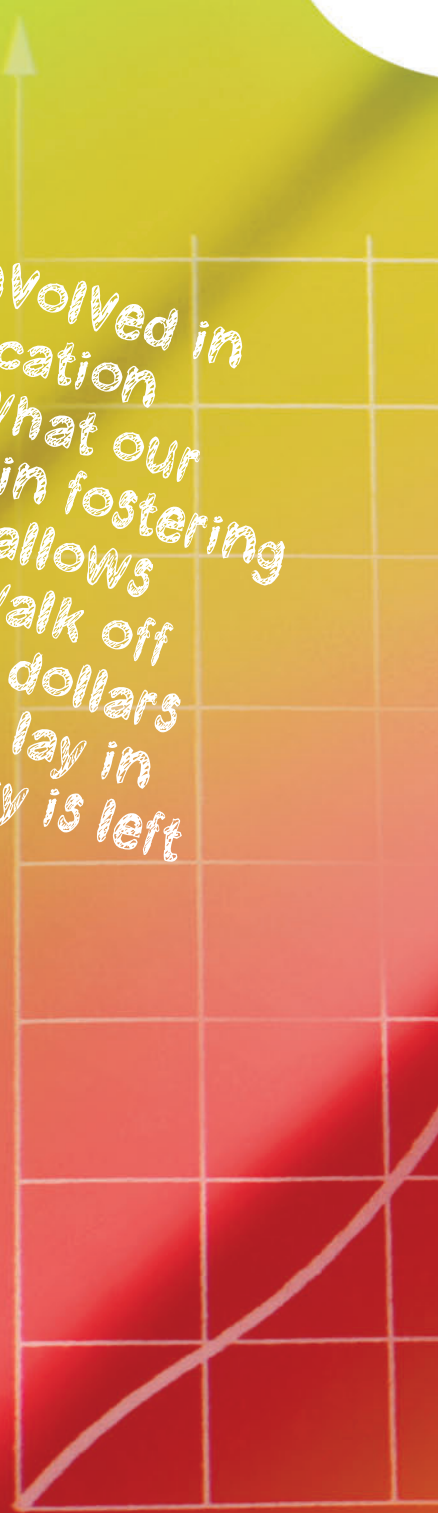
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# Why Character is Destiny for Business Schools — and the MBAs They Groom

by Eric Krell

**To get a picture of what graduate business education of the future will resemble,** it helps to look back 2,500 years or so.

That's when Greek philosopher Heraclitus proclaimed that "character is destiny." This ancient wisdom describes the way in which business schools currently strive to differentiate their cultural offering to prospective students...in the midst of a global financial crisis that has forced university leadership to rethink the fundamental nature of graduate business education.





1. ETHICS/VALUES
2. TOUGH ECONOMIC TIMES
3. WHAT CAN WE DO!?

$X \neq = ?$

THE BIG  
QUESTIONS...

WHAT ARE THEY?

"The one thing that each school owns that is **completely unique** is its own set of values."

This hard look in the mirror is hardly a new phenomenon. Business schools have wrestled with striking a balance between theory and application as well

as the nature of the research they produce since 1881, when The Wharton School of the University of Pennsylvania, the United States' first university business school, was founded. Today, the lingering financial crisis and heated debates about what, if any, role business schools and MBAs played in triggering it, have intensified this ongoing self-reflection.

"All of us involved in business education need to ask what our role has been in fostering a culture that allows executives to walk off with millions of dollars while their firms lay in tatters and society is left with the bill," Harvard Business School professors Jay Lorsch and Rakesh Khurana wrote in *BusinessWeek* in November 2008 as the financial crisis lay waste to Wall Street firms, global economies and millions of personal balance sheets.

While the self-assessment continues (and, indeed, appears unlikely to abate any time soon), a clearer picture has emerged of the 21<sup>st</sup> century business school.

Graduate business education is becoming more agile in responding to breaking business issues with relevant classroom instruction. The overall education "product" is growing more integrated, linking together a wider range of disciplines and insights (including international perspectives) to better prepare students to manage an increasingly complex and global business environment. Finally, as Lorsch, Khurana, other professors, business school administrators, MBA students and companies advocate, more business schools will delve into the realm of ethics and values in a more meaningful manner.

This emphasis on values extends to how business schools position themselves in the marketplace, notes Tim Westerbeck, managing director and principal of LipmanHearne, a firm that serves nonprofit institutions, including universities and their graduate business schools.

"Trying to differentiate based on a specific type of program or a 'product attribute,' is difficult at a time when there are so many similarities in these [educational] products," he explains. "The one thing that each school owns that is completely unique is its own set of values. I see business schools trying to reach the market based on their unique values, their cultural norms and other less tangible attributes."

# THE CRISIS *Will Provide* LESSONS

The recession continues to enact tangible impacts on many business schools. Almost 50 percent of all Executive MBA (EMBA) programs and part-time MBA programs suffered decreases in applications in 2009, according to *BusinessWeek*.

"Clearly, what's happening in the economy has had an impact on business school enrollment," notes Linda A. Livingstone, professor of Management and dean of Pepperdine University's Graziadio School of Business and Management. In most cases, declining enrollment has been limited to executive and part-time MBA programs.

These developments represent typical recessionary effects. During tough economic times, companies often reduce or eliminate EMBA reimbursements. Additionally, the high unemployment accompanying the current downturn has forced managers who remain on the job to take on greater workloads; they have less time to invest in outside development opportunities.

Yet, enrollment in full-time MBA programs remains healthy for the most part, which also tends to occur during economic downturns. "Top schools are still filling their classes," Westerbeck reports.

A more long-lasting impact of the 2008-2009 global financial crisis involves the questions the bruising recession raised about the nature of business school education.

**"Business schools must be nimble, current, global and technology-driven – like the students they hope to attract. They need to offer real-world experiences and a real-world focus, such as equipping graduate business students with the ability to formulate and write strategic business plans."**





## WILL BE Continuous

### ASSESSMENT

One Harvard Business School alumnus raised a ruckus last spring when he wrote a column in *The Times* of London reprimanding his fellow alumni along with Columbia and Wharton MBAs for creating the conditions that sparked the financial crisis.

"There was a lot of blame placed on business schools for the financial crisis," Livingstone notes. "Some of it may have been justified, but not all of it. This tends to occur during an economic downturn: people want to place blame somewhere. I think this discussion has forced business schools to become even more introspective about what we do."

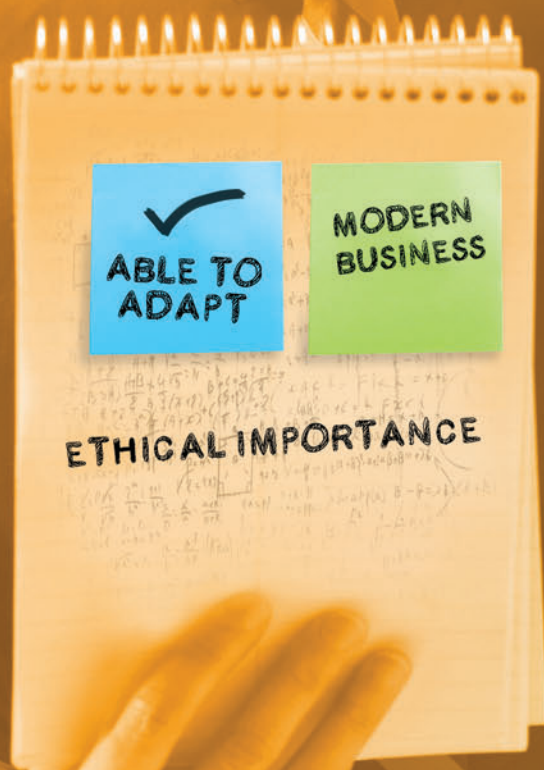
That introspection took place in the past, of course. These debates flared up every 10 to 15 years or so when an economic downturn, a string of corporate scandals or even a controversial paper appeared (as occurred several years ago when Stanford business professor Jeffrey Pfeffer co-authored a research paper with data suggesting that earning an MBA degree does not correlate with career success).

The discussions, while familiar in many respects, sound less likely to fade this time around.

**"Self-assessment is extremely important, and I don't expect that to dissipate,"** notes Gary Carini,

associate dean of graduate programs at Baylor University's Hankamer School of Business. "Business schools are asking big questions: What will the curriculum look like in five years? How relevant are we? How risk-averse are we? Are we willing to make the changes that we may need to make, given the current economic environment?"

In other words, business schools are asking the same strategic questions that companies led by business school graduates now confront. "And frankly," Livingstone says, "we need to be able to look at ourselves and ask: What can we do better? How can we help bring our region, the country, and the global economy out of this? ... As long as the assessment, evaluation and criticism are fair, I think we all need to be open to it."





# AGILITY Will Be A CORE COMPETENCY

The need comes not only from internal discussions but also from external demand.

Laura Beck, managing director of global public relations (PR) firm Porter Novelli's Austin, Texas, office, has worked with marketing and operational executives at hundreds of companies during her past decade running a PR office.

"It is difficult to believe, but the PR and marketing-related case studies that we hear are still used in graduate business classes are more than 20 years old: Tylenol, from 1982, as an example of crisis management executed the right way; and the Exxon Valdez debacle, from 1989, as crisis management done wrong," Beck says. "The more real-world, current, actionable experience – whether through 'living' case studies, internships or field research – that MBA programs can provide, the better. Given the pace of change and the magnitude of complexity at work in the world today, MBA programs should ensure that their graduates are equipped with the street smarts employers need to thrive in this turbo-charged environment."

A 2009 *BusinessWeek* study found that its highest ranked EMBA, part-time MBA and executive education programs are those that adapted the quickest to the changes brought on by the financial crisis.

The ability to adapt classroom curriculum and discussions to help students understand and learn from breaking business developments requires a unique culture: administrators need to make this approach a priority and professors need to collaborate with each other on how (and why) new content can and should complement existing curriculum.

"This is one of the areas where we believe our culture at Baylor offers an advantage," Carini notes. "Our MBA faculty members are physically situated right next to each other, we eat lunch together, and we meet at least three out of four weeks every month – because we want to. If the finance professor comes in and says, 'I think I really need to start emphasizing X due to what's

happening on Wall Street, and I'd like some support from economics and strategy,' we all trust his or her expertise and figure out how to support that in other classes."

Linda Carlson, publisher of American Airlines' Web site ([www.aa.com](http://www.aa.com)) and a member of the Hankamer School of Business advisory board, agrees. "Business schools must be nimble, current, global and technology-driven – like the students they hope to attract," she says. "They need to offer real-world experiences and a real-world focus, such as equipping graduate business students with the ability to formulate and write strategic business plans."

"I WILL  
*create*  
VALUE RATHER  
THAN EXTRACT  
VALUE."



# INTEGRATION WILL Define THE OFFERING

As Carini and others note, adapting classroom learning and research to reflect rapidly changing business conditions requires a culture of trust and collaboration – the result of which is an educational offering with greater integration across business disciplines.

"In an effort to prepare graduates to manage people and to lead organizations, business schools increasingly emphasize the integration of disciplines so that courses overlap and students learn how to make decisions using all areas of the core business courses," notes Laurie Wilson, director of graduate business degree programs at Baylor University's Hankamer School of Business. "Even before the financial crisis, business schools recognized the need for MBA students to develop communication and leadership skills in addition to the traditional MBA quantitative skills."

The drive for integration stems from the growing complexity and interconnectedness of business – two qualities that the financial crisis so painfully demonstrated; think of credit default swaps (complexity), or consider how Iceland suffered from the refinancing mania in Nevada, Florida, California, and other parts of the U.S. (interconnectedness).

"This big push [for more integrated learning] was fundamentally in recognition that the world of global business has grown infinitely more complex and that neither problems nor opportunities fit into convenient little boxes," Westerbeck says. "Modern business executives don't have accounting problems or finance problems or supply chain problems. They have complex, multi-dimensional programs and opportunities."

Just ask them.

"Consider manufacturing customers' needs for support in a geography remote to their suppliers' main operations," notes Blake Moret, vice president and general manager of customer support and maintenance for Rockwell Automation.

"How will they get replacement parts? Who can they call for technical support? And how will they train their new workers? An MBA grad is most useful if he or she can appreciate the multiple paths to a successful solution. The manager who can define fundamental needs, identify the broadest set of alternative actions that can meet these needs, and consistently put solid implementation plans in place will win."

Grooming future executives who can address these sorts of multifaceted challenges, Moret and others say, requires MBA graduates with a highly diverse educational experience, one that includes international perspective.

"Smart business schools realize that the current and future economy is global," says American Airlines' Carlson. "There will be an increased focus on India, China, Asia, and Europe, and the U.S. needs to prepare its young professionals to meet these challenges."


Baylor's Hankamer School of Business and other business schools have been offering integrated programs and joint degrees, such as Healthcare MBAs or master's degrees in Engineering/MBA, since well before the financial crisis, and this trend should continue.

"Different fields are talking to each other more often to make sense of increasingly complex business challenges," Carini notes. "As a result, business schools need to ask how we can use our resources more effectively while preparing our graduates with a deeper blend of knowledge. More integrated educational offerings between, for example, finance and law or between health care and business could help generate a new wave of entrepreneurship that our country needs right now."

CONVENIENT LITTLE BOXES  
INTEGRATED LEARNING  
The Big PUSH  
MORE COMPLEX







"I'm not exclusively interested in money. I want to do something that I'm really **passionate** about and to find a situation where I can make a difference."

## VALUES WILL GROW More VALUABLE

The importance of ethical education represents another capability, and one that a surprising number of business schools appear to have taken to heart only recently.

While Enron, WorldCom, Tyco and early-2000-era corporate scandals delivered a wakeup call to MBA programs without sufficient ethics content, the highly questionable risk-management-related decision-making that sparked a far worse economic downturn of 2008-2009 suggests that not enough business schools received the message.

In a May 2009 piece that appeared on *National Public Radio*, Harvard's Khurana suggested that the fundamental mode of business education needs to be revisited. He asserted that MBA graduates need to enter (or reenter) the business world with a different mindset – one that says, "I will create value rather than extract value," rather than, "I'll get back to society after I make a lot of money."





The growing adoption of sustainability initiatives and corporate social responsibility (CSR) programs by companies of all sizes may reflect the growing importance of ethical behavior within organizations. "Some business schools recognized the CSR trend before the financial crisis," Wilson notes. "A new generation of students is looking for an education to help them make a difference in the world."

And a new generation of business leaders is beginning to define "sustainability" in terms that extend well beyond environmental stewardship. At its essence, the term "sustainability" is a value, asserts LRN founder, chairman and CEO Dov Seidman, one that says,

**"I will behave as if I will always be here and be held accountable for what took place on my watch."**

For years, Seidman, the author of *HOW: Why HOW We Do Anything Means Everything ... in Business (and in Life)* (Wiley, 2007), and his firm have helped client companies build organizational cultures around the idea that the most principled businesses also are the most profitable *and* sustainable businesses. Seidman describes values as "very efficient" because a "handful of values can inspire an infinite amount of sustainable behaviors that would take a thousand pages of regulations to accomplish."

A growing number of current and incoming MBA students show a commitment to creating value in a company through their values. "We're hearing more students say, 'I'm not exclusively interested in money. I want to do something that I'm really passionate about and to find a situation where I

can make a difference,'" says Carini, who points to Baylor students' recent involvement in the Prison Entrepreneurship Program as an illustration.

The program helps transform entrepreneurially-minded prisoners from tax consumers into tax payers with legitimate businesses upon their release. Business school students donate their guidance on business plans. When Carini brought up the idea of getting involved in the program to MBA students, he hoped to muster five volunteers. Twenty-seven students signed up. And other volunteer programs have generated similar responses.

"Schools such as Baylor have always been noted for their ethics program and their focus on ethics," Carlson notes. "As a result, **Baylor tends to attract the socially-conscious type of student.** Graduates with this focus are just that much more competitive to the companies who will employ them. So, in a way, it is a new calling card – graduates need to have this focus to be successful within the companies who employ them."

As business schools seek to differentiate themselves in a complex, interconnected global economy, their new calling card is their culture. And the business school programs that are destined to thrive and sustain their success, understand that character is the centerpiece of their culture.



# ENTREPRENEURSHIP AND THE *ECONOMY*

Recessions may feel like the worst of times, but they also represent the **best of times** – at least to the entrepreneurs who leverage downturns to launch businesses that later rise to the upper reaches of the Fortune 500 list.

This may sound like fiction, yet it's an interesting fact, according to a 2009 survey. It also explains why more business schools of the future will seek to develop their entrepreneurship offerings.

"Universities that have an emphasis in entrepreneurship...should see a growing interest in this area," says Linda A. Livingstone, professor of Management and dean of Pepperdine University's Graziadio School of Business and Management. "This is an extremely important area right now. Real people with entrepreneurial capabilities – whether they reside in larger companies, smaller companies or start-ups – are making a difference in turning the economy around. Some of the great companies of all time have been started in downturns."

Livingstone is right, according to a June 2009 study by the Ewing Marion Kauffman Foundation. More than half of the companies on the 2009 Fortune 500 list were launched during a recession or bear market, along with nearly half of the firms on the 2008 *Inc.* list of America's fastest-growing companies.

"History has demonstrated this time and again: new firms create new jobs and fuel our economy," notes Carl Schramm, president and CEO of the Kauffman Foundation. "Policies that support entrepreneurship support recovery."

Baylor's new research park, Immersion Into International Interdisciplinary Innovation (i5) program, and other components of its entrepreneurship offerings (see pg. 34), demonstrate the Hankamer School of Business' commitment to entrepreneurship. This commitment began in 1977, with the introduction of the first entrepreneurship course as part of the MBA curriculum. In 1979, graduate and undergraduate entrepreneurship majors were added, and two years later an endowed Center for Entrepreneurship was established.

"In addition to values – which cover ethics, corporate social responsibility and sustainability – and healthcare, entrepreneurship remains a strength and focus of our MBA program," says Gary Carini, associate dean of graduate programs at Baylor University's Hankamer School of Business. **"Many of our students are interested in entrepreneurial endeavors, and we will continue to provide opportunities for students to pursue their passion."** That's good news for Hankamer students and perhaps even better news for the economy.

