Business School Responses to the Global Crisis

Global Crisis and Management Education: Challenges and Opportunities

Milenko Gudic
&
Al Rosenbloom
Co-Investigators
The Changing World

- Globalization
- Technological progress
- Structural changes
- Sectoral changes
- Institutional changes
- Demographic changes
- Sociological changes
- Psychological changes
Current Crisis

- Financial?
- Economic?
- Social?
- Ethical / Moral?
... Evolving Dilemmas ...

• Dilemma of Growth
  – Materialism versus Quality of Life

• Dilemma of Power
  – Control versus Freedom

• Dilemma of Profit
  – Self-Interest versus Community
Are Business Schools Ready for Change?

- The “Challenge Myopia”
- Self-complacency
- Quasi-monopolistic position
- Tradition and inertia driven culture
- Growing mediocrity
- Risk aversion
The Business of Business Education

Business Approach: Key aspects:

- Vision
- Mission
- Strategy
- Innovation
- Risk

- Programs
- Process
- Actors
- Organizational & Institutional
- Rewards
CEEMAN History

- Learning from others
- **Learning from each other**
- Sharing with others
Survey Background

• Exactly one year ago, the Global Crisis hits
• A few of the (now) well-known facts
  – Lehman Brothers is allowed to fail
  – US government steps-in to support banks on the verge of default; enacts a $750+ billion national stimulus plan
  – British and German governments put into effect their own plans to prevent economic contagion
  – Icelandic banking system faces near total collapse
  – Latvia & Hungary undergo significant economic stress
CEEMAN Annual Meeting Tirana

- 16th conference theme developed: Local Responses to the Global Crisis
- A survey of how business schools are responding to the crisis first proposed
- CEEMAN agrees to sponsor and develop survey
Survey Timeline

• December, 2008: First draft prepared for review in New York
  – Coincides with PRME’s first global conference at United Nations
• May, 2009: Working meeting to refine survey (Beograd)
• June, 2009: Revised survey submitted for expert review and comment
  – Derek Abell, Jim Ellert, Danica Purg, Arnold Walravens
• July, 2009: Final version posted on surveymonkey.com
A Sponsor’s Advertisement

• The survey is still open.
• You can still add what your school is doing
• http://www.surveymonkey.com/crisis
Groups Asked to Participate

- CEEMAN members
- IMTA Alumni
- CEEMAN Exchange Members
- Other CEEMAN contacts
Global Interest

- Australia
- Middle East
- Central Asia
- South America
Survey Overview

Six major components

1. General attitudes toward the crisis
2. Curricular changes prompted by the crisis
3. Enrollment trends
   Previous two years, crisis response, one year forecast
4. Faculty hiring trends
5. Institutional vitality measures
   Changes in competition, tuition, cash flow, marketing, research funding
6. Respondent demographics
Harvard Study

• CEEMAN Survey replicates four questions:
  – Business courses are too biased toward the impact on the bottom line.
  – Professors rely too much on simplifying assumptions to drive their research and teaching.
  – Business schools share a large part of the blame for the current crisis.
  – The free market system is mostly to blame for the current crisis.
Who responded?

Respondent Profiles
Survey Responses

- 179 respondents
- 47 different countries
Central & Eastern Europe (n=26)

- Albania
- Bulgaria
- Croatia
- Czech Republic
- Estonia
- Hungary

- Latvia
- Lithuania
- Poland
- Romania
- Slovak Rep
- Slovenia
Western Europe (n=37)

- Belgium
- Denmark
- Finland
- France
- Germany
- Ireland
- Italy
- Portugal
- Spain
- Sweden
- Switzerland
- UK
Asia (n=10)

- China
- India
- Bangladesh
- Kazakhstan
- Malaysia
- Pakistan
- Singapore
Asian Responses
Other Parts of the World

- Russia & Neighbors (n=9)
  - Russia
  - Ukraine
  - Belarus

- Eastern Mediterranean (n=4)
  - Turkey
  - Cyprus
  - Israel
  - Lebanon

- The Americas (n=3)
  - United States
  - Canada
  - Mexico

- Other Countries (n=7)
  - Australia
  - South Africa
  - Uganda
  - UAE
Country Responses Grouped by Region

- Central & Eastern Europe: 26
- Western Europe: 37
- The Americas: 4
- Russia & Neighbors: 9
- Eastern Mediterranean: 3
- Asia: 10
- Other Parts of the World: 7
## Business School Size

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Median</th>
<th>Smallest School</th>
<th>Largest School</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Undergraduate</strong></td>
<td>1730</td>
<td>800</td>
<td>30</td>
<td>15000</td>
</tr>
<tr>
<td>total enrollment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n = 79)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MBA</strong></td>
<td>246</td>
<td>100</td>
<td>10</td>
<td>4000</td>
</tr>
<tr>
<td>total enrollment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n=76)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EMBA</strong></td>
<td>127</td>
<td>50</td>
<td>5</td>
<td>1200</td>
</tr>
<tr>
<td>total enrollment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n=57)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Student Population

<table>
<thead>
<tr>
<th>Predominantly national with some international students</th>
<th>75</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predominantly international with some national students</td>
<td>20</td>
</tr>
<tr>
<td>Completely national</td>
<td>9</td>
</tr>
<tr>
<td>Completely international</td>
<td>6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>110</strong></td>
</tr>
</tbody>
</table>
# School Accreditation

<table>
<thead>
<tr>
<th>Accreditation Type</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>National accreditation</td>
<td>70</td>
</tr>
<tr>
<td>AMBA</td>
<td>9</td>
</tr>
<tr>
<td>Equis</td>
<td>5</td>
</tr>
<tr>
<td>AACSB</td>
<td>1</td>
</tr>
<tr>
<td>IQA</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>86</strong></td>
</tr>
</tbody>
</table>
**Respondent Job Duties**

<table>
<thead>
<tr>
<th>Role Description</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty with some administrative duties</td>
<td>53</td>
</tr>
<tr>
<td>Faculty with no administrative duties</td>
<td>23</td>
</tr>
<tr>
<td>Administrator with some teaching duties</td>
<td>18</td>
</tr>
<tr>
<td>Administrator with no teaching duties</td>
<td>11</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>105</strong></td>
</tr>
<tr>
<td>Discipline</td>
<td>Count</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Management</td>
<td>19</td>
</tr>
<tr>
<td>Marketing</td>
<td>17</td>
</tr>
<tr>
<td>Strategy</td>
<td>14</td>
</tr>
<tr>
<td>Org Behavior</td>
<td>12</td>
</tr>
<tr>
<td>Finance</td>
<td>11</td>
</tr>
<tr>
<td>Leadership</td>
<td>7</td>
</tr>
<tr>
<td>Accounting</td>
<td>6</td>
</tr>
<tr>
<td>Economics</td>
<td>6</td>
</tr>
<tr>
<td>Ethics/CSR</td>
<td>5</td>
</tr>
<tr>
<td>Ops Mgmt</td>
<td>2</td>
</tr>
<tr>
<td>Law</td>
<td>1</td>
</tr>
<tr>
<td>Statistics</td>
<td>1</td>
</tr>
</tbody>
</table>
## CEEMAN Member

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>43</td>
</tr>
<tr>
<td>No</td>
<td>39</td>
</tr>
<tr>
<td>Not sure/can't say</td>
<td>31</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>113</strong></td>
</tr>
</tbody>
</table>
What are your attitudes toward the crisis?

Duration
“Cause”
I think this is a short-term global crisis.
I think this is a long-term global crisis.

- Strongly disagree: 4.78%
- Disagree: 16.67%
- Neutral: 10.71%
- Agree: 42.28%
- Strongly agree: 25.60%

n = 168
The effect(s) of this global crisis is/are worse in my home country than in other countries.

n = 172
Crisis is Worse in My Home Country (Agree + Strongly Agree)

- Croatia
- Denmark
- Estonia
- Germany
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Mexico
- Pakistan
- Russia
- Slovak Republic
- South Africa
- Spain
- Sweden
- United Kingdom
- Ukraine
Issues related to finance are at the core of the global crisis.

- Strongly disagree: 0.49%
- Disagree: 5.78%
- Neutral: 8.67%
- Agree: 48.55%
- Strongly agree: 36.42%

n = 173
Issues related to economics are at the core of the global crisis.
Issues related to corporate accountability are at the core of the global crisis

![Bar chart showing percentages of responses to an opinion poll. The chart indicates that a significant portion of respondents agree or strongly agree with the statement.]
Issues related to corporate leadership are at the core of the global crisis

- Strongly disagree: 1.16%
- Disagree: 8.72%
- Neutral: 13.95%
- Agree: 48.26%
- Strongly agree: 27.91%

n = 172
Issues related to ethics and ethical decision making are at the core of the global crisis.

- Strongly disagree: 1.74%
- Disagree: 6.98%
- Neutral: 13.99%
- Agree: 34.88%
- Strongly agree: 42.44%

n = 172
Additional Thoughts on the Crisis

• The crisis shows the severe limitations of purely free market systems; that is to say, the excesses which occur when free markets are not subject to appropriate levels of regulation and when individuals are consumed by material greed at the expense of any other moral values.

• It is not the free market system, per se that is to blame but more an inability, or unwillingness, of the system to adequately punish those who have misled, either intentionally or unintentionally, the marketplace.
Additional Thoughts on the Crisis

- The shift to an innovation economy based on knowledge and creativity is taking place; currently, thus is bringing structural changes in economy.
- It is a crisis of trust induced by diversity of personal ethics. In a globalized world, individuals with alien ethics break the integrity of national [regulatory] systems that rely heavily on certain ethical mainstream.
- The increase of income inequalities are at the core of the global crisis
Additional Thoughts on the Crisis

- The crisis proves that the free market system works: Stupidity in financial systems and in decision making does not work in the long run.
One More Comment

• Academic paradigms are also to blame, especially Capital Asset Pricing Model (CAPM), the Efficient Market Hypothesis (EMH) and Fair Value Accounting (FVA), all of which are subverted by the way this crisis developed.
How Well are Business Schools Doing?
Professors rely too much on simplifying assumptions to drive their research and teaching.

n = 165
Business courses are too biased toward the impact on the bottom line.
Business schools share a large part of the blame for the current crisis

- Strongly disagree: 7.83%
- Disagree: 35.54%
- Neutral: 19.28%
- Agree: 28.92%
- Strongly agree: 8.43%
# B-School “Blame” X Discipline

Business schools share a large part of the blame for the current crisis

<table>
<thead>
<tr>
<th>Discipline</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Economics</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Ethics/CSR</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Finance</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Law</td>
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<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Leadership</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Operations Management</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Organizational Behavior</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>12</td>
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<tr>
<td>Management</td>
<td>0</td>
<td>7</td>
<td>2</td>
<td>9</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Marketing</td>
<td>1</td>
<td>9</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Strategy</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Statistics</td>
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<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9</strong></td>
<td><strong>34</strong></td>
<td><strong>19</strong></td>
<td><strong>29</strong></td>
<td><strong>10</strong></td>
<td><strong>101</strong></td>
</tr>
</tbody>
</table>
Have schools experienced external pressures for change?
## Pressure

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased government pressure for curriculum change</td>
<td>9</td>
<td>137</td>
</tr>
<tr>
<td>Increased pressure from civil society organizations for curriculum change</td>
<td>25</td>
<td>123</td>
</tr>
<tr>
<td>Increased pressure from professional organizations for curriculum change</td>
<td>30</td>
<td>117</td>
</tr>
<tr>
<td>Increase in negative publicity in popular press</td>
<td>43</td>
<td>101</td>
</tr>
</tbody>
</table>
What’s Your Perception of Competition?
Level of competition between business schools within my home country for past two years

- Modestly increasing: 3.48%
- Steady state -- no change: 17.39%
- Modestly decreasing: 46.09%
- Significantly decreasing: 33.04%
Change in competition between business schools within my home country due to crisis

- Significantly increasing: 1.90%
- Modestly increasing: 5.71%
- Steady state -- no change: 21.90%
- Modestly decreasing: 38.10%
- Significantly decreasing: 32.38%
Forecast change in competition between business schools within my home country

- Modestly increasing: 2.70%
- Steady state -- no change: 19.82%
- Modestly decreasing: 38.74%
- Significantly decreasing: 38.74%
Level of competition between my business school and international business schools for past two years

- Modestly increasing: 1.83%
- Steady state -- no change: 32.11%
- Modestly decreasing: 44.04%
- Significantly decreasing: 22.02%
Change in competition between my business school and international business schools due to crisis

- Significantly increasing: 0.98%
- Modestly increasing: 5.88%
- Steady state -- no change: 39.22%
- Modestly decreasing: 30.39%
- Significantly decreasing: 23.53%
Forecast competition between my business school and international business schools

- Modestly increasing: 1.89%
- Steady state -- no change: 27.36%
- Modestly decreasing: 35.85%
- Significantly decreasing: 34.91%