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The complexity of business schools

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Kai Peters and Howard Thomas wonder how long business schools can survive the growing complexity of their industry.

Increasingly, universities and, relatedly, business schools have become more complex and complicated – with multiple activities, multiple locations and multiple audiences. For example, state-wide higher-education systems exist across many US states including California, Texas, Virginia and Illinois while complex groupings of different Catholic clerical orders run universities around the world.

Complexity is increasing even at the more mundane level of individual universities and business schools, be they integrated or stand-alone institutions. Many work across multiple sites bridging urban and suburban campuses.

Add to this feeder/foundation-year activities and expanding online education often delivered in conjunction with for-profit partners, international campuses, academic partnerships and validation activities.

For another layer of complexity, consider the different products and services ranging from "business to consumer" items such as undergraduate and post-graduate pre-experience degrees, to post-experience programmes, part-time programmes for working professionals through to business to business executive education where corporate learning and development managers purchase education on behalf of their staff.

Lastly, scale these elements up to a global level. At last count, there are close to 200 countries in the world. Many of these countries are involved in international student mobility either as exporters or importers of students. In some, direct student recruitment is possible. In most, educational agents intermediate between the university and a school.

One can thus view the managerial challenges of these more complex institutions as a three-dimensional Rubik's cube with one axis representing products, another location and third markets. Defining the suitable strategies and structures for institutional success, alas, is neither simple nor as well developed as it ought to be.

Recent trends

In some cases, institutions were brought together through mergers policies instigated by local, regional or national governments. In France particularly, funding that had previously been provided by local Chambers of Commerce for business schools began to dry up leading to new constellations of multi-location institutions. French schools KEDGE and SKEMA are examples of these top-down driven mergers.

In other cases, mergers have occurred in more of a "mergers and acquisitions" manner to achieve critical mass. Reading University's acquisition of Henley Business School in the UK, Arizona State's acquisition of Thunderbird in the US and Hult's UK acquisition of Ashridge are all examples along these lines. Invariably there was an acquirer and the target.

Taking place mostly (but not exclusively) in the private sector and often (but not solely) originating from US or UK for-profit educational groups, a “buy and build’ strategy has been pursued. In some cases, the portfolio of schools has become significant and invariably the range of institutions acquired have covered a wide range of subjects and degree levels. A particularly interesting example to watch is EM Lyon in France, which not only has multiple locations but has also recently been acquired by a consortium of investment firms.

A number of individual institutions have expanded to the point where they have become small groups in and of themselves, having added suburban or urban campuses, international locations, and online activities. One of the authors’ own institution, Coventry University, now has five sites in the UK, three internationally, extensive online provision and a range of partnership arrangements.

This article thus has two goals. The first sets out to investigate what these market changes mean for increasingly complex business school internal management. The second is to reflect on what these developments mean for business school associations and accreditation activities.

Management consequences

There are two key effects of this scaling-up that deserve attention. The first is definitely paramount for many university-based business schools. It is simply that business schools are often no longer, if they ever were, masters of their own destinies. Decision making on scaling-up locations and activities largely happen beyond their control.

New initiatives such as branch campuses are almost always determined at a central university level, especially given that they often offer multiple subject area courses. Mergers and acquisitions are also centrally run.

Over time, this leads to business school activities in a variety of different forms and locations. A business school will no doubt have opinions and may well be consulted but generally does not have the final say on the original initiatives or management later on.

> Business subjects are lucrative cash cows for universities and are often used by the central university administration to fund more “proper” university activities. One could be significantly harsher here but at last glance university presidents seem to view business schools more as funding sources than as legitimate university departments.

Similarly, how support services are organised across a university is also not in the gift of the business school. There is presently a noticeable trend in many universities to centralise a whole host of services in the name of efficiency and of avoiding duplication or divergence.

One clear factor, at least in the UK, is the increasingly stifling set of regulations faced by all institutions. There is thus a marked increase in centralised marketing, student recruitment and admissions; of centralised student advisory services, and of careers planning in addition to centralised registry, legal, financial, IT and HR services.

There clearly are benefits here but also down-sides in relation to the increased adoption of command/control, micro-management styles of management at university level.

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For both the university-based and multi-location stand-alone business schools, the increased complexity has also, of course, led to multiple challenges on the more prosaic educational delivery tasks such as developing common educational goals among the various campuses; paying attention to the different groups of students and faculty members; ensuring that the curriculum, the standards of admissions and progression and professional support services are of high quality and consistent; and lastly, ensuring that geographically separated staff members can meet each other and collaborate rather than compete.

Sometimes these challenges have been met and group cohesion is successful; often the consequence is a group of largely autonomous entities related fundamentally but in name only.

Higher education institutions increasingly ought to reflect on how corporations, professional service firms or for that matter hotel groups or supermarkets manage local responsiveness with overall cohesion. This is a theme we are investigating at the moment. We live too much in a business school/university bubble.

Consequences for accreditation

While business school accreditation bodies nobly seek to be aware of trends and developments in the "sector" insufficient attention has been paid to the role of the university and the expansion of institutions into complex groups.

Increasingly, there is thus a need to expand the lens from a focus on the business school to a focus on the business school within its national context and especially within the context of a broader university. Presently, many accreditation guidelines assume business school have autonomy and control, which is simply not the case in many institutions. This can lead to ambiguity and disconnect between the "rules" and the realities.

In touring the business school landscape extensively, one comes across myriad institutions where business subjects are taught in other locations and often in other faculties where faculty members are not "academically qualified, research-active and fully participating".

Validation and franchising arrangements, which exist widely in the UK and many Australian and Canadian universities, mean that parent university degrees are awarded to distant students. These partnerships tend to generate modest incomes but can also be seen as a positive form of sharing expertise and thus worthy activities. It depends on one's lens.

It must also be noted here that expecting business schools in developing markets like West Africa or Indonesia to adhere to Western expectations is unrealistic. Whether they are the other side of a validation agreement or independent, they rarely have the history or resource base to engage in a research paradigm that is considered "proper" in developed nations.

In terms of the control of the marketing, student recruitment and management mechanisms, there are also issues where rules and realities diverge. Clearly, ring-fencing the business school and suggesting it should control all of these means of production is laudable as the business school would almost always prefer this, but it is unrealistic in the context of university vice-chancellors and presidents who make the rules.

Making sense of all of this and passing appropriate accreditation judgement is, therefore, a significant challenge but one that must continuously be tackled.

Conclusion

If, from a management side, we posit that structure should follow a strategy and we also add some insights from professional service firms then we can examine these issues more dispassionately.

If we look at income versus cost control on one axis and centralisation versus decentralisation on another, we can draw some conclusions in those realms.

For example, on the income-generating side, overall brand cohesion and undergraduate recruitment in markets where there is a centralised governmental student application system make sense as centralised collective university or group endeavours.

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Specific "product" marketing, especially at the post-graduate level, requires specific knowledge about the subject, local conditions, student recruitment markets, and the ecosystem of actors and employers in that field. This, we suggest, is best left to individual business schools and faculties.

On the cost management side, professional services are generally best structured in a centralised manner for cohesion and fairness across an institution. We would nevertheless posit that physical centralisation creates "them and us" conflicts and that embedding professional services within business schools and faculties while drawing them together as a collective is preferable.

Matrix management is clearly unavoidable here but there are ways to make it work. In all cases, open and honest discussions rather than turf wars are necessary.

On the accreditation side, it is hard to suggest a simple solution but it is clear to us that increased competition leading to financial difficulties for some institutions will continue the trend towards increased size, complexity and ambiguity in those institutions that survive.

By way of focus, since 1984 the US Department of Education's Federal Student Aid database notes that over 12,000 branch campuses and complete institutions have been shut because they were unsustainable.

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This will improve the quality, effectiveness and reach of responsible management education. It will also alter the business model of business schools significantly.

For anyone in higher education, these developments ought to sharpen the mind and suggests to us in any case that we all need to balance the rights bestowed through academic freedom with the responsibilities for competent and prudent management and an acknowledgement of the challenges we face.

From both a management and an accreditation perspective, we believe that an open dialogue about these realities for business schools should be ongoing and very worthwhile. Business schools need to continue to prove their academic legitimacy and value in order not to descend into a permanent cash cow status. There will be no simple answers but awareness and collaborative acknowledgement of these realities is paramount.

About

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