

MBA's FOR A VOLATILE WORLD

Rethinking the leaders' toolkit

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► Old-School executive education
no longer cuts it in a changing world

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IT HAS become commonplace to say that we live in a complex, fast-changing world. But educators everywhere have been slow to adapt their executive education programmes to meet the demands of the new age. Now, a radical rethink is underway in New Zealand.

SCOTT KENNEDY (ALL ILLUSTRATIONS)



IN THEIR 2012 book *Reverse Innovation*, leading innovation theorists Govindarajan and Trimble from the Tuck School of Business in Dartmouth argue that “business leaders ...steeped in the traditions of rich countries face a tremendous challenge...You must let go of what you’ve learned, what you’ve seen and what has brought you your greatest successes. You must let go of the dominant logic... You must start with humility and curiosity.”

THEY ARE, of course, referring to the new complexities of international business and, in particular, the growing economic impact of not only the so-called BRIC countries (Brazil, Russia, India, China) but also of economic

development in emerging markets. Many commentators now refer to this new international complexity as the VUCA world—a world marked by Volatility, Uncertainty, Complexity and Ambiguity. In this world, decision-making and strategic thinking are contextually driven but the operating context is dynamic, volatile and constantly changing, and historical relativities are no longer valid. Such uncertainty brings with it a lack of predictability, an absence of familiarity and increased prospects for surprise—and it demands a heightened sense of both awareness and alertness. Under these conditions complexity becomes an unavoidable condition of doing business. And the art of complexity management becomes a hallmark of leadership as decision-makers confront a multiplicity of conflicting forces in which their organisations must recognise and overcome varying degrees of contextual confusion. And all of this is overshadowed by ambiguity, where reality is clouded or distorted and the potential for misinterpretation is high, particularly in emerging markets.

Meanwhile, here in New Zealand we face serious challenges in maintaining our standard of living and sustaining our economic position over the coming decades. It is a somewhat unpalatable truth that over the past sixty years New Zealand has drifted steadily down the rankings of OECD country GDP-per-capita income. We now hover uncertainly at 22nd

place in the 30-country OECD table, between Greece and Korea. Policy decisions of successive governments may not have helped our cause, but in large part this inexorable slide is the result of our being a small economy heavily dependent on commodity trade and on maintaining a level of export earnings commensurate with our desired standard of living. However, the bottom line is that as a tiny, geographically isolated country we have little if any control over these factors in a global economy. Commodity prices fluctuate at the pleasure of international markets and export earnings are heavily impacted by exchange rates. At present the New Zealand dollar is overvalued and may become more so. Yet we have neither the size nor the economic strength to indulge in the quantitative easing tactics used by the world’s major economic powers. Worse, we have no leverage in influencing their policy makers. We are, at best, a fringe player in the multilateral trade environment, albeit a fringe player recognised for our ability to broker agreements. And while “white gold” features large in our current economic destiny, we are but a very minor dairy producer in world terms, accounting for a little over two per cent of world production—a figure that will drop further as the BRIC countries, in particular, expand production. On the basis of this scenario one could adopt a rather gloomy—or complacent—prognosis: that our influence in the world is negligible, and that we are a dispensable nation in global economic terms.

But to do so would be to ignore the possibilities for enhancing our global competitiveness and, in particular, the opportunities to develop globally-astute thought leadership in New Zealand. In the so-called “new normal” global environment where VUCA reigns supreme, those who can best understand

such complexity and develop expertise in decision-making under these conditions will be the ones who prosper. As William Duggan wrote in *Napoleon’s Glance: the secrets of strategy* (2004), those who succeed are the ones capable of developing *coups d’oeil*—the art of expert intuition in decision-making. Duggan is not alone in making this point. Commentators the world over continue to highlight the need for leaders who can cope with uncertainty, who are adept at coping with wider synergies, and who can make sense of emerging contextual richness (see, for example, Lester Levy’s article, ‘Why Leadership Matters’, in *The University of Auckland Business Review*, Vol 14 No1). So it is legitimate to ask if this presages the need for a radical rethink of executive learning in New Zealand? If so, how might such thought leadership be fostered in our business and political leaders? And by who?

The short answer is that this is the logical (and expected?) role of advanced executive education, that it is the responsibility of our business schools to impart such abilities, and that the obvious vehicles for developing contemporary thought leadership in our emerging decision-makers are the MBA programmes offered by our leading business schools. This, in turn, raises the question as to whether or not our universities, our business schools and our MBA programmes are themselves attuned to the VUCA world. Do they possess the vision, the competence and the confidence to deliver the globally competitive leaders and influencers that this country will need in the coming decades? And will the public institutions in which they reside allow the business schools to adjust continuously to the competitive conditions of the “new normal” with the speed and agility required—it is, after all, an oft-stated maxim that public universities tend to make



decisions in geological time.

The Global Financial Crisis served to highlight, perhaps unfairly, the shortcomings of traditional MBA programmes—notably those in North America—that are heavily focused on the core business disciplines, that emphasise the importance of their academic research and which are heavily weighted toward developing analytical skills in the student bodies. This model had its origins in the notion that the study of business was a legitimate and justifiable academic pursuit, rooted in and sustained by academic research. There is no doubt that this model worked well in the context of the time, producing as it has in the latter half of the 20th century a multitude of minds trained in analytic business disciplines. Such minds were responsible for driving the successful corporate business models that prevailed from the mid-1960s to the mid-1990s. And in this environment of quantitatively-measured success such minds were courted and soaked up by the finance, venture capital, consulting and corporate sectors amongst others—all of whom contributed to, and reinforced, the importance of business school rankings based on placement and starting salaries.

Unfortunately, by the mid- to late-1990s the context was changing, and at a pace that the embedded business schools were either incapable of recognising or unwilling to accept. For by this time the prevailing culture of MBA education was well established: academic staff reputations and rewards were determined by research and publication, with individual school reputations and rewards built on rankings. This culture was engrained, inwardly focused and institutionally centric, with publication and rankings all-important ends in themselves. But now the context was radically different. Free market thinking was changing the competitive game and

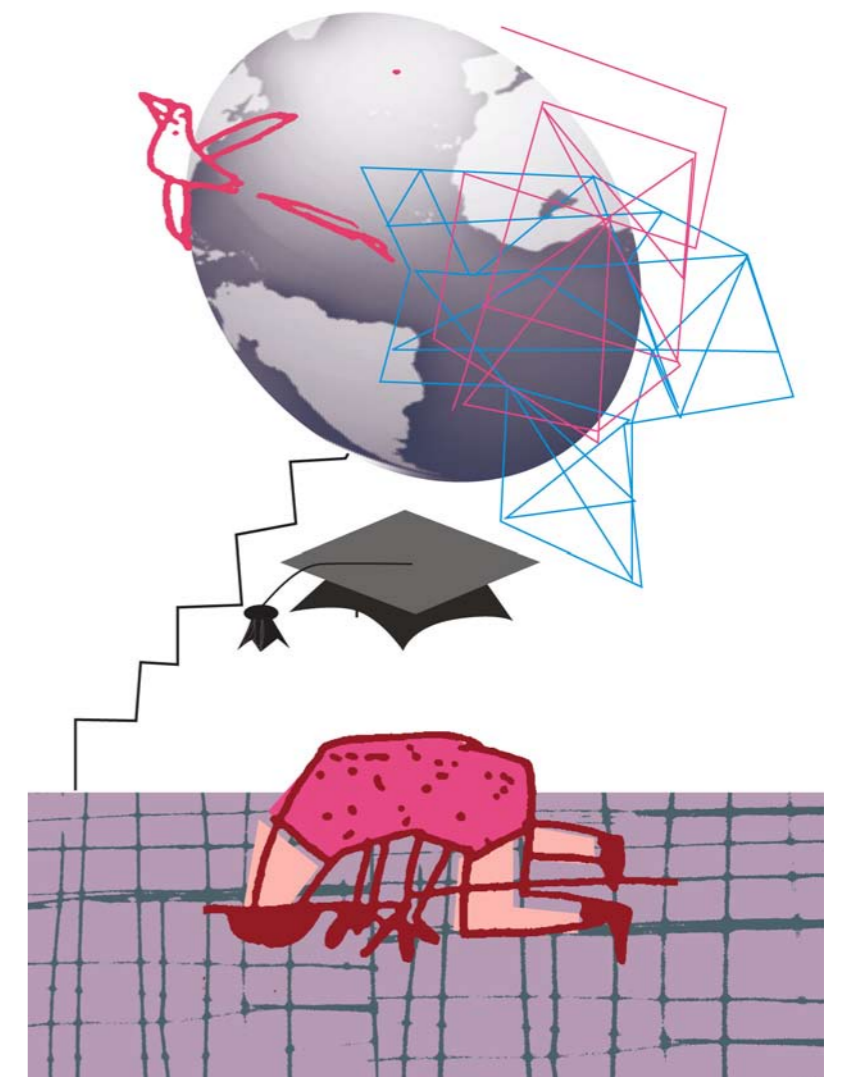
the dominant corporate players were being attacked from the peripheries. Information technology and the rise of the internet exponentially accelerated not only access to information but also the speed with which that information was being disseminated. The prevailing modes of decision-making and quantitative measures of success were being superseded. In the 21st century, globalisation became a critical factor, requiring a quantum change in strategic thinking to adjust to the new realities of global logistics and the emergence of the BRIC economies as dominant participants in the global economy. The direction of foreign investment flows reversed as the developing economies became the financial engines for the developed nations. And the quantitative greed and short-term profit focus of Western financial institutions precipitated the Global Financial Crisis.

The cost of value

FOR THE most part, MBA schools have been slow to react to this new reality, both internationally and in New Zealand. The prevailing value proposition continues to be academically-centric and inwardly-focused, emphasising research, publication and rankings. But these are overwhelmingly measures of value within the academy and increasingly are failing to deliver value to the key external constituencies of the business school—the students, employers and societies we serve as providers of executive education. Taking a common definition of value as being “cost plus perceived benefit”, we can see that the business schools are delivering on neither of these factors. Tuition costs continue to rise at a rate disproportionate to inflation, as government funding for education dwindles and employers become increasingly reluctant to meet business school tuition fees. The aver-

age cost of an Executive MBA programme in the Asia region now exceeds US\$77,000 (against which the NZ\$40,000 all-up cost of a Executive MBA from an internationally accredited New Zealand school is a relative bargain). Equally, the perceived benefit of MBA education is under sustained attack as to its relevance in the VUCA world. It is not by accident that the European Foundation for Management Development (EFMD) introduced its Corporate Learning Improvement Process (CLIP) accreditation programme alongside its existing EQUIS business school accreditation programme.

The Foundation’s CLIP programme was created to provide an accreditation tool—one that seeks to identify the key factors that determine quality in the design and functioning of corporate learning organisations. CLIP-accredited corporations include Alcatel-Lucent, Credit Suisse, Grupo Santander, Novartis International, Siemens and Swiss Reinsurance, all of whom have elected to develop their own executive education institutions in preference to the existing programmes offered by leading business schools. EFMD cites the objectives of these corporate universities as: attracting and retaining the best managers, nurturing tomorrow’s leaders, aligning strategy, competencies and behaviours, disseminating knowledge and expertise throughout the organisation, integrating the learning function into mainstream HR processes such as management development, talent management and succession planning. Even the most casual reading of business school brochures and MBA prospectuses will reveal that these are also the common objectives of the established executive education providers. The inference is that traditional MBA programmes have not delivered on their promise and, worse, that they are failing to adjust to the new realities of global thought leadership. Hence, global corporates are having to fill the vacuum from their own resources. And, meanwhile, here in New Zealand the business community remains inherently suspicious of the value of MBA programmes and their graduates.





Sound Judgement

THIS VALUE proposition theme is echoed by such prominent international commentators as Henry Mintzberg, Howard Thomas and Santiago Iñiguez de Onzoño. Mintzberg, Cleghorn Professor of Management at McGill University in Montreal, has long been a vocal critic of academically-centric MBA programmes and he has consistently argued the case for the MBA as a professional qualification, built on experiential learning and delivered by clinical faculty. In particular, he has advanced the notion that business schools must be distanced from the university milieu and repositioned as professional services organisations. He has identified the professional services firm as possessing: a high level of knowledge and skills, autonomy and professional judgement based on professional skills, a close relationship between professionals and clients, internal difficulties in coordination, and a power duality of professional and administrative bureaucracy. The emphasis here is that the Mintzberg model is staffed by professionals, caters to professionals, focuses on professional outcomes and has a professionally-oriented infrastructure. Inevitably, this is a model decoupled from the risk-averse, centralised university structure within which, for example, New Zealand business schools operate. It is a model not dissimilar to the networked, thematic structure implemented by the Lorange Institute of Business in Zurich, described by founder Peter Lorange as the “business school of the future”.

Thomas advances this argument in the 2011 book *Strategic Leadership in the Business School*, which he co-authored

with Fernando Fraguieiro. As the current Dean of Singapore Management University, former Dean of Warwick University Business School and former Chair of AACSB, Thomas’ views carry some weight. He begins by revisiting the value proposition of the business school, stating that “business leadership roles require sound judgement based on a comprehensive long-term perspective that complements knowledge and managerial skills”. Like Mintzberg and Lorange, he believes that the delivery mechanism best suited to this value proposition is that of the professional services firm. But Thomas then moves to an evaluation of the business school as a professional services firm in the VUCA world. He argues that in the VUCA environment business schools face a constant shakedown of programmes as peripheral competitors emerge—for example, CLIP-accredited corporate universities and for-profit providers. We will see a continuing growth of alliances (notably in the Asia region), constant productivity improvements, an emphasis on establishing core competencies coupled with a regular refocusing of those core competencies and, importantly, far greater customer orientation. Like Mintzberg and Lorange, his model has a clear external orientation in which business schools must clearly identify and sustain their competitive advantage. He states: “There is no question about it: business schools should enlighten the path to globalisation with new knowledge, educating corporate leaders to work in a world that is essentially different from that of the late twentieth century”.

Onzoño points out that in volatile markets the old MBA rules no longer apply. Onzoño is Dean of Madrid’s Instituto

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Empresa, which is ranked by the *Economist* newspaper as having the world's leading executive MBA programme. He says that, at the executive level, business schools need to shift from teaching to coaching to remain competitive, and that they must develop the ability to react swiftly. The governance structure at Instituto Empresa is designed to allow the introduction of new courses within three months. Executives must be coached to cope with uncertainty and this means exploiting synergies across the university. Instituto Empresa seeks to avoid the disciplinary silos of traditional MBA programmes, for example by incorporating dramatic arts, history, philosophy and design thinking in its use of case studies.

Against the background of this demonstrable need to develop globally-competitive thought leadership in New Zealand we must now return to the question of whether or not our business schools and our MBA programmes are themselves sufficiently attuned to, and prepared for, the VUCA world. Do they possess the vision, the competence and the confidence to deliver the globally-competitive leaders and influencers that this country will need in the coming decades? And is there a suitably receptive audience amongst our political, business and academic leaders to support and fund the directional changes advocated by Mintzberg, Thomas and Onzoño?

Clearly the current volume-driven government funding models, the linkage of government funding to PBRF outcomes, the emphasis on recruiting research-active academics, as opposed to clinical or practitioner faculty, and the existing centralised governance structures are not altogether commensurate with the emerging demands for business schools, curriculum and leadership development possessing the necessary agility

and external focus. But despite these current impediments there are growing signs of movement at both national and institutional level in New Zealand. The New Zealand MBA Directors' Forum is coalescing as an industry group focusing on the development of the MBA in New Zealand. As a group it has identified the need to promulgate acceptance of the MBA as the prime vehicle for relevant advanced executive education and, progressively, the member schools are reaching out to business leaders with this message. As a group the member schools regularly attend international MBA industry conferences, building their knowledge of international trends and seeking to advance this knowledge in their respective universities.

Individually, the business schools are beginning to develop clear statements of purpose that are externally facing. At The University of Auckland Business School, for example, a new branding image and positioning establishes the Graduate School of Management as a unique entity within the University, charged with a clear mission to "develop professionals to improve individual and organisational performance within the global economy". Its vision is "to be the catalyst for a thriving New Zealand economy by: unleashing global minds, connecting decision makers and compelling high-value thinking". As the dominant executive education provider, the Graduate School of Management has both the opportunity and the challenge to make a game-changing impact on the future of leadership in New Zealand.

It is worth noting that over the past three years a number of initially tentative steps at the School have gathered momentum and are attracting international attention amongst the global Executive MBA community. These include the piloting of a course in complexity management which

subsequently has underpinned the development of a final-year MBA course sequence that traverses international thinking on value creation and business model innovation, organisational leadership and ethics, and executive coaching for the individual leader. This trio of integrated-learning courses is having a powerful impact on the thinking and performance of our MBA graduates—and, in turn, is driving the recruitment of better qualified MBA students. The cluster of thought leadership courses is supported by parallel experiential courses requiring the students to complete consulting projects for New Zealand companies at both domestic and international level. More than 200 of these projects have been completed in the past four years. In addition, in partnership with the Thunderbird School of Global Management, New Zealand Trade & Enterprise, and The Icehouse, the Graduate School of Management has pioneered the Global Executive Leadership Programme for senior

business leaders in New Zealand. Subsequently, the global mindset orientation of the GELP programme has been incorporated into the MBA international business course.

These developments are helping to establish the Graduate School of Management as a globally-progressive thinker and participant in executive education. Have we, and the other MBA programmes in New Zealand "let go of what [we've] learned, what [we've] seen and what has brought [our] greatest successes"? Can we "let go of the dominant logic"? At this stage, that is possibly a step too far. To undertake it will require a greater understanding and acceptance by academic, business and political leaders of the importance of globally-astute thought leadership—and a willingness to invest in such leadership for the future. But, realistically, can we as a nation afford not take such a step toward a sustainable position in the globally-competitive world? ■



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KEY TAKE-OUTS

- In the "new normal" global environment, governed by volatility, uncertainty, complexity and ambiguity, it is the nations that develop expertise in decision-making and strategic thinking that will prosper.
- At the executive level, business schools need to shift from teaching to coaching and must avoid the disciplinary "silos" of traditional MBA courses by exploiting synergies across the university.
- Despite an inappropriate government funding and evaluation model and centralised governance structures, some institutions have already begun to radically rethink executive education.