HOW TO REFORM A BUSINESS SCHOOL

THE IVY LEAGUE WAY

HOW TO REFORM A BUSINESS SCHOOL

THE IVY LEAGUE WAY

Theory and Practice of curricular reform implementation with an in-depth case study of Yale School of Management

ASHISH JAISWAL

*Ox*CHEPS

Oxford Centre for Higher Education Policy Studies

OXFORD, UK

2015

Printed in India by Gopsons Papers Ltd

Published by

*Ox*CHEPS

Oxford Centre for Higher Education Policy Studies
New College,
Oxford,
OX1 3BN,
UK

http://oxcheps.new.ox.ac.uk/

Published in India by

iHER

iHER Research Foundation
229, Second Floor, Block-E,
DDA, Naraina Vihar,
New Delhi – 110028,
INDIA

http://www.iher.in

ISBN: 9780954743383
0954743385

Dedicated to
my beautiful princess,
Navyasara Jaiswal

ACKNOWLEDGEMENT

How to Reform a Business School: The IVY LEAGUE Way originated inside the dreaming spires of the University of Oxford drawing substantially from the case study that was undertaken as part of my doctoral journey. I came to Oxford with the aim of unravelling the less well travelled world of business education philosophy, associated pedagogy and required curricular advancements, and will always remain indebted to Oxford for providing me with a world-class platform and the rigorous training necessary to carry out an interdisciplinary, innovative and ambitious research mission.

I particularly want to acknowledge the Department of Education at Oxford, which opened the doors for me to the wider world of higher education research in the absence of which my perspective on business schools and business education would have been limited. I cannot appreciate enough Dr Hubert Ertl, my Professor, for his persistence, encouragement and gifted guidance. I would also like to thank the virtuoso Professor Emeritus Dr Geoffrey Walford for providing valuable methodological contributions, which steered my project and prevented its derailment.

It was a delightful experience to be a member of the New College, Oxford which also partially funded this research. Mr David Palfreyman, New College Bursar and my college advisor deserves a special mention for taking interest in my project and recommending it for funding that came due to the generous contributions by late Mr. Stewart Millman, a New College alumnus. Here, I would like to thank Rhodes Trust Professor Sue Dopson, Saïd Business School for taking time to read my work in progress and for providing valuable feedback.

Analysing data and writing up a voluminous work can often be lonely and stressful. I am pleased that I had the chance to carry out my work at my office, the beautiful and historic 13 Norham Gardens, where the 'Father of Modern Medicine' Sir William Osler once lived. The office also helped me to build lifelong friendships with my extremely cordial and talented doctoral colleagues.

Finally, I would also like to thank members of Yale School of Management for taking time to participate in this research project, particularly to the former Dean, Joel Podolny, for providing me with access to research one of the most prominent curricular reforms in an Ivy League business school in the recent history and paving the way to presenting this important and exciting case study to the wider academic community.

Ashish Jaiswal
2015

PREFACE

How to Reform a Business School: The IVY LEAGUE Way was catalysed by the severe criticism that has lately been levelled at business schools. Logically, the denunciation of the Master of Business Administration (MBA) should have led to a rising number of business schools initiating academic reforms. However, a business school considering substantial curricular change would find a conspicuous lack of studies dealing with the development and implementation of curricular change in business schools. This deficit is rendered more severe by: (1) a lack of *substantial* reforms implemented by business schools in the recent past; (2) various instances of curricular change turning out to be purely cosmetic in nature, little more than the pursuit of fads to attract students; and (3) changes being made at the fringes of the curriculum rather than at its core. *How to Reform a Business School* addresses this gap by presenting an in-depth case study of an effective, extensive and substantial academic reform implementation at the Yale School of Management (Yale SOM).

In 2006, Yale School of Management, the business school of the Yale University, initiated one of the most substantial curricular and pedagogical reforms in business school history. Crucially, Yale SOM chose to integrate its MBA curriculum. The *integration* of the distinct functional courses in MBA curricula has emerged as a strong solution to the problem of compartmentalization shared by MBA curricula. Arguably, breaking the functional 'silos' and integrating the curriculum is one of the most significant shifts in the 100-odd year old history of the MBA curriculum. And in the near future there is a high possibility of an integrated MBA curriculum becoming the norm rather than an exception. Thus, the results of Yale SOM's curriculum implementation are significant for the wider community.

It is common knowledge that top grade business schools (and most of the elite academic institutes, for that matter) often carry out reforms behind closed doors due to fear of exposing their weaknesses and sharing crucial information with the competition. The institution-wide access obtained by this case study presents a unique opportunity to practitioners as well as academic to learn from the experience of an Ivy League business school. To this end, *How to Reform a Business School* proposes a model of effective implementation for an MBA curricular reform, emerging from the findings of the Yale SOM case study.

There is little doubt that business schools are going through a tough time, with a fair number facing closure. The intent of this book is to suggest that academic reform may help a business school remain relevant and excel among competition. Indeed, Yale School of Management for the first time in its history achieved top-ten rankings in two prominent ranking tables in the year following the implementation of the reform. The improvement was from an approximate position of 20th. And the trend seems to be continuing. For example, Yale School of Management is consistently rising in the Financial Times rankings, obtaining a ranking of 20th in 2012, 14th in 2013 and 10th in 2014 (Financial Times, 2014). Student applications to the MBA programme at Yale increased by 50%, while the average Graduate Management Admission Test (GMAT) score of incoming students also showed an increase of more than 50 points. Undoubtedly, Yale SOM's story is inspirational and may certainly help those business schools aiming to compete better. However, here the case study of reform is presented with a larger ambition. The subprime mortgage crises that sent the world into deep recession in 2008 combined with people's resistance movements such as Occupy Wall Street in 2011 have posed some serious questions to the business world at large. Surprisingly, not many scholars have drawn a link between the academic outputs of the learning temples of business i.e. the business schools, and the pertinent questions being raised by the society at large.

In fact, in order to consolidate the links between society and academia, it is not only the business schools that need to reinvent themselves but significant changes are also required across all aspects of higher education as highlighted by Palfreyman and Tapper (2014) in *Reshaping the University: The Rise of the Regulated Market in Higher Education*.

Nevertheless, the time has come for business schools to seriously consider the kind of workforce they want to send into the world; not only to rise in their own standing but also to rise in terms of their contribution to the world in addressing burning questions related to social and economic inequality and other maladies of freewheeling capitalism.

The time has come for business schools to *reform and rise*.

PART ONE

1

WHY DO BUSINESS SCHOOLS NEED TO REFORM?

THE DICHOTOMY OF PERCEIVED SUCCESSES AND FAILURES OF THE MBA

> "The current paradigm of business education, the MBA, which has worked quite well for a long period of time, twenty five years or so, isn't going to work much longer. You can see it breaking down at the edges. That's inevitable, that's the way it should be…"
>
> [Schmotter (1984), in Murray (1988: 14)]

The MBA degree is a relatively recent invention. The Wharton School of Finance and Economics, subsequently renamed the Wharton Business School, was the first of its kind, opening in 1881, but the first MBA degrees were awarded by Harvard Business School in 1908 (Copeland, 1958). In the mid-twentieth century, MBA education still occupied a small niche, with only 4,500 MBA degrees awarded in the academic year 1955-56 (Crainer and Dearlove, 1999). Enrolment grew significantly in subsequent years, with over 60,000 MBA degrees awarded in 1984-85 and over 102,000 in the U.S.A. alone in 1997-98 (Zimmerman, 2001).

MBA education is now exceedingly popular and in demand: in the five years spanning 1998 and 2003, approximately half a million students were awarded an MBA degree (Walsh, Weber and Margolis, 2003), and, in the United States, business management is now "the largest single field in higher education", with approximately 20% of all bachelor's degrees, 25% of master's degrees and 3% of doctoral degrees awarded in this subject, which also accounts for 15% of the $250 billion higher education market (Rukstad and Collis, 2001). According to the AACSB (*Association to Advance Collegiate Schools of Business)*, in 2011 there were roughly about 1,624 higher education institutions imparting business education in the USA.

The impressive growth shown by the business education sector is not unique to the United States: for example, between 1992 and 2011 the number of colleges awarding business degrees in India increased from fewer than 100 to over 2000. Globally, far from being a small niche subject business education is now the most popular discipline in higher education. For example, as of 2011, China in the east and Mexico in the west have more than 1,000 business schools each contributing to around 13,725 business schools in the world (Datar, Garvin and Cullen, 2010). To illustrate the point, consider that in 2008 more than 246,000 candidates sat the CAT exam (Common Admission Test for MBAs in India) in the hope of gaining admission to one of the top twenty business schools in India, competing for only approximately 3,000 places.

The frequent argument in defense of the merits of business schools is that they constitute "wealthy cash cows" as a result of the higher tuition fees they command and the substantial donations they attract from alumni (Porter, Muller and Rehder, 1989: 19). At Oxford University, for example, for 2013/14 entry the average cost of tuition for overseas students (including individual college fees) is £14,000 per year, whereas the cost for a one-year MBA degree from its business school is £45,800 (Saïd Business School, 2014). Business school tuition fees have exhibited substantial growth over time. For example, in the early 1990s the cost of an MBA degree from Harvard Business School was $100,000, but for students entering in 2014 this figure has risen to over $170,000. The same applies to business schools in other countries: for example, the escalation in fee of the Indian School of Business can put any ordinary blue-chip stock to shame, which from a humble 400,000 INR ($7,000 approximately at current exchange rate) when it opened its gates in 2001 for its one year MBA, rose to 3,370,800 INR ($58,000 approximately), a startling eightfold rise in just thirteen years!

The donations attracted by business schools are even more impressive than their tuition fees. As an example, the Saïd Business School at Oxford University attracted a donation of £20 million for its development (Oxford University Gazette, 1997). Other examples include the Michigan Business School, which recently received a donation of $100 million from a single alumnus; the Jon M Huntsman School of Business, which received a $26 million donation; and Johns Hopkins University, which received a donation of $50 million for its Carey Business School.

The growth in the tuition fees charged by business schools for their MBA degrees have been more or less matched by a similar growth in the earnings of their MBA graduates, which is undeniably one of the reasons behind the considerable success of the MBA concept. In 2006, the average salary of a recent MBA graduate in the United States was $152,700 (Business Week, 2006), and £116,600 in the UK (Financial Times, 2006). By 2014, in spite of the economic down turn, both of these figures had grown. As further evidence of the value added to graduates by business schools, Harvard Business School, among the top-ranked business schools, claims that its alumni occupy 20% of the top three executive positions across all of the Fortune 500 companies.

A cursory overview of the state of the MBA paradigm therefore presents quite a rosy picture. However, despite the undeniable financial success of business schools and of their graduates, the very concept of MBA education as a finishing school for company managers and leaders has been, time and again, subjected to a considerable level of criticism, as is illustrated by the following quote:

> "During the past 25 years the American manager's road to the top has changed significantly… What has developed, in the business community as in academia, is a preoccupation with a false and shallow concept of the professional manager, a 'pseudo-professional' really - an individual having no special expertise in any particular industry or technology who nevertheless can step into an unfamiliar company, and run it successfully through strict application of financial controls, portfolio concepts, and a market driven strategy… neither experience nor hands-on technological expertise counts for much... Instead… during the last two decades American managers have increasingly relied on principles which prize analytical detachment and methodological elegance over insight, based on experience."
>
> (Murray, 1988: 74)

Despite the fact that MBA graduates, as mentioned earlier, tend to enjoy high salaries after graduating, it has also been claimed that MBA education in fact has little or no tangible effect on its students (Pfeffer and Fong, 2002), thus questioning the validity of the curricula taught. Indeed, some scholars have gone so far as to consider the MBA degree as not just irrelevant, but actively harmful to the world of business (e.g. Antony, 1986; Crainer and Dearlove, 1999; Mintzberg and Gosling, 2002). In a similar vein, it has been argued that business schools tend to give students "a dysfunctionally narrow view of business" (Godfrey, Iles and Berry, 2005: 26), and that MBA programmes generally place "insufficient emphasis on generating vision" in the students (Porter and McKibbin, 1988).

A different line of criticism includes the frequent complaint that business schools tend to neglect the purely intellectual aspects of business in favour of the tangible career prospects of their students. In essence, business schools have been accused of being driven by purely utilitarian motives at the expense of the discipline as a whole, thereby neglecting the academic aspect and compromising the liberal qualities of higher education in general (Craig, Clark and Amernic, 1999; Alsop, 2002; Pope, 2002). This intense focus on practical career outcomes for the students has been blamed for low ethical standards among MBA graduates and a growing incidence of financial fraud in the business world (Godfrey, Iles and Berry, 2005). In the words of Ghoshal (2005: 76):

> "…business school faculty needs to own up to our own role in creating Enrons. It is our theories and ideas that have done much to strengthen the management practices that we are all now so loudly condemning."

There is certainly some empirical evidence to suggest that ethical standards are indeed lower among business graduates when compared to the other graduates. For example, one study found that business majors reported almost 50% more instances of cheating than any of their peer groups, and nearly twice as many violations as the average graduate student (McCabe and Trevino, 1996). These findings appear to support claims made by some scholars to the effect that the commercial emphasis in MBA programmes contributes to fraudulent activity in the corporate world (French and Grey, 1996; Godfrey, Iles and Berry, 2005). More generally, it has been suggested that the aggressive pursuit of financial success encouraged by business schools ultimately risks making business schools resemble more "signaling, screening, and placement services than educational institutions" (Pfeffer and Fong, 2004: 12), as reflected by the following two extracts:

> "If you give me a choice of recruiting with the admissions list or the graduating list [from Harvard Business School], it would take me a second to decide—I'd go with the admissions list."
>
> (Martin, 2002 in Jaschik, 2004: 38)

> "The conclusion is hard to avoid that postgraduate courses in management are designed for beginners rather than masters."
>
> (Antony, 1986: 119)

Another frequent criticism of business schools is that they select students of proven academic ability and then let them spend a significant amount of time on campus researching their prospective future employers rather than engaging in academic pursuits (Armstrong, 1995; Crainer and Dearlove, 1999; Mintzberg, 2004). By extension, business schools may be accused of allocating more resources to selling themselves to the best possible prospective students than to the material improvement of their teaching. This is supported by the fact that students seldom fail MBA exams (Armstrong, 1995) and that business schools' tendency to encourage students to engage in networking rather than academic study has the effect of repelling students with a genuine academic interest in business management, attracting instead those who are keen to "jump onto the gravy train" (Crainer and Dearlove, 1999). The virtual guarantee of obtaining a degree once a student embarks on an MBA course has been attributed to business schools' deliberate dumbing down of their courses and excessive lenience in examinations, reducing themselves to mere "toolkit providers" (French and Grey, 1996).

Another perceived weakness of MBA curricula is that they are little more than a collection of various disciplines fancifully collected under the unifying blanket term of 'business education' (Friedson, 2001). In fact, the very concept of business school education as belonging to the category of professional education has been called into question (Trank and Rynes, 2003). It has been argued that business school education cannot be classified as professional education in the classic sense of the term, because there are no mechanisms for the enforcement of professional standards and norms of conduct, or indeed any guarantees that the theoretical knowledge and practical training imparted in these courses is likely to yield predictable results in the field (Pfeffer and Fong, 2004).

Another shortcoming of which MBA curricula have been accused is the development of 'isomorphism' among their graduates (Doria, Rozanski and Cohen, 2003). This refers to the pronounced similarity that certain authors perceive among MBA graduates, in terms of their professional skills and values, which in turn precludes the sort of independent vision and leadership that is essential in the real-world business environment (Mintzberg, 1996). Somewhat related to this is the criticism that business schools do not teach their students the skills that they will ultimately need in their subsequent professions (Livingston, 1971; Mintzberg and Gosling, 2002), partly as a result of the fact that all MBA students are taught essentially the same material, with no regard to the specific professions that they will end up pursuing after graduation in varied sectors of the constantly changing world of business (Doria, Rozanski and Cohen, 2003).

Logically, one would believe that the exponential rise in the number of business schools in growing economies will enhance the size of the skilled workforce being sent to the marketplace; however, the free rein given to the mushrooming business schools has resulted in a continuous trickle of 'paper MBAs' who are now mixed with the real skilled ones, bringing the overall degree into disrepute. For example, a recent survey revealed that over 90% of those who graduate with an MBA in India are unemployable (WSJ, 2012).

Interestingly, one fact emerges clearly from the aforementioned criticisms of business schools: it is not only the MBA curriculum that most authors are dissatisfied with, but also the pedagogy. In the words of French and Grey (1996: 3):

> "…it is possible to identify two broad contemporary perspectives on management education. The first is that the content, and perhaps the methods, of management education need to be quite radically altered in order to equip managers with the ability to work effectively in a complex and rapidly changing world."

It may therefore be concluded, with little room for dispute, that the criticisms of business schools converge on calls for "overhauling" (Mintzberg, 2004) and "reforming" (Pfeffer and Fong, 2002) MBA curricula.

CRITICISM, YES. SOLUTIONS, NO! LACK OF EXAMPLES FOR BUSINESS SCHOOLS TO LEARN FROM

It is surprising then that, despite two and a half decades of severe criticism, few instances of substantial reform by business schools have been reported. The few cases in which business schools have claimed to have implemented curricular change have turned out to be little more than the pursuit of fads to attract students (Spell, 1999), or changes made at the fringes of the curriculum rather than at its core (Trank and Rynes, 2003). This has sometimes been attributed to business schools' aversion, owing to their strong financial position, to substantial curricular reform (Pfeffer and Fong, 2002; Crainer and Dearlove, 1999), as a result of which the majority of the changes have been considered cosmetic. According to Porter and McKibbin (1988), "no strong mandate for major systematic changes in the basic core curriculum" was identified in an extensive study that covered over 400 business schools in the USA. Consequently, there is a lack of studies on MBA curricular reform in the existing literature, posing a challenge to business schools which genuinely want to undertake reforms. The next chapter reviews the literature and details the specific elements lacking in previous studies of MBA reforms.

Notwithstanding the lack of reforms in the past, the criticisms of MBA curricula do make a compelling case for business schools to implement such initiatives on a frequent basis. And yet the existing literature on business education focuses almost exclusively on criticisms of business schools instead of on strategies for improvement. This negligence may be better understood by translating it into a practical example. A business school that decides to initiate a curricular reform of its MBA programme will face two challenges: the first concerning the *nature* of knowledge in the curriculum (the 'What' question), and the second the successful *implementation* of substantial and meaningful curricular change (the 'How to' question). With regards to the second challenge, I argue that the business school that is considering substantial curricular change will find a conspicuous lack of studies dealing with the design