

UK Business Schools: Historical Contexts and Future Scenarios

***Summary Report from an EBK/AIM
Management Research Forum***



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1 Preface

Business schools, both in the UK and internationally, face serious challenges as to their future role and legitimacy. Questions have been raised about the value of the MBA degree, and its role as a preparation for management. The growth of business schools as sites for knowledge production has also been challenged. While their research output has increased enormously, they have found it difficult to shrug off charges that management research lacks relevance and fails to impact on practice. These challenges to the business school as an institution have also emerged in a context of growing uncertainty about their economic viability. A period of unparalleled expansion in student numbers encouraged many universities to see their business schools as 'cash cows'. Greater uncertainty about demand may encourage a re-thinking of the role of business schools within the University.

The foundations for this report were laid on 13th December 2005, at a Management Research Forum hosted jointly by the Economic and Social Research Council's (ESRC) Evolution of Business Knowledge (EBK) Programme and the Advanced Institute of Management Research (AIM). During the Forum a series of insightful presentations were made by members of research teams associated with the EBK Programme.

A team of AIM Scholars attended the Forum and immediately afterwards set about synthesising some of the key messages to emerge from the Forum and linking these to the wider literature. Debates about the relevance and value of business schools have raged for years. Accepting this context the AIM Scholars have sought to review these debates and to re-evaluate them in light of the environment facing business schools in the UK today.

The report is aimed at those directly involved in the future direction of UK business schools – particularly business school deans and senior managers, their advisory boards and university vice-chancellors. But, it is also relevant to practitioners, policymakers and stakeholder groups who are concerned that this major segment of UK higher education makes the best possible contribution to improving management practice and developing the UK economy.

We hope you find the report of interest and that it will stimulate your thinking and encourage you to become involved in our future events.

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3 Introduction

British business schools, judged in terms of their ability to attract students and raise revenue, have been enormously successful, but their legitimacy has been constantly and repeatedly challenged. These challenges and criticisms, though articulated forcefully in recent literature, are neither new nor consistent. Business schools certainly do face pressing challenges in the years ahead, but it is important that these challenges are put into context. Different schools have developed their own areas of expertise and possess quite distinct strengths and capabilities. They face different types of problems and their capacity to respond to these challenges also varies, and is constrained by their institutional capabilities, reputations and path dependencies. This report does not attempt to predict the future of business schools in the UK (as though the sector was a homogeneous entity) but instead seeks to outline alternative visions of the future, and asks deans and business school advisory boards to consider which direction is most appropriate for their individual institutions.

The report begins with an analysis of the historical development of management education in Britain since 1945. This is necessary for two reasons: first, to provide a context for understanding conflicting themes in current debates about business schools; second, to emphasise that different types of business school have evolved in the UK within very different educational institutions. The futures of these schools are likely to be as diverse as their pasts.

Certainly there are a diverse set of challenges currently facing business schools, which are outlined in the following section. These include fluctuations in student numbers, and associated fee income, difficulties in recruiting and retaining research active teaching staff and concerns about the scholarly values of some schools. These challenges are not necessarily new, but they are particularly pertinent given the pressures universities are currently under: both financially (as evidenced by recent science department closures) and academically (in terms of Research Assessment Exercise (RAE) performance). How can different types of business school face up to the challenges presented by their shifting and uncertain environment?

Some suggestions are provided in the final section, which outlines the strategic options available to business schools. What are the key functions that schools will need to serve? Will individual schools be able to perform all of these functions themselves, or will they need to specialise on a narrow range of capabilities? If the former, will schools be able to manage a 'division of labour' among their staff, with those focusing on different activities given equal rewards and incentives; if the latter, how do business schools retain a common sense of purpose and identity that distinguishes them from specialist training centres or consultancies?

This report does not provide definitive answers to these questions. It does, however, place the current challenges faced by business schools in context, offers guidance on the strategic options available, and discusses some of the practical implications of the different paths outlined.

4 Historical Context

If the recent literature on the current state of business education in universities is to be believed, business schools appear to be facing a crisis (Pfeffer and Fong, 2002). Much of this literature focuses on business education in the US, but many of the criticisms are also applicable in Britain, which has come closer than any other industrialised country to adopting an American approach to educating managers (Engwall and Zamagni, 1998; Gourvish and Tiratsoo, 1998; Amdam, 1996; Locke, 1996, 1989). A major concern is that too much of the research conducted in business schools, while empirically and methodologically rigorous, has little or no relevance for practicing managers (Bennis and O’Toole, 2005). In their pursuit of intellectual respectability, critics suggest, business academics have failed to generate knowledge or ideas that can usefully be applied by organisations themselves. It is not just in terms of their research that business schools stand accused but also their teaching. MBA graduates are seen as lacking leadership qualities, taught only to follow established management theory and practice, not to question or move beyond it (Mintzberg, 2004; Mintzberg, Simons and Basu, 2002; Ghoshal, 2005). In 1991 the Economist carried an article complaining that MBA graduates were “critters with lopsided brains, icy hearts, and shrunken souls” (Economist, 1991 quoted in Locke, 1998), a criticism that gathered momentum a decade later in the light of Enron and other US corporate scandals. In the last couple of years recruitment to MBA programmes appears to have fallen into decline, and employers, apparently dissatisfied with the service provided by business schools, are increasingly opting to bring their management training in-house, and indeed to provide competition in the form of their own corporate universities. For British business schools in particular, there are concerns that the lucrative inflow of overseas students could be in jeopardy as the provision of business education is expanded in the growing Chinese and Indian markets.

Such concerns and criticisms, however, need to be put in context. For all the talk of crisis, it is important to recognise how far, and how fast, management education has become established within British universities. Business schools developed late in Britain, but grew rapidly in the latter part of the twentieth century. There were no business schools in British universities before 1965, but by the beginning of the twenty first century there were approximately 120. Whereas in 1961 a university professor could confidently assert that “management has not yet passed the test of being a study discipline in the universities” (Tiratsoo, 1998b), by 2004 the business and management subject area accounted for one in seven of all students in British universities – and one in five of all postgraduates (HESA, quoted in Slack and Francis, 2005). In a rapidly growing HE sector no subject discipline has undergone a more remarkable rise than business and management. At least part of this growth, most notably in the market for MBA degrees in the 1980s and 1990s, was fuelled by the apparently well founded belief that a degree in business administration enhanced a graduate’s earning power and career prospects (CEML, 2002). As such, some schools are now able to charge in excess of £10,000 for 12 month MSc degrees, and more than double that for MBAs. Moreover, though relatively young, British business schools appear to have established a strong international reputation (the number of UK Schools in the FT’s top 50 rankings is second only to the US). They have certainly been able to attract large numbers of students from outside the UK (who typically pay higher fees for their degrees than EU students). In an increasingly cash starved HE sector, British business schools have proved to be important income generators (CEML, 2002). Complaints abound that many schools are being milked as ‘cash cows’ by university administrators, and that with greater financial autonomy they could expand yet further, but this is not to deny the impressive growth they have achieved to date. There appear to be strong grounds for believing that in their brief history British business schools have proved remarkably capable of meeting the needs of their students, of employers, and of the universities within which they operate.

So where does the reality lie? Are British business schools in need of urgent reform to avert a looming crisis, or is their growth a success story to be celebrated? Our starting point for addressing this question is to recognise that it is not a new one. Many of the criticisms levelled at business schools in the recent literature have in fact been around for some time, and it is perhaps surprising that business schools should have attracted such criticism while being so successful in many respects. The value of MBAs, in particular, have been called into question since at least the 1980s (Leavitt, 1989; Anthony, 1986), while the need to balance technical rigour with practical relevance in business school research was being discussed in British Academy of Management publications in the mid-1990s (Johnson, 1995). Judging by the hand-wringing and head-scratching of scholars concerned with the state of business education, one might even wonder whether earlier sceptics who doubted that business was a suitable subject for study by academics were right all along. Many accusations have certainly been levelled at business schools over the years, but taken as a whole it is difficult to find much coherence or consistency in the criticism. Some of the (conflicting) themes are presented in Table 1.

Table 1: Conflicting themes in the debate about business schools

Business school research is too abstract and irrelevant to the needs of practicing managers.	Not enough business school research is grounded in the methodological rigour of the social sciences, it is often too case based and discursive.
Business school teaching is too theoretical, and not sufficiently focused on problems that managers actually face.	Business school teaching is too 'customer focused' and not sufficiently distant from, and critical of, management practice.
MBA's, and business degrees generally, do not produce well rounded managers with leadership qualities.	MBA's are, or for a long time were, seen as a passport to career progression and greater earning power.
Business education has made almost no impression on practicing managers, and has failed to impact business performance.	Business schools are partly culpable for recent corporate scandals, and therefore have had a negative impact on business performance.
There are too many business schools. Many of those taking degrees in management are unlikely to get much benefit from their studies.	There are not enough business schools. UK firms simply cannot rely on the University sector to supply the training/education that their managers need.

Given the somewhat contradictory messages being espoused in the current debate, this report begins by tracing the origins of business education in the UK. In doing so it aims to provide a basis for distinguishing between generic issues which have been around for as long as business schools themselves, and new challenges that currently face the sector.

When did business schools emerge and why?

The confusion and contradictions in debates about business schools are not new, and given the historical context in which business education emerged in the UK, this should not come as a great surprise. Mutual suspicion and distrust between business and academia has been particularly pronounced in the UK, which was one of the key reasons why business education was so late in developing in Britain. When the first business schools were eventually established, there was no unanimity of view regarding their purpose or function, or how their performance should be judged. They emerged from a process of struggle in which different interested parties appeared to pursue very different agendas. The creation of the first schools was in many respects an uneasy compromise which, as even their proponents recognised, had serious weaknesses (Tiratsoo, 1998a, 1998b; Brown et al., 1996; Griffiths and Murray, 1985). Subsequent debates about the value of business education in Britain have reflected this.

The issue of management education did not really come to be perceived as a serious problem in Britain until the 1940s – in the wake of British industry's failure to respond to the need for increased productivity in the early war years. The immediate post-war period saw a concerted attempt by the Labour Government to improve the professionalism and efficiency of British management. The British Institute of Management (BIM) was founded in 1948 and a committee set up under the chairmanship of Lyndall Urwick to look specifically into the question of management education. Urwick recommended the creation of a new diploma which practicing managers could study towards on a part time basis over five years. The Government backed this proposal, and with the creation of the privately funded Administrative Staff College (ASC) at Henley in 1946, it appeared that the development of formal management education was beginning to gather momentum (Tiratsoo, 1998a). Further impetus was provided in the 1950s with a series of American initiatives to improve the quality of British management education as part of the Marshall plan (McGlade, 1998; Tiratsoo, 1998a). Yet despite the best efforts of Urwick and bodies such as the European Productivity Agency (EPA), British firms remained deeply sceptical of the value of educational qualifications, while British universities continued to regard management as an inappropriate area for scholarly investigation. Boardroom indifference to the Urwick diploma led to its demise in the early 1960s, and not even a gift of £100,000 (worth approximately £1.7 million in today's prices) was sufficient to persuade Cambridge University to establish a chair in Management in the mid-1950s (Tiratsoo, 1998a). Whatever momentum had been generated for improving the training and education of British management in the 1940s had apparently been lost in the 1950s. The ambition of creating a 'British Harvard' was voiced, but seemed little more than a pipe dream.

A second wave of enthusiasm for promoting business education in Britain occurred in the 1960s. Once again this was motivated by the desire to rectify the perceived failings of British management, but on this occasion such concerns were not confined to Whitehall, but formed part of a much broader public perception of Britain's economic decline. Not only was there a growing public concern about British productivity compared with other industrialised nations, there also existed a widespread belief that rapid technological change posed new opportunities and challenges, and that these could only be met by a well educated and technically competent management cadre (Tiratsoo, 1998b). This provided the context for a general expansion in higher education provision in Britain, of which business education was to form an important part. The case for creating at least one business school was made in a series of reports in the early 1960s, but there was little agreement about where such schools should be located or what exactly they should do. The National Economic Development Council (NEDC) recommended at least one high quality institution "along the lines of Harvard Business School or the School of Industrial Management at the Massachusetts Institute of Technology", while the Robbins report into further education in Britain called for two major postgraduate business schools to be established. Other interested parties also joined the fray. The Savoy Group called for industry to create its own management training establishments, entirely outside the university sector, while another leading industrialist, the car manufacturer Lord Rootes, argued the case for a new school at the University of Warwick (which he had helped create) as a major centre for business education. Eventually Lord Franks was brought in as a mediator to find a way forward, and his report proposed the foundation of two new business schools in London and Manchester. These would be housed within universities, but would also retain a degree of autonomy from them, and would be funded jointly by the public and private sectors. They were envisaged as a partnership between the universities and business, though such a partnership was always likely to be difficult to maintain. Franks himself admitted that he had been "deeply struck by the ignorance and suspicion in industry of the academic world and vice versa", yet still felt that schools needed to be associated with universities if they were to have the intellectual credibility to attract high quality staff and students (Tiratsoo, 1998b). Franks also recognised that in some areas there were likely to be real difficulties recruiting staff with sufficient qualifications and experience because of the lower level of academic salaries, but maintained that it was essential to keep business school salaries in line with academic salaries generally (Griffiths and Murray, 1985).

The London and Manchester business schools were established in the mid-1960s much as Franks had recommended. They were associated with existing universities, but funding was also provided by large donations from major British companies totalling £4.5 million (approx £57 million in today's terms). The primary rationale for the development of these schools was the improvement of British management, and the emphasis was meant to be on the provision of practical tools rather than the conduct of academic research or the pursuit of knowledge for its own sake. The new schools were modelled, to a considerable extent, on the US system with an emphasis on postgraduate MBA degrees taught using case study methods. Yet business education expanded in Britain just as US schools were attempting to shed a reputation as trade schools, and establish more respectable academic credentials (Spender, 2000; Bennis and O'Toole, 2005). As business education expanded within British universities, taught mostly by people from other branches of academia with relatively little direct experience in industry, management developed as an academic discipline, but complaints were regularly voiced about its relevance for the wider business community (National Economic Development Office, 1970, 1972; Griffiths and Murray, 1985; Brown et al., 1996). It was also noticeable that finance and accounting modules far outweighed those dealing with production (Tiratsoo et al., 2003).

By the early 1970s some form of management education was being provided in Britain by 37 universities, 45 polytechnics, five independent colleges and approximately 150 technical colleges (Tiratsoo, 1998b). There were still relatively few business schools at this stage, but the number of students enrolled on some form of postgraduate management programme had grown from 'probably fewer than 200' in the 1950s to well over 2,000. The rate of expansion achieved in the 1960s, however, was not maintained in the 1970s. By the beginning of the 1980s, the number of business schools or departments of management offering MBA degrees in UK universities stood at 28. The number of "British students engaged in full time postgraduate business and management studies" increased from "about 1,355 in 1972/73 to about 1,530 in 1982/83" (Griffiths and Murray, 1985). The growth of business education in Britain, we can see, has not followed a smooth linear path in which the creation of the first schools in the mid-1960s was followed by a period of sustained growth. The 1970s can be regarded as a period of consolidation, in which business studies secured its foothold in many British universities, rather than a period of growth. In establishing its place within the academy, however, business studies arguably came to be taught and studied as an academic discipline much like any other. Staff were recruited and promoted on the basis of their academic scholarship rather than their ability to engage with practical business problems; students were increasingly likely to be undergraduates straight out of school than experienced managers on MBA programmes; the vision, held by Franks and others in the early 1960s, that business schools should be joint ventures between business and universities was not being realised.

As several authors critical of such developments have argued, business schools had effectively been 'captured' by universities. The study of management, they claim, had been turned into an academic discipline and the original intention that business education should primarily serve as a means of improving management competence, and by extension British economic performance, was largely forgotten (Griffiths and Murray, 1985; Brown et al., 1996).

The story of Manchester Business School (MBS) is perhaps revealing in this regard. MBS had remained committed to the principle that half its income should be derived from business sources (essentially by the provision of post-experience courses for practicing managers). In order to maintain this balance, and to avert a looming financial crisis in the 1970s, MBS focussed resources on developing what they called Joint Development Activity (JDA) courses in which academics and managers from a particular company worked together on specific business problems. The courses proved popular with business clients, and became an important source of revenue for the school. They were time consuming for the staff involved, however, and while JDAs helped MBS improve its financial position, in doing so levels of research funding were significantly reduced and numbers of research assistants slashed. By 1983 concerns about the academic credibility of the work being conducted at MBS led to the removal of its director (Professor Lupton) and his successors set about implementing a strategy to refocus attention on academic research (Wilson, 1992, 1996).

The management education provided within polytechnics was arguably more in keeping with the original aims of the Franks proposals than that offered in the traditional universities. The polytechnics had been founded to provide vocational courses with a practical orientation quite distinct from the academic universities. Polytechnics had been offering qualifications in management since their inception in the 1960s, and in the 1980s many of them developed their own business schools. These institutions, which themselves gained 'university' status in 1992, may have been better suited to meeting practical needs of managers than the traditional 'pre 1992' universities, and surveys conducted in the late 1980s and early 1990s provide some evidence to bear this out. The surveys found not only that teaching was given a proportionately higher priority than research within the new universities, but also that different types of research were valued differently. Work focussed on meeting practical needs was given a higher prominence in new universities than in the old, while the pursuit of knowledge for its own sake was given more credence in the old universities than in the new. The authors of this study argued that while business schools in old universities had been 'captured' by academic interests and failed to fulfil the function for which they were originally developed, the more recently established schools in polytechnics (or new universities) offered something much closer to what Franks, and others, had envisaged in the 1960s. Their major concern was that once awarded university status in the 1990s, these new university business schools would also become susceptible to academic drift (Brown et al., 1996). Is such a concern well founded, and has it been borne out?

What types of business schools have evolved?

Almost a decade and a half after the creation of new universities in 1992, it seems that academic drift has not proved to be a problem afflicting the whole business school sector. There are currently over 100 business schools in the UK, but at the last RAE only 16 were rated as 5 or 5* research centres. Many business schools continue to function profitably and effectively as teaching institutions with little or no serious ambition of becoming a producer of internationally acknowledged research. Large numbers of staff are recruited to teach in business schools who do not fit the description of a traditional academic. Recent estimates suggest that less than half of new business school faculty members are recruited direct from doctoral programmes, and that of the remainder, at least half have come from positions in industry rather than from the education sector (Slack and Francis, 2005).

The business school sector as it stands in 2006 is perhaps a good deal more diverse, and healthy, than some of its critics would have us believe. Business studies has indeed become an established academic discipline, a development that few saw as desirable in the 1960s, and while no business school can claim to be a British Harvard, there are quite a number that produce high quality research, offer successful MBA or post experience educational programmes, and attract large numbers of international students. But while management has flourished as an academic discipline within British universities, with high levels of undergraduates as well as postgraduates, has the original focus on the need to improve management performance been lost? Perhaps not. Not only are there many business schools that do not primarily focus resources on the creation of high level academic research, those that do are actually among the most successful providers of post-experience education to practicing managers. We might think of British business schools as being engaged in a range of different functions, with different schools creating and disseminating different types of knowledge in different ways to different end users. Each school can be thought of as having a profile, which can be illustrated in the following way (see Table 2).

Table 2: Business school profiling

Reputation	Internationally prestigious. Renowned as centre of knowledge creation.	Nationally prestigious. Regarded as a high quality academic institution.	Locally/regionally acclaimed as an important educational institution.
Research	Published in top international journals. Influencing leading academics/teachers in other top-rated schools.	Significant impact among other academics, government, or business, usually at a national level.	Work more specifically focussed on individual organisations in local industries.
Type of Teaching	Post-experience or executive education for senior managers. Highly rated MBAs.	Post-experience or executive education to middle/junior managers. Also MBAs, MScs etc.	MBAs, mainly for local managers. MScs and BScs for students with little or no management experience.
Teaching Volumes	Low (more emphasis on research).	Moderate (leaving significant time for research).	High (leaving little time for research).
Financial Margin From Teaching	High	Moderate	Low
Broader Social Function	Flagship/elite institution. Good for national prestige.	Provides high quality education for the country's leading employers.	Broadens access to HE to previously disadvantaged groups. Direct links with local SMEs.

There are a wide variety of business schools in the UK with differing profiles. As Table 2 illustrates, it is not at all helpful to assume that institutions focused primarily on academic research are likely to be of less 'relevance' to practicing managers, though they may well inform the practitioner community in different ways and at different levels. All institutions performing the functions outlined above serve an important purpose, and in the rapidly expanding UK higher education sector of recent decades, all have been able to flourish. The question this report seeks to address is whether they will continue to do so in the future. The next section will provide an analysis of the various pressures and challenges currently facing business schools, and how these pressures are likely to effect different types of schools in different ways. Section 6 surveys the strategic options facing business schools as they respond to these challenges: are schools likely to be best served by narrowing their focus on a specific set of capabilities, or are they better off continuing to undertake a range of activities?

5 Challenges Facing Business Schools

Business schools have made substantial progress across a number of domains (dealing with increasing student numbers, producing high quality research and promoting executive development, for example) given their fragmented history. Management and business is now widely accepted as an academic discipline and organisations from both the private and public sectors generally acknowledge the value of developing staff through the programmes they offer. Large numbers of overseas students are attracted to the UK to study, mostly from the Far East but also from the EU and developing nations such as India, South America and some African states. After a turbulent history, UK business schools appear to have established themselves, in terms of the status they hold, the funding they receive and students they attract.

There is huge flux and uncertainty in the sector however, and business schools have reached what some perceive as a crisis in terms of their identity and role within society. Schools are subject to an array of pressures and challenges that have caused some to question the value and contribution they offer. It is timely to review these challenges and to examine what effect they are likely to have on future development within the sector.

Reputation

Table 2 highlights the significance of 'reputation'. This term is used to describe a school's status and image – the way it is perceived by key stakeholders (such as research collaborators and actual/potential students). A school's reputation emerges over time and is influenced by a range of factors, including faculty expertise and access to funding. Both the Research Assessment Exercise and university/business school league tables substantially impact upon a school's reputation. Because these factors play a pivotal role in determining whether UK business schools attract the staff and funding required to sustain reputation, they are reviewed in some detail below.

The RAE

The most far-reaching performance management system for UK academia is the Research Assessment Exercise (RAE). RAE 2008 is the sixth such exercise intended to assess the quality of research and to determine how significant research funds are allocated across the university sector (RAE 2008). The system presents a number of challenges for institutions wishing to sustain or surpass their reputations. The current uncertainty over the format of RAE 2008 – following the Chancellor's 2006 budget speech – makes planning for the exercise extremely difficult. Schools that have scored highly in past exercises are expected to at least match, and preferably better, their previous performance. Presenting a school's research profile in line with the expectations of RAE assessors draws upon the resources of senior staff to the possible detriment of other aspects of school activity. Key (and career changing) decisions have to be made about the proportion of staff whose publications should be submitted and the number of papers that have been accepted by top journals. Institutions whose research profile has been more borderline in past exercises are similarly investing substantial resources into preparation for the RAE. The difference between the two surrounds the degree of risk involved in devoting substantial resources to performing well. Those lower down on the research hierarchy are less likely to achieve a top score, because they received less funding in the last exercise to support their research. The process this time is likely to be more competitive than ever given that schools achieving one or two star ratings are likely to attract little if any funding resources. The system therefore accentuates distinctions between new and old university sectors, making it increasingly difficult for institutions to achieve research excellence when they have not historically excelled. This presents significant issues for those institutions at the bottom of the research league tables.

University league tables and rankings

Business schools are subject to on-going scrutiny from the national press and other interested parties in the form of league tables through which comparative performance is assessed and analysed. League tables are generally published annually, but many different analyses are presented at various stages of the academic cycle, so it is unusual for a month to go by without a new portrayal of how universities are performing relative to one another. Most deans and heads of school are intensely aware of their status in league tables with good reason; research by UCAS shows that league tables and other ranking systems have a profound influence on applicants, especially for those making decisions from overseas.

Universities and business schools find that their ranking varies significantly depending upon what factors are being analysed by the publishing body concerned. Perhaps the most important distinguishing factor between league tables concerns whether they take a university-wide perspective or focus specifically upon business school performance. Some business schools are ranked far higher where they are considered separately from their wider universities, and the reverse also applies. The criteria taken into account include: entry qualifications (primarily A Level points), research rating, staff-student ratios, student satisfaction surveys, salary levels and progression, degree classification, student attrition rates, spend-per-student, graduate destination and inclusion (i.e. widening participation).

The question for business schools is whether a less than optimal performance in some domains is acceptable, or whether institutions should instead be striving for excellence across all key dimensions. We return to this point in section 6 of this report.

The authenticity of league tables has been widely questioned. While certainly the league tables are crude and sometimes flawed they substantially impact upon schools' reputations. Those schools that regularly appear towards the top of the league tables attract more students than those whose profiles are less favourably reviewed. Furthermore the students that the best performing schools do attract are likely to be relatively strong academically. Given that league tables are here to stay, perhaps a key challenge for business schools surrounds how to influence the process whereby statistics are compiled in order to enhance their authenticity and their fairness.

Funding issues

In the UK revenues to support the activities of business schools have been traditionally derived from two streams – education and research. In recent years third stream funding – engagement with practice – has been added and many UK schools now recognise the importance of endowments in underpinning the success of US schools. The endowment gap is best illustrated by example. Press reports suggest that Harvard's endowment stands at £800 million, Stanford's at £280 million and Wharton's at £212 million. In contrast, London Business School's endowment stands at £11.3 million and only 3% of its running costs are covered by donations, compared with 20% of many leading US schools (Beckett, 2004).

Student numbers

An analysis by the Association of Business Schools (ABS) revealed that in 2004 there were over 220,000 full time equivalent (fte) students studying Business and Management in the UK, representing around one in seven of total numbers for Higher Education. Around 13% of undergraduates opted for business and management, and 22% of all postgraduates similarly engaged in business and business-related programmes (Slack and Francis, 2005).

Despite these encouraging statistics, there are signs that growth and expansion within the sector may be faltering. Business schools are reporting a substantial decline in applications for 2006/7, attributed to the increase in tuition fees due to take place for this academic year. Perhaps even more significantly, there has been a significant reduction in the number of applications from overseas rather than 'home' students. The influx of students from Far Eastern destinations, notably China, is beginning to dwindle. Such developments have impacted upon MBA applications – an issue of serious concern, given that MBA programmes can command tuition fees in excess of £20,000 p.a. Here also, growth has been heavily dependent upon the recruitment of students from overseas: UK student numbers now represent only 20% of the total MBA market (ABS, 2005). Some institutions report a significant decline in the number and quality of MBA applications (Dearlove, 2004). A similar pattern can be detected in the United States; the Graduate Management Admission Council (GMAC), for example, scrutinising 2004 application trends, reported that applications were about 20% less than in previous years, across both full and part-time study (GMAC, 2004). Again, these trends have been attributed to a fall in the number of applications from overseas.

Precise figures capturing these trends are hard to come by and the picture is by no means clear cut with some UK institutions, mostly those with a strong branding or reputation, stating anecdotally that MBA take-up is stable or rising. These reports notwithstanding, it is apparent that there is significant instability within a market sector that may well be in overall decline.

HEFCE funding and tuition fees

Business schools offering Business and Management programmes at Undergraduate level are required to bid for funding from the Higher Education Funding Council for England (HEFCE) on an annual basis. HEFCE provides around £4 billion p.a. to support teaching, with proportionally smaller amounts also available for research (around £1 billion), capital expenditure (£650 million) and special funding (£428 million). Factors such as the type of student are taken into account in allocating funding across the university sector, in line with HEFCE strategic priorities. The first three are:

- Widening participation in higher education from all parts of the community.
- Maintaining teaching and research quality.
- Encouraging universities to work with business and the community.

The focus on widening participation is reflected in the weighting allocation for students. Those from 'educationally disadvantaged wards' are funded at a proportionally higher level than those from more prosperous areas to compensate institutions for the more challenging recruitment and retention issues they face. The smaller amount available for research funding is distributed according to the number of research-active faculty members, as established by the previous Research Assessment Exercise. Any additional funding is allocated on the basis of 'special funding', recognising initiatives such as Centres for Excellence in Teaching and Learning, rewarding quality enhancement and supporting specific projects that require additional capital (HEFCE, 2005).

In order to draw in further funding to support expansion within the sector, tuition fees are set to double from 2006. Most institutions will at this point be able to charge up to £3000 p.a., so long as they endorse an 'access agreement' with the newly formulated Office for Fair Access (OFFA). This agreement stipulates what proposals exist to improve student access and to provide financial help for those from disadvantaged backgrounds.

There are a number of challenges for business schools in managing their provision given funding constraints. Business and management programmes attract low funding relative to science-related or medical courses because those teaching these subjects are not perceived to require expensive equipment and/or technology. Under the current system, there is little, if any, recognition of the cost involved in arranging for students to experience the business world, for example through offering a placement year. This acts as a disincentive for schools endeavouring to provide a higher quality overall experience for students through promoting practitioner links.

The combined amount allocated from HEFCE together with tuition fees may not cover the full economic costing required to offer a high quality educational experience. According to some providers, it is difficult or impossible to update infrastructure such as teaching rooms and to provide the high technology teaching aids that might be anticipated by those who wish to work in the business and management sector. This may be increasingly an issue or challenge for schools that do not derive much, if any, revenue from the Research Assessment Exercise, especially where they are not located within areas that have been designated 'socially disadvantaged'.

The nature of the education demanded may also become an issue. Students who are 'consumers' do not necessarily share the academy's view of quality higher education (that it should, for example, promote such things as critical thinking, independent judgement and citizenship). They may instead be concerned with developing practical skills that they perceive will be attractive to employers or that will allow them to make an immediate impact in the workplace.

Through emphasising widening participation, funding providers have significantly increased undergraduate student numbers and opened new opportunities for those who traditionally would have had little prospect of attending university. Such developments have not been without criticism, however. Some have questioned whether there is value in graduate-level study where there is little or no opportunity to progress into graduate-level jobs. Linked to this point, and given the pressures that schools face to recruit and retain students from socially disadvantaged areas, some schools have been accused, perhaps unfairly, of the erosion of scholarly values. Whether or not there is any substance to these arguments, it seems likely that any change in government will herald a review of existing policy, thereby adding to the uncertainty already experienced in the sector.

Staffing issues

Recruitment and retention of faculty members

Recent research has suggested that only about one-quarter of business school faculty are recruited directly from doctoral programmes (Slack and Francis, 2005). The same source indicates that a significant proportion (probably close to one-third) of faculty are recruited into the sector from practice, rather than being drawn from within the education sector. A key challenge concerns how to socialise into the university environment those drawn from sectors where the ethos and expectations of staff may be very different. This challenge is especially acute for schools with high teaching volumes where there is a commitment to widening access. In these circumstances, schools are required to maintain low student/staff ratios (to provide the necessary support), but are unlikely to attract established academics because they may be perceived as 'local' rather than national or international institutions.

PhD study on a part-time basis may be an option for some but by no means all fall into this category. Anecdotal evidence suggests that only a relatively small proportion of mature academics are willing to commit to at least four or five years of part-time study, and that of those making this commitment, only a small number succeed in completing their doctoral studies. There are a number of reasons for this.

Those drawn into academia at a relatively late stage are likely to have already achieved high professional status, and may be correspondingly reluctant to become a 'student' with the associated status differential relative to fully fledged faculty members. This is especially the case as business schools may be able to offer only marginal support for PhD study, given the pressures of sustaining student numbers and income.

Taking into account these issues, it is perhaps surprising that some faculty members do succeed in making the transition from practitioner to research academic. Identifying the characteristics of successful individuals as well as the work environment in these circumstances may yield some interesting insights for those interested in the training of business school faculty. AIM has recently established an initiative whereby academics drawn from practice are encouraged to reflect upon the meaning, purpose and value of research within a university environment. This and other such initiatives may be especially valuable where business schools frequently recruit staff from practice and are concerned about sustaining scholarly values and research impact. We return to this point in the final section of this part of the report.

Projected shortfall

A related issue concerns faculty demographics and projected turnover over the next ten years. Recent research has shown that there is a serious projected shortfall (HEFCE, 2005). For the period 2003-4, there were nearly 4000 academic staff over fifty years old, a figure which implies that in ten years time there will be around the same number due to retire. At the same time, in 2001-2 there were only 244 new PhD qualifiers in Business and Management – a substantial proportion of whom are likely to work overseas. Even given the number of faculty coming into business schools without PhD's this figure represents a substantial gap between demand and supply. The projected shortfall appears to be even more pronounced in the United States. Here, the annual number of business doctorates decreased more than 19% between 1995-2000; furthermore, only 62% of graduates of U.S. doctoral programmes envisaged a career in academia. It is therefore unlikely that any shortfall will be met by recruiting from the U.S.; indeed, it seems likely that UK academics may be increasingly tempted to make the transition in the opposite direction, especially as salaries for academics in the U.S. are substantially higher than their UK counterparts (Pearce, 2005).

Leadership

There is a clear need for strong leadership across the whole sector, particularly where there is commitment to changing the focus of activities in which a particular school is engaged. Good leaders endeavour to 'shape' the future direction of their schools to take account of the challenges highlighted above and to present their schools in the best possible light. For example, developing a schools' reputation to become 'nationally' rather than 'locally' acclaimed will necessitate a re-examination of existing strategy in terms of recruitment and selection, reward and the allocation of staff time.

Frequently business school management tend to be concerned with survival and crisis management rather than with depicting a clear and visionary ideal for staff to work towards. There are a number of reasons for this. Those who are recruited into leadership positions frequently report that they have limited 'levers' available to influence staff behaviour and attitudes. Relatively few schools operate performance-related pay schemes, for example. Furthermore, there is no clear conception of what capabilities are required to perform an academic leadership role successfully. This means that there is little by way of developmental support to prepare individuals for operating at this level. Another problem lies in the longstanding tradition of 'rotating' academic leadership. The task of providing leadership has for many been seen as a burdensome activity that presents obstacles for those wishing to extend and develop their research careers. Indeed there is little incentive for leading business academics to move into leadership positions.

Clearly, to deal with the challenges highlighted above and to select the appropriate strategic option for the school, strong and compelling leadership is desirable. The following section outlines some potential ways forward for schools given the challenges and constraints that they face and examines the role of deans and advisory boards in selecting and implementing the appropriate course of action.

6 Strategic Choices

This report has discussed the substantial growth in business schools and the volumes of students graduating from them. The consequence of this has been their impact on a large number of practicing managers, and therefore the growing role that they play in the UK's social and economic arenas. In recent years they have been subject to a number of criticisms and pressures. These have often been characterised by the need to maintain and increase the scholarly values that should underpin business school activity, and how they should impact the wider social and economic worlds in which they operate. This section will suggest that an increased level of diversity is required in the profiles of business schools in order to increase the number of schools able to excel on the global stage. This diversity is demonstrated through the presentation of four different models of business school activity. The consequence of this diversity is addressed through the presentation and discussion of a number of factors concerned with their management.

Before a discussion concerning the contemporary strategic choices facing business schools is presented, we must first reiterate what they are, and what differentiates them from other entities involved in the creation and dissemination of management knowledge, such as training organisations and consultancies. At the core of this differentiating purpose is what all business schools should have in common, that they are organisations that manifest scholarly values: continually questioning phenomena from a distance; confirming previous assumptions with empirical data; and legitimising knowledge in various domains. In short, what has become known as academic rigour, as applied in both teaching and learning, and research contexts. This is what differentiates them from the plethora of training institutes, corporate universities and consultancies that are involved in the creation and dissemination of knowledge, and enables them to play an important role in critically examining the role of businesses in society. It is this critical ability that constitutes their value in the eyes of their major stakeholders: governments, students and business.

There are many different types or profiles of business schools that would adhere to this set of values, many of which could be perceived to be muddling through because of a lack of clarity concerning how to respond to the various pressures with which they are faced. A response caused in part by a reactionary approach to meeting the challenge of the RAE, teaching quality assessments, variability in student numbers, internationalisation and to what extent they focus their activities on impacting the economic and social worlds in which they operate.

The challenge facing deans and advisory boards of business schools is concerned with how they 'shape' not 'manage'. This suggests an approach focused on how they find a sense of purpose that reflects the contemporary challenges they face, and that acknowledges the path dependencies of their school and wider institution. Such shaping must acknowledge the different activities of business schools that can exist through the following means:

- Strengthening and reaffirming the processes whereby faculty are socialised into a community based on scholarly values.
- Differentiating themselves through the explicit adoption and prioritisation of specific activities concerning what kind of organisation they are aiming to be, and aligning their activities with this model.
- Progressing on a journey of discovery to understand what their unique contribution is e.g. substantial contributions to general and/or specific domains of knowledge, the development of high performing managers, increasing social inclusion in specific regional geographies and/or contributing to the development of policy.

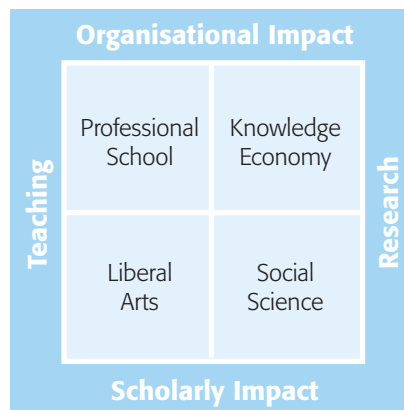
In order to address these points, a number of factors are considered in the following sections. These are the various activities that business schools can and could undertake and excel in, the implications of these activities for the faculty profile of schools, the interorganisational relationships that they might engage in and the performance measurement systems that are used to determine excellence under each activity.

Models of knowledge production

So what are the models of activities that business schools undertake and could potentially adopt that would allow them to progress beyond the 'muddling through' approach? One of the presentations given at the Management Research Forum which stimulated this report was by Professor Ken Starkey and Dr Nick Tiratsoo. This presentation described four activities of knowledge production and dissemination, drawing on debates that had been running for some time in the British Academy of Management (Johnson, 1995). These four activities are entitled social science, professional, liberal arts and knowledge economy.

Figure 1 shows that a business school's activities can be dimensionalised in two ways. On the one hand the balance it strikes between teaching and research; and on the other, on the balance it strikes between organisational impact and scholarly impact. This suggests four types of activities that schools can focus on, which are presented in figure 1. These activities are not mutually exclusive, but rather show the diversity of activity that can take place within a school and across the UK business school sector.

Figure 1: Models and orientations of business activity



The first model is an orthodox **social science** approach, which has as its primary focus contribution to knowledge. The principle stakeholder for this type of activity would be other academics in business schools and other university constituencies. Excellence in this type of activity can be measured by the RAE as traditionally constructed. This requires faculty with doctoral level degrees who are primarily recruited and assessed on their research performance and potential. In this model inter-organisational relationships will primarily be with other social science orientated business schools, other relevant departments in universities (e.g. psychology, sociology, and engineering) and both professional and knowledge economy types of schools.

The second model is closely related to the first, and is that of business school activity as one that creates and follows a **liberal arts agenda**. In this model the word 'liberal' refers to the fundamentals of knowledge, self-knowledge, wisdom and leadership, and art, to the practice and application of these factors. The aim of such activity would be to ensure that managers and leaders are not just technically competent, but also have the ability to think critically about the world in which they act, and themselves as actors within it. Moreover, it aims to address wider debates concerning the role of business in society: commercialisation and the role of branding/advertising in the shaping of consumer society; multinationals and the ongoing process of globalisation; the influence of 'management speak' on everyday language; the importance of business history in our understanding of long term social and economic change. This concept is presented here as a teaching and learning activity, with the research aspects falling within the social science sphere. This activity would address some of the shortcomings of MBA programmes discussed in earlier sections of this report, and add a reflective and ethical dimension to schools. Given that the purpose of such an activity would be the facilitation of self-development and critical thinking in managers, the faculty of such an institution would need skills and capabilities quite different from those provided on a traditional PhD programme, particularly with respect to the personal development goals of such a school.

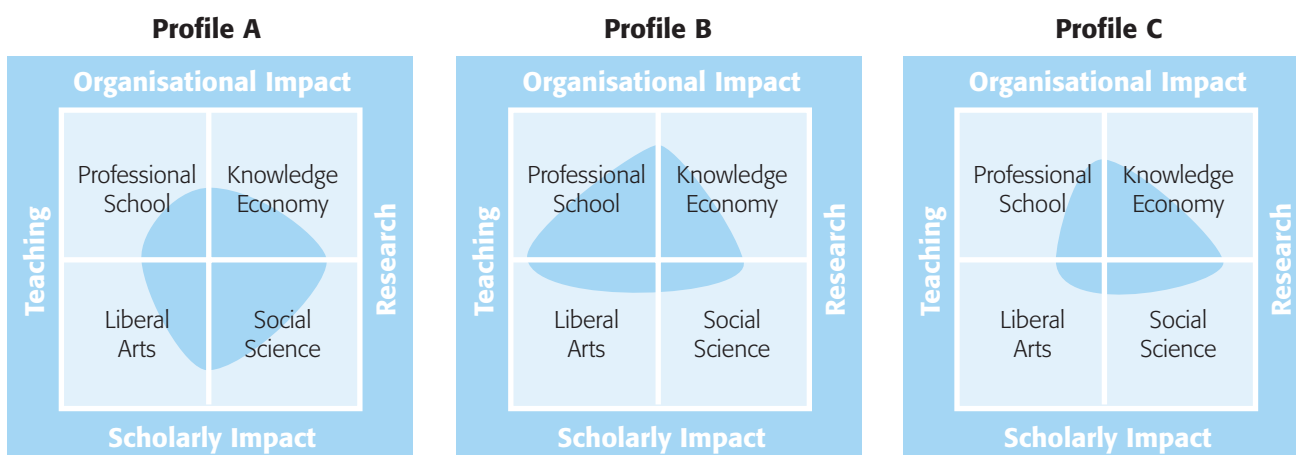
The third model is the **professional school**, an activity that has as its primary focus the improvement of management practice, and in many ways is similar to schools of medicine, dentistry and law (Bennis and O'Toole, 2005). The principle stakeholders for this type of activity are individual managers, employers and governments who see the improvement of management as a key enabler of economic growth and social inclusion. It is an environment where teaching excellence is the principle measure of performance, as judged by teaching quality assessments and the marketplace for undergraduate degrees, specialised MScs and MBAs and executive education. Schools adopting this type of activity will have extensive links to national professional organisations, such as the Chartered Institutes of Management, Marketing, and Personnel and Development, and develop life-long developmental relationships with its alumni.

The final model of activity for business schools of the future is when it is an actor in the **knowledge economy**. This is when they focus on the development of management knowledge, and the commercialisation of scientific and technological discoveries from the wider academic community in which they are located. The principle stakeholders for this type of activity are the organisations that a school relates to as part of its role in knowledge value chains. Upstream this would be social science type business schools and other university departments, and downstream, organisations such as management consultancies, internal training departments of large corporations and government departments. This approach would involve the production of what have been described as "field tested and grounded technological rules" (van Aken, 2005). The challenge with this and the previous model is whether orthodox PhD trained academics have all of the necessary skills, especially in areas such as entrepreneurship and finance.

What these four options spell out is a future for business schools that will mean greater levels of diversity with regard to their strategic foci, excellence in terms of their ability to fulfil their distinct purposes, and greater impact on the academic, social and economic worlds in which they operate. Does this approach suggest that schools have to choose between the activities, and once a choice has been made, ignore the others? In other words, can a high performing social science type scholar thrive in a professional school? To understand this we need to adopt a both/and, rather than an either/or mindset.

The challenge for business schools is whether or not they can excel across all these activities. Specifically, can they make sustained and significant contributions to the production of management knowledge for both academic and practitioner communities, and undertake teaching and learning activities for both traditional degree programmes and professional ones? Or, on the other hand, do they need to focus and specialise on a profile that prioritises some activities over the others? Figure 2 shows examples of profiles that could reflect different schools. Profile A shows a school that is primarily focusing on social science type activity, profile B, one that is orientated towards professional activities and on profile C, one focused on knowledge economy activities.

Figure 2: Examples of the possible profiles of business school



The analysis suggests that if the UK is to sustain and improve the performance of its business schools, then maintaining the status quo of rewarding homogeneity may not be the best approach. Recognition needs to be given at both a school and national level of the need for diverse profiles of schools and appropriate strategies to support these. The key issue here is to ensure a complementarity of fit between the profile followed and factors associated with a school's management. For example, a school that seeks to adopt the professional model (profile B in figure 2) would be better to employ a performance measurement system that does not require everyone to publish in top academic journals? An approach that may not be appropriate for a social science orientated school (profile A in figure 2). Similarly the basis of faculty recruitment and promotion should be their ability to contribute to the improvement of management practice.

Heterogeneous measures of excellence

It is widely recognised that the measures of performance, explicit or implicit, that are used by an organisation will significantly influence the behaviours of its members and its strategic direction. For UK business schools the relevant performance measures include the RAE, league tables and teaching quality assessments, as well as the market-driven orientation of students (undergraduates, postgraduates and those participating in executive development courses). Assuming that the future of business schools will involve a greater range of diversity, how sufficient are the current models for measuring business schools performance?

Current UK business schools are subject to two main performance pressures: research is influenced by the RAE, while teaching is affected by teaching quality assessments and the market. Of course the league tables influence both teaching and research and in turn the demand for programmes. The RAE plays a crucial role in measuring the performance of business schools in how effectively they utilise the research funding they receive from government sources. This gives a clear focus for faculty and means by which research excellence can be rewarded. For teaching, the teaching quality assessments and the market act as pressures to improve teaching and learning quality in the undergraduate, postgraduate and executive development activities. However, are these two performance

measurement pressures sufficient? The risk that they present is that on the one hand business schools focus on research which is perceived not to be relevant to practice (commercial, not-for-profit and policy) and on the other, that they are developing managers deficient in essential managerial skills (Mintzberg, 2004; Ghoshal, 2005). What this suggests goes beyond the simplistic notion of dissemination of research via “chalk and talk” type sessions, to an approach where characteristics such as “resourcefulness, imagination and process skills to deal with the complexities of ‘real’ business situations” (Chia, 1996) and where critical thinking and challenging conventions are the norm. This approach would enable schools to avoid being a “responsive lackey at the beck and call of a corporation” or the market, and consequently vacating the high ground of scholarly values (Criag et al., 1999). This suggests that there is a missing element to the performance measurement perspectives taken that would mean the introduction of a third element, that of impact.

What is meant by the word impact? This would vary depending on the type of school in question, but, for example, could mean excellence in one or more of the following areas:

- Addressing the social inclusion agenda through developing graduates from low socio-economic groups who progress to higher levels in this index.
- Undertaking work (reports, formal advisory roles etc.) that manifestly impacts government policy.
- The production of ‘field tested and grounded technological rules’ that become embodied as organisational routines.
- The development of graduates that have a high impact on the professional areas in which they have been educated.

This list is by no means definitive, and its evolution should be determined in part by the ‘journey of discovery’ to be pursued by deans and business school boards.

Networked organisations

As organisations become more specialised and seek to develop capabilities, the levels of non-core activities that they require may be increasingly outsourced. Schools that cannot undertake all four activities of a business school could, in the future, utilise networked relationships with other schools to enhance their validity. Doing so could help prevent academic drift in social science orientated schools and the erosion of scholarly values in schools that are closer to practitioners.

Historically speaking, business schools have used strategic alliances to increase their international presence, and thus attractiveness to students and research funders. To date these alliances have been between similar types of schools. In the future, clustering may also occur around configurations of schools, where these clusters consist of social science and professional, or social science and knowledge economy type schools. This can give both a comprehensive research and international service capability. For example, a social science school may form relationships with other university departments such as psychologists, sociologists and economists, peer-to-peer relationships with other social science focused schools and relationships with professional and knowledge economy focused schools (Pettigrew, 2001). The later relationships may become essential routes to accessing funding for their research. For a professional orientated school – relationships with social science schools may become essential to maintain their research credibility with the individual and organisational consumers of their teaching and learning services, providing them with the intellectual property to disseminate and their faculty with involvement in high quality academic research. Examples of these types of relationships could include transatlantic strategic alliances between strong social science and professional schools.

Faculty profile

The division of labour challenges the notion that business schools should be staffed by faculty who can achieve excellence in research, teaching and the management of various stakeholders. Put another way, how many academics achieve the level of excellence, demonstrated by the late Sumantra Ghoshal, at impacting the worlds of both theory and practice? Where excellence will be increasingly sought across all four activities, in areas such as research outputs, deep interactions with other stakeholders in areas such as policy development and executive education, and where knowledge is created in the context of practice, specialised skills may be required. These might be roles such as client relationship managers, project managers and research programme directors.

Assuming that the average PhD trained academic is both sufficient and capable of managing and leading an increasingly specialised and complex business school may no longer prove to be appropriate. Given the ongoing shortage of appropriately qualified faculty for business schools to recruit, this has implications for the development and retention of faculty, and the organisation and career structures which are used to manage them.

The need to ensure that faculty with the appropriate capabilities are in the right positions will become increasingly important in a world of constrained supply, and increasing pressures for business schools to operate and excel on a global stage. For a school seeking to excel across all four quadrants this would mean ensuring that faculty recruitment and promotion criteria are diverse and aligned with the four activities. For example, schools that are seeking to follow a more niche approach should not blindly assume that recruitment and reward systems designed for a social science orientated school are applied to one that is seeking to excel as a professional one, and vice versa. This will require change in evaluation criteria used by academic disciplines, institutions, and university appointment and promotion committees (Spender, 2000).

Summary

This section has sought to build on the historic analysis by suggesting that deans and advisory boards have to make strategic decisions in response to the challenges they face. The differentiated activities of knowledge production have implications for both the internal management of schools and the external policies that affect them. One of the key implications of the heterogeneous model for the future of business schools is the need for alignment between the factors that constitute a business school and the strategy it is seeking to employ. This means that the strategies, structures and nature of organisational change must be complementary and fit with each other to be successful, and acknowledgement must be given to the formative context of an organisation when seeking to change it. This suggests ensuring that factors such as teaching volumes, recruitment and retention strategies and the types of research incentivised, support the models business schools employ.

The complexity and challenge of implementing any change in the profile of a business school must not be underestimated. Business schools are influenced by a variety of factors, both within and without their direct sphere of influence. Of particular importance is the power of the faculty. High profile researchers are in short supply and there is a global labour market for their talents. Controlling the activities of academic stars is therefore extremely demanding, not least because many of the traditional levers of management control are not available. This situation can limit the power deans have to determine the future direction of a school.

Consideration must therefore be given to the path dependent nature of change in business schools and the processes and levers that are needed to affect its direction. The implications of this will be that on the one hand, deans and management teams must have outstanding leadership capabilities, and a broad and deep understanding of the complex set of factors that influence a school. And on the other, courage to take on some 'sacred cows' and conviction in articulating a clear sense of direction. The next section will build on the ideas presented here, with specific recommendations for policymakers and the leaders of business schools.

7 Conclusions

Key issues for deans

Business school deans are charged with finding the right strategic balance for their schools in a context of uncertainty and flux and where their ability to effect change is limited. Broadly speaking, business schools have emerged in response to a contested set of requirements for business education and research. Individual business schools can be seen to be a mix of specific capabilities, assembled to take advantage of the income opportunities created by these requirements. Once the die is cast, however, we suggest that movement between sources of income to adjust to new opportunities is difficult. The ability to build new capabilities, or to switch emphasis between them, is restricted by the availability of qualified and suitable academics, and relatedly, the reputation of the school in specific areas of activity. That is to say, the ability of a school to attract the staff it needs, from a restricted pool of labour, will depend to a large extent on its existing reputation in the areas in which it is trying to recruit.

Capabilities include teaching and support systems relating to particular student markets and, more broadly, the bias for teaching and research toward social science, liberal arts, knowledge economy and professional models. Sources of income include research (business, research council and RAE) and teaching (undergraduate, widening participation, fee income generating postgraduate students and executive development). Reputation is influenced by the standing of the associated parent university, league tables, RAE rating, high-profile research groups and courses and perceived bias toward social science, liberal arts, professional or knowledge economy activities.

Reputation, in the context of a limited labour market, makes its effects felt by a locking together of capabilities and sources of income. For example, a dean wishing to build competence in research may find it difficult to attract the required staff if the school has no existing reputation for research or a reputation for a particular research bias. Similarly, moving into particular student markets (such as executive teaching or high-calibre undergraduates) may be difficult if the school (or its university) does not already have a reputation amongst these groups. Marketing may be able to offset some of the effects of a lack of reputation in a particular area of activity, but not entirely. In order to offset a lack of reputation in a particular market, alliances may be sought with high profile institutions forwarding specific areas. Critically, because of the effects of reputation, active intervention will be needed to effect change. In order to migrate from a professional to a social science model for example, buying-in expensive 'research stars' may be necessary. Moving away from a social science model toward a more teaching-intensive model, by the same token, would be easier, but difficult to reverse again. Change, because of the effects of reputation, can be expensive and risky. Therefore a strategy of building on success may be a more appropriate option. The importance of reputation encourages what has been referred to as a 'muddling-through' strategy. For instance, even if the majority of the school's income comes from teaching, many schools seek to retain their scholarly reputation by encouraging research and/or related activities.

Summary of recommendations to deans

Deans should assess the degree to which their school's activities are orientated towards the professional school, knowledge economy, social science and liberal arts dimensions outlined in Section 6.

Professional school

- Recruitment and retention – professional schools need to recruit and retain faculty who are capable of having significant organisational impact through teaching that is well grounded in theory and practice.
- Dissemination and impact – professional schools will maximise their impact through well designed and delivered teaching and learning programmes.
- Reputation – the external reputation of professional schools will be heavily influenced by mass media and particularly by programme rankings.

Knowledge economy

- Recruitment and retention – the knowledge economy school requires entrepreneurial teams that can conduct research which generates ongoing revenue streams.
- Dissemination and impact – knowledge economy schools need to nurture close and productive relationships with professional bodies, policymakers and the media. Output will predominantly be through practitioner journals, reports and books.
- Reputation – the external reputation of knowledge economy schools will be vested in close and influential relationships with key decision makers.

Social science

- Recruitment and retention – social science schools will generally seek to recruit faculty who have been trained in research through PhD programmes.
- Dissemination and impact – social science schools will disseminate the results of their work to the academic community through peer reviewed publications and at academic conferences.
- Reputation – The external reputation of social science schools will be determined largely by the Research Assessment Exercises and their equivalent.

Liberal arts

- Recruitment and retention – liberal arts schools will recruit faculty who have an appreciation of the social context of business and who are able to encourage students to engage critically in current debates.
- Dissemination and impact – liberal arts schools will aim to create a future management cadre for whom social and ethical concerns are a higher priority than has been in the past.
- Reputation – the external reputation of liberal arts schools will be determined largely by faculty who are seen as social commentators.

Key issues for policymakers

In order to empower deans to act strategically and improve the provision business schools are capable of delivering, policy must seek to improve the academic labour market. At present the situation is set to become worse. The predicted shortage of qualified staff means that business schools will increasingly be reliant on staff without PhDs. This will impact on the capabilities business schools are able to build and the sort of activity profile they are able to develop. This will also have the effect of reinforcing the existing incomes differentials between schools. If business schools have to compete for a shrinking pool of qualified research-oriented staff, those with existing good reputations or that are able to pay higher salaries, will merely consolidate their position at the expense of the rest. The very legitimacy of those that cannot attract the best may be brought into question. To raise the quality of research and teaching across all schools a good supply of highly qualified staff will be essential. Improving the attractiveness of business schools to other academics and financial support for PhDs will be required. Academic careers will also need to be more attractive to PhDs.

A second related issue facing business schools is the quality of the training that business PhD students receive. Future business school staff, if the criticisms levelled at business schools are correct, will need to deliver graduates who are critical thinkers able to shape, not simply manage, the organisations that employ them. The nature of a UK business PhD should be scrutinised to ensure that it is actually developing academics who can deliver to the highest levels in social science, humanities, professional and knowledge economy contexts. Ultimately, it is the academics themselves who drive the capabilities of business schools. Policy must therefore be a shaping force here.

The government needs to be clear about the sorts of research activity it wants to reward; in particular the impact of present funding regimes on business schools that do not generate the sort of knowledge deemed desirable by the RAE. Those that work closely with practitioners in the local economy and that generate knowledge for practitioners and policymakers, are often not so well represented in academic journals. This undermines the value of their contribution to the economy and the RAE needs to ensure that it broadens its remit to 'reward' a broader spectrum of knowledge production.

Summary of recommendations for policymakers

- Develop quality measurement tools, such as the RAE, that effectively promote and reward success across a broader spectrum of excellence. These tools should drive the profile of business schools in the UK and should underpin the development of the required capability in UK business education and research provision.
- Develop a cadre of academics capable of delivering the long-term visions for business education and research and shaping the future of UK business schools.
- Develop a research agenda for detailed empirical study of the teaching and research provision of UK business schools to clarify the contradictory assumptions upon which current debates rest.

Future research

The primary drivers of research thus far have been to highlight particular arenas where business schools are failing to deliver social or economic benefits. A detailed survey of business schools to determine the existing mix of education and research capability available to UK organisations is perhaps overdue.

Examine the career profiles of high impact scholars to understand how and why they have developed the capabilities that they have and how these capabilities underpin their success.

Research should consider the profile of up-and-coming academics in business schools by surveying the PhDs they have written. What sort of PhDs are being completed? What is the level and type of scholarship? What research methodologies are being employed and what sort of skills are being developed?

What is the actual content of MBA teaching? On paper teaching may look functional, devoid of engagement with ethical issues or the liberal arts agenda, but this may differ from what is actually delivered in the classroom.

The mapping approaches suggested for determining the position of business schools with respect to different models of knowledge production might be a useful means of comparing perceptions of business schools. Deans might also be asked to predict where they think their school is 'going', or ought to be going, and what forces are driving/preventing this change. Research might look at the differences in perception between business schools from within and amongst external stakeholders and even between different groups of academics and managers within schools.

Summary

This report has highlighted the challenges and strategic options open to UK business schools, and developed a set of recommendations and suggestions for future research. Our analysis holds that through being aware of the historical legacy of business schools, we can reach an informed understanding about the range of potential avenues to be explored. Contrary to what is generally assumed, institutions located within the 'post '92' sector may embody characteristics (such as working closely with local business) that are more in line with early visions of what business schools are about than those scoring highly in the research league tables. Nonetheless, schools operating broadly in line with the 'social science' or 'liberal arts' agendas help to sustain scholarly values and intellectual rigour. Such a concern with detached critical thinking will distinguish the sector as a whole from those with a clear commercial imperative.

Our study shows that business schools can excel across a number of dimensions, while still retaining scholarly values. School expertise may lie predominantly in any one of four quadrants, or may instead span two, three or even all four of the categories highlighted. School deans and advisory committees have an important role to play in identifying and playing to the specific strengths that their schools exhibit, and as leaders and 'shapers' of the future in portraying the future direction that they envisage. Business school leaders are themselves constrained nonetheless. While there may be a good deal of commitment to building up a school's reputation, for example, this is likely to be problematic where the school is perceived to be influential at a local rather than international level, in part because of the difficulties of attracting appropriately qualified faculty (especially in view of the shortfall highlighted earlier in the report). In sum, business schools in the UK have reached a point in their development where it is pertinent to reflect upon the range of potential options. What is important is that we recognise the variety of different models that currently exist, and provide a realistic framework to assess and reward excellence across a range of dimensions. This report represents a first step in the process.

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