The Learning Curve

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The Learning Curve

How Business Schools Are
Re-inventing Education

Santiago Iñiguez de Onzoño

Dean of IE Business School

President of IE University

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To *Diego del Alcazar Silvela*
Marquis of la Romana
Founder of IE Business School

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sharing best practices in business schools. These roundtables have given me a deeper, wider vision of management education, as well as allowing me to form a lasting friendship with Paul, with whom I shall continue to organize workshops in the future.

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The desire to ignite the flame of learning has inspired this book; it is a desire I share with the many people I have been fortunate enough to meet in business schools around the world, and in particular my colleagues at the IE Business School. And with them our students, who, when all is said and done, will inherit and carry the flame that will transform our global society.

PREFACE

Higher education is one of the most fascinating and fastest growing industries in the world. Today, it is experiencing change on a scale unprecedented since the founding of the first universities. Leading the way in higher education is a new type of educational provider – the business school. Since their inception in the US in the early part of the twentieth century, business schools have blazed a new educational trail.

More recent – and even more pioneering – are the European business schools. These emerged after World War II with their one-year MBA model and their emphasis on practical vocational learning rather than on academic theory. On the basis of the experience of business schools, and his unique experiences at one of Europe's leading players, Santiago Iñiguez de Onzoño addresses some of the major challenges that higher education faces today.

These include: selecting successful strategies to compete in a global context; defining the role of universities in the modern knowledge value chain; designing the ideal structure and profile of faculty bodies; and developing multiple forms of intelligence and interpersonal skills in students.

The Learning Curve describes how educational institutions can act as effective bridges between the *Academia* – in Greek, the place where knowledge was generated and delivered – and the *Agora* – the professional world where knowledge is applied. Here, business schools provide a compelling case and an important reference point for all in higher education, given their successful development in recent decades.

The purpose of this book is not only to describe the experience of business schools to date but also to anticipate the shape of things to come – both in terms of business education and of higher education in general. The author shares both his in-depth knowledge of what it takes to build a world-class educational provider and his vision of higher education for the future.

Illustrated with fascinating examples drawn from interviews with some of the most influential figures in business education around the world, Iñiguez's book delivers a unique perspective and valuable insights on what it takes to create an organization capable of delivering a world-class higher education. It offers a compelling route map for leaders in education and beyond in the twenty-first century.

FOREWORD

Dean Santiago Iñiguez and I have partnered on a series of Dean's roundtables in many regions of the world, touching on many of the topics he covers in depth in this book. Being long-time deans of very different schools (his is urban and with a whole array of programs and locations and mine is smaller, rural, and highly focused on the full-time MBA), we often diverge in opinions about the way forward for management education, but I have come to admire his knowledge of the worldwide management education industry and, above all, his sincere concern for his students and of the role higher education plays in advancing all societies.

In this book, Dean Iñiguez offers a sweeping and comprehensive view of management education, its history, its present, and its future. He traces the historical milestones that have led to today's complex, worldwide management education industry and gives the reader the benefit of his extraordinary insights that form his vision for the future.

This is not a dispassionate history or a purely demographic or economic analysis, but a delineation of a deeply felt philosophy based on a keen interest and long experience. With an eye on key fundamental factors, he analyzes many of the most important forces such as the importance of management itself, the massive influences of technology and globalization, the crucial roles of research and teaching, among many others. He weaves all these factors into a comprehensive and consistent view.

The organization of this book is based on a deep understanding of management education and indeed of higher education in general that is rooted in Dean Iñiguez's vast knowledge of the history and philosophical base of academia. He blends this classic understanding of education with the lessons he has learned from his intense practical experience in the development of his school, IE, which he has led through unprecedented change and growth. He believes that a school such as his gets stronger as it responds to the challenges of the marketplace and the practical demands of students. The necessity to be responsive to demand, without the cushion of the huge endowments and alumni giving with which some of the other great Western schools are blessed, has in his view led to much innovation and efficiency in many of the European and Asia schools.

One of the major themes of this book is the interplay between academia and the professional world. While honoring the concept of the researcher-teacher, which is the hallmark of many of the top USA-based programs, Dean Iñiguez delves deeply into the more blended approach which he espouses and which is becoming prevalent in many parts of the world where business education is seen to be the nexus of ideas from practice and research, without a clear dominance by either. His is a world where the professor is a teacher first, and the weight of research and practical experience in that teaching depends on each situation. That contrast with the classic USA model where research professors are seen as the prime teaching asset, and research itself fosters expertise about the world of practice.

Dean Iñiguez has a global and forward-looking view, and he gives the reader the benefit of his extensive experience in all parts of the world where he has interacted with innumerable people who are involved in higher education. He predicts the future movements of the tectonic plates of business education, and gives how such changes relate to the ultimate goal of educating the virtuous manager. He predicts that the best business education will be more and more multidisciplinary, with the most successful practitioners coming from schools that help mold students into well-rounded and more virtuous human beings.

This book is a must read for those who want a succinct analysis of what created the vast current world of management education and who want views and opinions from a key global participant in that world who does not march to the conventional drummer.

PAUL DANOS
Dean

The Laurence F. Whittemore Professor
Tuck School of Business at Dartmouth

ABOUT THE AUTHOR

Santiago Iñiguez de Onzoño studied at Madrid's Complutense University and Oxford University. He is a Doctor of Law and holds an MBA from IE Business School, where he has been Dean since 2004. He is also President of IE University since 2010.

Iñiguez has spent 20 years working in higher education. He has worked as a management consultant and has played an active role in the field of quality control and the development of management education in Europe. He is a member of the boards of the EFMD (European Foundation for Management Development); the International Advisory Board of AMBA (Association of MBAs, UK); the European Advisory Council of AACSB International (Association to Advance Collegiate Schools of Business); and the Awarding Body of EQUIS (European Quality System). He is the Chairman of GFME (Global Foundation for Management Education), and he serves on the boards of CENTRUM (Universidad Católica, Perú); Antai Business School (Jiao Tong University, China); and Renmin University Business School (China). He has been described by the *Financial Times* as: "One of the most significant figures in promoting European business schools internationally." Iñiguez is also President of the IE Fund in the United States.

Iñiguez is co-editor of a blog focused on management education (www.deanstalk.net). He has published a number of articles and case studies on business management and is the author and co-author of articles on moral philosophy and management education. As a professor of strategic management and expert in management education, Iñiguez regularly speaks at international conferences and frequently contributes to journals and media worldwide.

INTRODUCTION

Around the world, the need to compete in a global economy is transforming higher education. The challenge facing every nation is to improve access to universities that use modern learning tools and technologies without compromising quality and to improve relevance without losing rigor. In short, the challenge is to move from a system geared to educating a small elite to creating an entire population of knowledge workers.

There are two clear implications of this change. The first is that education itself has become a key source of individual economic value (this was always implicit but is now explicit in a global economy). The second is that this fosters more competition among educational institutions to deliver competitive advantages at a global scale.

What a growing number of higher education providers – from stand-alone business schools to traditional universities – are grappling with is a challenge that is central to economic and social progress in the twenty-first century: How do you create world-class educational institutions that are academically rigorous *and* vocationally relevant? How do you combine the best of the traditional *Academy* with the speed and technological sophistication of the modern *Market* – to meet the needs of both?

I believe one possible answer is provided by the experience of the world's leading business schools. Over the past century, business schools have come from nowhere to establish themselves. Business education is now a truly global enterprise and one that, I firmly and passionately believe, offers important lessons and inspirations for higher education as a whole. Business schools are not perfect, but they have encountered and often overcome many of the challenges now facing organizations and leaders in higher education.

Yet, despite the huge success of business schools in the twentieth century, the financial crisis led some observers to question their credentials. Many social analysts and opinion makers blame business schools and MBAs for the global economic crisis. Indeed, management is questioned as never before.

I would counter that management can be one of the noblest professions that young students can embrace. Management and entrepreneurship create

growth, wealth, and development in society, provide jobs, catalyze innovation, and improve living conditions. Furthermore, good management is one of the best antidotes to bad international politics, since it promotes convergence and understanding among civilizations.

The next learning curve

My journey has been fascinating and, truth be told, often frustrating in equal measure. Common with other business schools, my institution, IE Business School, has been a trailblazer. Despite – or perhaps because of – the regular questioning of why they exist and how they deliver education, business schools have made a big impact on higher education in recent decades and have contributed hugely to the convergence of university studies. This book considers the growing influence of business schools as an educational model. It also examines how other convergence initiatives, such as the Bologna Process – which seeks to harmonize higher education systems across Europe – are shaping a flatter world of knowledge.

It is important to put this in a historical context. In ancient Greece, *Agora* and *Academia* meant, respectively, the place for doing business and the place for educational activities. Interestingly, in ancient Athens, the Agora and the Academia were located close to each other on the slopes of the Acropolis. This proximity facilitated interaction between academics and business people, as evidenced in many intellectual contributions of that time, such as Plato's *Dialogues*. For the ancient Greeks, there was no separation between thinkers and managers; rather they belonged to the same genre: educators believed that their scholarly work should deal with the problems of political and social life.

But that changed in the Middle Ages. At that time, monasteries became the exclusive loci for developing and transmitting knowledge – and were reservoirs of all existing knowledge. Monasteries, though, were closed places, separated from the rest of the community, and monks socialized only occasionally with their fellow citizens. This influenced the way knowledge was then conceived and developed, normally as a diverse activity from mundane practices and, at most, only linked to the reduced number of activities developed at the monastery's pharmacy or garden. This resulted in a progressive separation between the generation and the application of knowledge.

Monasteries were the predecessors of modern universities, and many aspects of the former traditions, practices, and culture are still embedded in today's higher education institutions. In fact, one of the common

criticisms addressed at universities is that they are detached from the real world, that they focus mainly on academic rigor but show disdain towards professional relevance. Is it time to bring the Agora and the Academia closer? I believe it is, and business schools provide thought-provoking lessons on how this gap might be bridged.

The changing nature of knowledge

Business schools are fundamentally practical places. Since the activities of business schools focus not on a speculative but on a clinical subject – i.e., management – a substantial proportion of academic research should deal with real business problems, jointly with top managers. This does not appear, to me at least, an especially contentious statement. In practice, however, some academics in business schools and elsewhere have sometimes neglected the practical relevance of their research.

This has to change. And it will change. The educational world is changing, and the rate of change will continue. Driving the new educational agenda are three trends: new technology; globalization; and changing demands on graduates.

The first and perhaps most obvious trend is the advent of new technologies. Today, no one can seriously dispute the impact of ICT (Information and Communications Technology) on the learning process. Surveys show that distance learning is thriving. Many business schools – over 80 per cent – that used to offer only face-to-face programs now run online courses.

Traditionally, distance learning was the domain of big education providers that played on scale, had a high volume of students, and based most of their offerings on self-learning modules. The development of new technologies and the entrance of schools that have a leading role in conventional classroom-based learning are not only altering the boundaries of this educational segment but also the very nature of the learning process.

Many people believe that online programs cannot entirely match the human experience and vividness of face-to-face education. In addition, online education is often associated with cheap, low-quality, and massive programs. Those intuitions are wrong. Indeed, good online programs are the closest experience to how many multinationals manage communication and decision making nowadays, and they may provide experiences as intense as in face-to-face offerings.

A plethora of new learning methodologies is also now coming of age, supported by new technologies ranging from the Internet to the latest video conferencing technologies. Today, for example, it is possible to replicate

the classroom experience for people on different continents using the latest telepresence technologies. And this is just the start.

The second trend shaping education is globalization. Higher education has become a global industry and very few institutions have the resources to run their activities on an international scale without establishing alliances with foreign institutions. International partnerships have evolved from simple student exchange agreements to joint degree programs and sophisticated collaboration. Some business schools have gone a step further and opened greenhouse or satellite campuses abroad, following the model of related industries like consultancies and other professional services companies.

The evolution of international partnerships among business schools is already underway. A number of different strategies are available to cope with the challenge of globalization – ranging from traditional joint ventures to new multidimensional strategic alliances, which are more open and indefinite in time, with competitors joining forces in collaborative initiatives. There are also new species emerging in higher education, such as for-profit universities, multi-branch campuses, and online institutions.

The third trend driving the learning curve of the future is the changing demands placed on graduates. These new demands mirror the changing requirements of the working environment, but they also reflect broader changes in society. Today, young people have their own agenda for learning, which is equally demanding as their future employers. Young people expect more from their education than to simply have their heads filled with traditional knowledge. Increasingly, they want it to include new learning experiences, such as treks to new and exciting locations, as well as opportunities to be involved in hands-on work on life-enriching projects in the developing world and beyond.

In short, the students of tomorrow and their future employers expect a more rounded education than ever before. I believe this includes a more integrated approach that includes the humanities, such as art and history, in business degrees.

The Learning Curve describes this new world of education.

Part I examines the journey that business schools have been on, including their rise to prominence in the twentieth century. In Chapter 1, we consider the reasons for this, especially the growing recognition of the importance of management to all human affairs. But if Chapter 1 is a celebration of the arrival of business schools, Chapter 2 addresses their shortcomings – and especially the criticisms that have been leveled at them in the wake of the global financial crisis. Some of these criticisms are justified, while others are merely sniping. The question of whether management is – or should

be – regarded as a profession akin to law or medicine is also dealt with here. Chapter 3 concludes Part I of the book with some practical suggestions for how we can develop better managers in the future.

Part II looks at the three major trends that are driving the changes in higher education – new technology, globalization, and changing demands of students. Chapter 4 examines the impact these trends are already having on the educational landscape in which business schools now operate. It includes a taxonomy of the different types of business education providers that are now competing – from traditional university business schools to corporate universities. Chapter 5 describes some of the exciting new learning technologies that are revolutionizing business schools and other parts of higher education, and looks forward to what those technologies might mean in the future. Chapter 6 looks at how globalization and the ease with which people now cross national borders are creating an international set of stakeholders for business schools and other educational institutions, and the implications in terms of international alliances and satellite campuses. Chapter 7 considers how the spread of business education around the world is leading to new demands – for both internationally recognized standards and local knowledge generation. New educational hubs in places such as India, and China as well as the Middle East, for example, are evidence not only of the globalization of business education, but also of the need for locally generated knowledge to provide the context for learning in these places.

Part III looks to the future and the challenges of teaching tomorrow's students. Chapter 8 examines the purpose of business schools in the coming years and argues that they must reinvent themselves to remain relevant. Chapter 9 celebrates the changing nature and increasing diversity of the student population – and their rising aspirations. As the expectation of students increase, so does the need to provide the very best teachers. Understanding the aspirations of the students of tomorrow also means reassessing the qualifications and experience of those who teach them. Chapter 10, then, examines who should be the faculty of tomorrow. Finally, in the Epilogue, the threads of the book are pulled together to argue that business schools need to embrace new ways of learning – especially the teaching of the humanities and the classical notion of virtues.

The Learning Curve describes the world in which business schools currently operate and tries to make sense of this changing educational landscape. It is not a manifesto – though I believe passionately in many of the issues. Nor is it a lament about the lost glories of the past. Instead, it is, I hope, filled with hope and excitement. Learning has never been more central or important to our lives. This means that the stakes for all involved in education are commensurately higher. We cannot afford to fail.