

BizFed

MAY/JUNE 2007

A portrait of Steve Bennett, a middle-aged man with short brown hair, wearing a maroon sweater. He is resting his chin on his right hand and looking directly at the camera with a slight smile.

Intuit's
**Steve
Bennett**

Follows the
Customer Home

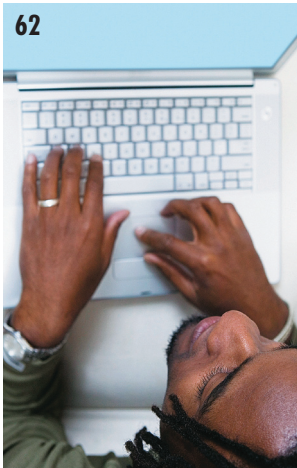
**The Bologna Accord
Transforms European
Education**

**Microfinance
Is Big in the B-School**

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MAY/JUNE 2007

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Robert Houser

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Dr. Brian J. Reithel, Dean
School of Business Administration
University of Mississippi, (Ole Miss)

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From the Editors

Business Enthusiast

This past April marked the six-year anniversary of the day I started working for *BizEd*. Although I had little experience with management education when I took the job as co-editor, I've immersed myself in the field as I've written articles about everything from individual school programs to broad industry trends.

Over the years, I've found myself intrigued by a specific type of story with a number of permutations. Corporate social responsibility. Sustainable development.

Bottom-of-the-pyramid strategies. Peace through commerce. While they're each distinct areas, they often overlap, and they tend to attract passionate advocates who believe business has a moral obligation to refrain from harming the world—and, often, an equally strong imperative to improve it.

It shouldn't be a surprise, then, that I'm fascinated by the topic of microfinance. While researching "Making a Major Impact with Microfinance," I interviewed professors and program directors about how schools can incorporate microfinance concepts into the curriculum. I asked them how they expect microfinance, with its many models and its wide range of sponsors, to alleviate poverty throughout the world. Just as important, I wanted to know how schools could help students understand that microfinance makes sense from a rational business perspective.

I learned even more about the topic as I read *Business Solutions for the Global Poor*, edited by a group of Harvard professors and reviewed in the Bookshelf section of this issue. According to these authors, microfinance presents a different set of challenges—and opportunities—in every country. "Business can play a critical role

in connecting ... underserved consumers to the economic mainstream, with tremendous social value to the poor themselves," the authors write.

Economic benefit *and* social value? I kept thinking, "Sign me up! How do I get involved?" Then I found Kiva.org. Founded in 2004, the organization allows individuals around the world to invest as little as \$25 in one of the microentrepreneurs featured on the site. Biographies of the business owners are posted, and many of the entrepreneurs keep journals that allow investors to track their progress. When a loan is repaid, investors can get their money back or choose to re-invest.

"Lifelong learning" is one of the most powerful mantras of modern business education. It seems to spill over into people who merely write about business schools. Because of *BizEd*, I learned about Kiva, and because of Kiva, I learned about Zoia Georgieva and the small tailoring business she runs in Bulgaria. I've just made her a small loan. I expect my micro gesture to have a major impact on her life—and, in some small way, on the world. **Z**

Sharon Shinn



Women pool their microloan resources to establish a basketweaving cluster in Madurai, Tamil Nadu, India.



BILL BASCOM

Headlines



AACSB Looks Back on 90 Years

In 1916, representatives from business schools across the U.S. came together to set standards for business school accreditation within the United States. Together they formed the Association of Collegiate Schools of Business, the forerunner of AACSB International.

Three years later, the first set of accreditation standards was adopted, then revised in 1925. In 1966, the association began calling itself the American Association of Collegiate Schools of Business—a name that was outdated two years later, as the University of Alberta in Canada became the first school from outside the U.S. to be accredited by the association. By 2001, the association had become so global that another name change was imperative, and the organization became known as the Association to Advance Collegiate Schools of Business.

In between those name changes, the association was very active. 1982 saw the first schools qualify for separate accreditation for their accounting programs. Mission-based standards were approved in 1991. In 1997, AACSB accredited

the first school outside of North America, ESSEC Business School in Paris.

The trend toward internationalization continued into the new millennium. The association moved its world headquarters to Tampa, Florida, in 2004, partly to give it access to a more international labor pool. And in 2006, it held its Annual Meeting outside the U.S. for the first time, in Paris.

Today, the association continues its international emphasis while taking on a more prominent role as a thought leader. All of the original founding schools are still members of the association: Columbia University, Dartmouth College, Harvard University, New York University, Northwestern University, The Ohio State University, Tulane University, University of California at Berkeley, University of Chicago, University of Illinois, University of Nebraska, University of Pennsylvania, University of Pittsburgh, University of Texas, University of Wisconsin-Madison, and Yale University. Cornell University sent representatives to the very first meeting but did not join the association at that time because it didn't have a business school. It later became a member. Those 17 schools

Members of an early class at Tulane University's College of Commerce and Business Administration, a founding member of AACSB International, pose for a class photo.

are now part of a membership that includes 1,086 schools and corporations and spans 30 countries.

Representatives from the founding schools—and a host of others—will be on hand to celebrate the association's 90th anniversary this April at AACSB's International Conference and Annual Meeting (ICAM) in Tampa. One highlight of the event will be a "parade of nations" as 30 countries with AACSB-accredited institutions are recognized in a gala celebration.

A special panel discussion at ICAM will also peek into the association's future. "The Next 90 Years: Perspectives from AACSB's Founding Schools" will feature Ted Snyder from the University of Chicago, Thomas Cooley from New York University, Angelo DeNisi from Tulane, Avijit Ghosh from the University of Illinois at Urbana-Champaign, and Joel Podolny from Yale.

In addition, conference attendees will receive *The History of AACSB International Volume 2:*

1966–2006, which chronicles the association's past. Author Dale Fleisher will be available at the Member Services booth at select times to autograph copies.

"AACSB International, through the innovations and expertise of its membership, has led the evolution of management education for most of its short history," says John Fernandes, president and CEO of AACSB. "The next 90 years will challenge us to add even more value. Together with our global membership, we will exceed our stakeholders' expectations."

More than 1,400 deans and faculty from around the world are expected to attend ICAM. Keynote speaker Robert Reich will discuss global business influences, and seminar topics will range from accreditation to faculty research. Attendees will have a chance to meet with Affinity Groups, network with peers, and visit historic Tampa.

AQ Bridge Program Addresses Faculty Shortage

As one strategy for addressing the doctoral faculty shortage, AACSB International launched its Professionally Qualified Bridge Program last summer. The program was designed to prepare senior business leaders for careers as business faculty. Now the association is promoting the second part of the Bridge program, this one aimed at recruiting academically qualified faculty from related fields.

AACSB solicited requests for proposals from accredited business schools and consortia of schools interested in developing programs to prepare nonbusiness doctorates to become business faculty. Doctorates

from disciplines such as economics, math, psychology, and sociology are expected to successfully make the transition to business faculty after their training.

Initial proposals were due April 1. Selected schools from that group will be invited to submit a second, more detailed proposal elaborating their business model, due June 15. The proposals that have been accepted will be announced in August, and the programs are projected to begin in summer 2008.

"I'm pleased to report that the Pamplin School at Virginia Tech already has submitted its proposal to participate in this program," writes Pamplin dean Richard E. Sorensen in a letter urging AACSB member schools to join the initiative. "While some of our schools are more deeply affected by the doctoral faculty shortage than others, all of us share obligations for the health and efficacy of our management education community."

A Celebration for Entrepreneurs

Last fall, the U.S. Congress passed a resolution to encourage entrepreneurship by increasing youth awareness and educational pursuits at high schools and universities. On February 24th, the U.S. observed the beginning of its first Entrepreneurship Week. More than 1,000 organizations around the U.S. participated in the event. The following is a sampling of activities at various business schools:

At Texas Christian University's Neeley School of Business, Entrepreneurship Week included a Collegiate Entrepreneur of the Year competition open to all students. The school also offered information on microlending initiatives and a panel of entrepreneurs who discussed their careers in business.

Temple University's Fox School of Business teamed with the City of Philadelphia's Commerce Department



In the first "Philadelphia Idol" student entrepreneur competition, organized by the Fox School's Innovation and Entrepreneurship Institute, Fox student Shaundai Person times contestant Sean Massenburg, a Fox student who ultimately tied for first place.

LISA GODFREY

and other local organizations to host “Philadelphia’s Entrepreneur Idol.” Undergraduates from eight Philadelphia schools were eligible to compete for cash and prizes and receive feedback on their entrepreneurial ideas from a panel of successful entrepreneurs.

New York University’s Stern School of Business planned a New Venture Mentor Fair, offered students “speed-dating” style one-on-one mentoring sessions with entrepreneurs, and acted as the site for a live taping of PBS’s “CEO Exchange.” The program,

which aired in April, featured a “Campus CEO” segment about a Stern entrepreneur.

At Chapman University’s Argyros School of Business and Economics, students greeted the week with the Entrepreneurs’ Film Marathon, screening movies that portray entrepreneurs as the main characters. Afterward, EMBA alumnus Keith Pham announced a donation of \$100,000 to the school’s entrepreneurship program. Argyros then hosted a full week of activities, including business plan contests, entrepreneur speakers, individual feedback sessions on business ideas, and field visits to entrepreneurial firms.

Rankings Errors Plague Schools

A glitch in the data reported to *U.S. News & World Report* has resulted in an incorrect—and significantly lower—ranking for the Mendoza College of Business at University of Notre Dame in the “America’s Best Graduate Schools” issue that hit newsstands April 2. A reporting error by Mendoza staff was compounded by a calculation error by magazine staff in the category devoted to career services performance. As a result, Mendoza moved down in the overall rankings, from 31 to 39, when correct data would most likely have caused the school’s ranking to rise.

According to Mendoza’s internal calculations, the school’s placement rate three months after graduation, if accurately reported, would be 96 percent rather than 79.6 percent. The employment rate at graduation would be 76.9 percent rather than 63.8 percent. *U.S. News* has agreed to post the correct employment figures on its Web site.

This isn’t the first time in recent months that highly regarded schools have faced serious problems with media rankings. The Kenan-Flagler Business School at the University of North Carolina at Chapel Hill was left off of the list of the “50 Best B-Schools for Getting Hired” released in February by *Fortune* magazine and published on CNNMoney.com. Protests by the school led to an apology on the Web site and

an eventual removal of the list. Meanwhile, *U.S. News* came to grief with its rankings of electrical engineering schools that also appeared in the April Best Graduate Schools survey. It left off two key players and accidentally filled those two top-ten slots with lower-ranked schools.

“It is important to keep the rankings in perspective,” says Carolyn Woo, dean of the Mendoza College. “While they may be somewhat useful, the rankings can fluctuate widely without substantive changes in the achievements of the schools surveyed. Enduring excellence can only be earned, year after year, by the dedication and effectiveness of our faculty and the performance of our students.”

Trend: More Executives in Classrooms

When former GE CEO Jack Welch began teaching a class at MIT’s Sloan School of Management last fall, he was probably the most high-profile executive to become an instructor at a business school. But he’ll soon have lots of company: A national survey of business school deans reveals that 70 percent expect more executives to join the faculty at U.S. business schools in the coming years. Furthermore, 77 percent say they would support changes in accreditation standards that would allow for greater use of executives in the classroom.

Designed to track the latest trends of MBA programs for working professionals (MBAWP), the survey was conducted by the J. Mack Robinson College of Business, Georgia State University, Atlanta, in conjunction with the



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MBAWP Affinity Group within AACSB International.

“While the majority of deans support executives in the classroom, many comment that they still want limits and controls to make sure that, as one dean put it, ‘care be taken to develop good teaching skills,’” says H. Fenwick Huss, Robinson dean and chair of the MBAWP Affinity Group. The survey also tracked deans’ opinions on other key topics related to MBAWP programs:

Competition—While regional and local schools offer the greatest competition to MBAWP programs, just over half of the responding deans say that online education programs are their greatest rivals.

Enrollment—Fifty-four percent say



that, over the past two years, they have seen an increase in enrollment, with 59 percent indicating that increase has been up to 10 percent.

Diversity—Fifty-six percent say that, over the past five years, the number of women enrolling into their MBAWP program has increased, while men and minority student numbers have stayed the same. Seventy percent of deans

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EFMD Case Writing Competition

Allied Irish Banks: The Currency Derivatives Flasco

First Prize, Managing Risk Category, 2005

Central and East European Management Development Association (CEEMAN's) Case Writing Competition

IKEA's Innovative Human Resources Management Practices and Work Culture
First Runner-up, 2005

Regional Asia-Pacific Case Writing Competition

Organized by the Vocational Training Council's
Management Development Centre (MDC) of Hong Kong

DoCoMo – The Japanese Wireless Telecom Leader

First Prize, 2004

FedEx vs. UPS in China – Competing with Contrasting Strategies

First Runner-up, 2004

These case studies are available from
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Headlines

expect more executives to join the faculty at U.S. business schools in the coming years.

Challenge—Fifty-seven percent say that fostering student engagement can be difficult for MBAWP programs, and 51 percent say that one of the top challenges is adopting curriculum changes fast enough to keep pace with changes in business.

Responding to the survey were 105 deans, two-thirds from public institutions and one-third from private. Nearly half—47 percent—are located in major markets, and 43 percent represent MBAWP programs with 200 to 500 students. For a full copy of the survey results, visit www.surveymonkey.com/DisplaySummary.asp?SID=2468744&U=246874442042.

Business Profs Help Lead the World

Business professors from around the world are among the 250 Young Global Leaders for 2007 chosen by the World Economic Forum in Geneva, Switzerland. Every year, the forum recognizes young leaders for their professional accomplishments, their commitment to society, and their potential to contribute to shaping the future of the world. This year's young leaders were drawn from a pool of more than 4,000 candidates in business, the arts, academia, media, and society at large.

Business school representatives for 2007 include: Erwann Michel-Kerjan, managing director of the Center for Risk Management and Decision Processes at the Wharton School, University of Pennsylvania; Tarun Khanna, Jorge Paulo Lemann Pro-

fessor at Harvard Business School, Cambridge, Massachusetts; David Daokui Li, Mansfield Freeman Chair Professor of Economics and the Director of the Center for China in the World Economy (CCWE) at the School of Economics and Management in Tsinghua University, Beijing; John August List, professor at the department of economics at the University of Chicago; Monika Piazzesi, professor of finance and the John Huizinga Faculty Fellow at the University of Chicago, Graduate School of Business; and Esteban Rossi-Hansberg, assistant professor of economics and international affairs for the department of economics and Woodrow Wilson School of Princeton University in New Jersey. For information about all the Young Global Leaders of 2007, visit www.youngglobaleaders.org.



Competition Promotes School Reform

A new kind of business plan competition unfolded on the campus of the Haas School of Business at the University of California in Berkeley in March. Teams of MBA students from seven schools participated in the Education Leadership Case Competition

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to come up with a financial plan for the Oakland Unified School District. The school, which is responsible for 40,000 students, has been in state receivership since 2003 due to financial troubles.

Anna Utgoff, an MBA student at Haas, developed the idea for the competition with classmates in the Haas Leadership in Education Club. "We wanted to expose MBAs to the really interesting strategic challenges faced by leaders who manage school districts," she says. "This year we hoped to provide Oakland with some good ideas for how to make its schools stronger, and we'll get some talented MBAs excited about careers in education in the process."

Berkeley's MBA team won first place, and Northwestern University students placed second. Other schools participating in the challenge were University of Southern California, UCLA, Massachusetts Institute of Technology, Brandeis University, and University of Georgia.

A Unique Donation: Real Estate

Most college students are thinking about spring break when they consider trips to Florida. But students at Indiana University's Kelley School of Business in Bloomington are thinking about making money—for college credit. That's because they're being given the chance to assess, market, and sell five lots of undeveloped beachfront land on historic Dog Island in Florida.

The land, donated to the school by Stanley W. Benecki, is now valued at \$1.95 million. Under the direction of faculty and the IU Foundation, students will act as developers and find ways to increase the value of the land, thus maximizing the value of the gift. Proceeds from the land's sale will be used to establish and support endowments for the Kelley School's Center for Real Estate Studies, a professorship, and an undergraduate scholarship program. All are being named for Benecki, an alum of the school and president of Benecki Fine Homes.

Dog Island is located three miles off the northwestern Florida coast and is only accessible by boat or plane. The property's unusual location will force students to think differently than they normally would when viewing a real estate opportunity, says Jeffrey D. Fisher, director of the Benecki Center for Real Estate Studies and the Charles H. and Barbara F. Dunn professor of real estate, who will oversee the two-year project.



SHORT TAKES

NEW APPOINTMENTS

■ **Paul R. Brown** has been named the dean of Lehigh University's College of Business and Economics in Bethlehem, Pennsylvania. He was most recently associate dean for executive MBA programs at New York University's Leonard N. Stern School of Business.



■ **F. Frank Ghannadian** has been appointed the dean of the John H. Sykes College of Business at the University of Tampa. Most recently Ghannadian has served as associate dean and chief operating officer of the Stetson School of Business at Mercer University's Atlanta campus.

■ **Mary A. Gowan**, the new dean for the Martha and Spencer Love School of Business at Elon University in North Carolina, will assume her new duties July 1. She was most recently associate dean for undergraduate programs at The George Washington University School of Business. She succeeds John Burbridge, who is stepping down as dean but will continue to serve on the Love School faculty.

■ **James W. Dean Jr.** will be the next senior associate dean for academic affairs at the Kenan-Flagler Business School, University of North Carolina at Chapel Hill. He will assume the position July 1.

■ **Eswar Prasad** has joined the Cornell University Undergraduate Business Program in Ithaca, New York, as the first Nandlal P. Tolani

Senior Professor of International Trade Policy. Prasad was most recently chief of the Financial Studies Division of the International Monetary Fund and has headed the IMF's China Division.

■ **Jonathan Spector** has been named president and CEO of The Conference Board, a nonprofit research and business organization that produces the Consumer Confidence Index, the Leading Economic Indicators for the U.S. and eight other nations, and other economic barometers. Spector has a long career in business and education, most recently serving as vice dean of the Wharton School at the University of Pennsylvania. Spector succeeds Richard Cavanagh, who is retiring after 11 years.

■ **Eileen C. McDonnell** has been named the first chair holder of the State Farm Chair in Women and Financial Services at The American College in Bryn Mawr, Pennsylvania. McDonnell is the former president of New England Financial.

NEW PROGRAMS



■ The College of Business Administration at **Florida International University** in Miami has partnered with the Florida International Bankers Association to introduce the Senior Compliance Officer Certification Program. The program will allow members of the financial services industry in the U.S., Latin America, and the Caribbean to enroll in anti-money laundering compliance training and become certified in such areas.



■ **Fordham Business School** in New York will offer a new master of science

in quantitative finance degree, focused on applied finance theory and quantitative financial techniques. The first class will enter in September 2007. John D. Finnerty, professor of finance, is the director of the program and Gautam Goswami, associate professor of finance, is co-director.

■ The Simon Graduate School of Business at the **University of Rochester** in New York is introducing major changes to its executive MBA program to enhance its flexibility. Starting this fall, the program will meet on alternating weeks, offer a 19-month completion option, and add a capstone business plan course. Students can sign up for two additional electives—post-graduation and tuition-free—enabling them to specialize in a particular area of study. The business plan course will culminate in a competition, and the winners will have free access to The Entrepreneurs Network of Upstate New York, which will offer training, education, and networking.

COLLABORATIONS

■ **Audencia School of Management** in Nantes, France, and **Tongji University's** School of Economics and Management in Shanghai will each open offices on the other school's campus as part of a strengthened partnership between the two schools. The reinforced accord between the schools will also see the creation of a double degree for students studying Audencia's master in management and



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those enrolled in Tongji's bachelor's or master's degree programs.

■ **San Diego State University in California** and **Gallup University** will partner to develop a new MBA in life sciences. The degree will focus on preparing executives to lead healthcare product development and obtain regulatory approval while accelerating the time to market and decreasing costs. During the 22-month program, students will have three two-week residency periods during which they will be taught by SDSU professors face-to-face, tour local biotech facilities, and receive seminars by top life science executives. Between residencies students will work with one of Gallup's executive coaches and complete their coursework.



HONORS AND AWARDS

■ **Joe F. Hair** has received the 2007 Marketing Management Association Innovative Marketer of the Year Award. Hair is a professor of marketing at the Coles College of Business at Kennesaw State University in Georgia.

■ Two professors from the University of Maryland's Robert H. Smith School of Business in College Park have won the Smith Breeden Distinguished Paper Prize. **Gregory Willard** and **Mark Loewenstein** won the award for their paper, "The Limits of Investor Behavior," published in the February 2006 issue of the *Journal of Finance*.

■ **William R. Kinney Jr.** has been appointed to serve on the International Auditing and Assurance Standards Board (IAASB) for a

three-year period that began January 1. Kinney is the Charles and Elizabeth Prothro Regents Chair in Business and Price Waterhouse Fellow in Auditing in the Department of Accounting at the McCombs School of Business at The University of Texas at Austin.

■ **David Zussman** has been elected president of the Canadian Association of Programs in Public Administration. Zussman holds the Stephen Jarislowsky Chair for Public Sector Management at the University of Ottawa School of Management in Ontario.

■ NUTEK, the Swedish Business Development Agency, and FSF, the Swedish Foundation for Small Business Research, has given its 2007 FSF-NUTEK award to a group of scholars from the Diana Project. The Diana Project was founded to raise awareness and expectations of women business owners in regards

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to the growth of their firms. This year's award winners are **Candida Brush** and **Patricia Greene** of Babson College; **Nancy Carter** of the University of St. Thomas and Catalyst Inc.; **Myra Hart** of Harvard Business School; and **Elizabeth Gatewood** of Wake Forest University. The award, which comes with \$50,000 for research, is given to individuals who have contributed to theories of entrepreneurship and small business development.

■ **Mary Stone** has been named the 2007 winner of the American

Accounting Association's Outstanding Accounting Educator Award. Stone is director of the Culverhouse School of Accountancy at the University of Alabama in Tuscaloosa.

She will receive a plaque, citation, and \$5,000 at the 2007 American Accounting Association's annual meeting. The award is funded by the PricewaterhouseCoopers Foundation, which also donates an additional \$5,000 to the AAA in the winner's name.

■ **Jonathan Calof**, professor at the University of Ottawa School of Management in Ontario, has been selected to receive the Frost & Sullivan Lifetime Achievement Award for his work in competitive intelligence.

GIFTS AND DONATIONS

■ **DePaul University** in Chicago has received a \$3 million gift from an anonymous donor for its Real Estate Center. Along with other recently received gifts, the donation puts the center well on its way to achieving its

\$16 million fund-raising campaign. In January, the school welcomed James D. Shilling, its new Michael J. Horne Chair in Real Estate Studies.

■ The **University of Washington** Business School in Seattle has received \$2 million from Leonard Lavin to establish the Leonard and Bernice Lavin Entrepreneurial Action Program (LEAP). Lavin is founder and chairman emeritus of the Alberto-Culver Company. The LEAP program will be administered through the School's Center for Innovation and Entrepreneurship, which helps foster student entrepreneurs by providing them direct access to mentors from the business community.

■ Investment banker William R. "Bill" Hough, a member of the **University of Florida's** first MBA class in 1948, has donated \$30 million to the Gainesville school, the largest private gift the university has ever received. In recognition of his support, the university has established a new school and named it the Hough Graduate School of Business. Hough's gift creates an endowment

that will support teaching, academic programs, and enhancements in the graduate school of business. It also provides the lead funding for a planned new building, William R. Hough Hall, to house the graduate business programs. Hough's gift will be eligible for matching funds from the State of Florida Major Gifts Trust Fund and from the Alec P. Courtelis Facilities Enhancement Challenge Grant Program, potentially increasing the total value of the gift to \$50 million.



■ **Carole and Barry Kaye** have pledged \$16 million to the College of Business at **Florida Atlantic University** in Boca Raton. The Kayes' contribution, the largest single gift

ever received by the university, will be recognized with the establishment of the Barry Kaye College of Business. The donation will be used to establish two endowments within the college and is eligible for matching funds from the State of Florida, bringing the potential value of the total gift to \$32 million. Barry Kaye is an insurance entrepreneur.

■ The Tepper School of Business at **Carnegie Mellon University** in Pittsburgh, Pennsylvania, has received \$5 million from Richard P. Simmons to establish the Richard P. Simmons Distinguished Professorship. The first chair holder will be Finn E. Kydland, who was awarded the Nobel Prize in Economic Sciences in 2004. Simmons, retired chairman of Allegheny Technologies Inc., is a philanthropist and adjunct professor at the Tepper School, where he teaches the graduate course, "Responsibilities and Perspectives of the CEO."

■ A \$5 million gift from the Dyson Foundation will establish the Dyson Scholars Program in the **Cornell University** Undergraduate Business Program in Ithaca, New York. The program will fund scholarships to about 60 students each year and establish special offerings for the Dyson Scholars.





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OTHER NEWS

■ The Society for Human Resource Management (SHRM) has recognized the master of science in human resources degree offered by **DePaul University** in Chicago, hailing it as the first program in the nation to fully align its curriculum with new academic guidelines. The curriculum guidelines were issued in 2006 by SHRM, which worked with HR practitioners and academics to identify the standard set of skills that HR students need to succeed in the business world.

■ Stefano Gatti, associate professor of banking and finance at the Università Bocconi in Milan, has been named the director of the **International Teachers Programme** (ITP) for 2007-2008 and 2008-2009. It will be hosted at the SDA Bocconi School of Management. The ITP is an intensive faculty development program for business professors, aimed at providing them with the tools,

techniques, and expertise to teach in a fast-paced global environment. The ITP has been developed by ten leading business schools that form the International Schools of Business Management. The ten-month program includes two residential modules in January and July. For more information, visit www.sdabocconi.it/eventi/it/itp/prospectus.pdf.

■ **Dominican University** of San Rafael, California, has acquired the Green MBA program and trademark currently offered at New College of California. The Green



MBA is a graduate business program focused on corporate social responsibility, environmental sustainability, and social justice within the business context. The move to Dominican allows the MBA program to grow and reach a more mainstream

student body. Co-founder and executive director John Stayton will move with the program to Dominican, retaining his title as program director for the Green MBA.

■ Full-time students enrolled in master's and doctoral programs in the U.S. are invited to enter an essay contest to win \$500 toward college tuition and fees. The 2007 Excellence in Project Accounting Philosophy contest is sponsored by **Journyx**, which provides Web-based time-tracking and project accounting solutions and is based in Austin, Texas. Interested students should contribute an essay of 1,000 words or less on one of two topics: persuading someone to track his time on a per-product, per-activity basis; or describing a real situation in which project-oriented time tracking has made a positive difference. Deadline is June 1. Complete rules and details are online at scholarship.journyx.com.

Think Smart, Move Fast

Steve Bennett of Intuit keeps the focus on the consumer while building the software company into a formidable force in the small business market.

by Sharon Shinn

For Intuit CEO Steve Bennett, business success is about “thinking smart.” And for business software company Intuit, which produces programs such as Quicken and TurboTax, that means thinking like the customer. As a corporation, the company’s central strategy has been to listen to its customers, respond to their concerns, and provide products that reflect how customers work and live on a daily basis.

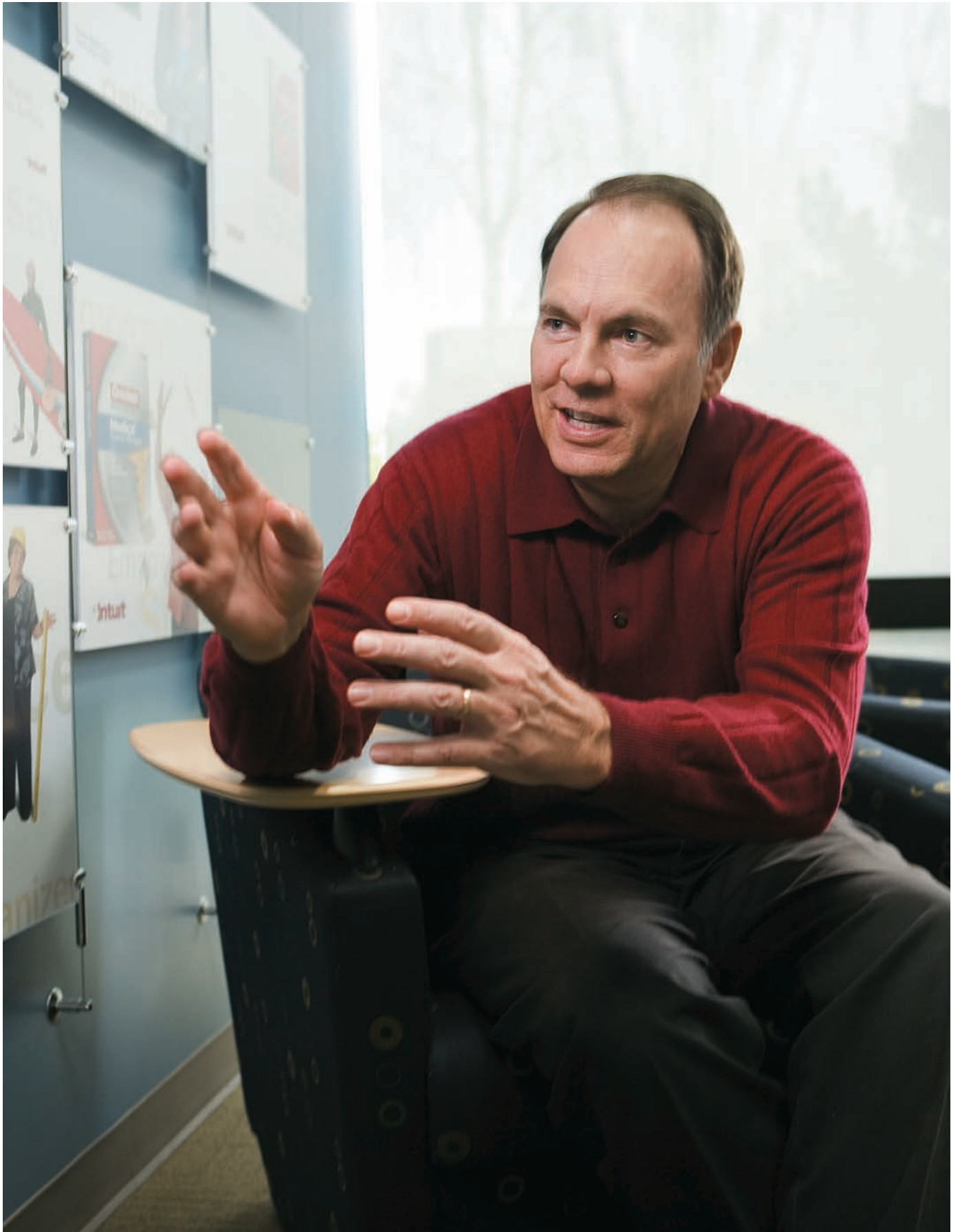
Bennett has embodied that customer-focused attitude ever since he arrived at the Mountain View, California, company in January 2000. He’s enthusiastic about the company’s “follow-me-home” program, where Intuit designers literally go home with consumers to watch them interact with their products and figure out what might not be working. At Intuit, he says, “customer feedback is the foundation for everything we do.”

Bennett might not have been the obvious choice to take over at the customer-friendly Intuit in January 2000. He’d spent 23 years at hard-driving GE, often in financial services divisions. While Intuit is by no means a small company—it employs 8,100 employees and generates revenues of \$2.34 billion—that’s a far cry from the 20,000 people Bennett once oversaw. Still, it’s a complex organization that carries out roughly 30 million transactions a year. Says Bennett, “Something I learned at GE was how to handle complexity.”

Since Bennett’s arrival, Intuit has grown even more complex, as the company has expanded product lines and pushed deeper into the business software market. In the past seven years, Intuit also has purchased 14 companies to increase its customer base and diversify its product offerings beyond accounting and tax preparation software.

All the activity has kept the company robust—and its employees content. This year, Intuit ranked No. 33 on *Fortune* magazine’s list of “Best Companies to Work For,” moving up from 43 and 64 in previous years. Like customers, Intuit employees are encouraged to express their views, particularly through quarterly Webcasts where they can talk to Bennett directly.

Bennett also is committed to bringing his expertise to the business school. He sits on the dean’s advisory board for the University of Wisconsin-Madison, the school where he received his bachelor’s degree in finance and real estate in 1976. He has participated in the school’s CEO Summit and John J. Oros Executive Leadership Speaker Series. He knows that his own motto of “think smart, move fast” can also help guide business students who are entering the working world hoping to become the next generation of leaders.



When you took the job at Intuit, you had no background in software. What would you tell business students who might someday be new CEOs at companies where they have no background in the industry?

At the end of the day, leaders add value because they are content or domain experts, or because they are facilitative leadership experts. When I was hired, Intuit needed facilitative leadership, not someone who was an expert in software. Domain expertise alone, especially in technology, does not lead to success. As a matter of fact, it can get in the way of success. There are a lot of examples of company founders who had great domain experience but didn't turn out to be great general managers.

When you're a new CEO going into a company, you have to be able to assess what the company's good at and what it's not so good at. You have to figure out how to help the company improve its performance. You might need to focus on your product, your talent, your customers, or any of a multitude of factors. You bring your background, your experience, and your passion.

You spent more than 20 years at GE, so you were steeped in its Six Sigma culture of process improvement and quality control. Intuit's culture was far more relaxed and customer-focused. How did you decide what parts of Intuit's existing culture to honor and what parts needed to be changed to ensure its success under your leadership?

It's important to take what you've learned elsewhere and apply it to a new situation. Intuit was known for customer-driven innovation, and GE was known more for strategic and operating rigor, as well as execution. When I arrived at Intuit, the company had great ideas, and it was approaching \$1 billion in revenue, but it didn't have the strategic or operational rigor to execute those great ideas. What I brought was an ability to execute.

On the other hand, Intuit already had great operating values when I arrived. There were ten operating values written out, and I changed only one word. No. 9 used to be "Think fast, move fast." I changed it to "Think smart, move fast." I used to joke with my team, "I don't know about you, but getting dumb things done fast doesn't do much for me."

So the values were in place. But as we grew and developed multiple businesses, the complexity went up exponentially. We had to find a way to operationalize the culture, the values, the execution, and the scale. This was where my GE experience paid off. Today at Intuit, we are launching

more new products and growing faster than we ever have in the history of the company because we have married customer-driven innovation with a capacity to execute.

That customer-driven innovation has always been one of Intuit's greatest strengths. In fact, the company is known for actually "following the customer home" to see which features of its products work and which features are difficult, especially for nontech people. Why do you consider these sessions so important?

When we do a follow-me-home, we're getting customer feedback—but even more important, we're observing the customer. I don't think breakthrough innovation comes from customer feedback. No customer said, "Could I have a Walkman, please?" The Walkman was invented because someone watched people who were trying to listen to music while they were running.

I think the idea could apply directly to deans at business schools. It's dangerous to design a product or a program around what customers or students tell you they want. You may end up fulfilling their needs, but you won't be designing for delight, which is innovating to solve a need they didn't know they had.

Our job is to help customers do their mission-critical tasks in a way that's really easy, that offers great value, and that delivers unexpected "wow." Whenever we do a follow-me-home, we try to learn two things. What can we do to make our existing products and services better? And what unmet, underserved need can we solve by launching a brand-new product?

Give me an example of how customer feedback helped you develop a new product.

When Quicken was launched in 1984, it was designed for consumers. Scott Cook, who co-founded Intuit, did some research and found that 46 percent of Quicken customers were using it for their businesses. He thought it must be bad research and threw it away. He did another survey the next year and found that 48 percent of the users were small business buyers. This was the "aha!" moment. Intuit did follow-me-homes to determine how to build a great accounting product for small businesses, and we launched QuickBooks in 1993.

We then began looking at other needs a small business owner would have, such as organizing the payroll and completing credit card transactions. We've developed products that address these important areas. The people using our products and services tend to be self-directed—they want to

Whenever we do a follow-me-home, we try to learn **two** things.
What can we do to make our existing products and services **better**?
And what unmet, underserved **need** can we solve by launching a brand-new product?



do everything themselves. The easier we make it for them to run their businesses, the more positive word of mouth we create, and the more new customers we win.

Our biggest market is still among the nonconsumers, the people who are not using any accounting software at all. We don't grow by taking market share from others; we grow by expanding our categories or creating new categories. That's really the whole business case for customer-driven innovation.

How have you used customer feedback to refine an existing product?

A couple of years ago we were doing follow-me-homes on TurboTax, and we were watching a woman do her taxes. When she got to the charitable deduction screen, the first question was, "Did you make any charitable contributions?" She checked yes. The next question was, "Were they cash or not cash?" She had paid with a check, so she checked "not cash," and she was brought to a whole new screen. It turns out that the only people who think checks are the same as cash are accountants and the IRS.

Based on situations like this, we ended up hiring editors from *People* magazine to rewrite the product interviews in English, not tax jargon. We made that move because of what we learned through direct observation, by watching a customer interact with our product.

We also do hundreds of what we call end-to-end studies, in which we bring the customers in and observe them.

I think that year, we had 500 employees in our TurboTax business, and 350 did direct observation of customers using the product. It's amazing what you can learn. There could be a problem with the wording, with the presentation, with anything. It's not what we think that matters, it's what the customer thinks.

You work hard to find out what the customer thinks by seeking input through blogs and online communities and even feedback buttons in the software itself. You also have more than 6,000 customers who have joined what you call the "Inner Circle" so they can give you feedback about the usability of products like TurboTax. What kind of insights do they offer you?

They tell us what they like and don't like about TurboTax. We analyze their comments in terms of frequency—how many people tell us something—and impact. Two years ago, rebates were the No. 1 source of negative feedback in terms of both frequency and impact. So we eliminated rebates.

All sorts of interesting feedback comes out of this partnership with customers. But in general, we use these insights to make our existing products better, not to solve important unmet needs. To take care of those, we need to do direct observation.

After you become CEO, Intuit first broke the billion-dollar threshold, and then the \$2 billion mark. What would you tell business students who were studying CEO strategies for growing their businesses?

My theory of business is very simple. Be in good businesses with strategies to win. That's the first discrete decision you have to make as a CEO. Are you in a good business? There are lots of good businesses, and lots of really bad businesses, and things change over time, so you have to make a continuous evaluation.

At Intuit, we constantly reshape ourselves. For instance, we love Quicken, but it's not a winning business right now. Because of online banking, it's half the size it was when I came to Intuit. On the other hand, TurboTax, which was at \$217 million when I came, will be in the neighborhood of \$800 million this year. The whole QuickBooks ecosystem, which was at \$350 million, will be more than \$1 billion this year. We've also bought a number of small companies. So we've dramatically grown our consumer tax and small business products as a way to reshape our portfolio and develop strategies to win.

We're quite rigorous about choosing both a good business and a good strategy. We like the Peter Drucker quote:

Great leaders understand that time is an investment, not an expense.

“If you weren’t already in a business, would you enter it today?” I think it’s easy to just stay in the business you’ve always been in. But if you want to be in a high-performing company, you’ve got to make sure it’s a good business. That changes all the time—and it changes even more dramatically in technology than in more stable sectors.

If you want your company to grow, you also need to have talented and engaged employees who can delight customers. It’s important to make sure employees stay engaged. We’re quite pleased because our engagement as a company is at an all-time high.

How do you measure something like that?

We work with a consulting firm to survey our employees annually, asking them how it feels to be an employee of Intuit. The 50 questions boil down to about five that have been statistically proven to align with what we call employee engagement, which really is a surrogate for morale. We take it very seriously.

The search for the right employees is something else you take seriously. At a presentation at Harvard Business School a few years ago, you noted that one of your top concerns for the future is attracting and developing key talent. What are you looking for in the people you hire?

If we’re hiring MBAs, we look for experience and track record. In addition, we look for graduates who meet our leadership model, which has five complements. The first is business acumen; the second is the ability to execute effectively. The third is the ability to build strong teams. Because we think leadership is about overcoming organizational inertia, the fourth centers around having the courage to lead change. The fifth is the ability to act as a role model of our operating values.

In addition, what I look for personally is an understanding of the person’s mindset. An assessment of the leadership profile will tell me about their skills, but I spend most of my time trying to learn how they handle challenge, how they overcome adversity, how they think. I think mindset is ultimately the single most important determinant of somebody’s success.

You’ve mentioned leadership a number of times, and leadership is a critical topic at business schools. What do you believe are the essential skills and characteristics of a top leader?

I think there are three. The first is having the courage to

use judgment. Business rules never substitute for judgment, and business decisions are almost never black and white. Ninety-five percent of business decisions require qualitative assessment.

The second is prioritizing how you spend your time. Great leaders understand that time is an investment, not an expense. Combining their skills with the proper allocation of their time, on the right priorities, is critical for leadership success.

The third is building strong teams. A leader should have high standards for hiring employees—then the leader should grow their talent by teaching them how to fish, not by feeding them.

As a member of the dean’s advisory board at the University of Wisconsin in Madison, you get a chance to offer your input about management education. What advice would you give to business schools in general to help them create graduates who are truly prepared to go into business today?

Graduates need to understand that an important part of leadership is learning. To turn out great learners and leaders, schools must help students be comfortable being vulnerable to what they don’t know.

Graduates also need to learn that, when they work with teams and employees, they need a shared vision of what success looks like. It’s important to put this vision in writing—it often gets convoluted if it’s only expressed orally. It’s also important to facilitate constructive debate with your team about what success means.

Business schools should create scenarios where students assess and diagnose internal and external environments, develop plans to achieve desired future outcomes, execute those plans effectively, and then assess and diagnose whether those outcomes are being achieved.

What additional piece of advice would you give to business students right now as they’re preparing to graduate and enter the working world?

It goes back to what I said earlier. A person adds value to a company by being a content expert or a facilitative leader. I would tell students to be clear on how they add value on both of those fronts.

Even more important, I would say, “Have a passion for your job, or you won’t excel.” The world is very competitive, so figure out what your passion is. If you want to have a great career, align it with your passion and then figure out how you can add value. **Z**

Making a Major Impact with Microfinance

As microfinance initiatives gain momentum in developing economies, they also find their place in the b-school curriculum.

by Sharon Shinn

The microfinance revolution began when Bangladeshi economics professor Muhammad Yunus first handed over a few dollars to an impoverished basket weaver in 1974. Since then, the movement toward microfinance—the granting of very small loans to the poorest people in the world to enable them to run small businesses that will lift them out of poverty—has won passionate supporters across the globe. Last year, Yunus and the microfinance institution he founded, Grameen Bank, shared the Nobel Peace Prize.

As organizations ranging from the World Bank to privately funded enterprises devote more resources to microfinance initiatives, business schools are responding by offering electives and programs designed to teach students how to function in this specialized area of business. According to Michael Chu, senior lecturer at Harvard Business School in Cambridge, Massachusetts, “Microfinance is a leading example of why business schools have a huge role to play in impacting global poverty. The bulk of global poverty is concentrated in the developing world, which is where the state and the government have many challenges in functioning well. That leaves an enormous space for business.”

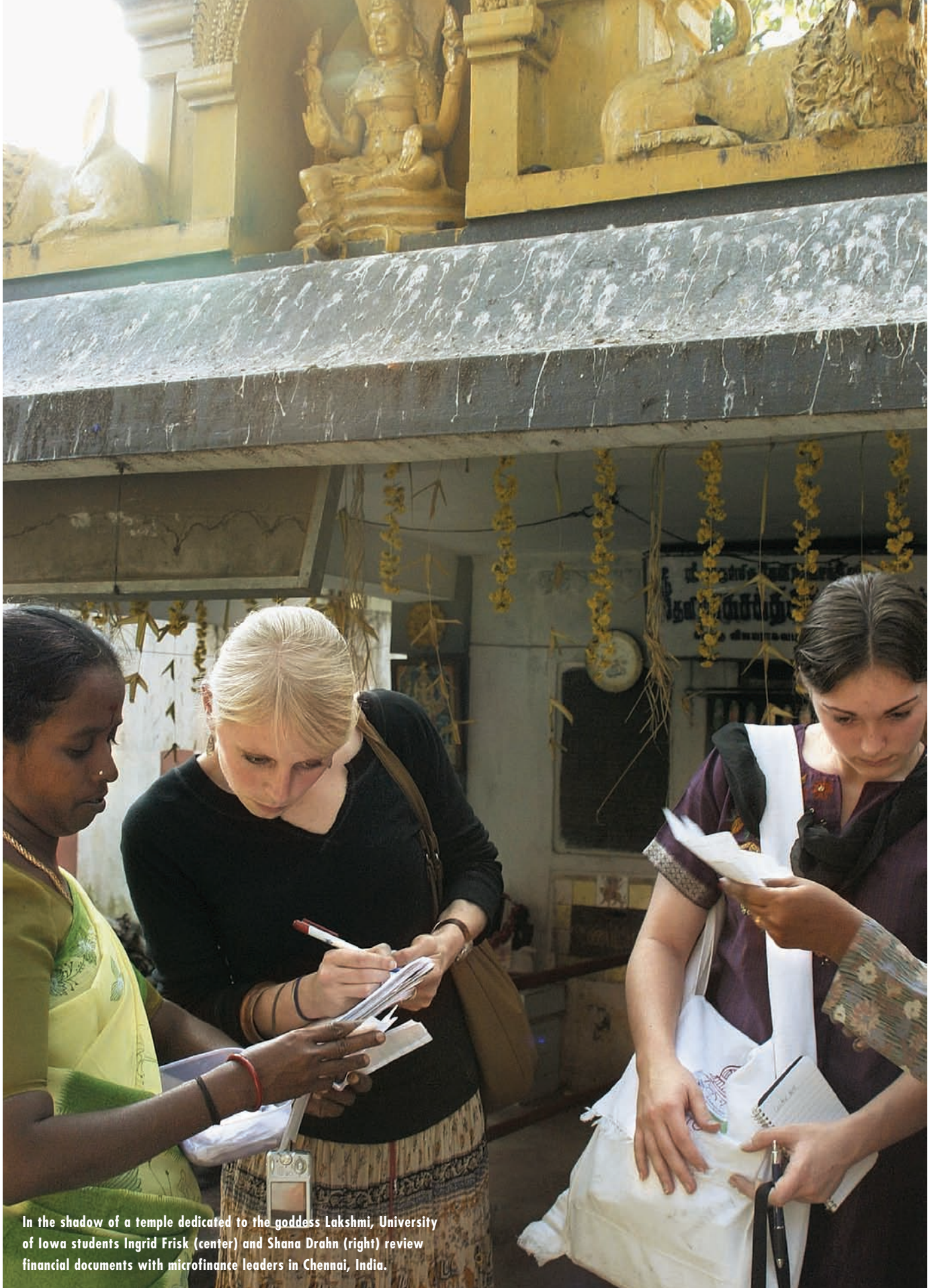
Some schools teach microfinance as a component of social enterprise, a way of doing good through business. Others focus on its commercial applications—the high rate of return on loans, the profit potential inherent in partnering with the poor. No matter what the approach, those in the vanguard see the topic as one that is critical to business, business schools, and the world.

Microfinance and the B-School

While microfinance can appeal equally to idealists and pragmatists, it’s becoming popular in business schools because it works on a very quantifiable level. “Microfinance isn’t just about ideals—it’s about wedding vision with concrete financial reality,” says Andrea Wuerth, program director for the Martindale Center for the Study of Private Enterprise at Lehigh University in Bethlehem, Pennsylvania. “What has kept us from extending basic financial services to the poor is often a prejudice against them, thinking they don’t know how to manage money. Microfinance has proven that erroneous.”

But understanding microfinance requires a different kind of knowledge than a student might get through a standard finance curriculum. That’s because microfinance is delivered through a bewildering array of models. Major institutions like Citibank, Deutsche Bank, and HSBC have microfinance initiatives, but so do donor-driven enterprises, government offices, and nongovernmental agencies. How they distribute money and how they collect it varies with the organization.

“Not only are there different models for providing loans, there are different criteria for deciding who can get the money,” says Edwin Brands, an adjunct professor in



In the shadow of a temple dedicated to the goddess Lakshmi, University of Iowa students Ingrid Frisk (center) and Shana Drahn (right) review financial documents with microfinance leaders in Chennai, India.

Program Parameters

More schools are adding microfinance components to their curricula as standalone courses or segments of other classes. To make sure such initiatives are successful, administrators might keep this advice in mind:

Begin with a single course or modest goals. Most schools don't have the advantage of Tufts University, which just received a \$100 million endowment from eBay's Pierre Omidyar to start a microfinance program, or the University of Maryland, which received \$6 million from the Bill and Melinda Gates Foundation to assess the impact of microfinance grants. "Unless you get a big donation to fund the program, it makes sense to start small," says Edwin Brands of the University of Iowa.

Reach out to everyone. "Involve as many people as possible—not only in your school, but also in the local community," says Brands. "Then you can generate more buzz about your program." The Iowa professors described their India trip to community leaders and local businesspeople, who donated small grants to help defray the costs of travel. "I think people in the community can appreciate microfinance because many of them started small or have been in situations where they needed loans to get them past the next month," says Brands.

Plan visits to microfinance organizations. "A good microfinance program really needs to have a hands-on component," says Andrea Wuerth of Lehigh University. "I don't think you understand microfinance or believe it's possible until you see it. A microfinance program should allow students to do internships, act as consultants, or just go on fact-finding trips."

Take advantage of your assets. A school with a strong finance program should incorporate microfinance into that curriculum; a school whose strength is global citizenship could tackle microfinance from that perspective. Says Wuerth, "Lehigh's traditional strengths are technology and engineering, so technology was a key part of the project we undertook in Honduras."

Make friends. "It helps to have a connection to a microfinance institution," says Brands. "Cultivate a relationship with a nonprofit, or a foundation, or even another university that already does work in this area." Wuerth agrees; Lehigh planned its trip to Honduras using the connections already in place through programs run by the anthropology department.

Look for an advocate. "Initiatives in academic institutions rise or fall depending on the presence or absence of a faculty champion," says Ronald Chua of the Asian Institute of Management. A motivated faculty champion can promote the microfinance agenda and win the support of others—in the business school, the university, and the community.



NAT ROBINSON

Chris Baxley, an Owen Graduate School of Management student (seated at right), distributes a microloan to a local villager in Sadhashivpet, India, as part of Project Pyramid, a new cross-campus initiative at Vanderbilt University aimed at ending global poverty.

the departments of geography and international studies at the University of Iowa in Iowa City. "Some organizations want people who have already started a business. Others focus on people they determine through some method to be poor. It can all be very political. You see Muhammad Yunus give \$100 to someone who needs a micro loan; but then you realize that other efforts at microfinance are done in a culturally specific context by different people with different motivations."

Different approaches obviously lead to the potential for a wide variety of b-school programs, or at least the inclusion of microfinance concepts in a number of spots in the curriculum. "It can be part of finance, or entrepreneurship, or basic economics, or even ethics," says Wuerth. "We're incorporating microfinance now in our socially responsible investment class."

At Harvard, Chu and his colleague, professor V. Kasturi Rangan, include microfinance in their courses "Business and Base of the Pyramid Markets" and "Effective Leadership of Social Enterprise." As microfinance evolves, Chu expects it to be covered in courses on banking and financial services, particularly those servicing emerging markets, as well as in courses that discuss business and low-income sectors.

"For business to be successful in low-income sectors it will require an infrastructure that is very different from infrastructure in businesses at the top of the pyramid," Chu says. "You could say that everything that applies to business also applies to low-income business—marketing, production, distribution, and so on. But the key thing to know is that marketing in low-income sectors is very different. Production is very different. So is distribution."

“In today’s global environment, I have to embrace the business world. If I don’t, I’m the one who loses out in my initiatives for empowering the poor.”

—Elizabeth Nicole King, divinity student, Vanderbilt University

Perhaps what’s important is not so much *how* the topic is covered as *why*. The answer is very clear for professor Ronald T. Chua of the Asian Institute of Management (AIM), Manila, the Philippines. “AIM has a mission of developing managers of Asia who are entrepreneurial and socially responsible. Poverty in Asia remains a stark reality; and, at minimum, equipping our graduates with an awareness of the challenges of addressing poverty is an important part of fulfilling our mission. Schools whose graduates will have to work in a context where poverty is a critical concern need to prepare their students. That is part of being relevant.”

Interconnected Initiatives

Microfinance is such a broad concept that it can reach across the whole b-school curriculum—and, indeed, the whole university. While microfinance initiatives most often find a home

Educating the Microfinance Leaders

This spring, Harvard Business School will hold its second executive education session focused on microfinance—but at a very high level. The HBS-ACCIÓN Program on Strategic Leadership for Microfinance is aimed at top executives from leading microfinance institutions who need to be prepared for doing business in an industry that is seeing impressive growth. ACCIÓN International is a private nonprofit microfinance organization that works primarily in Latin America, the Caribbean, the U.S., and Africa.

Over its 30 years of development, microfinance has been very successful, notes Michael Chu, who co-chairs the program. However, he notes, the field is changing very fast—and that presents new challenges to microfinance executives. “Are these leaders prepared to face wholesale challenges that are external to the organization? Corporate strategy, competition, the entry of new players, managing growing organizations—they require a totally new set of skills.” Harvard’s executive education program targets those specific skills.

Harvard’s first microfinance executive education program drew 61 participants from 33 countries and HBS faculty from all over the curriculum. Not only were participants immersed in topics related to organizational leadership, but they had a chance to form peer consultancy groups to discuss their individual issues with other attendees—and learn from each other today about the challenges they will face tomorrow.

in the business school, Brands points out that many aspects of microfinance fit more comfortably into other disciplines, such as environmental protection, social change, sociology, and international studies.

At Vanderbilt University in Nashville, Tennessee, a microfinance initiative called Project Pyramid brings together students from the Owen Graduate School of Management with divinity students. Participants in the program, which is entirely student-driven, headed to India in March to bring their business plan ideas to entrepreneurs at the base of the pyramid. According to Owen student and Project Pyramid co-creator Rehan Choudhry, the goal was to “arm graduate students with the tools to create sustainable businesses and programs that effectively combat poverty.”

Members of the program say their very different perspectives on the world created a valuable synergy for reaching their goals. “One of the questions brought up in class was, ‘Are we going in to make money or are we going in to better lives?’” says divinity student Elizabeth Nicole King. “In today’s global environment, I have to embrace the business world. If I don’t, I’m the one who loses out in my initiatives for empowering the poor.”

Administrators at both the University of Iowa and Lehigh University also capitalized on the multidisciplinary aspect of microfinance when they recruited mixed groups of majors to travel to developing countries to study microfinance. As detailed in “Destination: Microfinance” (on page 30), the Lehigh group, which traveled to Honduras, included graduate and undergraduate students in business, anthropology, engineering, and computer science. “The business students enjoyed problem-solving with the multidisciplinary group,” says Wuerth. “They got involved in mutually beneficial teamwork.”

The Iowa group that headed to India was similarly blended, and Brands thinks the project benefited from the diversity. “It worked well because the discussions that went on among the students were much broader,” he says. “In a situation like this, if we are all engineers, we might just be interested in a small business that deals with solid waste or bio fuel. Whereas if we have students and faculty from anthropology and finance and geography and international studies, we get to see a much bigger picture.”

He thinks any microfinance initiative should include students from women’s studies, because 90 percent of the microfinance participants are women. On his recent trip, he was also impressed by what the photojournalism students brought to the project. “They were able to combine video and music in a thought-provoking way,” he says. Such a graphic visual tool can be very powerful if a school is trying

to promote its microfinance program, he says, since it can be shown to administrators, sponsors, and other students who might be interested in a future trip or a course.

The Right Student Attitude

Just as there is more than one approach to teaching microfinance, there is more than one type of student who might sign up to learn about it. Brands and Wuerth find that many of their students are also interested in sustainable development and corporate social responsibility. “For instance, two of the

Lehigh University students Scott Menzer and Kelsey Smith work with Cesar Alfaro of FUNED, looking for ways to make microfinance organizations in Honduras like FUNED more efficient.



ANDREA WUERTH

Destination: Microfinance

If seeing is believing, then students at two U.S. universities had a chance to become believers when they traveled to very different parts of the world to see microfinance in action.

A multidisciplinary group of students from Lehigh University traveled to Honduras in 2006 to work with REDMICROH, a network of microfinance institutions headquartered in Tegucigalpa. Their goal was to use their technology skills to make REDMICROH more efficient—specifically by developing a program for handheld PDAs that would help loan officers in the field quickly enter information about their clients and consolidate the loan process from about three days to 20 minutes.

The team of students—including economics, computer sciences, and business majors—were accompanied by Andrea Wuerth of Lehigh’s Martindale Center for the Study of Private Enterprise and Todd Watkins, associate professor of economics at Lehigh’s College of Business and Economics. Watkins and Wuerth had been teaching a microfinance class since the spring of 2005, and Watkins secured a grant that would fund the trip. During the ten-day visit, students visited with five microfinance organizations with different approaches, philosophies, and geographic focuses.

Wuerth believes that the participating students came back with a changed perspective of the world. “These are kids who, almost exclusively, grew up in suburban environments,” she says. “They had never seen anything like the poverty they saw there. At the same time, they expected people to be more downtrodden. What we saw were people making a heck of a lot out of very little. They were taking out small loans and using the money to turn their lives around. It was a life-altering experience for students.” She plans to accompany another group to Honduras again this spring.

In a similar fashion, a multidisciplinary group of 17 students from the University of Iowa traveled to India between December 2006 and January 2007 as part of their course on “Microfinance for Women-Run Enterprises.” The class was led by geography professor Rangaswamy Rajagopal, adjunct professor Edwin Brands, and Christine Brus, director of Women in Science and Engineering.

“During a semester-long course at the university, we read about microfinance in different parts of the world and looked at different models,” says Brands. But much of the real learning occurred in India. There, students actually got to meet the people involved, he says, including loan recipients and individuals running microfinance organizations. While some of the lessons students learned might not have an immediate relation to coursework, Brands believes those lessons will stick with students a long time.

“My hopes are that the students will have a broader perspective, not just on microfinance, but on what it’s like to be running a small business by the shoestrings when your family depends on it to eat,” says Brands. “Perhaps there’s a couple with their two children living in a ten-by-ten hut. They bend metal to make fasteners for stainless steel buckets. They have a fire going, and the baby’s there, and the two-year-old is there, and they do this work every day, all day long. Seeing that gives students a very real perspective on the world. Speaking personally, I’ve never felt richer than I did when I came back here.”

“My hopes are that the students will have a broader perspective, not just on microfinance, but on what it’s like to be running a small business by the shoestrings when your family depends on it to eat.” —Edwin Brands, adjunct professor, University of Iowa

engineers who were with us also belong to a group called Engineers for a Sustainable World,” says Brands.

In fact, Wuerth thinks that interest in microfinance has been driven at some schools by the students themselves. “The students are the ones who have a sense of wanting to do good and do well at the same time,” she says. She believes many students of this generation are committed to a strong community and a better world, unlike students of previous generations who all wanted to be Wall Street analysts. “It seems the pendulum is swinging the other way,” she says.

Mainstreaming Microfinance

At the Asian Institute of Management, a variety of microfinance initiatives have been designed with the goal of appealing to both practitioners who need expertise and MBA students who need an introduction to the field. “Our first objective is to strengthen the management capacity of existing microfinance institutions in our country,” says AIM’s Ronald Chua. “Our second is to ‘plant the seeds’ of interest in microfinance into AIM’s programs and courses, particularly its degree programs.”

To meet the needs of practitioners, the school has launched an 18-month microfinance track in its master in entrepreneurship degree program. Participants are often heads of microfinance institutions or responsible for a profit center at such an organization. AIM has also developed a suite of short management courses designed for senior managers of microfinance institutions and covering topics such as strategic planning and implementation, human resource management, marketing to the bottom of the pyramid, and microfinance in hard-to-reach areas.

Some of the microfinance cases studied in these management courses also can be used in AIM’s other degree programs. For instance, Chua teaches a mainstream “Banking with the Poor” elective that is designed to interest AIM’s MBA students in microfinance—and it’s working. Most recently, out of a class of 99 MBA students, 27 enrolled in a microfinance elective.

Some of AIM’s microfinance programs have been made possible by seed money given by the Microfinance Management Institute (MFMI), which has funded a three-year research grant. AIM is one of a handful of schools that has become an MBA Project Partner with MFMI and offers courses dedicated to creating and diversifying the body of knowledge on microfinance.

Other students who exhibit an interest in microfinance are from countries where such programs are successful, she notes. “Many of our Indian, Pakistani, and Bangladeshi students know all about microfinance,” says Wuerth. “The more global a business school is, the more microfinance will be known to its students.”

To Harvard’s Chu, it’s not so obvious that the sustainable development crowd is leading the microfinance charge, but he suspects that’s because of the way Harvard teaches the topic. He says, “For example, in our microfinance executive education course, we look at corporate strategy, emerging markets, competition against multinationals, profit, growth, and control. From that perspective, it’s about understanding how to manage effectively in an industry that serves the low-income segment. But you could take a different approach and look at microfinance from the perspective of sustainable development and social impact, and you would look at completely different cases.”

A World of Good

No matter how they are structured, microfinance programs meet several key criteria for business schools. They offer schools opportunities to become involved in their communities and to participate in the global economy. They also give management students a chance to see the power of business to change the world. Even so, experts know that microfinance will not solve all the problems of the world—or even all the problems of the poor.

“Access to financial services is necessary and important, but it is not enough to lift people out of poverty,” says AIM’s Chua. “A problem arises when people expect microfinance to be a silver bullet.”

Today’s microfinance programs aren’t even scratching the surface of the potential, Brands says. “In India alone there are 300 million people below or at the poverty line, and only four or five million are being served by microfinance,” he says.

The numbers are growing, however. “In the 2006 Global Microcredit Summit in Halifax last November, it was announced that the goal of reaching 100,000 million poor women worldwide with microfinance was achieved in 2006,” says Chua. “The new goal is to reach 175 million poor women by 2015 and move 100 million of them out of poverty.”

That leaves a lot of room for business—and business schools—to maneuver. Business schools that want to participate in the microfinance revolution should identify their goals, pick their models, refine their approaches, and roll up their sleeves. There’s plenty of work to be done. **Z**

European Wings

The Bologna Accord promotes the integration of European education. Its objective is to produce European citizens who are both grounded in local culture and prepared to soar internationally.

by Thierry Grange

It is an old European tradition to look at symbols as a way to understand the world. The University of Bologna is believed to be the oldest continually operating degree-granting university in the world, which makes the Bologna name both prestigious and symbolic. Therefore, it is fitting that the Bologna Accord has become the name for the sweeping reform of European universities that is poised to change the shape of European education—and business education—forever.

Under the Accord, also known as the Bologna Agreement or the Bachelor, Master, and Doctorate (BMD) Reform, each country's national university tradition will be aligned with a new European educational standard. The 45 participating countries are working together to define what is meant by common education degrees. The goal of the new standards is to encourage universities to think globally, while teaching locally.

The initiative was launched in 1999 and is due to be fully implemented by 2010. At that time, the benefits could be great. All participating schools will have more visibility, and students will find it easier to move between countries and universities as they pursue their educations. On the other hand, there are possible negative consequences as well, including homogenization of programs and loss of cultural diversity.

It's already clear that fully implementing the Bologna Accord will not be easy. Europe's rich variety of countries, regions, cultures, languages, and citizens is its source of wealth, but it also makes true integration a challenge. For Europeans, the permanent paradox is that they must balance their cultural differences with their hope for unity.

The intent of integration is to create a European citizen with local roots and European wings. Students who travel throughout Europe to attend school will not only interact with academics and fellow students on campus, but also get a chance to meet people in the streets, in the corporate world, and in the places where they live. They will learn what is specific to their culture and what is shared by millions of others. A positive awareness of their new, broad citizenship will motivate them toward even more European integration. Education will be the major force that drives the creation of the "European man" and brings social satisfaction to all citizens, regardless of culture or rank.

European business schools might have an easier time with the Bologna Accord than some liberal arts and sciences universities, because since the 1980s they have been promoting joint programs among themselves and with U.S. schools. The agreement nonetheless will have profound impact on the entire European educational system.



Each country must find a way both to protect its home **culture** and to design an open system that facilitates the **mobility** of students and visitors.

A History of Integration

Europe has been striving toward some degree of legal and institutional integration since the Rome Treaty established the European Economic Community in 1957. The central objective of integration is to provide all European citizens access to economic prosperity and high standards of living. This is achieved by engineering national systems in areas such as economic policy, public security, and customer protection. Higher education was widely democratized after World War II, and in 2005, more than 40 percent of the current generation had some level of higher education. No national or local scheme could have matched such an expansion.

The Bologna Accord is not Europe's first attempt specifically to focus on the integration of education. In the 1980s, many European institutions joined the ERASMUS initiative, intended to allow thousands of students easy access to universities across the continent. ERASMUS, which still operates today, makes it as easy for students to register for a term 600 miles away as to take a course across the street in their home towns. Over the last 20 years, more than a million students have won ERASMUS grants to study in Europe.

As the ERASMUS initiative began to take hold, it was clear there were only two ways to allow mobility to European students on a grand scale without disturbing the curricula of participating schools: Design programs with built-in interruptions long enough to allow students time to study abroad; or design an academic process that recognized the courses students took and skills they acquired at other institutions. The latter was obviously the most sustainable and started to become the norm. Business schools in particular began to synchronize their programs to allow for easy exchange of students and faculty.

This enhanced mobility led directly to improvements at institutions across Europe. Every student or faculty member who visited another country was able to see differences in processes and outcomes; many returned home with ideas for improvement. At the very least, these ideas generated interesting discussions in classrooms and cafeterias. As the sharing of ideas led to more standardized programs, it became easier to implement benchmarking systems, joint research activities, and inter-institutional collaborations. Mobility has done more to change management practices at the university level than any reform policy suggested by any administrator.

In the 1990s, universities began moving from bilateral agreements with other universities to a broader set of European rules—what has become the BMD system. Now, each degree is more precisely defined in areas such as duration, academic credits, and content equivalence. For instance, a

bachelor's degree will consist of 180 credits and a master's degree of 120 credits. A student can gain a maximum of 60 credits in one year's time, regardless of the subject or the intensity of the learning process.

As the Bologna Agreement is implemented, each country must find a way both to protect its home culture and to design an open system that facilitates the mobility of students and visitors. Each country has to compare its national educational system to other European nations and then modernize what is below accepted norms. In countries where both public and private education systems operate, the government must end state monopoly of degree-awarding rights. At the same time, individual business schools must examine their offerings and compare them to the programs at other schools—transforming them if necessary. Obviously, these changes are not simple, and implementation is proceeding at a slow pace.

Change for the Better

While the Bologna Accord is forcing schools to reassess and reconstruct their programs, most of these changes have been positive. For instance, each school decides how to validate the credits from other programs. To determine how to qualify those outside courses, program directors must take a hard look at their own courses, and they also must consider the opinions of the students involved. Because of this type of internal audit, some institutions have grown more focused on their own specializations and have improved the quality of their offerings.

Schools also must craft strong programs if they want to attract students from other countries. Then, to make sure their classes will be accepted at the students' home universities, schools must develop widely applicable assessment methods and learning objectives. They must devise metrics to measure goals, achievement, and student satisfaction. In many cases, none of these systems were in place before.

There are many other benefits to the educational reform prompted by the Bologna Accord:

- Students become individuals; they are no longer simply citizens who must accept the quality of education available in their nations.

- Faculty can employ more innovative teaching methods as the new system makes these methods more viable. At the same time, faculty must comply with the European Credit Transfer System, which forces them to justify their methods and the content of their classes.

- The curriculum and the classroom are both revised to make globalization an integral part of study.

- Institutions continually upgrade their offerings and

The Bologna Accord could turn out to be a boon for both **civilization** and **peace**.

market their strengths to attract more students.

The underlying theme to all these changes is improvement in education as a way to serve students and increase the overall quality of European universities. For business schools in particular, these changes facilitate an easy exchange among schools around the world, enhancing the global aspect of the b-school curriculum.

Risks and Challenges

Of course, the necessity for some conformity among institutions has also forced other changes, and not everyone approves. To induce students to visit them, many schools have had to begin offering classes in a new language, such as English. In other cases, schools that used to grant degrees based on *input*—such as the number of years students attended the school or the number of hours they sat in class—have had to shift to a focus on *outcome*, demonstrated by skills, knowledge, participation in internships, and so on. Still other schools have had to shorten their programs to satisfy student demand or align with more general practices.

Some critics consider this inversion of academic logic to be a Copernican revolution and believe many of these changes to be detrimental to education. Meanwhile, a debate has sprung up on the dilution of local cultural values in the new supra-nation of Europe. Some rhetoric pits local against global, national against European, and region against state.

Critics point to other risks as well. The primary one is that European business administration programs could become too homogenized, particularly at the master's level. Prior to the Bologna Accord, European management programs were designed according to three great trends: macro/micro economics theory, the rationalization of existing business practices, and imitation of the American MBA model. The fear was that the American MBA pattern would come to dominate as the Bologna Accord standardized business education.

So far, that threat seems to have been avoided. British business schools, for instance, have been very innovative in diversifying their programs. Meanwhile, even in the U.S., programs are not identical, because there are as many different opinions about what makes a “real” MBA as there are programs themselves. Thus, some differentiation is inevitable.

The risk of homogenization is also lowered because various corporations want to recruit certain kinds of people. Business schools attempt to differentiate their programs in part so



they have a way to market their graduates. In fact, the Bologna Accord has allowed lesser-known schools to enter the competition for students and faculty. The accelerated innovation in teaching methods, course content, and infrastructure has allowed these schools to stand out from their rivals.

The Consequences

The Bologna Accord has brought European schools to the situation economists call “sectorial performance improvement created by increasing market visibility and economy.” That is, the whole market segment has been uplifted by the common drive toward improvement.

In countries where competition for students and faculty has been intense for decades, business schools have been quick to adopt the BMD degree system as a way to make themselves even more attractive. As they become internationally known, these schools have started to perform well in the European rankings. France’s business schools are so competitive, in fact, that seven of them placed within the top ten “Bologna Masters” listed by the *Financial Times* in 2006.

This sort of systematic improvement mirrors what is happening to European schools as they strive for recognition from AACSB International and other accrediting bodies. Schools working to meet accreditation standards improve their programs and become more competitive—and they are also more likely to market themselves aggressively to potential students.

This is good news for students, although institutions may have a difficult time ahead as the field becomes even more competitive. Yet, overall, European business schools can only become stronger as they pursue integration and accreditation. They will work together to create a new concept of “European management.” As their programs continue to grow stronger, they will attract more students from around the world, formulate alliances with more peer schools, and participate in the globalization of management education.

During the Renaissance, only a handful of students could acquire a multicultural education through travel, but today the Bologna Accord allows millions of students to do so. If such an experience means that these young men and women will no longer look at their neighbors as dangerous or ignorant, the Bologna Accord could turn out to be a boon for both civilization and peace. **■**

Thierry Grange is dean of the Grenoble Ecole de Management in France.

B-Schools Got Game

B-schools are getting serious about games that offer students real-time lessons in leadership, globalization, ethics, and other complex issues that often can't be captured in a textbook.

by Tricia Bisoux

Welcome to the age of the computer-enhanced business simulation, the latest trend in business training. The “serious games” industry, which has been building since the 1980s, is quickly becoming an important tool for teaching and learning at business schools worldwide.

Driving the popularity of business simulations is the fact that they do what case studies, class lectures, and onsite corporate visits cannot, say game designers. They plunge students headfirst into thorny business situations. In a real-time simulated business environment, students strategize, make tough decisions, and see the immediate consequences of their actions. Then, ideally, they learn from their mistakes.

“The Chinese have a saying: ‘When I hear, I forget. When I see, I remember. When I do, I understand.’ Gaming is learning by doing,” says Dennis Meadows, a Ph.D. graduate of MIT’s Sloan School of Management in Cambridge, Massachusetts. Meadows has been designing management simulations for 30 years. “The lessons students learn in simulations are ten times more efficient, more lasting, and more powerful than what they can learn from a lecture.”

The latest games are driven by technology; but they are not ruled by it, say game designers. The best simulated learning experiences, they argue, balance new-tech capabilities with old-tech mainstays, such as pencil-on-paper planning and in-depth group discussions on the lessons learned.

The Internet Connection

The design and capability of today’s games haven’t changed much in the last few years. While the latest technologies have made games easier to design, computer-driven simulations still have much in common with their low- or no-tech counterparts of the 1980s, providing students with business scenarios, a plethora of possible decisions to make, and uncertain outcomes. The most well-known simulation, the “beer distribution game,” developed by MIT professors in the 1960s, is still played on a game board rather than a computer screen.

What has changed simulations most significantly is the world around them, says Dan Smith, president of Management Simulations Inc. in Northfield, Illinois. MSI is the maker of three simulation products, including Capstone, Foundation, and COMP-XM. Also an adjunct professor at DePaul University in Chicago, Smith notes that today’s faster Internet connections and relative technology parity and consistency among business schools have made possible larger simulations involving more diverse, geographically dispersed student teams.



“The lessons students learn are ten times more efficient, more lasting, and more powerful than what they can learn from a lecture.”

—Dennis Meadows, management simulation designer

“A decade ago, we could create applications to bring players together across time and space, but it was clumsy. The bandwidth wasn’t there,” says Smith. “In recent years, bandwidth has gotten broad enough to enable students to collaborate more easily from a distance.”

Real-World Applications

In fact, the technological capacity and power of today’s computers can be almost *too* tempting for game designers. There is some concern that business simulations could turn into “virtual realities” that players inhabit like a video game. But such technological complexity often takes too much time for a professor to implement and distracts from the business problem the game is designed to present, says Meadows.

“I can design a game today ten times more quickly than I could 30 years ago; but do people learn more from today’s computer-driven games than they did from those 30 years ago? I don’t think so,” says Meadows. “Computer technology can take over the game and make it so complex that it diverts learning.”

Global Play

In October, four teams of students at the Robert H. Smith School of Business at the University of Maryland in College Park went head-to-head with student teams at The Pennsylvania State University in University Park, CERAM in France, Nankai University of Technology in China, and the University of Groningen in The Netherlands. From their home campuses, teams competed in the simulated Supply Chain Game to create the most efficient and profitable supply chain in real time. School officials billed the game as the “first real-time simulation that pits players against each other in an online environment.” In February, the school sponsored an even larger competition, involving teams from 14 business schools around the world, including the five schools that had participated in October.

The business logistics of the game were designed by Sander Boyson, Thomas Corsi, and William DeWitt, professors at the Smith School. The technical development of the game was handled by Alexander Verbraeck and Stijn-Pieter van Houten, professors at Delft University of Technology in The Netherlands. The game was designed to account for students’ decisions as they are made. Its designers also had the secondary goal of creating a game that was technologically

Smith agrees that the best games are based on tools that organizations actually use to conduct business. “Students aren’t going to play a video game at the office,” he says. “In a simulation, we want students to use the same tools that they’re going to use in a real-world office: Excel, the Internet, e-mail, videoconferencing. It’s central to simulation design that we *don’t* rely heavily on graphics.”

While many of today’s most popular games focus on data-based areas such as supply chain management and marketing, “fuzzier” issues such as ethics, change, and corporate social responsibility can also be captured in a real-time simulation. However, the success of the outcomes may be more difficult to quantify, explains James Chisholm, co-founder of ExperiencePoint, a simulation design company based in Mountain View, California.



Alexander Verbraeck, a professor at Delft University of Technology and a designer of the Supply Chain Game, oversees the October competition at the Smith School of Business.

capable of facilitating the play of globally distributed teams that logged in through a Web portal.

“We spent a lot of time with our colleagues at Delft University to plan the underlying technological architecture,” explains Boyson. “With that in place, we can now bring to fruition other scenario-based games. We’re investigating a next-generation scenario that will be in a different industry and involve different sets of competitive dynamics.”

The game itself was supported by a variety of community-building technologies, such as audio conferencing and the voice-over-Internet phone service Skype. Facilitators even posted digital photos of the different teams in action to the portal,



ExperiencePoint's change management simulation takes players through a scenario in which they must learn the agendas of a company's employees and amass support for a new strategic plan.

One simulation that ExperiencePoint offers to executive training programs focuses on the complexities of change management. Their objective is to move a struggling company in a new direction by choosing among 50 strategies to persuade employees with disparate agendas to buy into the new plan. The simulation assigns each employee one of four personality types—resister, bystander, helper, or champion.

to allow teams to view their competitors as real people, rather than players in a simulated game. "We wanted to make the game as immediate as possible," says Boyson. "As the teams respond to other teams' actions and initiate their own strategies, they're really able to see the cross-cultural global competitive dynamic at work."

While students benefit from the simulation experience, such large-scale simulations also allow b-schools to build relationships with their counterparts around the world—an online exercise in globalization. "It's a powerful platform for building ties and real connections with global partners," says Carrie Taschner in the Smith School's office of marketing communications. "It has provided a dialogue that enables Smith to engage meaningfully with international partners on every level—institution to institution, faculty to faculty, student to student."

Businesses must cope with the real-time challenges of global business and are forced to make quick decisions based on market realities, says Boyson. It makes sense, then, that business students be put in the position to do the same. "That's why we put so much effort into this game," he says. "We wanted it to come as close as possible to replicating—and, in some cases, accelerating—the real-time competitive space of business."

It measures each team's success in amassing critical support by how well its simulated employees react to the strategies it chooses.

"Many people believe business simulations are all about financial statements and quantitative data," says Chisholm. Games also can help students learn the soft skills in business, he adds, such as those related to communication, team-building, and change management.

Tech in Perspective

The most important part of the learning process may happen *outside* the game. Faculty who use simulations must provide the learning context to make the simulated business experience valuable, says Meadows.

For example, the well-known game "Fish Banks Ltd.," which Meadows designed, challenges students to run a fleet of fishing boats profitably without overfishing the ocean. Translated into 12 languages, Fish Banks has been played by students from all over the world. "I've seen people kill off all the fish and be quite satisfied with their profits. I've seen others kill off all the fish and be ashamed that they got so caught up in the game that they didn't sustain the fertility of the ocean," says Meadows. "The game generates data; it gives them a shared experience. But if you want to teach corporate social responsibility, that's not in the game."

To be a successful learning experience, a management simulation must be followed by discussion—or "a debriefing," says Meadows. Through a debriefing, players can ask important questions: Where were they confused? What decisions did they make? What was the outcome? Could they change the game to have a more satisfactory result? Where do they see these phenomena in real life? "I haven't seen a game yet where people play it and automatically internalize the lessons," says Meadows.

Chisholm agrees that simulations do not stimulate learning on their own. "Computer-based simulations throw a problem out there and provide a sophisticated model of play; but at the end of the day, the game is a mechanism for conversation among four or five colleagues," he says. "It provides a shared experience and common language to discuss an issue. The intelligence isn't in the game. It's around the table."

Evidence of Learning

Simulations not only stimulate learning; they also may provide evidence of it. MSI is currently beta testing COMP-XM, a simulation for learning assessment, which will be released to the market this fall. COMP-XM also may be

"The intelligence isn't in the game. It's around the table."

—James Chisholm of ExperiencePoint

used to provide assessment data useful for accreditation; the company plans to meet with representatives of accrediting bodies to refine the game for that purpose.

"The first time students participate in a simulation, it's a lab. They're learning from their mistakes, so the game can't be used to evaluate their skill level," says MSI's Smith. "But the second time they participate in that simulation and answer questions about their decisions, on a standardized playing field, it's a test of competence."

For Meadows, the real test for students is what they *do* with the knowledge they gain through simulated experi-

ences. "The last step for faculty is to get a commitment from students that they're going to make changes based on what they've learned from the game," Meadows says. "There's no point using a simulation to generate insight if the students aren't going to act on it."

Implications of Simulations

Professors who are interested in doing more with serious gaming can look forward to new products that make it even easier to bring simulations into the classroom. Soon, says Chisholm of ExperiencePoint, they will have the technology at hand to create their own games, in much the same way as they would design their own Web site using a Web publishing program.

"The question we're asked the most is, 'Do you have a game in this discipline?' Up until six months ago, we would answer, 'We can build that game, but it will cost a lot of money!' But we're now redesigning the engine to allow professors to create their own games, in a do-it-yourself model," he says. ExperiencePoint plans a soft launch of its game publishing product in August at the Academy of Management's 2007 Annual Conference in Philadelphia.

The biggest advantage of management simulations may be their impact on business students. Few experiences offer students such immediate insight on their strengths and weaknesses. When done right, simulations cut away the busywork that can accompany business transactions and put key issues in sharp relief, says Meadows. "With computer

Old Game, New Tech

Carleton University's Sprott School of Business in Ottawa, Canada, is using a business simulation to reach students who are still deciding on their future careers: high school students. Its 2007 Sprott Business Competition (SBC) brought together 10,000 high schoolers from across Ontario and Manitoba.

The competition itself is actually 22 years old. In 1986, 200 high school students participated in the first SBC, sending in their quarterly decisions on a weekly basis via voice message and fax. Teaching assistants manually entered the information into a mainframe computer. The resulting data was then rekeyed into the Lotus 1-2-3 spreadsheet program, printed out, and sent by courier back to the students.

What a difference 22 years make. In 2001, the school offered its first Web-enabled competition. In 2005, the game was redesigned in an online format, allowing thousands of students to participate in the challenge from their home schools. This year, students led virtual companies that manufacture MP3 players. Each team began with \$70,000 in market share and \$30,000 in working capital; they submitted their quarterly decisions online twice a week over two months. The best teams compete in a playoff in May.

SBC is a free outreach program that "balances theory with practice to make business classes more fun," says Rob Riordan, a Sprott professor. In addition, high school students learn what it's like to be in business. Michelle O'Brien, now a student at Sprott, participated in SBC three times as a high school student and took its lessons to heart. "The game is part of the reason I chose to take business at Carleton University," she says.

Capstone is a simulation from Management Simulations Inc. that puts students at the helm of a multidimensional company, where they must take into account financial reporting, market fluctuations, and other data to execute a business plan successfully.



simulations, players don't have to calculate depreciation rates. They can focus on the key issues, the crucial aspects of their role in the game."

In the realm of serious educational games, say Meadows and other game designers, the term "simulation" may be a misnomer. The game itself may be simulated; but the lessons students and faculty take away from it are often real, insightful, and long-lasting. **Z**

Simulations for Sustainability

The new Laboratory for Sustainable Business (S-Lab), recently opened at the MIT Sloan School of Management, will use more than scientific statistics and case studies to teach students about the effects that global warming, pollution, and other environmental factors have on business. It also will use the interactive computer-based simulation "Fish Banks Ltd.," designed by Dennis Meadows. In the simulation, which mixes board game play with computer support, students play the roles of entrepreneurs seeking to maximize their profits investing in companies that impact the environment.

Students will be able to experiment with reshaping these external factors to promote both sustainability and the bottom line, says John Sterman, professor of management at the Sloan School and a professor with S-Lab. "The players must act in their own self-interest to maximize their profit, but they also have a collective interest to preserve the fishery—the classic public goods dilemma," Sterman says. "Students have been exposed to this concept in their economics classes. But it's one thing to know about it intellectually; it's quite another to live it."

The computer runs the data on how each team's actions impact the fish, but the richness of the game comes from the human interaction between students, says Sterman. Even more interesting, he adds, is to explore players' reactions when they discover that, despite their best intentions, they still kill the fish.

"We've run this game with environmental activists, and it's such a shock to them when they kill their fish! We talk about what could have been done to change the outcome. Could they have negotiated an agreement with other teams to limit fishing? Could they have instituted enforcement mechanisms for those who cheated?" says Sterman. "For many players, it's a real learning moment."

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The MBA Reconsidered

Three business schools make radical departures from traditional MBA formats.
by Tricia Bisoux

The French have a concept called “*savoir se relier*.” In English, the phrase means “to know how to connect,” explains Valérie Gauthier, associate dean of the MBA program at HEC Paris. It’s a concept that emphasizes the complex connections between people and cultures, between skill sets, and across disciplines, says Gauthier. And at HEC Paris, it forms a principal component of the school’s newly redesigned MBA curriculum that it implemented last September. HEC Paris is among a growing number of business schools that are abandoning traditional approaches to the MBA, adopting instead new models that emphasize disciplinary integration, student self-assessment, and experiential learning.

BizEd spoke to three administrators who are spearheading radical redesigns of their MBA programs: Gauthier of HEC Paris; Joel Podolny, dean of the Yale School of Management in New Haven, Connecticut; and Garth Saloner, professor of economics at the Stanford Graduate School of Business in California and leader of its curricular reform task force. In the process of adopting new frameworks for their MBA programs, each of these schools has adopted a different set of core courses and has followed different educational philosophies. But they share very similar objectives: to graduate students who are stronger leaders, better communicators, more nimble problem solvers, and more effective “connectors” who understand the rapidly moving parts of business.

‘Reacting Is Not Enough’

As these institutions implement their new MBA programs, one of their most important objectives may be the most difficult to achieve—to develop an anticipatory, rather than reactionary, approach to developing the business curriculum. When corporate scandals made ethics imperative, business schools added ethics courses to their curricula; when leaders began discussing corporate social responsibility, CSR courses proliferated.

In this way, business schools have merely reacted to these changes in the business climate, notes Gauthier. If business schools want to design the best curricula to serve business, “reacting is not enough,” she says. “As educators, we need to anticipate as much as possible. We need to stay ahead and address what the world needs in terms of human resources and capacities and develop those capacities early on. We need to examine the critical political, social, and economic factors the world faces. We must consider today what the world will need from us tomorrow.”

Architects of the latest MBA redesigns hope that their programs will be inherently flexible. Their new curricula are designed to anticipate the solutions business needs and change to provide these solutions as quickly as possible. “This is a discrete shift for us,” says Saloner of Stanford. “We will learn to adapt and change.”

Podolny hopes that Yale’s new program will be so adaptable that it won’t require another complete overhaul for some time. “Now that we’ve got the structure in place, we will continue to tweak and refine it,” says Podolny. “From the enthusiasm of our faculty and students, we do know that we’re going in the right direction.”



“The more students learn to adopt and understand different viewpoints and ways of looking at things, the better they’ll be able to put today’s business issues into perspective.” —Valérie Gauthier of HEC Paris

New Market Reality

Decades ago, the traditional MBA served its purpose, says Podolny. Back then, a typical management career stayed within the confines of a single function, usually within a single organization. “Managers would spend their entire careers in finance, accounting, or marketing. When careers were balkanized by function, the traditional MBA curriculum had a nice affinity with the way business worked.”

That neat arrangement no longer holds true for 21st-century business practices, he says. Market realities such as globalization, technology, and multicultural diversity have produced complex business environments that are much less straightforward. Today’s business challenges work across disciplines and departments, says Podolny, and they require more flexible, holistic approaches.

Interdisciplinary approaches to business education aren’t new. Many business schools have created new integrated

modules and capstone courses, which are designed to help students apply what they have learned in individual courses into a broader view of business.

But for institutions implementing the latest round of curricular reform, individual seminars or capstone courses simply don’t go far enough to integrate material for students. It’s often a matter of too little, too late, says Podolny. “It’s like teaching people Spanish for nine months and then, in the last two months, teaching them French,” he says. “Once students have already been taught in disciplinary silos, they don’t get much from then taking an integration course.”

That mindset has inspired many of the new MBA reforms, which focus on integrating the entire program, rather than individual courses. “If you begin and continue with an integrated approach, students begin to track points of connections across all the courses,” says Podolny. That

An Emphasis on Relationships at HEC Paris

HEC Paris has integrated two central elements into its new MBA curriculum, launched in the fall of 2006. The program first emphasizes an “analytical, critical, and experiential” approach to learning, so that students can explore business issues from all sides, explains Valérie Gauthier, associate dean of the school’s MBA program.

The program also focuses heavily on developing individual, interpersonal, and social awareness. “The new curriculum develops not only students’ knowledge and know-how, but also their interpersonal and social skills,” says Gauthier. “We help them work on self-development and self-awareness. Then, we help them develop the interpersonal skills they’ll need to work in a group dynamic and the collective skills they’ll need to understand their role in the community.”

HEC Paris’ 16-month program rests on four central “milestone” courses that combine the analytical, critical, and experiential with a deep treatment of personal and interpersonal development. The students complete these “milestone” courses as they progress through the program:

- Leadership and Ethics
- Experiential Learning and Projects
- Communication and Interpersonal Skills
- Career Building and Coaching

“We take students through these milestones, where they

learn elements of leadership, communication, group dynamics, and self understanding,” explains Gauthier.

Students are evaluated at each stage of the program and are assigned specialized, course-related workshops that focus on their weakest areas. For example, a student who needs to work on body language and voice projection might be sent to a theater workshop to learn to act on stage; a student who needs to work on humor might attend a workshop called “Find the Clown in You.”

The program also emphasizes the development of interpersonal skills by assigning students to groups of five for the first eight months of the program. During those months, students must complete their initial courses as part of their assigned groups. “We feel that the group experience is a way for them to draw from each other’s experience and expertise and learn to manage a multicultural team,” says Gauthier. “Students must learn to work together to achieve their goals, even if they don’t get along.”

Above all else, she says, the school’s faculty want students to learn, through their interactions with students from diverse cultures and backgrounds, that there is no “one right way” of approaching business problems. “The more they learn to adopt and understand different viewpoints and ways of looking at things,” says Gauthier, “the better they’ll be able to put today’s business issues into perspective.”

A Personalized Curriculum at Stanford

Last year, faculty at the Stanford Graduate School of Business approved its new MBA curriculum, which will accept its first students in the fall of 2007. The redesign is the culmination of discussions with more than 200 current students, alumni, faculty, and recruiters about the changes they would like to see in Stanford's business curriculum.

The hallmark of Stanford's program is a curriculum that allows students to personalize their first-year courses depending on their level of experience, says Garth Saloner, professor of electronic commerce, strategic management, and economics. Saloner also led the task force that recommended the curriculum changes.

"Like many schools, we have been offering students a 'one-size-fits-all' curriculum," says Saloner. "As students' backgrounds diversify, this approach no longer works." Stanford's new curriculum is customized to each student—that is, traditional required core courses have been diversified to suit different levels of experience.

"We don't want students to be in a course for which they're overqualified," says Saloner. "If students come in with a base already covered, they can take an advanced offering and push themselves further." Students with many years' experience in finance, for instance, will take advanced finance courses; those with only basic knowledge will take an introductory course.

Stanford has also anchored the first quarter of its MBA curriculum to a suite of courses designed to provide students with an integrated understanding of management. These courses include:

- Teams and Organizational Behavior
- Strategic Leadership
- Managerial Finance
- The Global Context of Management

These courses explore "fundamental questions" of management and help students form a basis for their own career objectives. In addition, they will work in small-group

ability to see the "bigger picture," he adds, becomes a central component to how they learn and think about business.

Time for Change

These educators note that a number of volatile forces in the marketplace have pushed business schools toward curricular reform. "We've heard about the criticisms of the MBA, the corporate scandals, and the drop in MBA applicants," says Gauthier. Business schools, she adds, have also been revis-

experiential labs, so that they can begin acquiring hands-on experience from their first semester.

Customization is one of four key areas of Stanford's new MBA. The second area will emphasize a philosophical treatment of the larger issues of business through a new course called Critical Analytical Thinking. Taken in the first quarter, Critical Analytical Thinking will be organized into small seminars designed "to help students learn to think about the broad, philosophical issues that surround management," such as globalization, ethics, and social responsibility. Much of the seminar content will be determined by the students, under the guidance of faculty, says Saloner.

The third area will emphasize global management. As an extension of the course, "The Global Context of Management," students will be required to arrange a global experience at some point during the two-year program. The requirement can be fulfilled through a study trip, international internship, overseas service, or a student exchange.

Finally, the fourth area of the curriculum emphasizes the development of leadership and communication skills. To fulfill this objective, a series of written assignments and oral presentations will be integrated into the Critical Analytical Thinking course.

At the end of the students' two-year experience, they will participate in a personalized capstone seminar. The seminar will help students "synthesize what they have learned, examine strengths and weaknesses in their personal leadership styles, and reflect on how they hope to achieve their goals."

The new curriculum that students will experience in the fall represents the most significant change Stanford has made to its MBA in 30 years, says Saloner. "The students we're going to graduate will deal with a vast array of business challenges," he says. "Rather than try to teach them best practices right out of school, we're trying to give them the flexibility of mind that they'll need to manage those challenging conditions over time."

ing their programs in response to corporate leaders who have doubted the skills of MBA graduates, demanding that schools pay more attention to developing leadership and communication skills.

Even so, business schools have become a bit too settled in their ways, even as business itself continues to evolve and change, says Gauthier. "The MBA market was flourishing for such a long time that many business schools did not pay much attention to it," she says. "This shake-up has been very

“Once we break out of our disciplinary silos, it’s exciting to see how much higher our students’ leadership aspirations become.” —Joel Podolny, Yale School of Management

good, because now people have started talking about how we can improve the curriculum.”

Saloner notes that, in many cases, business schools have been the victims of their own success. “As business schools become successful, they often adopt very similar paradigms across schools. That’s a natural evolution and maturation of the MBA. Once a school gets to where it wants to be, momentum can take over,” says Saloner. “But now, people are really stepping back and asking, ‘Are we doing all we can?’”

Gauthier, Podolny, and Saloner agree that the time is certainly ripe for a change in business education. At the heart of the curricular reforms at their schools is the idea that business graduates will need more than “know-how” to succeed in the global business environment—they’ll also need “know-what,” “know-where,” “know-who,” and “know-why.” To help them build that foundation of knowledge, these educators argue, business schools will need to adopt different mindsets about their curricula—and design radically new approaches to the MBA. **Z**

Eight Constituencies at Yale

When Joel Podolny became the new dean of the Yale School of Management last year, he had a primary objective: to transform Yale’s old MBA curriculum and replace it with an entirely new model. Podolny wanted a curriculum in which faculty taught and students thought in ways that reflected how business truly worked.

“There has been angst among business schools about the connection between their curricula and the demands of business today,” says Podolny. “We talked to alumni, recruiters, and business leaders about the real challenges they face. Those conversations provided a broader backdrop and pushed us toward this very significant revision of the curriculum.”

In its new first-year curriculum, which launched in fall 2006, Yale completely abandoned traditional core courses like marketing and finance. Instead, for the first six weeks of the program, students take a set of courses called “Orientation to Management.” The courses include basics of economics, basics of accounting, individual problem framing, careers, data and decision analysis, managing groups and teams, and interpersonal dynamics. The set of courses introduces students to the foundational vocabulary and knowledge they’ll need to draw on later in the program.

After students complete the introductory phase of the program, they will take eight courses over 12 weeks. This set of courses, titled “Organizational Perspectives,” marks Yale’s primary departure from the traditional MBA curriculum. Instead of basing each of these eight courses on business disciplines, Yale faculty chose to base each course on the following key internal and external constituencies that business managers must be able to engage:

External constituencies

- Investor
- Customer
- Competitor
- State and Society

Internal constituencies

- Employee
- Sourcing and Managing Funds
- Operations Engine
- Innovator

Once students complete the courses in the “Organizational Perspectives” series, they begin a six-week series of interdisciplinary cases, called the “Integrated Leadership Perspective.” Cases in this phase of the program focus on businesses of different type, size, and industry. In addition, students meet in small groups to participate in a mentorship program. In the mentorship program, students and faculty provide feedback and help students connect what they’re learning to their individual goals and leadership aspirations. Students can then go into their second year of elective courses fully prepared to choose a direction for their careers, says Podolny.

The new curriculum has inspired new approaches among students and faculty, says Podolny. In addition, the school has begun to develop its own material, because even most cases, he explains, tend to fall into disciplinary silos. The school has now created nearly 30 new cases that focus on the customer, investor, and other key constituent groups.

“Once we break out of our disciplinary silos, it’s exciting to see how much higher our students’ leadership aspirations become. Students will say how effective it is for them to see how what they learn in the customer course relates to what’s going on in the competitor course,” says Podolny. “Because students are no longer bound by functions, they become entrepreneurial in the broadest sense of the word. Their aspirations are grounded, not just by one discipline, but by an integrated set of aspirations inspired by the challenges of business.”

MBA: Priceless Commodity?

A survey by Pepperdine University's Graziadio School of Business and Management shows that while top executives find the MBA valuable, it has a way to go to be "priceless." To turn the MBA into something extraordinary, schools need to bolster their hands-on learning and their commitment to ethics.

by **Linda A. Livingstone**

The debate over the value of an MBA degree reminds me of the long-running advertising campaign for MasterCard. Viewers are presented with items that can be purchased by the easy swipe of a credit card. The last item, typically something money can't buy, is deemed "priceless."

Is an MBA a priceless commodity in the eyes of executives who hire newly minted graduates? To find out, Pepperdine University's Graziadio School of Business and Management collaborated with the market research firm Harris Interactive in a survey of Fortune 1000 senior executives. We wanted to discover if these executives believe business school graduates are ready to work in today's world—and if their MBAs help make them invaluable employees. We also wanted to discover if our own MBA program is turning out graduates with the skills these employers need.

Our analysis of the responses suggests that employees consider the MBA a useful degree, but they don't find it extraordinary. The research also suggests that they're looking for MBAs who have honed their skills through experiential learning and obtained a solid grounding in ethics. In the coming years, business schools will need to place additional emphasis on these two areas of business education if they want to position the MBA as a "priceless" commodity.



“Attending business school was like going to the land of Oz.

I entered as the Scarecrow hoping to find a brain, but quickly discovered I was also the Tin Man trying to find a heart. The program helped complete me as a person.”

—An alumnus of Pepperdine’s Graziadio School of Business

Major Findings

The survey was conducted in spring 2006 via telephone interviews with executives in a broad range of industries. Questions targeted four fundamental areas of business education.

■ **How well do business schools prepare MBAs to succeed in the business world?** On a “poor-fair-good-excellent” scale, 69 percent of executives said they feel business schools do a good job of preparing today’s MBA graduates. About one in five, or 21 percent, gave business schools a rating of fair. Only seven percent gave schools the highest mark of excellent.

■ **Are MBAs better prepared to meet business challenges now than they were five years ago?** Approximately one-fourth of business executives surveyed—26 percent—said yes. But the majority, 61 percent, believe recent graduates bring the same level of preparedness to today’s workplace as graduates did five years ago. I find that statistic troubling, as it indicates that business schools are only maintaining the status quo in preparing their graduates to enter the workforce.

■ **Are recent MBAs more ethical than, less ethical than, or about as ethical as their corporate counterparts?** Only 18 percent of respondents believe MBAs who have graduated in the past five years are more ethical than the typical corporate executive. The majority, 67 percent, said they believe new MBAs are about as ethical as managers in the corporate world. Considering how much attention has been given to ethics in the business school curriculum, I find this statistic rather disappointing. It indicates that business schools might not be doing as good a job at teaching ethics as we had hoped.

■ **What are your policies on tuition reimbursement?** Sixty-nine percent of executives surveyed said their company’s policies on tuition reimbursement have not changed during the past five years. Only 9 percent said their reimbursement has decreased; nearly twice as many, or 17 percent, said it has increased. By contrast, data compiled by AACSB International shows that, for 2000–2003, schools reported a 5 percent decline in tuition reimbursement amounts of 50 percent or more. While the data is somewhat in conflict, one thing is clear: Tuition reimbursement is a benefit that could be in jeopardy. This is particularly true if companies face pressure to cut costs—or begin to question the worth of the degree.

Taken altogether, these statistics suggest to me that business schools are only doing an adequate job of preparing their students for the workforce. If business schools want to make themselves indispensable to corporations and ensure that they are turning out graduates with priceless degrees, they need to do a better job of preparing graduates to work in the real and ethically complex business world.

The Real-World Challenge

I believe that schools striving to add value to the MBA should strengthen their programs in four key areas: experiential learning, community focus, global thinking, and values-based decision making. Many schools are already working to improve efforts in these areas, but more needs to be done.

■ **Experiential learning.** At the Graziadio School, our Education to Business (E2B) Applied Learning Program gives students a chance to solve real business problems as they work with executives at companies like Warner Bros., Starbucks, and Baxter Bioscience. Similar programs are under way on many campuses, including the business schools of Rutgers, the University of Texas at Austin, the University of Maryland, the University of Arkansas, and Baylor University.

■ **Community focus.** Members of Generation Y consistently show a strong interest in the social and ethical consequences of commerce, and they want to develop a deeper understanding about how global forces may affect their communities and their own success.

Our European counterparts already have begun to make headway in this area. The European Foundation for Management Development (EFMD), with the support of the United Nations Global Compact, has brought together international corporations and universities to form the Globally Responsible Leadership Initiative. This group is charged with making global responsibility a requirement within accredited business schools, while it also encourages learning opportunities that promote greater international stewardship in the workplace.

■ **Global thinking.** Countries such as China, India, and Brazil are poised to become major players in the world market; and they’re also training their professionals to participate in an open, fair, and socially responsible economy. In these countries, some reforms are already well under way, such as open doors for transcultural business education and the teaching of fair-market policy. Global issues will only get more complex as Eastern European, Latin American, and pan-Asian countries bring their own ambitions and challenges to the world market.

■ **Values-based decision making.** Since such a small percentage of survey respondents believe schools are turning out MBAs with higher ethical standards than the average executive, it’s essential that schools deepen the focus on ethics even more. Schools need to teach their students how to make hard decisions grounded in an ethical context, while also helping them develop a better understanding of their own personal values.



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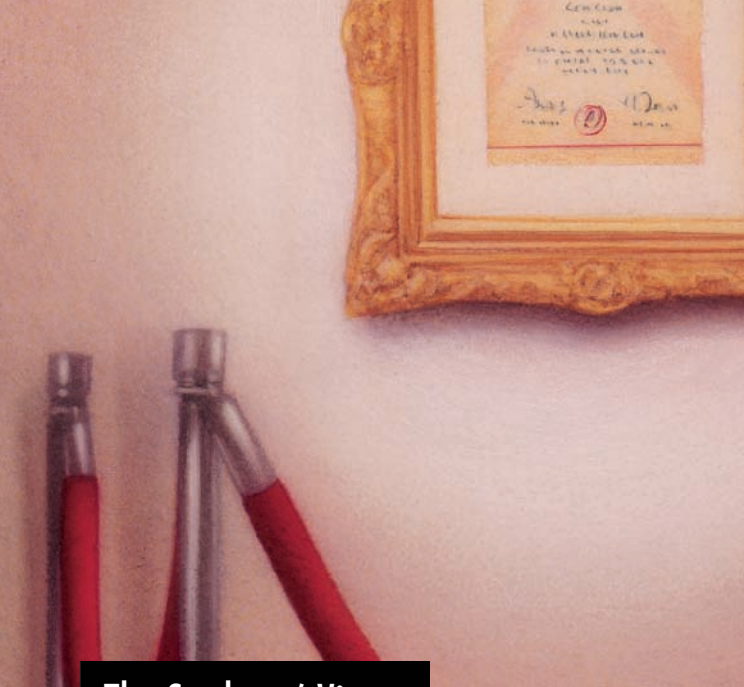
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The Students' View

While potential employers give new MBAs passing grades—with room for improvement—recent graduates are more enthusiastic about their b-school experience. According to the 2006 Global MBA Graduate Survey, conducted by the Graduate Management Admission Council (GMAC), 22 percent of new MBAs rate their MBA degree an outstanding value. Forty-one percent rank it an excellent value, and 29 percent consider their degree a good value. Overall, this year's graduating class members rate the value of their MBAs higher than their 2004 counterparts did. The GMAC survey, now in its seventh year, analyzes the responses of more than 6,000 students graduating from 147 schools around the world.

Students base their assessments on five top factors: curriculum, skill development, faculty, school culture, and a sense of personal satisfaction and achievement. In the category of skill development, survey respondents rank strategic thinking, leadership ability, and quantitative skills as the top three most valuable factors for employment.

Corporate recruiters tend to agree. In its 2006 rankings survey, *The Wall Street Journal* asked recruiters which employee attributes they would rank as "very important." Eighty-three percent chose analytical and problem-solving skills, while 72 percent selected leadership potential. Strategic thinking received 67 percent of recruiters' votes. These are significant changes from the attribute that received the highest percentage of votes last year: communication and interpersonal skills, which took the top spot with a resounding 88 percent of survey responses.

Clearly, employers are looking for MBAs who have real-world training, problem-solving skills, and the ability to lead strategically—but who can also step up as individuals in clutch situations. In all these areas, communication remains a critical skill for students to learn and for business schools to help them develop.

At the Graziadio School, we not only integrate ethics into every single class, but we also promote activities outside the classroom that challenge students to consider ethics. Early in our program, students participate in a workshop that helps them clarify their personal values and consider how those values could impact their organizations. We also have a student-initiated Values Centered Leadership Lab that recently hosted a case competition focusing on ethics and social responsibility as critical components of a balanced business strategy. In addition, business and civic leaders regularly visit campus to talk about the role ethics and social responsibility play in business.

Many other schools also are finding ways to build a values-based curriculum, often with the help of local business leaders. For example, at Northern Illinois University, the Board of Executive Advisors directed the creation of an Ethics Task Force. The task force has produced an ethics workbook that business students are required to complete prior to their junior year. This initiative was presented at AACSB's Teaching Business Ethics Conference in 2005.

The Priceless MBA

If we want business executives to be impressed with—not just satisfied by—our graduates, we need to work continuously to improve the experience we offer our students. When only 7 percent of executives rate our offerings as "excellent," we know we have some work to do. We must seek out our customers' needs and match, or exceed, the performance of the business world we serve. We must ensure that our scholarship addresses real, pressing business issues. And like any successful industry, we must look ahead and determine how to meet the needs of the customers who will come next. Tomorrow's students will be seeking a broader, more globally and socially integrated education that encompasses more than functional competencies.

Finally, we should never lose sight of the fact that we are guiding the next generation of global business leaders—a generation that will seek to change the world through business. As one Pepperdine alumnus, an executive with British Petroleum, told me: "Attending business school was like going to the land of Oz. I entered as the Scarecrow hoping to find a brain, but quickly discovered I was also the Tin Man trying to find a heart. The program helped complete me as a person." Perhaps that kind of personal growth can contribute to the priceless value of tomorrow's MBA. ■

Linda A. Livingstone is dean of the Graziadio School of Business and Management at Pepperdine University in Los Angeles, California.

Profit-Focused Execs May Hurt Bottom Line

Executives who focus too heavily on the financial bottom line may actually hurt their success, according to a recent study by researchers at Arizona State University's School of Global Management and Leadership in Tempe and the Thunderbird School of Global Management in Glendale, Arizona. The 25-page study, "Unrequited Profits: The Relationship of Economic and Stakeholder Values to Leadership and Firm Performance," compared the effects of leadership driven primarily by factors such as profit generation, cost control, and market share retention with those of leadership driven primarily by factors such as employee relations and development, customer or client needs, and the welfare of the greater community.

The study was conducted by Mary Sully de Luque, an assistant professor of management and research fellow at Thunderbird; David Waldman, director of ASU's Center for Responsible Leadership; and Nathan Washburn, a doctoral student at ASU's W.P. Carey School of Business. Sully de Luque, Waldman, and Washburn found that leaders who maintain a specific focus on profits in decision making may be viewed in a negative light by stakeholders.

"CEOs with strong economics values tended to be viewed by followers as highly authoritarian," says Waldman. Moreover, such CEOs were not viewed as "visionary," he adds. On the other hand, Sully de Luque and Waldman found that leaders who balance a wider range



Mary Sully de Luque and David Waldman

of stakeholder needs against profits were not only more likely to be viewed as visionaries—they were also

more likely to earn more profit.

The reason, explains Waldman, is that when employees view their boss as visionary, they are more likely to be optimistic about their company's future. As a result, they put forth extra effort, which leads to better performance for the firm as a whole.

The researchers examined data from more than 40 academic researchers, as well as nearly 500 CEOs, whose organizations were located in 17 countries on five continents. They hope that their findings might serve as a blueprint for corporate leaders who want to hone their management and leadership skills. "Although executives should not disregard profit maximization and rational decision making," says Sully de Luque, "it is advantageous for leaders to give attention to balancing the concerns of multiple stakeholder groups to make better decisions and successfully lead their organizations."

Reward Failure, Spark Innovation

Business leaders who punish failure may be short-circuiting their employees' will to innovate, according to Gustavo Manso, an assistant professor of finance at MIT's Sloan School of Management in Cambridge, Massachusetts. "Failures are often the result of legitimate attempts to explore or innovate," says Manso. "To stimulate innovation, one must be willing to tolerate, or in some cases even reward, failures."

In his paper, "Motivating Innovation," Manso explored past research on incentive-based innovation in the workplace. Incentives that protect an employee in the case of failure can actually stimulate innovation overall by providing an environment where that employee feels free to experiment without fear that a failure could result in unpleasant repercussions.

"In Silicon Valley, if you fail once or even many times, you can start fresh," says Manso. "But in other places, if you fail even once, it becomes hard to get a new job, let alone start a new business."

Manso also offers a different perspective on the so-called "golden parachutes" for CEOs, which are often the target of public criticism.



"IF YOU CANNOT OFFER CEOs GOLDEN PARACHUTES, IT MAY BE HARD TO MOTIVATE THEM TO EXPLORE AND INNOVATE. THEY WILL BE TOO CONCERNED WITH THE NEGATIVE CONSEQUENCES OF FAILURE."

—Gustavo Manso, Sloan School of Management, MIT

"People complain about golden parachutes given to CEOs, because they reward CEOs for bad performance. Some even propose regulations to limit the use of these instruments," he says. "These proposals, however, do not take into account the effects that such instruments

may have on innovation. If you cannot offer CEOs golden parachutes, it may be hard to motivate them to explore and innovate. They will be too concerned with the negative consequences of failure."

In his research, Manso concludes that the best incentives to innovate do

not rely on typical pay-for-performance approaches. In addition to having a higher tolerance for failure, managers that successfully motivate employees to innovate are committed to long-term incentive plans, provide timely feedback on performance, and reward long-term success.

UPCOMING & ONGOING

■ MANAGEMENT, SUPERSIZED

The University of Oxford's Saïd Business School and British Telecommunications (BT) plan to establish a research center for major program management. The BT Centre for Major Programme Management will focus on the challenges of high-value, long-term projects that impact millions of people, such as the Olympics. Major program management is a field "not currently being served by any global business school," says Colin Mayer, dean of the Saïd Business School. The Centre will carry out multidisciplinary research and develop a master's degree program on the topic. Both the Centre and the degree program will launch in 2008.

■ THE VALUE OF ONLINE CONTENT

Anindya Ghose, assistant professor of information, operations, and management sciences at the Stern School of Business at New York University, was awarded a \$500,000 research grant by the U.S. National Science Foundation. The grant will support Ghose's work to identify and measure the economic value of Internet-based information. Ghose will examine the effects of information exchanges among buyers and sellers in

electronic markets such as eBay and Amazon and assign a dollar value to each exchange. Ghose's research aims to provide recommendations to practitioners to improve the design and profitability of electronic markets and online social networks.

■ NEW CENTER FOR REAL ESTATE

Baylor University's Hankamer School of Business in Waco, Texas, has received a \$5 million donation from Gary Keller of Keller Williams Realty to fund the creation of a new real estate research center. The center will explore "buyer-seller issues,"



including the factors driving the consumer's decision to purchase real estate, the consumer's perception of real estate agents, and the influence of the Internet on real estate purchases.

■ \$2 MIL FOR DECISION RESEARCH

The University of Chicago Graduate School of Business in Illinois has received a \$2.2 million grant from the John Templeton Foundation for the school's Center for Decision Research (CDR). The grant will be used to fund an interdisciplinary research project, "Understanding Human Nature to Harness Human Potential." Richard Thaler, a professor of

behavioral science and economics, is director of the project. Thaler says the goal of the program is to attain better understanding of fundamental human capabilities and tendencies and to use these basic tendencies that are often recognized as shortcomings to improve human functioning. The project will explore areas such as goal setting, spiritual values, the quality of life of the elderly, and the relationship between happiness and wealth.

■ FROM BIRMINGHAM TO INDIA

A new research institution, the India Foundation for Applied Business Research, will open in Birmingham, England. The institution is the result of a new partnership between the Aston Business School and the Institute of Asian Businesses. Faculty at Aston will coordinate research and studies in India, as well as the U.K. and the U.S., two of India's most important trading partners.

■ IBM TAPS ISB FOR SERVICE STUDY

IBM Corp. and the Indian School of Business in Hyderabad recently signed an agreement to conduct joint research on service science, management, and engineering in India. As part of the agreement, ISB and IBM will generate research and develop case studies to improve services innovation.

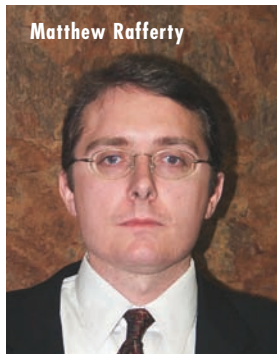
“ZONE PRICING” PRACTICES BY OIL COMPANIES ACTUALLY TRANSLATE INTO FAIRER —AND LOWER — PRICES AT THE PUMP.



Christopher Ball



Mark Gius



Matthew Rafferty

‘Zone Pricing’ of Oil Could Lower Gas Prices

A study by three economics professors in the Quinnipiac University School of Business in Hamden, Connecticut, has shown that “zone pricing” practices by oil companies actually translate into fairer—and lower—prices at the pump. In the oil industry, zone pricing refers to the practice of charging different prices for gas based on the location of the gas station. Where demand is high and competition low, prices are higher; where drivers are from lower income brackets and gas stations are plentiful, prices are lower. Connecticut lawmakers have sought to outlaw zone pricing, submitting several proposals for vote this year.

The six-month study was commissioned by the American Petroleum Institute and conducted by Christopher Ball, assistant professor of economics; Mark Gius, professor of economics; and Matthew Rafferty, associate professor of economics. The researchers determined that zone pricing was not only beneficial to gasoline consumers, but also fell in line with supply-and-demand economic principles.

“When zone pricing is banned, stations in low-competition areas don’t have a reason to lower their

prices,” says Ball. “It was a little surprising to me that it really raises the price all over the state.” The researchers point out that, while it’s illegal in the U.S. for gas companies themselves to set the pump, charging different prices to different consumers is actually typical of many markets outside the oil industry.

“We charge lower prices for children and senior citizens to go to museums and movies,” says Rafferty. The practice, he adds, is not evidence of a money-hungry monopoly. The researchers hope their study will prompt lawmakers to abandon attempts to ban zone pricing.

Impact of Sustainable Consumption

A recent report from the United Kingdom’s Manchester Business School in the United Kingdom, conducted for the Department of Environment, Farming, and Rural Affairs (DEFRA), finds that eco-friendly acts such as patronizing local businesses and purchasing organic foods may not be as beneficial to the environment as once thought.

To compile the report, researchers looked at the environmental impact of 150 top-selling food items, from cultivation, through transport and processing, to their

purchase and consumption by the public. According to the report, “The Environmental Impact of Food Production and Consumption,” there is no clear evidence that purchasing products locally, rather than globally, has a beneficial environmental impact. In fact, globally purchased products may sometimes be the more eco-conscious option. In addition, the research found no clear correlation between organic foods and environmental benefit.

Ken Green, a professor with the business school and project director, notes that it makes more ecological sense to import some foods. “The evidence available so far shows that ‘local’ is not always the best option for the environment,” Green says.

To read the full report, go to www.defra.gov.uk/environment/business/scp/research/themes/food.htm.

Leaders, Be Assertive—In Moderation

Leaders who are perceived as either too assertive or not assertive enough may also be perceived as ineffective, according to researchers Daniel Ames, a professor at Columbia Business School in New York, New York, and Francis Flynn, a professor at the Stanford School of Business in California. In fact, appearing to be over- or under-assertive may be the most common weakness that afflicts aspiring business leaders.

In a series of studies, outlined in their paper “What Breaks a Leader: the Curvilinear Relation Between Assertiveness and Leadership,” Ames and Flynn surveyed workers on what they perceived to be their colleagues’ biggest leadership strengths

and weaknesses. The most common strengths noted included intelligence, self-discipline, and charisma. The weakness that workers most commonly cited, however, was assertiveness—it was cited more often than mentions of a lack of charisma, intelligence, and self-discipline combined. The reason for this outcome, the researchers speculate, lies in human perception. Workers tend only to believe charisma is important when it's lacking. Assertiveness, however, could be seen as a problem both ways—if it was absent, colleagues perceived a leader as ineffective at achieving goals; if it was too strongly present, they perceived a leader as pushy and difficult.

“Assertiveness dominated reports of leadership weaknesses, though it wasn't nearly as common in colleagues' comments about strengths,” says Ames. “When leaders get assertiveness wrong, it's glaring and obvious; but when they get it right, it seems to disappear.”

Ames and Flynn do not believe that their research should inspire managers to adopt moderate assertiveness at all times. However, they do argue that those leaders who show too much or too little assertiveness are less flexible when it comes to workplace behavior. Moderately assertive leaders are better able to turn their assertiveness up or down as a situation demands.

■ 'Reel' Research for Movie Industry

Now that movies are released via multiple channels—movie theaters, DVD rental, DVD retail, and video-on-demand (VOD)—the profitability of the traditional movie theater is in question. Researchers from Germany, the United Kingdom, and the United States examined the state of the modern movie theater in their study, “The Last Picture Show? Timing and Order of Movie Distribution Channels.” The study will be published in the *Journal of Marketing*.

Collaborating on the study were Henrik Sattler, professor of marketing and branding at the University of

FOCUS ON FACULTY

Power Breeds Power in Politics

Ernesto Dal Bò, assistant professor UC Berkeley, studies the rise of U.S. political families.

Does political power run in families?

Yes, says Ernesto Dal Bò, an assistant professor at the Haas School of Business at the University of California Berkeley. Although the prevalence of political dynasties has declined since the heyday of the Kennedy political family, a correlation still exists. “In politics, power begets power,” he says.

Dal Bò's interest in studying the political arena stems from work he has done with his brother Pedro Dal Bò of Brown University and Jason Snyder of Northwestern University. “We wondered how the political process affected individuals and what kind of individual had

access to large amounts of political capital,” says Dal Bò. “Then, we wondered whether political power was self-perpetuating.”

The researchers studied the database maintained by the University of Michigan's Interuniversity Consortium for Political and Social Research (ICPSR) to see how often the next generation of a political family also came to office. Dal Bò and his co-researchers found that politicians who are re-elected to office in the U.S. Congress are 40 percent more likely than politicians who serve only one term to have a family member follow in their footsteps. Other occupa-



Ernesto Dal Bò

tions, such as medicine, do not have such a causal link, says Dal Bò.

Evidence of a self-perpetuating political elite suggests that elections today can have political consequences in 30 years. Likewise, political mistakes today may cost the future political aspirants in a family.

Dal Bò believes that the study of political dynasties also sheds light on how power is channeled in social networks, including those that run through business. He and his co-researchers plan to create a database that not only looks at next-generational links, but also at whether any family link, such as having a sibling in Congress, may also have an effect. “Being in power appears to be, in itself, a very powerful thing,” says Dal Bò. “This finding suggests that perhaps we should be looking at similar patterns in business.”

To read the paper, visit faculty.haas.berkeley.edu/dalbo/.

RESEARCHERS FROM GERMANY, THE UNITED KINGDOM, AND THE UNITED STATES
RECENTLY EXAMINED THE STATE OF THE MODERN MOVIE THEATER.

Hamburg in Germany; Mark Houston, associate professor of marketing at the College of Business at the University of Missouri in Columbia; Victor Henning, a doctoral student at Bauhaus—the University of Weimar in Germany; and Felix Eggers, a doctoral student at the University of Hamburg. They examined distribution and revenue changes in the movie market by analyzing data from 1,770 consumers in the United States, Japan, and Germany—collectively, these three countries represent 53 percent of the global film market.

The researchers found that film studios in the U.S. could increase revenues by 16 percent if films were simultaneously released in theaters and on rental DVD and VOD, with a three-month window between release and DVD retail. However, if studios did so, movie theater revenues would drop by 40 percent, forcing many to downsize or close.

The news was different for studios and theaters in Germany and Japan. There, studios would need to release DVDs for retail three months after theater distribution, and offer DVD rentals and VOD one year after screening to increase profits by 14 percent in Germany and 12 percent in Japan. Unlike theaters in the U.S., theaters in these countries would experience an increase of revenue of 15 percent and 6 percent, respectively.

The researchers looked for a similar win-win scenario for the U.S. market. They found that both studios and theaters would increase their profits if there were a three-month window between movie release and DVD retail; DVD retail prices were slightly increased; and DVD rental and VOD release came another three months later.

STUDY BRIEFS

■ CONTROLLING CARBON

The world can't institute controls of carbon emissions fast enough, say Jay Apt, professor at Carnegie Mellon University's Tepper School of Business in Pittsburgh, Pennsylvania; David Keith of the University of Calgary in Canada; and M. Granger Morgan, co-director of the Electricity Industry Center and head of Carnegie Mellon's Department of Engineering and Public Policy.

The three have co-authored a forthcoming paper outlining incentives for emissions control. In the U.S., electric power generates more carbon dioxide than any other industry sector, which will place the brunt of the costs for emissions control on the electricity industry. However, Apt warns that if policymakers wait until crisis or public panic forces the issue, the costs of sector-wide carbon controls could double and U.S. competitiveness could be diminished.

■ PROTECTING SMALL INVESTORS

New research confirms that, when analysts issue misleadingly positive stock reports, individual investors suffer—not institutional investors. The paper, "Wealth Transfer Effects of Misleading Investor Behavior," was published in the March issue of the *Journal of Accounting Research* and was co-authored by Gus de Franco and Hai Lu, accounting professors at the University of Toronto's Rotman School of Management in Canada; and Florin Vasvari, a professor at London Business School. The researchers examined documented instances of misinformation by Wall

Street analysts. They found that individual investors who heeded the misinformation had negative returns overall, while investors guided by large financial institutions in a matched control group gained. The report suggests that recent regulations that change analysts' behavior were necessary to improve the plight of small investors.

■ WHY WE CALL IT QUILTS

Employers would be better at keeping workers if they focused on why their employees stay rather than why they choose to leave, according to research by Wendy Harman, lead researcher and assistant professor of business at Truman State University in



Kirkville, Missouri; and Terrence Mitchell, professor of management and organization, and Thomas Lee, professor of management, both of the University of Washington in Seattle. After studying 15 years of research on employee job satisfaction and voluntary turnover, the researchers developed two theories of job turnover. The "unfolding model" explains why employees quit; "job embeddedness," why they stay. "The reasons we keep a job are not necessarily the opposite of why we leave," says Lee. Understanding both sets of reasons, say these researchers, may help employers keep their best employees on the job. The paper appeared in the February issue of *Current Directions in Psychological Science*. ▣

Technology

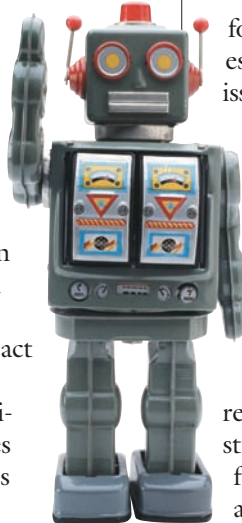
A.I. and the Art of Negotiation

Could computer networks actually conduct business negotiations and legal arguments, without human intervention? Experts in artificial intelligence at the British University in Dubai (BUiD) in the United Arab Emirates say it could happen.

The field of artificial intelligence already has developed a process by which computers network to solve problems. Researchers at BUiD's Institute of Informatics are discussing the possibility of artificial intelligence-driven processes that could also argue and negotiate "in a fully or semi-automated market in order to influence the price of goods and services," according to the *Middle East Company News*.

The technology could prove useful in numerous contexts, including business, law, science, and politics, say researchers. They even speculate that someday robots could use their argumentation programming to make decisions on unmanned space missions.

Argumentation and negotiation are key elements of human communication, Iyad Rahwan of the Institute of Informatics told *Middle East Company*. By replicating even part of these processes, he adds, researchers can better tap the potential of automation in the marketplace. "The impact of this development would be hugely significant for both businesses and communities across the world."



What's in Your Blog?

Among the latest entries into the b-school blogosphere include blogs from Babson College in Wellesley, Massachusetts, and Indiana University's Kelley School of Business in Indianapolis. Both were launched to foster stronger, more immediate communication with the larger community.

Babson College's Institute for Family Enterprising recently established a new blog to address issues surrounding family business at www3.babson.edu/ESHIP/family_enterprising/blog. The Family Enterprising Blog will feature contributions from the STEP Project, the research arm of the Institute.

The Kelley School recently launched Kelley BizBlog at www.kelley.iupui.edu/blog. The resource is an upgrade to an older student-centered blog. It now also features blogs by faculty, staff, and alumni.

"Interactive" is the key word to describe blogging's appeal to business schools, says Roger Schmenner, associate dean at Kelley and a blogger himself. "The Web log and other online media are changing the way businesses and consumers talk to and about each other. We want our students to understand the new dynamics," he says. "The blog is a valuable tool to spark conversation."

Blackboard Supports Open Source

In February, Blackboard Inc., a provider of course management systems, announced its support of learning institutions worldwide that use or develop open-source and home-grown course management software. As part of its "Blackboard Patent Pledge," Blackboard promises never to pursue patent actions against professors contributing to open source projects, open source initiatives,

Principled Leadership in a Competitive World

commercially developed open source add-on applications to proprietary products, and vendors hosting and supporting open source applications.

“As a member of the e-learning community, we are committed to the open exchange of ideas, collaboration, and innovation,” says Michael Chasen, president and CEO of Blackboard.

For more information about the pledge, and to read answers to frequently asked questions, visit www.blackboard.com/patent.

NEWSBYTES

■ ENGINEERING AT THE B-SCHOOL

In what the school describes as a first in France, Grenoble Ecole de Management plans to participate in the design and management of a degree of engineering at the Grenoble Institute of Technology (GIT). Paul Jaquet, president of GIT, notes that the partnership may lead to new degrees “associating the science of engineering with that of business.”

■ NEW TIME, NEW NAME

The eBusiness Research Center at Pennsylvania State University’s Smeal College of Business in University Park recently announced that its name will be changed to the Center for Digital Transformation. The name change reflects changes that have taken place in the business environment, says John Jordan, executive director of the center. “Today’s corporations are relying more and more on digital technologies and communications,” he says. The center’s focus is to study how the use of networked digital resources alters competition, strategy, and execution. **Z**



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For a detailed agenda and to register, visit: www.aacsb.edu/conferences/

 AACSB
INTERNATIONAL

I Where Are All the Female MBAs?

If women make up half the population, why don't they make up half of students enrolled in MBA programs? At most universities, female enrollment in the MBA program hovers at just above 35 percent. Why aren't more women applying to graduate schools of business?

In 2000, the women's research and advisory group Catalyst partnered with the University of Michigan to conduct a study to find the answers. The top reasons respondents gave were: They don't have enough role models and mentors; they're concerned about flexibility and work/life balance; and they have serious concerns about academic and other pressures.

To address the issues uncovered in the Catalyst study and inspire more women to become business leaders, Forté Foundation was founded in 2001. Forté has conducted studies and done intensive outreach to women at all stages of their careers to encourage their pursuit of business leadership positions. As executive director of Forté Foundation, I have been able to closely watch the changes in MBA programs over the past few years and see what progress they have made since my days as assistant dean and director of the MBA Program at the McCombs School of Business at the University of Texas at Austin.

Even though b-schools have been working to address these issues, the concerns of women remain. True, female enrollment rates in MBA programs have made steady progress since 2000, and many business

schools have broken the 35 percent "glass ceiling." Yet, at Forté, we still hear some of the same concerns from young women who are considering applying for their MBAs, which means much still remains to be done.

I have a blunt truth for business school administrators: If you want women to enroll in your graduate business programs, you need to work harder to attract them. Primarily, this means finding ways to show them how successful they could be in business careers—and how your school can set them on the right path. It is imperative that you proactively counsel these young women about their many and varied career choices, how these options could fit into their personal life goals, and what hurdles they might encounter on the way.

Our research has identified five broad strategies that can help any business school attract more women to its graduate program. Most of them cost little, but they could have far-reaching effects on the female population of your school.

Start earlier.

Don't just recruit undergraduates. Work to change the perceptions of high school students about business careers and business education. Reach out to parents, who are often the key influencers when it comes to career choices. Too often, I've seen parents direct their sons toward specific career goals and experiences, while encouraging their daughters to remain flexible and open to all options. This hesitation puts young women at a disadvantage because they immediately find themselves several steps behind their male counterparts.

Tap into groups that serve teens and preteens. You can work with junior achievement organizations or local business groups that encourage young women to pursue business careers. You also can encourage faculty and students to participate in high school programs or summer camps so young women can interact with them and grow excited about business prospects.

Think about partnering with a group like Independent Means Inc., which runs Camp \$tart Up, a business plan competition that encourages entrepreneurial spirit in girls ages 14 to 18. One of the group's partners, the Johnson School at Cornell University, hosts a camp each summer as a pipeline development tool for its business school. The details are online at www.johnson.cornell.edu/odi/campstartup/.

Use women to recruit women.

E-mail prospective students information that showcases female professors or features current female students. At the same time, find a student who would be willing to answer questions or be a resource at an online bulletin board, and include her contact information in these e-mails.

Make sure your Web site includes photographs of students and faculty who are women. Consider including case histories or videos from female alums who explain why they decided to apply for their MBAs.

Review the print materials that you use in recruiting or that you share with alums. If you don't have a brochure that specifically targets female MBA candidates, create one. One-half to one-third of b-schools don't have a women's brochure—don't be left behind.

BUSINESS SCHOOLS AND THE ORGANIZATIONS THAT SUPPORT WOMEN IN BUSINESS MUST DO A BETTER JOB OF CONVINCING YOUNG WOMEN THAT A BUSINESS DEGREE IS ACHIEVABLE, PROVIDES INTERESTING CAREER OPTIONS, AND WILL PAY OFF THEIR INVESTMENT OVER TIME.

Maximize your resources.

Find an alumna who is passionate about seeing more women enrolled in business school. Ask her to open her home or office for a networking luncheon or a mentoring meeting, or find out if she'd be willing to sponsor an event on campus.

Showcase the female business professors among your faculty. Give them opportunities to be role models on campus and in the community. Incorporate such community relations into their performance reviews. Not only will their visibility help attract more women to your program, but it will enhance your school's reputation for diversity.

Promote your women alums to local and national media outlets to prove that your school believes it is possible for women to have careers in business. Perhaps your development office can research your databases to find female graduates who would be willing to be seen as inspirational figures. Contact them to discuss how they could support the school with a gift of time and experience. I have found that many are happy to serve as role models.

Mine your undergraduates.

These are some of your most likely candidates for applying to graduate schools in business, so be sure to cultivate them. Through on-campus events or online mentoring sessions, create opportunities for female undergraduates to meet women who are current MBA students or

graduates with successful and fulfilling careers.

Find the women who are participating in honor societies, student groups, and extracurricular activities. Initiate relationships with them now, so after they graduate they can continue to serve as ambassadors for the school.

Consider ways to keep those young women attached to the university—and the business school. Develop an early admission initiative that commits female undergraduates to your graduate business program while they're still on campus, so they will return to your school once they've acquired work

experience. You should also give them reasons to come back often, either in person or via your Web site, to learn more about how an MBA can open doors for them.

Smooth the way.

Consider offering your students flexible options for completing your MBA program. The Millennials, as today's younger students are sometimes called, are more concerned about flexibility than previous generations. Perhaps you could accelerate a two-year program to an 18-month program. Or you might offer more options in scheduling classes. Consider ways your program could accommodate childcare concerns or maternity leave.


Promote majors that appeal to female students, and I don't just mean human resources or marketing. Ask your alums and your board

members to help you identify curriculum offerings that particularly appeal to women. Reinforce these options by bringing in role models who can show young women the connection between their classes and their careers.

Offer services for the families of women who are relocating to attend business school. In MBA programs, it's much more common to see women trailing their husbands back to business school—but we might see women take that step more often if we made it easier for women to relocate their partners.

Wooing the women

If you want to draw more women to your graduate business program, you must create a program that seems exciting, welcoming, and full of promise. You must educate them about the full range of opportunities that are available, appeal to their specific interests, inspire them through role models, and build formal networks that will support them throughout their careers.

Business schools and the organizations that support women in business must do a better job of convincing young women that a business degree is achievable, provides interesting career options, and will pay off their investment over time. Even now, there are young women looking for reasons to attend business school. Let's not keep them waiting. 

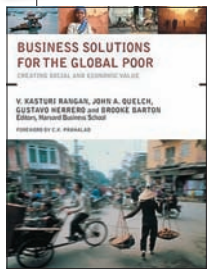
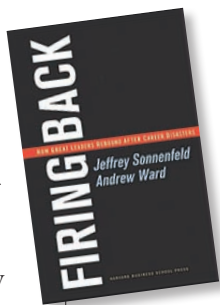
Elissa Ellis is Executive Director of Forté Foundation, a consortium of corporations, nonprofits, and business schools dedicated to motivating and supporting women pursuing business careers. It is headquartered in Austin, Texas.



Bookshelf

Nobody wants to fail, but if it's handled correctly, failure can energize an individual and boost a career. It's the part about "handling it correctly" that's tricky. In *Firing Back*, Yale professor Jeffrey Sonnenfeld and University of Georgia professor Andrew Ward carefully lay out a blueprint for overcoming adversity. Their goal is to offer the "first integrated model of resilience through wide application to situations of adversity and catastrophe, drawing upon the lessons of multiple disciplines." Thus, they discuss post-traumatic stress response and the stages of grief while offering detailed profiles of people who did—and did not—triumph over heavy losses. While some of their examples are from the fields of sports and entertainment, most are business figures, including Donald Trump, Michael Milken, and Martha Stewart. Most inspiring is the story of Jimmy Dunne, CEO of Sandler O'Neill & Partners, which had offices on the 104th floor of the south tower of the World Trade Center. His story not only defines tragedy, but serves as a living example for how to rebound from it. (Harvard Business School Press, \$29.95)

From 1997 to 2000, the Kellogg Commission on the Future of State and Land Grant Universities issued a series of reports aimed at redesigning public university education to focus more on student engagement and the public good. Among other things, the commission examined the widespread decentralization of the university as individual departments became their own manage-



ment centers and faculty research led to greater fragmentation and specialization. Using the commission reports as a springboard, 16 essayists in *Fixing the Fragmented University*

discuss how to balance research and teaching while providing an excellent education for all. Editor Joseph C. Burke leads the way by declaring, "The answer...is not to end decentralization, which is necessary for faculty creativity and innovation, but to add direction, which is essential for institutional responsiveness and accountability." (Anker, \$39.95)

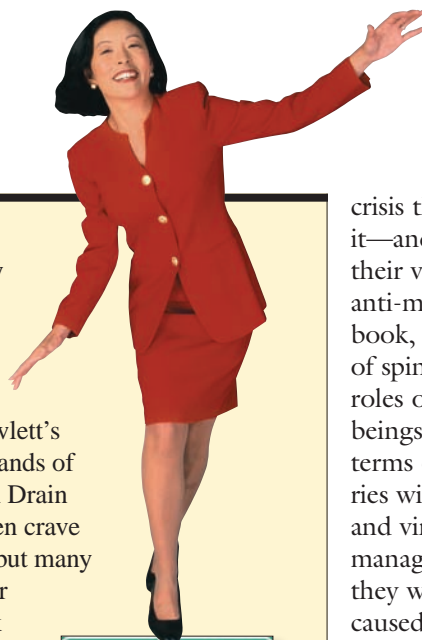
Companies that want to market to the poor in India's rural areas can't rely on traditional methods of marketing and distribution. When Castrol Engine Oils wanted to reach these customers, it redesigned products

in smaller packages, at lower price points, and began selling them at mom-and-pop stores, markets, and fairs. That's just one brief story included in the dense, wide-ranging, and fascinating *Business Solutions for the Global Poor*, edited by V. Kasturi Rangan, John A. Quelch, Gustavo Herrero, and Brooke Barton, all of Harvard Business School. The book's essays are based on presentations made at Harvard's 2005 "Conference on Global Poverty:

Business Solutions and Approaches." They're broadly divided into six topics: defining the poor, meeting their needs, building value at the base of the pyramid, designing business models for that market, understanding the role of government, and creating economic and social value. While the authors believe that there is a market to be served and a profit to be made at the bottom of the pyramid, they also strongly argue for social responsibility. "Companies must strike a delicate balance, keeping in mind both their legal obligation to return profits to their investors, as well as their social obligations to the societies in which they operate," write the editors. Markets all over the world are covered in this important, engrossing read. (Jossey-Bass, \$55)

Among the hundreds of books written about leadership, *Exploring Leadership* is unusual in that it is aimed straight at "college students who want to make a difference." Authors Susan R. Komives, Nance Lucas, and Timothy R. McMahon are professors or faculty consultants involved with leadership initiatives, and their book seeks to put current theories into a sensible, practical format for students in a wide range of academic disciplines. While it discusses the "great man" approach to leadership, the book really focuses on self-awareness, understanding of others, followership, and collaboration. True leaders, they say, are purposeful, inclusive, ethical, empowering, and process-oriented. The book works well as a handbook for students, covering a great deal of material in a thoughtful and inspirational manner. (Wiley, \$30)

"DEMOGRAPHIC AND OTHER STRUCTURAL SHIFTS ARE GIVING AN URGENT EDGE TO THIS CHALLENGE OF BETTER UTILIZING WOMEN." —Sylvia Ann Hewlett, *Off-Ramps and On-Ramps*



crisis they're in and how to defuse it—and they don't mince words. In their very pro-business, somewhat anti-media, and always outspoken book, they delve into the nuances of spin, the power of blame, and the roles of fate and chance. "Human beings understand the world in terms of archetypal narratives—stories with clear villains and victims and vindicators—and effective crisis management must accept that," they write. Whether the crisis is caused by internal error or an outside attacker with a bitter agenda, they say, companies can survive if they have strong leaders, a flexible reaction plan, a high threshold for pain, a commitment to their own defense, and a certain amount of luck. Written in pungent and no-holds-barred style, the book is a fascinating account of life inside the maelstrom. (Viking, \$24.95)

The careers of women tend to have vastly different shapes than the careers of men. Thirty-seven percent of highly qualified women voluntarily drop out of the workforce for an average of 2.2 years. Ninety-three percent of them eventually return to work, but only 40 percent return to full-time mainstream jobs. These are among some of the statistics quoted in Sylvia Ann Hewlett's *Off-Ramps and On-Ramps*, based on a survey of thousands of executives sponsored by members of the Hidden Brain Drain Task Force and conducted by Harris Interactive. Women crave flexibility to cope with childcare and eldercare needs, but many also leave jobs because their careers are unsatisfying or unrewarding. How can corporations retain or lure back the talented, experienced women who have grown wary of the business environment? Hewlett profiles programs at companies like American Express, Ernst & Young, Lehman Brothers, and the U.K.'s BT. "Demographic and other structural shifts are giving an urgent edge to this challenge of better utilizing women," Hewlett writes. If keeping female talent translates into achieving a competitive advantage, as Hewlett posits, she's created the handbook for staying ahead of the competition. (Harvard Business School Press, \$29.95).

As they focus intently on improving the next iteration of their products, executives often don't pay attention to how the world has changed and customer desires have changed with it, says Erich Joachimsthaler in *Hidden in Plain Sight*. By operating from the perspective of what customers want, rather than what their companies have to offer, business leaders can create radically new products like the iPod or the Swiffer. "Customer advantage reflects a capacity to leverage a deep understanding of how people absorb or assimilate products and services into their daily routines," Joachimsthaler writes. Citing case studies of innovations at companies



like Procter & Gamble and GE Healthcare, Joachimsthaler shows how putting the customer at the center of the business can usher in a whole new era. (Harvard Business School Press, \$29.95)



Accidents happen, and virtually every business owner at some point will be facing controversy, allegations of wrongdoing, product recall, or some other unpleasant situation. In *Damage Control*, Eric Dezenhall and John Weber offer the tools to help executives figure out what kind of

"Leadership is needed for problems that do not have easy answers," says Michael Fullan in *Leading in a Culture of Change*. In his view, effective leaders must integrate five key components: a moral purpose, an understanding of change, an ability to build relationships, a skill for creating and sharing knowledge, and a talent for bringing disparate elements together coherently. Using examples drawn from both business and education, he walks the reader through real-life scenarios in which organizations succeeded or failed by following or ignoring these five components. He also examines how his theories dovetail with those of other leadership gurus—from Gary Hamel to Daniel Goleman—and leaves readers pondering how to improve their own management styles. (Wiley, \$18) **Z**





Donning traditional Chinese costumes, MBA students William Shiang, Tommy Liu, and Chad Berbert take a lighthearted break from their studies during their two-month immersion in Beijing, China. The immersion is part of the Lauder Institute's globally focused MBA program at The Wharton School.

'Culturally Savvy' Is 'Globally Prepared'

Wharton's Lauder Institute combines MBA training with intensive cultural preparation.

To understand the nuances of a country's business practices, students must know more than its language, says Tonio Palmer, director of languages at The Wharton School's Lauder Institute at the University of Pennsylvania in Philadelphia. They must also become proficient in the nuances of a country's politics, business practices, and social customs, whether by chatting up a Chinese executive in the native language—or taking a bike ride through Beijing.

The Lauder Institute offers the traditional Wharton MBA with a global twist. Its MBA students also receive a Master of Arts in international studies from the University's School of Arts and Sciences and customized language training. Before students are even accepted to the program, they must possess advanced skills in one of eight languages—French, German, Japanese, Portuguese, Russian, Spanish, Chinese, or

Arabic—in addition to English. In the program, they develop their language skills from proficient to fluent. Then, they are trained to understand the business climate and cultural subtleties of their chosen country.

Students in the Chinese immersion program, for example, begin in May to complete a month of business coursework. Then, they spend two months in China, participating in language courses in the mornings and studying Chinese government, history, and art in the afternoons. Before their two-month stay is over, they visit 15 Chinese multinational corporations, conducting meetings with Chinese executives in Mandarin. When they return to Wharton, they complete MBA coursework supplemented by language, cultural, and political courses.

The Institute wants its students to be among an elite group of global professionals. "We target a very small group of students who are fluent in a language but not native to its culture," says Palmer. "We want them to learn to be fearless, able to go to Russia, China, or Japan to live, work, and pursue whatever they want to achieve."

Globalization seems like such a 21st-century phenomenon that it comes as a surprise to some that the Lauder Institute is actually more than two decades old. It was founded in 1983 by Leonard Lauder, chairman of the Estée Lauder Companies, and Robert Lauder, chairman of Clinique Laboratories. Both are Wharton alumni who wanted to find professionals comprehensively trained to do business in different cultures. They founded the Institute when they realized that few or no MBA programs focused on global skills at that level. To date, the Institute has graduated 930 students.

"WE WANT STUDENTS TO BE FEARLESS AND PURSUE WHATEVER THEY WANT TO ACHIEVE."

—Tonio Palmer

The intense training the Institute offers works hand in hand with the growing complexities of global business, says Palmer. "It's true that, at very high levels, language is key to communication; but even then there's a danger," he says. "You may think someone understands what you are saying just because you speak the language. Because of cultural differences, however, it may come across differently than you intend. For that reason, it's crucial that students also understand the culture." ■