Chapter 10
Strategic Management for Growing Business Schools

Dirk W. Rudolph and Udo Steffens

10.1 Introduction

Strategic management as a field of study is part of the curricula at most business schools. Consequently, these schools should practice in-house what they preach for the business world. Yet, public university administrators might argue that the vast majority of universities and business schools are organized as not-for-profit organizations and, therefore, the use of strategic management techniques and tools is inapplicable for developing and growing these types of organizations. While it is true that the economics of the higher education industry differs substantially from the economics of, for example, the banking or the oil industry, these differences—once they are properly understood—do not preclude the use of strategic management techniques in universities and business schools. They can be and have been applied in many different types of non-profit and not-for-profit organizations

D. W. Rudolph (✉) · U. Steffens
Centre for Financial Economics (CFE), Frankfurt School of Finance and Management, Sonnemannstraße 9-11, 60314 Frankfurt, Germany
e-mail: d.rudolph@frankfurt-school.de

U. Steffens
e-mail: u.steffens@frankfurt-school.de

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including, for example, hospitals [e.g., Yang et al. (2005), Khatri et al. (2006)], and even church organizations [e.g., Shah et al. (2004)].[1] Their applicability is not restricted to the large, publically traded for-profit firms. The strategic management literature has been paying attention to the growing segment of non-profit and not-for-profit organizations in our economies at least since Gruber and Mohr (1982) and Nutt (1984). A number of textbooks and guides, like Barry (1997), Bryce (2000), Bryson (1995), Courtney (2002), Dees (2002), Katsioloudes (2002), Kohm (2003), Oster and Sharon (1995) offer help and guidance for the non-profit and not-for-profit manager. Applications of strategic management to universities date back at least to Keller (1983) and Lockwood (1985). Despite these studies published about a quarter of a century ago, relatively little has been written on the use of strategic management in the context of higher education institutions in general and in business schools in particular.[2]

Part of the paucity of published work is due to the fact that a large number of universities, including their business administration and management departments, do not have what it takes to apply strategic management techniques: autonomy in decision making. Many public higher education institutions simply do not possess the autonomy in decision making required for designing, financing, implementing and controlling organizational strategies. However, a growing number of universities—private and public—are being granted an increasing degree of autonomy.

Besides the growing potential readership, there are two more reasons, why it is worthwhile to write about designing organizational strategies for business schools. First of all, new advances in analyzing the economics of higher education can lead to an improved understanding of the peculiarities of this sector. As is well known, possessing a sound comprehension of the economics of the industry to which the firm belongs is a prerequisite for those who are involved in strategy building. Second, there are some lessons to be learned from the strategic management of business schools for the strategic management of business firms. This rather surprising fact has been demonstrated by Mintzberg and Rose (2003), who examined the growth history of a successful private Canadian university, McGill University, over the course of its 150 years long evolution. In their conclusions, they pointed out the striking similarities between universities and innovative, creative, and

[1] Some legal systems do make a distinction between non-profit and not-for-profit organizations (like Germany), while others do not (like the US and the UK, where the two terms are used interchangeably). In Germany, non-profit organizations must not or do not want to make any profits (because of their mission statement or members contract). Not-for-profit organizations (like cooperatives) are allowed to generate a financial surplus. However, making profits is not the primary objective of these organizations. There are other objectives besides generating profits such as benefiting a special group of people or furthering a particular cause that the organization aspires to achieve.

[2] Exceptions to the scarcity of research on strategic management for universities and business schools include: Bailey and Dangerfield (2000), Hull and Lio (2006), Johnston and Marshall (1995), Julian and Ofori-Dankwa (2006), and Ringwood, et al. (2005).

knowledge-intensive firms.[3] The similarities further extend to the group of firms with multidimensional rather than one-dimensional organizational objectives such as entrepreneur-owned and family firms.

The objectives of our study directly follow from these introductory remarks. We want to offer insights from the strategic management literature and the economic analysis of the higher education industry that might help to improve the process of strategy making for business schools. To achieve our objectives, we will proceed in five steps. Since strategy building begins with defining a mission for the organization, we start in Sect. 10.2 with the process of defining a mission for the business school. Next, we will summarize and synthesize in Sect. 10.3 some insights from the literature on the economics of higher education and suggest differentiation strategies as feasible and potentially successful for business schools. Then, in Sect. 10.4, we will discuss one-dimensional and multi-dimensional goals of business schools and their relation to differentiation strategies. From this analysis, it directly follows that the existing structure of the business school industry works as an effective entry barrier. In Sect. 10.5, we give some practical suggestions on how to improve the transparency of the market for business degree programs and to lower the barriers to entry for newcomers. Barriers to entry are only one competitive threat to business schools. Other competitive forces impacting business schools are briefly examined in Sect. 10.6, where we pay particular attention to the bargaining power of suppliers of inputs and substitutes for an MBA. Envisioning potential strategies for a firm makes little sense without looking at the firm's market and its growth prospects. In the case of business schools, this market is a truly international one, both on the side of education providers and on the side of their students. Therefore, we examine some data in Sect. 10.7 that allows us to draw tentative conclusions about the potential of business schools' country and region-focused internationalization strategies. Sect. 10.8 concludes.

[3] They (2003, p. 289) write: "Can any of these conclusions inform strategic management in business? Universities seem so different from corporations, as has been noted in a few places. Yet delve into the knowledge work of corporations—the research laboratories, the design studios, and so on—and you find similarities, with corresponding implications for strategies there. Indeed, delve into the many rather loosely coupled corporations, such as 3 Ms and the Hewlett-Packards, and you find that a number of the conclusions here have application there: porous boundaries that let environmental forces in every way, accompanied by considered venturing, devolved strategists and fragmented strategies, an enormous amount of micro changes with relatively little quantum change, and so on. To the extent that this describes their strategic behaviour, so much that has been written about strategic management, with its focus on the planners, the chief executive as 'architect' of strategy, and the management of change as driven from the 'top', becomes questionable. Certainly all the hype about turnaround and revolution needs to be reconsidered in such contexts. Perhaps these companies change best from the inside out, at their own pace, rather from top down, frenetically."

10.2 Defining a Mission for the Business School

The strategy design process begins with defining a mission. And one of the first steps of defining the goals of the organization concerns the priority of the profit motive. Is the profit motive the organization's primary or exclusive objective? For publicly-traded companies, that is typically the case—they maximize shareholder value. Consequently, it seems to be natural that for business schools the primary measure of success should also be their profits. After all, how could they teach future managers to maximize profits if they fail to do it themselves?

Yet, profit maximizing firms are not the only type of business organizations where MBA graduates will work after graduation. The majority of firms in market economies all over the world and particularly outside of the UK and the US are cooperatives, state-owned firms, and entrepreneur-, family-, or employee-owned firms. For all of these types of firms the profit motive is often only a secondary goal; they pursue multidimensional objectives. So there is no pressing economic need that all business schools must mirror the shareholder maximization objective. Some of them might serve the future graduates of entrepreneur- or family-owned firms, for example. For these schools, there might be an incentive to adopt a similar set of objectives like the firms that their students eventually will join.

10.2.1 Business Schools as Not-for-Profit Organizations

The credence goods problem in higher education markets is one reason why some of the business schools might choose to be not-for-profit firms. Now, are there any economic reasons why all higher education providers including business schools should be organized as not-for-profit firms or is the concept of for-profit universities compatible with economic efficiency from a social welfare perspective? Analyzing the higher education industry with the tools of microeconomics reveals an economic problem that is the result of an extremely high degree of quality uncertainty and asymmetric information. Educators know much more about the true quality of their service and the quality of competing educational offers than their students will ever know. This type of market failure effectively turns the higher education industry into a credence goods industry.[4]Therefore, students cannot accurately assess the true quality of the educational service they received even after they finished the program. Rankings, accreditation, public reputation, and recommendations from friends and employers are means to mitigate the problem of quality uncertainty and asymmetric information in the higher education industry.

[4] Franck and Schönfelder (2000) point out the credence good character of educational services and the market failures resulting from the asymmetry of information between students and professors about the true quality of education delivered. There are, however, other conceivable ways that we will point out here to significantly mitigate this problem than the type of contractual arrangement discussed by these authors.

The high degree of quality uncertainty and asymmetric information gives rise to the risk of opportunistic behavior on the side of business schools. Winston (1999) points out that universities (and therefore business schools) could charge above average prices for below average educational quality and would not face a sufficiently high risk that their customers would become aware of this discrepancy. (Winston 1999, pp. 14–15) writes: 'By reducing incentives for the opportunistic behavior, nonprofits become the preferred suppliers in certain settings: they increase the probability—and the confidence of donors and buyers—that they're getting what they are paying for, tending to offset the contract failure inherent in such asymmetric markets.'

10.2.2 The Objectives-Based View: A Third Viewpoint for Strategic Management Scholars

The reader familiar with strategic management literature should note here a largely overlooked aspect of analyzing the sources of firm success. This literature is full of discussions between the proponents of two different schools of thought: the so-called market based view and the resource based view. The market based view argues that the competitive conditions and pressures in an industry largely determine the potential for the firm to be successful and to grow. In contrast, the proponents of the resource based view believe that only the peculiar competencies and strategic resources of the firm, which are hard to imitate, can provide the base for long-run sustainable competitive advantage. What has been largely overlooked by the management literature is the fact that the organizational objectives of the firm can also form the base for competitive advantages. For firms operating in credence goods industries, organizational goals which amount to a for-profit orientation pose a serious competitive disadvantage once potential customers become aware of the moral hazard problem. In such industries, only not-for-profit firms can receive the level of trust from their customers required for growing. So there might be room to establish a third viewpoint, which could be termed 'objectives based view'. Objectives matter for the success of firms. Firms in such industries are well advised to design strategies that pursue multidimensional objectives. In the higher education industry, institutions pursuing multidimensional objectives rather than focusing exclusively on the profit maximizing goal will enjoy a competitive edge vis-à-vis for-profit schools.

10.2.3 Unifying 1,000 Different Strategies

Such institutions have much more freedom in choosing their goals than for-profit organizations. Now, given this freedom, to what do they aspire? In the case of universities in general and business schools in particular, matters are complicated by the high degree of intellectual and organizational freedom professors enjoy.

Mintzberg and Rose (2003, p. 280) note: ‘The mission of the university is research and teaching: to create and to disseminate knowledge. Yet these, especially research, are largely under the control of individual professors. A university of one thousand professors might be described as pursuing one thousand different research strategies, and many different teaching strategies.’

Yet, as Collins and Porras (1996) point out, mission statements can help to achieve congruence of goals between the organization and its employees. While the research strategies of individual professors working for the same business school might differ substantially, it should still be possible to find a common denominator, i.e., some elements that all or at least most individual missions have in common with the mission of the organization. Let us take an example from another creative industry that faces a similar problem: journalism. The more intellectually inclined newspapers and magazines also employ highly creative and intrinsically motivated intellectuals who pursue their individual missions, yet nobody would question that different newspapers take different and typically identifiable positions with respect to journalistic quality, selection of topics, and the political orientation of their commentary. Likewise, a professor working for the ‘New School of Social Research’ is part of an organization with a different type of mission than the University of Chicago, for example.

‘In pluribus unum’ is a living example that demonstrates how more than 300 million people with diverse ideas and missions can be united in a common purpose. And the European Union has proven with its more than 50 years of history that even its more challenging task of uniting diverse cultures and histories can be met successfully. Given the success of these entities, business school professors who monotonously insist on their individual freedoms should humbly recognize the need to subordinate at times their individual goals to the commonly shared organizational goals that unify them and allow them to be identified with successes of their organization that no individual professor could have achieved alone. It is certainly a difficult and complex task to find a common denominator for a universally acceptable mission statement of a business school, but it is not a ‘Mission Impossible.’

10.2.4 What do Accreditation Institutions want to see in a Business School’s Mission Statement?

Once the dean has identified goals and principles that are acceptable by the majority of faculty members despite their diverse research strategies and teaching styles and derived from these objectives the purpose for existence of the business school, she has to become more concrete and operational in communicating the mission to the stakeholders of the school. Such a mission statement also has to satisfy the demands of accreditation agencies. There are certain elements every mission statement should contain. (Palmer and Short, 2008, pp. 457, Table 10.1) mention that according to the AACSB standards and guidelines, the mission statement, for example:

Table 10.1 'Foreign trade' in the market for higher education within the EU (shares of students enrolled in higher education according to citizenship and destination countries; study year 2000/2001 in %)

		Total	BE	DK	DE	GR	ES	FR	IR	IT	LU	NL	AT	PT	FI	SE	UK
BE	Belgium	9.0	–	0	11	:	14	22	1	1	:	19	1	1	0	2	27
DK	Denmark	5.0	1	–	14	:	7	6	1	1	:	1	1	0	1	16	35
DE	Germany	38.7	1	1	–	:	11	14	1	2	:	8	16	1	1	5	35
GR	Greece	58.6	1	0	14	:	1	4		15	:	0	1	0	0	0	49
ES	Spain	21.3	6	0	27	:	–	18	1	1	:	4	2	2	0	3	34
FR	France	39.0	27	0	17	:	13	–	1	1	:	1	1	3	0	2	32
IR	Ireland	14.0	0	0	4	:	2	4	–	0	:	0	0	0	0	1	87
IT	Italy	34.2	9	0	22	:	15	11	0	–	:	1	21	0	0	2	18
LU	Luxembourg	5.6	25		29	:	0	25	0	0	:	0	5	1		0	13
NL	Netherlands	9.5	28	1	20	:	9	5	1	1	:	–	1	1	1	6	26
AT	Austria	9.7	0	0	68	:	7	4	1	1	:	1	–	0	0	3	13
PT	Portugal	9.5	7	0	19	:	15	30	1	0	:	1	0	–	0	1	24
FI	Finland	8.8	1	1	12	:	4	3	1	1	:	1	2	0	–	41	29
SE	Sweden	9.4	0	7	10	:	5	9	1	1	:	1	3	0	6	–	43
UK	United Kingdom	12.9	2	3	19	:	18	21	15	1	:	5	2	1	1	6	–
	Iceland	1.9	0	40	9	:	1	2	0	0	:	1	1	0	2	18	12
	Norway	9.5	0	15	10	:	3	4	2	0	:	1	1	0	1 0	13	41
	Bulgaria	10.8	1	0	47	:	2	17	0	2	:	1	13	0	0	1	3
	Cyprus	7.5	0	0	2	:	0	1	0	1	:	0	1		0	0	50
	Czech Republic	4.0	1	0	43	:	4	9	0	3	:	1	10		1	3	10
	Estonia	1.9	0	2	24	:	18	4	0	0	:	0	1		25	11	4
	Hungary	6.0	2	0	48	:	2	9	0	2	:	1	20	0	1	3	7
	Lithuania	2.8	0	2	34	:	1	4	0	1	:	0	1	0	2	6	3
	Latvia	1.4	1	1	44	:	1	5	0	1	:	1	2		2	10	8
	Malta	0.5	0		10	:	10	4	0	3	:	1	1				70
	Poland	16.7	2	1	61	:	3	12	0	3	:	1	6	0	0	5	4

(continued)

Table 10.1 (continued)

	Total	BE	DK	DE	GR	ES	FR	IR	IT	LU	NL	AT	PT	FI	SE	UK
Romania	10.9	2	1	22	:	3	26	0	6	:	1	4		1	2	4
Slovenia	1.6	1	0	34	:	1	2	0	11	:	0	35	0	0	2	8
Slovak Republic	8.3	1	0	12	:	1	3	0	1	:	0	13	0	0	0	2
Turkey	34.5	1	1	77	:	0	6	0	0	:	3	4	0	0	0	5
Albania	5.6	1	0	8	:	0	4	0	60	:	0	2	0	0	0	2
Federal Republic of Yugoslavia	3.1	0	0	19	:		2	0	2	:	0	3		0	1	1

Source European Commission 2003, p. 132, Table H 5

Remarks: Included in the data are students who work toward their higher education degree (ISCED 5) or toward their dissertation (ISCED 6). The figures for Germany refer to the group ISCED 5 only (http://www.uis.unesco.org/ev.php?ID=3813_201&ID2=DO_TOPIC) (ISCED = International Standard Classification of Education). The figure for Germany, Italy, the Netherlands and Austria does not include foreign and international schools

Interpretation: The rows of the matrix can be interpreted as follows: Out of the 38,700 students with German citizenship, who studied in countries of the European Union and the future member and candidate countries, 14 % studied in France and 35 % in the United Kingdom during the study year 2000/2001

- should cover the goals of the school,
- must include "(…) the viewpoints of 'various stakeholders'."
- specifies "(…) the student populations the school intends to serve."

In their study, Palmer and Short (2008) also addressed the question: What are actually the missions of business schools? They examined in an empirical study the content of mission statements of US. colleges of business. First of all, they found substantial diversity among the content of business school's mission statements. Surprisingly, only a little over one-third of the schools discussed key elements of the school's philosophy in their mission statements. And two-thirds of the business schools included in the sample did not make any reference in their mission statements with regard to growth, survival, and profitability of the institution. This is certainly an indication that a substantial share of schools do not pay too much attention to long-run organizational goals.

10.3 Some Insights from the Economic Analysis of Higher Education Organizations and Business Schools

Without a clear understanding of the economics of the particular industry to which a firm belongs, its strategy must necessarily fail. The economics of higher education is indeed anything but a straightforward application of standard microeconomic theory. And there are several good reasons—as Winston (1999) shows—why higher education organizations are not like business firms.

10.3.1 Business Schools Educate Managers and Entrepreneurs: Not Researchers

The economic analysis of the production process in higher education institutions that Winston (1999) provides fits well for the segment of economics departments. Economics students want to become researchers. For their later careers it is crucial to get admitted by those economics departments that are most competitive and are ranked among the top in the world. The quality of research conducted at these departments is the primary criterion for ambitious economics students to choose a graduate school. In contrast, business schools educate managers and entrepreneurs, not researchers. While the research results of economics, organizational and management science, psychology and law are the input of teaching content for the courses taught at these schools, the primary objective of business school courses is to apply already existing knowledge to the daily work in business organizations rather than to generate novel and innovative research results. In that sense, teaching at business schools has more—or should have more—in common with teaching languages than with training researchers.

This simple fact also becomes apparent when one compares textbooks for graduate courses in economics and management. The first group of books presents their content with a similar level of rigor like journal articles, whereas management textbooks have a lot in common with the type of presentation we find in the business press. Since much of the analytical core of management textbooks' content draws on fundamental insights and concepts that have been developed in economics long ago, it should come as no surprise that the suitability and popularity of these texts is more correlated with the quality of their pedagogy than with the originality and novelty of their content. Despite all the rhetoric about an ever-increasing speed of change in the business world, the basic problems and challenges of management that need to be addressed in graduate degree courses remain quite stable over time.

10.3.2 The Need for Diversity in Scholarship

These differences between research focused academic departments like economics and mathematics and application focused professional business schools have important consequences for the type of research that business schools need to emphasize. This is not to say that quality research was unimportant for business schools, but that the types of research needed to teach professionals on the one hand and researchers on the other hand are not identical. Ghoshal (2005, p. 82) pointed out the need for different kinds of scholarship and their proper place in business school research:

> In his book Scholarship Reconsidered, Ernest Boyer (1990) described four different kinds of scholarship: the scholarship of discovery (research), the scholarship of integration (synthesis), the scholarship of practice (application), and the scholarship of teaching (pedagogy). Historically, business schools have celebrated and accommodated as equals the practitioners of all four kinds of scholarship. Over the last 30 years, we have lost this taste for pluralism. What started off as an entirely justified effort for introducing the scholarship of discovery to the study of business has ended up in the excess of eliminating all other forms of scholarship from the world of business schools. Those with primary interests in synthesis, application, or pedagogy have been eliminated from our milieu or, at best, accommodated at the periphery and insulated from the academic high table that is now reserved only for the scientists.

Along these lines, Lorange (2008, p. 22) recently questioned the informational content of business school rankings about the quality of thought leadership that they are able to measure:

> Corporations and practicing managers tend to put heavy emphasis on how business schools are ranked in leading newspapers such as the Financial Times or the Wall Street Journal. They view the rankings as an important source in terms of assessing thought leadership. Most business school professors and staff, on the other hand, acknowledge that thought leadership is created primarily through research. While rankings tend to assume that schools are more or less alike, in reality of course, each school has a different profile and different strengths and weaknesses. To use rankings as an indicator for thought leadership is thus questionable.

We might add here the simple observation that thought leadership must be based on thinking that is critical (it must identify deficiencies of current practice), constructive (it must be applicable), and ahead of its time, otherwise it would not be leading. Then it directly follows that such thinking and research need not attract a high number of citations by other researchers who are not similarly ahead of their times but who rather choose to focus on those issues that for whatever reasons currently attract the largest number of academic articles.

10.3.3 The Case for a Differentiation Strategy

Once the plurality of quality dimensions in business research is recognized, the simplistic ordering of research output of scholars and business schools appears to be highly questionable. Moreover, this plurality gives business schools much more freedom in differentiating their programs if they resist the homogenizing pressures from the ranking exercises of the business press and the accreditation industry. There are many different dimensions of how degree programs in management and business administration can be differentiated from a "plain vanilla" MBA program, such as, for example[5]:

- focus on specific industries and their peculiarities,
- focus on not-for-profit and/or non-profit organizations,
- focus on stakeholder or shareholder view,
- focus on business failures and risk sources rather than the success stories that are typically portrayed in so-called business case studies,
- emphasis on particular management functions (e.g. accounting and controlling, finance, logistics, marketing, strategic management, procurement, logistics, exports, etc.), and
- differentiation through teaching styles (e.g. business simulation, role playing, service learning, etc.).

The world of businesses is much more heterogeneous than the standard for-profit, shareholder value-maximizing, publicly traded company featured in management textbooks wants to make students believe. The vast majority of all firms in our world are not publicly traded. They are not pure for-profit firms. They are headquartered in countries that lean more toward a stakeholder rather than a shareholder view. They have to struggle with industry-specific problems that are rarely mentioned in the generic type of business cases covered in management textbooks. And they are more concerned with potential risk sources that could

[5] Navarro's (2008) article entitled: "The MBA Core Curricula of Top-Ranked U. S. Business Schools: A Study in Failure?" documents how little content differentiation even the best business schools in the US. have achieved.

threaten their survival than with clues how to realize 25 % return on equity so that they become the darlings of the business press.[6]

Once business school deans realize that the simple case of firms covered in the standard management textbooks only applies to a minority of cases of business organizations in our world, they will become more confident that specialized degree programs can be designed that meet the educational needs of large numbers of managers and their firms. Consequently, a differentiation strategy is perfectly feasible for business schools. And because of the diverse business organizations that their graduating managers will join, there will be real value added to the education of young professionals if they can choose from a diverse set of degree programs rather than more or less standard MBA programs that differ from school to school by little more than the minimum required GMAT test score and the tuition fees.

The first step of crafting a differentiation strategy is to analyze the weaknesses of the competitors. Yet, gathering the type of information one needs for such a competitive analysis is a quite difficult task in most industries outside the higher education industry. The business press, industry journals, and published business case studies typically do not focus on the weaknesses but the strengths of firms. How else could they get any firm specific information and look behind the iron curtain of corporate information walls? In academia—by definition—one is tempted to say that such iron curtains are inacceptable and would violate academic standards. Criticism and open reflection about current practice in academia and its shortcomings are part of the work of academics. The higher education industry is the rare case where one can find published articles about the weaknesses of whole segments of this industry.

For the business school segment within the higher education industry numerous articles criticizing current practice show that academics fulfill their responsibility to reflect upon existing weaknesses. The most notable authors who triggered considerable debate are Mintzberg (2004), who essentially argues that the current practice of MBA programs is not effectively delivering the type of knowledge and skills to future managers that businesses need. Ghoshal (2005) attacks the very content that is being taught and its ideological roots. Adler and Harzing (2009) link the lack of substance of the type of questions that today's business school research addresses to the economic incentive structure for rewarding academics and their institutions for their research output through the quality hierarchy of journals, citation indices, and business school rankings.

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[6] Lorange (2008, p. 13) also argued in his book that there is sufficient room for business schools to pursue differentiation strategies: "Indeed, in this book, I argue extensively for what might be seen as a viable alternative to the traditional US-Based organizational form. This is because I believe the traditional, axiomatic, discipline-based research to be less valid than it was before and that the interplay between best practice—the prescriptive knowledge coming from the best firms—and research—the propositional knowledge coming from professors—can give rise to an alternative model of academic value-creation. And this alternative model can perhaps challenge the classical, often US-based, business schools."

10.4 One-Dimensional and Multidimensional Organizational Goals and their Relation to Differentiation Strategies

A further characteristic feature of business schools is the fact that they are multi-product firms offering BAs, MBAs, and executive education. Following Winston (1999), we may characterize the production technology of business schools as a customer-input technology. In the sciences, mathematics, and economics, for example, the potential future contribution of students to their peers' learning success can be assessed beforehand and straightforwardly by standardized tests such as the GRE and the subject specific GRE Aptitude tests. The more intelligent the average enrolled student in a degree program is, the higher will be the quality of learning all of them will enjoy. This effect is simply so because students do not only learn from their professors but often times learn even more from their fellow students.

For business schools, however, matters are different. Their students do not want to become researchers. They want to become managers or entrepreneurs of for-profit and not-for-profit business organizations. Students with a low math score, for example, may still have high potential to become good managers and to contribute to the learning processes of their fellow students. Other abilities, talents, but also their experiences and goals must be criteria for selecting students from the group of applicants. Now, what are these criteria and who should set them?

10.4.1 Choosing Between One-Dimensional and Multidimensional Organizational Goals

Part of these criteria will be set by the business school. These criteria must follow directly from the mission statement of the school and the values that define the core of the organization. The identity of the business school reflected in these values should not be too far away from the identity of its students. For example, a more egalitarian oriented school with a strong emphasis on teaching the meaning of managers' responsibility for more than just maximizing shareholder value will look for similarly minded students. Other schools with a univariate rather than a multivariate measure of individual and organizational success will focus more on the ambition and ability to succeed in for-profit organizations. Both sets of values are legitimate for businesses as well as business schools. And given the large share of not-for-profit businesses in Europe and the intensifying discussion about employees seeking a well calibrated life-balance, both types of schools can be expected to find their market.

10.4.2 Aligning the Marketing Strategy and the Assessment Criteria of the Business School

A business school is well advised to share at least some of their goals with the business organizations it envisions as part of its stakeholder group.[7] Therefore, the set of criteria for the assessment of applying students should also incorporate some of the criteria firms use when assessing new applicants for their open positions. Thereby, the assessment process of the business school becomes a good predictor for the future ability to get a job at the group of firms that the school views as its stakeholders. The precision of this predictor is then reflected in the placement power of the school. The admission ratio as well as indicators of the placement power can effectively function as quality signals for applicant students, firms, and the public in general and, thereby reduce potential market failures resulting from the credence goods problem of the higher education industry. Optimizing the precision of this predictor requires that the strategic managers of business schools define the assessment criteria and design their marketing strategy simultaneously rather than sequentially. If the two strategies are not congruent, average placement ratios over time will be low, thus signaling a low economic value of the educational offering. Now, what are the control variables—so to speak—business schools can use to reach a close match between admitted students and the applicants stakeholder firms will hire in the future?

There are two ways to solve the problem: one is demand driven and the other one is supply driven. Demand driven solutions start with a look at the market and try to identify a group of firms that share similar business missions. Among the groups of firms with similar business missions, it is rational for the business school to target those groups that offer their students the highest salaries after graduation. Such schools attract a larger number of applicants. The small share of admitted students then allows them to be more selective in their admission process. Yet, firms offering the highest salaries typically have a one-dimensional goal: shareholder value maximization. In the pre-crisis times, the group of firms offering MBA graduates the highest salaries was the set of investment banks.[8] The other

[7] This is in line with the AACSB which "(…) require that colleges obtain input from stakeholders such as administrators, faculty members, students, and employers when developing the mission." See Palmer and Short (2008, p. 456).

[8] Pfeffer and Fong (2004), who work at Stanford University and the University of Washington, respectively deliver a critique of the current dominant organizational mission of US business schools and offer an alternative. They write: "(…) in return for the ability to obtain huge and growing enrolments and large donations, schools have presented themselves and their value proposition primarily, although certainly not exclusively, as a path to career security and financial riches" p. 1503. "In a related but somewhat different role, business schools might take the lead in making management a profession. This would entail articulating a set of professional values and responsibilities and developing standards of professional conduct and even sanctioning mechanisms for those who violate professional standards of organizational or business management. (…) Unfortunately, there is little evidence that business schools are enforcers of professional standards and norms of conduct. In a world in which economic success is frequently taken as the measure of value and merit, there are few sanctions coming from business schools for ethical malfeasance and there is not much evidence of what one might wish or expect in a self-policing profession" p. 1504.

solution approach is to first define a mission for the business school and then to search for a set of firms with similarly-minded business missions. While this approach reflects what most academics will view as a precondition for academic freedom, it is also a much more challenging task that requires a considerable degree of creativity.

10.4.3 One-Dimensional and Multidimensional Measures of Success and their Relation to Differentiation Strategies

The choice betweenone-dimensional and multidimensional organizational goals and success measures has important implications for the potential to pursue a differentiation strategy. A one-dimentional goal ultimately leads to what Winston (1999) describes as a hierarchy among schools. A hierarchy is a one-dimensional ordering and for such an ordering we need a univariate measure of success or quality. For business schools serving a group of firms with a more or less exclusive focus on shareholder value maximization, this univariate measure of quality typically will be the average salary of their graduates. Yet, business schools are not the only group of academic departments that might want to apply a univariate success measure. In mathematics, economics, and the sciences departments also use a univariate measure for the quality of applicants: their average GRE scores. The use of this measure hypothesizes that the degree of talent to become a future researcher could be tested by such standardized tests. Consequently, the average test score required to become admitted by a school as well as the ratio of the number of applying to admitted students then function as signals about the true quality of the school which is unobservable for applying students. For these types of academic fields as well as for business schools, the type of competition we observe is the type of rivalry described by Winston. Univariate quality measures allow journalists, for instance, to easily rank schools as we are used to rank the quality of, for example, soccer teams by the number of games won during a season. The resulting rankings establish hierarchies of soccer teams and schools.

The logic of the market in the industry of business schools, it seems, dictates the pursuit of a one-dimensional organizational goal for the business school, the measurement of quality according to a univariate measure, the establishment of a hierarchy among schools, and the resulting high barriers to entry for new business schools. The key to this market logic is the seemingly low degree of transparency of the quality of service provided by educational offerings and the need to mitigate this lack of transparency through business school rankings which are designed by business magazine journalists. The highest ranked business schools can live with this industry structure quite well for simple reasons. They serve as highly effective barriers to entry. For equally obvious reasons, the newcomers to the industry of business schools cannot.

10.4.4 The Existing Structure of the Business School Industry as an Effective Entry Barrier

The enormous barriers to entry in the business school industry are not only a problem for the strategic managers of business schools. These barriers are also highly undesirable from the viewpoint of society and of the economy because they impede dynamic competition among business schools. The engine that drives dynamic competition is innovation. In the industry of business schools, innovation must also include novel sets of goals and values for training future managers, the development of innovative curricula, and the use of new teaching methods and approaches. Such innovations naturally increase the diversity of educational offerings and eliminate the informative value of one-dimensional quality measures offered by business magazines.

Besides impeding dynamic competition, this type of archaic industry structure only attempts to improve the transparency of the education market for the top—the first league. However, because of the limits to the scalability of educational institutions, elite business schools can serve only a very small group of future managers. Yet, education in a civil society can never be a subject matter for the few. Improving the transparency of the true quality of the different educational offerings and empowering prospective students to judge the characteristics of schools must not be restricted to the highest caste of the business society. High quality business education must be accessible to a broad base of managers. Otherwise, much of the growth potential of an economy will remain underutilized. It is an economic commonplace that caste systems severely impede economic growth because they prevent that the human resources of a country are fully utilized.

10.5 Improving the Transparency of the Market to Reduce Entry Barriers

At first sight it seems that business school deans cannot change the structure of their industry; that they have to accept it as given. However, new business schools entering the market will be pursuing a differentiation strategy more often than the incumbent elite schools. They are the ones that will be gaining the most from innovations that lift the veil that conceals quality differences among different providers in the business school industry. The incumbent schools can rely on the rankings, yet the newcomers have to wait for many years before they will be appearing on these hierarchical lists, and most of them never will. Consequently, for them there will be gains from thinking about and searching for innovative approaches and solutions to improve the transparency of the market for business school programs. Entering business schools should not wait for incumbent elite business schools to take the lead in developing such innovations. For the incumbent schools such innovations will pose a threat rather than an opportunity.

What type of innovations could increase the transparency of educational offerings? First of all, a business school that follows a differentiation strategy must explicitly communicate its mission and its underlying educational objectives to prospective students and its stakeholders. If it differs from the average MBA school, it should not hesitate to frankly tell the public where it differs and why. By explaining the need for different goals and approaches, the school can already demonstrate its competency and credibly define the quality standards it aspires to meet. Second, the school should link its educational goals to the organizational and individual goals of firms and potential students, respectively, and thereby try to appeal to similarly-minded organizations and individuals. Third, schools with a differentiation strategy must answer the question: How can the achievement of each of their goals be measured and benchmarked objectively? It is not sufficient to assess each of these goals for the school's own achievements. Reducing the quality uncertainty also requires the assessment of the competitors' achievements for each of these goals.

Fourth, the group of business schools with a differentiation strategy should form an alliance that offers future students a web-based interactive tool which allows them to design their own personal quality ranking of business schools. The student would input her own personal weighting scheme for the different criteria that are relevant for assessing the quality of business schools. Based on this vector of normalized weights, the tool would then instantly generate the individualized ranking of business schools. Such individualized rankings would be much more informative for students than the published rankings of business magazine rankings which do not make the weighting of criteria transparent and only reflect the weighting scheme of one person: a journalist working for a magazine that reflects the business goals of FORBES 500 firms (Vidaver-Cohen 2007; Morgeson and Nahrgang, 2008).

10.5.1 Using E-learning to Improve the Transparency of the Market

Finally, the internet and e-learning tools offer an enormous potential to improve the transparency of educational offerings of business schools. While millions of individuals put their private videos for everybody to see on YouTube, few business schools open their brick walls to prospective students and allow them to sit, via the internet, in their classrooms for receiving free educational samples. Education is an information good and for these types of goods the internet offers many advantages for both marketing and delivery. E-learning tools and techniques can make the content and teaching methods much more transparent than ever before and, thereby, considerably reduce the uncertainty about the educational quality students will be receiving at the business school.

Two new marketing trends, called 'tryvertising' and 'trysumer' show that customers increasingly demand free samples of the offering before they are willing to buy.[9] Choosing a university or college degree program is one of the most important choices we have to make in our lives, much more important than a subscription for a magazine or the purchase of a car. Yet, universities and colleges still do not offer 'free issues' or a 'test drive'. Before the emergence of the Internet and e-learning, it was simply impossible to offer such free samples. Today, potential foreign students could receive them regardless how far away from the school they live. In other words, free e-learning samples can not only be a key tool for making differentiation strategies feasible and successful, but they can also be important for internationalization strategies.

10.5.2 Weighting Schemes of Business School Rankings are no Substitute for Market Research

Business schools that are about to enter the market should devote a substantial amount of time and resources to investigate the criteria that business school students—not business magazine journalists—apply when selecting their school. While the average number of publications in A-level journals per year of the faculty members might be an extremely important quality indicator for those students who want to learn how to produce a similar research output, it is quite doubtful that the majority of students at business schools will pay much attention to this indicator. For them, other criteria might be much more important such as:

1. The living expenses and quality of life at the location of the business school;
2. The average commuting distances and costs;
3. Local opportunities for internships;
4. The academic excellence of all four types of scholarship mentioned by Ghoshal and not just the scholarship of discovery, but also the scholarship of integration (synthesis), the scholarship of practice (application), and the scholarship of teaching (pedagogy);
5. The share of course content that is relevant and directly applicable in future occupations;
6. The quality of service in terms of student orientation (e.g. low drop-out rates, support for students during their learning process, etc.);
7. The accuracy of matchmaking between the admission policies for incoming students and the quality demands of future employers;
8. The placement power of the school in the job market;
9. The network the school can offer.

Market research using customer surveys should attempt to gather information about the weight students attach to these criteria when choosing a business school.

[9] See http://trendwatching.com/trends/TRYVERTISING.htm first published April 2005, and http://trendwatching.com/trends/trysumers.htm first published March 2007.

When deans of business schools try to assess the competitive position of their schools, they must gather information about these quality dimensions of their competitors and benchmark the performance of their own school with their peer group.

10.6 A Brief Examination of Competitive Forces in the Business School Industry

Another essential step of crafting a business strategy is to conduct a competitive analysis of the industry to which the firm belongs. Such an analysis systematically considers all the relevant factors in the firm's market environment which do or could have an impact on its profitability and growth. The standard starting point of competitive analyses of the industries is Porter's (1980) famous "Five Forces" framework. As the name already suggests, his framework covers five different factors that do impact the profitability of any firm:

1. Intensity of Rivalry among Competitors;
2. Entry;
3. Bargaining Power of Customers;
4. Bargaining Power of Suppliers;
5. Substitutes;

Let us begin with the first three market forces. First of all, competition in the higher education industry is dynamic competition about the quality of educational offerings. Unfortunately, the lack of transparency of the true quality of degree programs severely impedes competition and hinders innovation in the higher education industry in general and in the business school industry in particular. The traditional means of this industry to improve transparency—rankings and accreditation—can only prevent the worst cases of quality fraud (the so-called "degree-mills"), but they are a far cry from delivering future students what they need to make optimal choices given their individual preferences. Second, this type of market failure and the deficient ranking mechanism of the business school industry effectively erect barriers to entry for innovative business schools that pursue differentiation strategies, and, thereby reduce the intensity of dynamic competition. Third, Porter's market force of customers' bargaining power has little relevance in the context of the business school industry because students typically have no bargaining power. Another group, however, does have considerable market power.

10.6.1 Bargaining Power of Suppliers of Inputs

The most important input for universities and business schools are their faculty members. With e-learning technologies and internet accessible databases for literature, faculty members are less dependent on buildings and libraries than universities are dependent on faculty members. But even before the advent of the internet, the position of faculty members in universities and business schools was always very strong. In fact, universities and business schools might be viewed as employee "owned" firms, in the sense that they decide almost autonomously the quality, quantity, and content of their supply.[10] We already discussed the strong position of faculty members in setting the goals of the school and in defining—at least implicitly—its mission. This strong position is the result of several factors: the scarcity of academic talent, the tenure system, and the constitutional right (in many OECD countries) which grants faculty members the freedom of academic research and teaching.

Because of the scarcity of academic talent and the relative transparency of cost and revenue structures in business schools, faculty members can and do extract a large share of the economic rent the school generates. Especially, elite schools are particularly dependent on their "star faculty." Business schools that do not aspire to become a member of the top-10 but position themselves considerably below that group might have an edge with extracting economic rents because they are less vulnerable to the bargaining pressures of their faculty. Their members are much easier to replace than the celebrities among the elite business schools.

10.6.2 Substitutes

Finally, let us consider the market force that arises through substitute services. The first question we need to answer is: What are possible substitutes for an MBA? Two such substitutes can be identified: Other academic degrees and self-study. A degree from a business school is not the only type of education students can choose to speed up their occupational advancement in business organizations. Industry-specific expertise and superior knowledge in the scientific field which generates the innovations of the production process were often a precondition to reach senior management positions. For example, in the pharmaceutical industry, most senior managers have studied chemistry or pharmaceutics. Today, businesses, regardless of their industry affiliation, have come to understand that senior managers must possess a high level of knowledge in the fields of business, management, and economics. Advanced degrees in these fields have become educational substitutes

[10] Pusser and Turner (2002: 6–7) write: "Glaeser (2001) argues that in the face of weak governance structures, colleges and universities have evolved to resemble "worker cooperatives," representing the preferences of faculty with particular emphasis on the institution of tenure and the rise of the importance of research as a faculty activity. Yet, while this model may have characterized the nature of governance in higher education through the late 1970s, when Jencks and Reisman wrote the Academic Revolution, the revenue shortfalls of the last three decades brought about yet another transformation in academic organization. To varying degrees across colleges of different types, the locus of control has shifted from faculty to professional administrators (Slaughter and Leslie, 1997)."

for other academic fields in many industries and in others they have become complements. Another group of substitutes for a generic MBA-degree are industry-focused business degrees. Such degrees are the result of one group of differentiation strategies. Lindsey (2005) discusses some of the pros and cons of such a differentiation strategy for business schools.

10.6.2.1 Self-Study as a Substitute for MBA Programs

The second type of substitutes is the educational advances people can reach through self-study. Anybody who teaches at a business school must be highly proficient in self-study. Moreover, the idea of 'life-long learning' puts people's ability to self-study at center stage. However, those who have acquired sufficient self-study skills during their academic education in another non-business related field have other options than to enroll in an MBA program they can just teach themselves. Never before had self-study become so time saving and accessible 'anywhere, anytime'—to use a marketing slogan invented during the e-learning hype. Google-Scholar, Google-Books, Amazon, and Wikipedia provide tools for the self-learner that allow them to acquire relevant business knowledge when they need it rather than many years in advance.

10.6.2.2 Different Emphasis on Self-study Skills in the US and Germany

The very marked difference in emphasis on acquiring self-study skills between the US and Germany might also be one contributing factor, why MBA programs are a hard sell in Germany. For those readers of the present article who can compare from first hand experience the differences in organizing studies for students in the US and in Germany, one crucial difference will be quite clear. In the United States, universities at the undergraduate as well as at the graduate level organize student life in general and the process of study in particular in a much more detailed and efficient manner. Students receive guidance and support throughout their studies. In contrast, at German public universities, students receive comparatively little help or guidance for organizing their studies. Also, individual courses in Germany are far less aligned with the content of other courses than one can typically find in American degree programs. In each department in Germany, there are many different professors and each of them defines her or his own 'program.' For beginning students in Germany, the transition from high school to the university comes with a shock. In high school, only to a relatively small degree are students allowed to make their own decisions when organizing their own studies. Then, at the university, they are all of a sudden forced to find their own way through the opaque terrain of their academic field that they are not yet familiar with.

The negative side of this lack of organized help at many German public universities are high drop-out rates and an inefficiently organized and excessively time consuming study processes. Now, are there only disadvantages coming from the German ‘lack of system’? Those students who finally graduate from a German public university have acquired one of the most important competencies of a university education: they must have become highly proficient and effective self-learners. If they were not, they could have never finished their studies. For example, someone who survived the graduate degree program in economics at the University of Bonn will have very little difficulty to teach herself the content of business administration and management. Such students have learned how to study and for them such content is only moderately challenging.

10.6.2.3 Are Students’ Self-Study Skills a Threat or an Opportunity?

Self-study might be indeed a competitive threat to incumbent providers of MBA programs. Yet, highly proficient self-study learners can also offer promising opportunities for business schools. A higher level of self-study skills reduces the time involvement of teachers per student. Thereby, educational offerings become more scalable. Also, poor self-study skills reduce the effectiveness of e-learning much more than the traditional mode of teaching and learning. These two effects of self-study proficiency make clear that self-study skills are both a substitute and a complement for educational offerings.

Most business schools have alumni networks. And through these networks the school also markets its continuing education offerings to executives. If the school’s alumni can be expected to possess a rather high level of self-study skills, the school needs to invest a much smaller amount of time in designing novel executive courses. Consequently, the content of these executive courses can be much more timely, thus increasing the economic value of the human capital acquired through these courses. Deans are well advised not to view the self-study skills of their students as a competitive threat. Quite the contrary; they should actively promote and nurture these skills. After all, a network of alumni with a high level of self-study skills will be a strategic resource for a school of the first order.

10.7 The Potential of Business Schools’ Country and Region Focused Internationalization Strategies

For nations and firms, exports are crucial for growth. However, business schools are small organizations, and small firms have a disadvantage in exporting their products and services vis-à-vis large corporations. Because of their quite limited marketing budgets, small firms typically have to focus their export activities at the beginning of their expansion process on just one country, a small group of countries, or a region. The same applies to business schools, which immediately raise questions for business school deans such as: Is our home country a competitive location in the higher education market? And on which country or

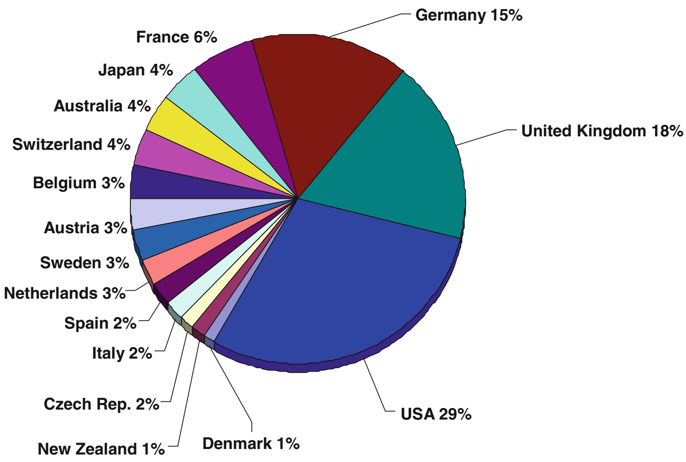

Fig. 10.1 Shares of OECD countries in the market for foreign students. *Source* Education at a Glance 2007, OECD Indicators, Table C 3.3

countries should we focus our marketing activities? This last chapter of our article will present some quantitative data which allow us to give some tentative answers to these questions.

Policy makers as well as university deans need to know more about the competitiveness of their home country in the market for international students. Eurostat and the OECD are gathering a wealth of data about foreign students and we draw here on these sources. Figure 10.1 shows the market shares of OECD countries in the market for foreign students (the numbers, however, are based on a total comprising OECD countries only). As expected, the USA appears as the leading country in the market for foreign students. Its share is about 60 % larger than the one of the second most important country, the United Kingdom.

However, market shares are the wrong indicator to rank the competitiveness of countries in the market for foreign students because they are heavily influenced by the size of the education sector at home. Consequently, it is not surprising that a country with more than 300 million inhabitants has a market share that is more than two and a half times as large as the market share of Germany, a country with a population of less than a third of that of the USA. To take account of these country size effects the OECD developed an index which is more informative about the real competitiveness of a country. Figure 10.2 shows this indicator for various OECD countries. This index compares the share of foreign students among all students in a particular country with the average of that share across all OECD countries. Values of the index above one signal a high degree of competitiveness, whereas index values smaller than one show below average competitiveness. Surprisingly, much of the ranking of the market share index is reversed. The USA appears as a country with below average competitiveness in the world market for foreign students. France, Germany, and the Untied Kingdom rank much higher, but smaller countries like Australia, Switzerland, and Austria hold the top positions.

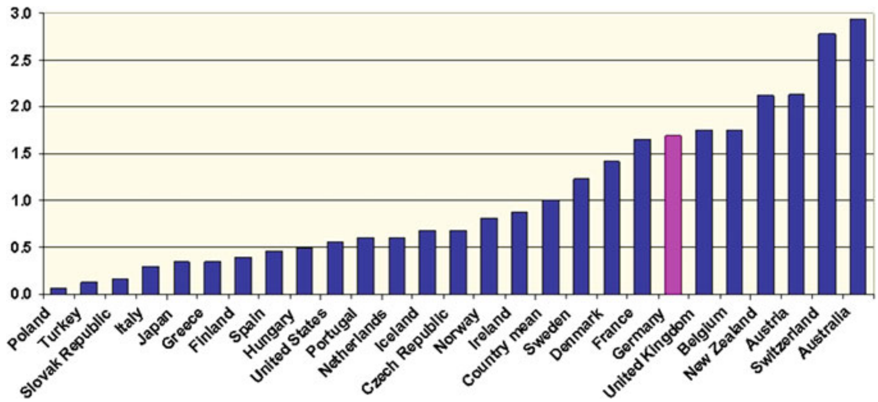

Fig. 10.2 Index of intensity of foreign students' intake relative to OECD reference area (2003). *Source* Education at a Glance 2005, p. 267, OECD (2005) Indicators, Table C 3.1

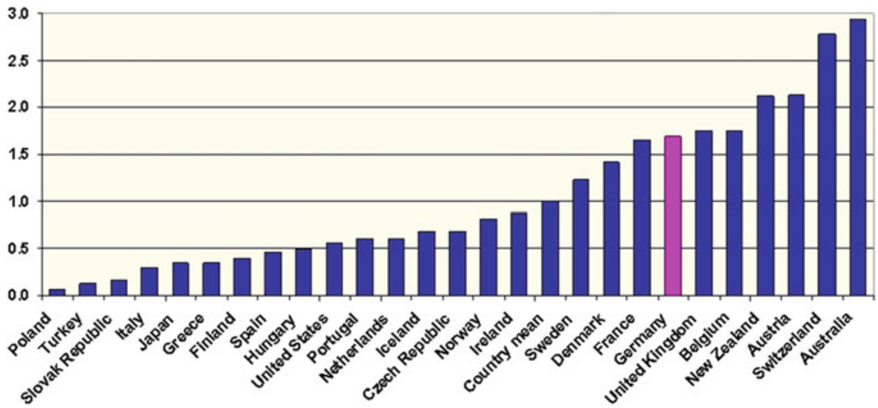

Fig. 10.3 Change of the domestic share of foreign student enrolments (1998–2003) in OECD countries. *Source* Education at a Glance 2005, p. 267, OECD (2005) Indicators, Table C 3.1

Another indicator that is important for the assessment of the growth prospects for business schools is the change of the domestic share of foreign student enrollments in that country as compared to other OECD countries. Figure 10.3 shows these shares. The two leading countries with market shares, the USA and the United Kingdom, are far behind other OECD countries with respect to growth rates. They may have reached a saturated stage. Germany is in the middle but behind France, Australia, and New Zealand for example.

For crafting a country- or region-focused internationalization strategy, it is important to know which countries view the home country as an attractive place to study and send a relatively high share of their foreign students there. By now, Eurostat compiles data which allows us to see the countries in Europe that European students choose when studying abroad. From these data it appears that

Table 10.2 'Foreign trade' in the market for higher education within the EU (shares of students enrolled in higher education according to citizenship and destination countries; study year 2005 in %)

Countries of Origin OECD Countries	Countries of Destination Germany	USA
Austria	52.5	7.8
Czech Republic	34.7	13.4
Hungary	36.4	12.3
Italy	19.9	8.8
Luxembourg	31.0	0.6
Poland	49.0	9.2
Spain	21.8	14.1
Switzerland	22.6	14.8
Turkey	48.9	25.0
Total from OECD Countries	14.0	27.3
Partner Countries		
Brazil	9.0	38.3
Chile	6.8	38.0
China	6.7	22.8
Estonia	17.8	6.8
India	3.1	60.4
Israel	9.6	27.3
Russian Federation	28.3	12.3
Slovenia	23.0	11.8

Source Education at a Glance 2007, OECD (2007) Indicators, Table C 3.3 (selected countries)

Germany is the preferred country by foreign students in: Turkey, where 77 % of all Turkish students that study abroad do so in Germany, followed by Austria (68 %), Poland (61 %), Bulgaria (47 %), Czech Republic (43 %), Latvia (44 %), Lithuania (34 %), Slovenia (34 %), Luxembourg (29 %), Italy (22 %), and the Federal Republic of Yugoslavia (19 %). These numbers are quite useful when crafting a marketing strategy. Table 10.1 gives the detailed picture of foreign trade relations in the European market for foreign students for the year 2000/2001 and the interested reader can find updates of this data on the OECD website.

For 12 European countries, the UK is the most popular destination country for students studying abroad. Despite the language barrier, Germany runs a close second with 11 countries, followed by France with three countries. The next Table 10.2 shows where foreign students from some selected OECD and non-OECD countries go to. Germany is the number one destination for students from Central and Eastern Europe, but also for Italy, Austria, and Switzerland.

What is interesting to note here from a German perspective is that 6.7 % of the Chinese students that study abroad do this in Germany, as compared to 22.8 % who do so in the US. Since the US is about 3.7 times as populous as Germany, the share would have to be 24.8 % if those Chinese students that study abroad would view both countries as equally attractive. In other words, with respect to the group of Chinese students who chose to study abroad, Germany was more competitive in 2005 than the US. The competitive edge is even more pronounced with students from Israel. Given the share that Germany attracts from this student group and given the differences in population sizes, the US would have to draw 35.5 %, yet attracts only 27.3 % of the Israeli students.

Certainly, these are aggregate numbers combining foreign students from all academic fields and not just business administration, economics, finance, and related fields. However, these figures show that the perceived dominance of the US in attracting foreign students from all over the world is no longer there. Other countries have emerged that are equally, if not more competitive, than American schools. Despite the poor showing of German business schools in international rankings, these data about international student mobility nurture at least some hope that there is considerable potential should business schools outside of the US pursue their internationalization strategies.

10.8 Conclusion

Palmer and Short (2008) provide evidence indicating that a substantial share of business schools in their sample do not pay much attention to achieving long-run organizational goals. Yet as we showed in our paper, advances of the microeconomic analysis of the higher education industry and credence good industries as well as the tools of strategic management can help business school deans in designing strategies for growing their organizations. Now, let us briefly summarize the main insights that can be gained from our paper:

1. From the microeconomic analysis of credence good industries it directly follows that business schools will enjoy a competitive advantage if they are not-for-profit organizations. Such organizations do not have the same type of incentives as for-profit business schools to take advantage of the asymmetry of information about the true quality of the educational offering. Therefore, they enjoy a competitive advantage vis-à-vis their for-profit competitors.
2. Business schools teach professionals, not researchers. Consequently, the quality of the scholarship of their faculty is multi- and not one-dimensional and business schools should pay attention not only to the quality of scholarship of discovery (research), but also to the quality of the scholarship of integration (synthesis), the scholarship of practice (application), and the scholarship of teaching (pedagogy).
3. This plurality of scholarships that is relevant for professional schools including business schools opens a multidimensional space for differentiation strategies to position the school.
4. Furthermore, there is a large body of literature that criticizes the current practice of business school education. Instead of falling prey to the homogenizing pressures from newspaper rankings and accreditation processes, the

shortcomings identified there should be the beginning for designing innovative differentiation strategies.

5. New business schools pursuing differentiation strategies should form an alliance that offers students a web-based interactive tool which allows them to design their own personal quality ranking of business schools.
6. Business schools that are about to enter the market should devote a substantial amount of time and resources to investigate the criteria that business school students—not business magazine journalists—apply when selecting their school.
7. In order to increase the transparency of the market for business degree programs and to reduce the quality uncertainty of their offerings, business schools should use e-learning tools for offering free educational samples. Thereby, they could effectively lower the barriers to entry for new business schools that currently severely impede their growth.
8. Deans are advised not to view the self-study skills of their students as a competitive threat. Quite the contrary; they should actively promote and nurture these skills. After all, a network of alumni with a high level of self-study skills will be a strategic resource for the school of the first order.
9. For designing internationalization strategies, business schools outside the US should recognize that the perceived dominance of this country in international trade in the market for higher education when measured by their market shares does not give an accurate picture of its competitiveness. Other, more informative indicators show that countries like Australia, Switzerland, Austria, and New Zealand clearly are more competitive in these markets than the US.
10. When allocating the quite limited marketing budgets for executing business schools' internationalization strategies, their deans should focus on those countries that send relatively large shares of their students who study abroad to the country where the school resides. OECD and Eurostat data by now make the differential competitiveness of receiving countries with respect to the sending countries transparent.

In summarizing, we may answer the question quite simply whether or not new business schools can, by applying the tools of strategic management and economic analysis, become successful and grow despite the tough competition from highly ranked incumbent schools. The short answer is: "Yes, they can!"

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