

Chapter 9

Managing and Positioning of a Private Business School in Germany

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9.1 Introduction to HHL: Leipzig Graduate School of Management

HHL—Leipzig Graduate School of Management (HHL), founded in 1992 after German reunification, is today one of the leading business schools in Germany. It is a private institution of higher learning, recognized by the Free State of Saxony, with the right to confer doctoral degrees ('Dr. rer. oec.' and 'Dr. habil.'). HHL continues the tradition of the renowned Handelshochschule Leipzig, which was established in 1898 as the first German business school, modeled on the French Grandes Écoles de Commerce. Professor Eugen Schmalenbach, the nestor of Betriebswirtschaftslehre, the more academic successor of the early versions of Business Administration, was one of its first students in 1898. Handelshochschule Leipzig, and with some right HHL, is thus often considered to be the cradle of Betriebswirtschaftslehre. This German version of Business Administration was crucial for the creation and development of some areas of today's academic business administration, which are taught in business schools all over the world.

HHL offers various study programs in general management with a strong focus on the development of key qualifications, 'soft skills', which are deemed necessary for today's business leaders, including strong social and intercultural competencies. A synthesis of theory and practice and, in this context, a close cooperation with national and international companies support HHL in its endeavor to cater to the needs of private enterprise.

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With approximately 300 students and 50 professors, research assistants, and guest lecturers, HHL is a comparatively small institution. However, it makes best use of the resulting excellent relationship between lecturers and students for the benefit of the latter. Almost 100 partnerships with first-class business schools worldwide together with a substantial number of foreign students render HHL truly international. To date it is one of only a handful of institutions of higher learning in business administration in Germany, which are accredited by the Association to Advance Collegiate Schools of Business (AACSB) International.

As a graduate school HHL offers master programs in general management with the degrees ‘Master of Science (M.Sc.)’ and ‘Master of Business Administration (MBA)’. Due to HHL’s international orientation with classes of students from 25 or more different countries, programs are conducted in English and last from 18 months (full-time) to 24 months (part-time). HHL’s part-time programs are geared to professionals with significant work experience, who wish to accelerate their personal and career development, without giving up their current job.

Participants in the doctoral program are research associates supervised by the HHL chair holders, and also professionals investigating a research topic closely related to their work in the context of a doctoral dissertation. In contrast to the situation at most universities in Germany, HHL’s doctoral program is already modeled to conform to the regulations of the Bologna Process, including courses at an advanced level, a summer school, and research colloquia. Credit points are awarded for the successful completion of each of the components of the program. Furthermore, the modularized structure allows for a considerable degree of flexibility with regard to participants’ individual time constraints.

9.2 The Market for Higher Education in Germany

9.2.1 Public and Private Institutions of Higher Learning

The vast majority of institutions of higher learning in Germany are public, state-funded institutions (Universität, Fachhochschule). There are almost 400 public universities and private institutions of higher learning, whose degrees are recognized by public authorities. Of these approximately 70 are considered to be private or, to be more precise, non-public. The latter number varies according to the definition of ‘private’. Moreover, both numbers are growing with more and more new institutions, both public and private, entering the market.

If we look at the student numbers we gain a somewhat different picture of the relevance of private tertiary institutions in Germany. Of the approximately 1.8 million students in Germany, only about 3 % attend a private or non-public institution. On the other hand, if we consider higher education exclusively in economics and business administration, about 20 % of all students study at non-public institutions, albeit only 2 % in those private institutions which have the

right to confer a doctoral degree, and are thus considered to be research or academic institutions of higher learning.

With about 300 students, HHL thus has a substantial share of almost 9 % of the approximately 3,500 students in Germany, who study economics or business administration at a private research-oriented institution of higher learning. These numbers date from 2003, but with some probability today's numbers will not be too much different (http://www.alpheios.de/fileadmin/dateien/Private_Hochschulen_in_Deutschland.pdf).

9.2.2 Market Analysis: Programs and Services of Institutions of Higher Learning

The fact that there are no or only minimal tuition fees for a degree program at state-funded institutions is of course of utmost importance with respect to the positioning of a private business school. The immediate consequence is that programs in business administration offered at private business schools constitute, at first glance, a very expensive alternative to the corresponding programs of the state-funded public universities with tuition fees of at most 500 Euros per semester.¹

However, study programs differ not only with respect to their degrees or tuition fees, but also with respect to the content and, even more importantly, the way this content is delivered. Moreover, services offered to the students in the form of round-the-clock access to the relevant infrastructure or advice regarding their career plans gain more and more importance with a growing customer orientation of the institutions. And it is exactly with respect to these issues that small private institutions have a clear advantage over the large public universities—if they know how to make use of it. Appropriate marketing strategies to effectively communicate these additional benefits, which are offered over and above the regular study program and which can be very valuable for a graduate's successful career start, are therefore indispensable. We will later return to this point.

Another aspect which is relevant for a thorough market analysis is the number of degree programs offered in business administration in Germany. This is of particular interest with respect to the MBA programs, which are 'mushrooming' in Germany with currently probably more than 100 institutions, both public and private, offering an increasing number of MBA programs. Again, these programs differ widely with respect to many characteristics, most important among them certainly the academic quality and reputation of the degree-granting institution. In addition to that, it is worth mentioning here that public universities often hesitate

¹ Some of the German states (Länder) meanwhile require public universities to charge a tuition fee of 500 Euros per semester. Moreover, public universities may also impose a fee on some non-consecutive master programs.

to offer evening or weekend programs for executive or further education. Besides a limited capacity regarding lecturers the remuneration for faculty at public universities is strictly regulated by the public sector in Germany. As a consequence, it is generally difficult for these institutions to deliver part-time programs outside of regular university hours.

Nevertheless, public institutions in higher education are gradually changing. An increasing number, among them University of Mannheim, Technical University of Dresden, and Technical University of Munich, just to name a few, have recently established private legal entities serving as platforms for developing and delivering part-time and executive programs in close cooperation with their home universities. These institutions are Mannheim Business School GmbH (<http://www.mannheim-business-school.com>), Dresden International University GmbH (<http://www.dresden-international-university.com>), and UnternehmerTUM GmbH (<http://www.unternehmertum.de>), respectively. By outsourcing further education in general and executive education in particular to their private subsidiaries, these public universities can thus avoid, at least to some extent, the intricacies and difficulties associated with the regulations for the public sector in Germany.

In addition to that, public institutions are now surprising the market with an increasing service orientation. They are starting to show they care about their alumni by establishing and cultivating alumni networks, they are offering career services for their graduating students, and they even seek closer contact with private companies, which was, until recently, beyond the horizon of many of the strictly academically oriented universities. All these observations are clear indications for changes in the perception of what public institutions of higher learning are, what they could be, and what they should become in the near future. The publicly funded providers of higher education are thus in a period of transition with direct and profound consequences for private institutions in general and private business schools in particular.

While there still seem to be enough possibilities open to private institutions to differentiate themselves, nevertheless, it is crucial to find and adopt the right strategy in this increasingly complex market with some national and also more and more international players setting high standards or at least aiming to do so. Again, we will return to this point later.

9.2.2.1 Market Analysis: The Bologna Process

The Bologna Declaration was adopted by the education ministers of 29 European countries at their meeting in Bologna in 1999. It is an attempt to reform the structures of the national higher education systems in a convergent way to develop a European Higher Education Area among the meanwhile almost 50 participating countries. The associated Bologna Process originates from the recognition that in spite of their differences, European higher education systems are facing common internal and external challenges related to the growth and diversification of higher education, the employability of graduates, the shortage of skills in key areas, and

the expansion of private and transnational education. The Bologna Declaration intends in particular to facilitate coordinated reforms with respect to compatible systems of higher education (<http://ec.europa.eu/education/policies/educ/bologna/bologna.pdf>).

The Bologna Declaration was followed by the Prague Communiqué (2001), the Berlin Communiqué (2003), and the Bergen Communiqué (2005). The most recent meeting took place in London in 2007; the results were documented in the London Communiqué. The next Bologna Ministerial Conference will take place in Belgium in April 2009.

The London Communiqué attested, among other things, good progress at national and institutional levels toward the goal of a European Higher Education Area based on the three-cycle degree system. The number of students enrolled in courses in the first two cycles has increased significantly and there has been a reduction in structural barriers between cycles. Efforts should, however, concentrate in future on removing barriers to access and progression between cycles and on proper implementation of the European Credit Transfer System (ECTS) based on learning outcomes and student workload (<http://www.dcsf.gov.uk/londonbologna>).

The Bologna Process affects the German system of higher education more than most other participating countries because the traditional and internationally renowned German two-cycle degree system (diploma degree, doctoral degree) has to be replaced by the three-cycle degree system (bachelor degree, master degree, doctoral degree). This is a tremendous challenge, in particular for the public universities offering sometimes more than 100 different and diverse study programs. The fact that German authorities require bachelor and master programs to be accredited by special accreditation agencies adds to the complexity of these structural changes, which should be completed by 2010. Statistics for the academic year 2006/2007 show that 45 % of the approximately 11,500 study programs in Germany are already delivered as bachelor or master programs. More details are provided in the publications of the Standing Conference of the Ministers of Education and Cultural Affairs of the Länder in the Federal Republic of Germany (<http://www.kmk.org>).

What does this Bologna Process imply for a small private business school in Germany? There are two principle aspects: one offering an opportunity, the other providing a further challenge.

The great opportunity for private institutions, especially for smaller ones, is that they can typically react much faster regarding structural changes than a large public university. Thus, most private business schools already switched to the two-cycle degree system (if they have no doctoral programs) or to the three-cycle degree system (if they have the right to award doctoral degrees) a few years ago. They are therefore now profiting from a first-mover advantage if they developed innovative and attractive programs which continue to find the interest of students in the European Higher Education Area in general and in Germany in particular. The fact that the period of two years it usually took to get a Vordiplom (comprehensive intermediate exam in German diploma programs) is now replaced

by the period of three years it usually takes to get a bachelor degree will cause only a temporary decline in the number of potential candidates for master programs, and thus constitutes only a minor challenge for the admission departments.

A much greater challenge results from the permanent shift in competition regarding the acquisition of students from the German level to the far more demanding European level. With respect to the former Diploma programs, competition among business schools for candidates took place essentially on a national level. The creation of the European Higher Education Area opened the German system of higher education for students from all over Europe, indeed from all over the world. The fact that the number of potential candidates has increased dramatically is at least partially offset by the fact that future students have the choice between significantly more study opportunities at excellent and internationally renowned business schools in Europe and abroad.

Thus, the Bologna Process requires German institutions of higher learning to be significantly more visible in other European countries than was previously the case. This is particularly true for top-ranked private institutions, which have to develop quickly into top-ranked European institutions. To achieve this goal, an institution must have a certain critical mass. The success of the necessary growth process is, however, first and foremost not only a question of financial means, but also a question of an appropriate strategy and, last but not least, of sufficient support from the various groups of stakeholders. This could become a challenging task as these issues are, at least to some extent, dependent on the excellent reputation of an institution. Consequently, small institutions will have to grow slowly in relation to the financial means which are at their disposal in order not to jeopardize the quality of their programs.

9.3 Positioning of a Private Business School: The Example of HHL

The competitive environment for universities in general and for private business schools in particular is changing dynamically, and “universities in transition” must undergo a strategic re-positioning in order to keep abreast of their international peers. This is especially true for private institutions.

In Germany, these changes are, to some extent, driven by the Bologna Process with the creation of the European Higher Education Area, which shifts competition between institutions of higher learning from a national level to a European level, and which encourages these institutions to offer a variety of new and innovative study programs within the worldwide recognized three-cycle degree system. In view of the demographic changes in most industrialized countries it also induces fundamental changes in the service orientation of many public universities in order to stay attractive or to become more attractive for future students. Moreover, the crisis on the financial markets followed by a gradually emerging economic downswing in the

industrialized world poses an additional challenge—in particular for private institutions, which are more dependent on financial support from the private sector.

What does all this mean or imply for the positioning or, more precisely, for the re-positioning of a private business school? How can a private business school in Germany react appropriately to these rapidly changing competitive forces—both on the national and the European, if not international level? We will open this chapter with a careful analysis of the characteristics of the services provided by a private business school, which are necessary in order to survive and prosper in the current environment. We will take HHL—Leipzig Graduate School of Management as an example of a small private business school, which is exposed to these forces.

9.4 Positioning and Re-Positioning the Services

At HHL the slogan ‘Your Path to Success’ provides in combination with the mission to educate effective and responsible business leaders and HHL’s presentation as ‘Your Personal Business School’ an excellent characterization of this business school’s services. With Your Path to Success HHL succeeds in attracting the interest of potential candidates, who as students ask for more than just outstanding degree programs, who as professionals ask for more than just some arbitrary further education or executive program, or who as representatives of business companies seek to recruit well-educated and multi-talented graduates and ask for more than just some standard proposals for a strategic positioning of their company. And with the commitment which is expressed in Your Personal Business School HHL can successfully prove that it keeps its promises regarding an unusually high, individually tailored service orientation backed by academic quality.

9.4.1 Students as Life-Long Clients

Students at HHL obtain much more than a degree in an excellent and highly international study program with a strong focus on leadership qualifications. They are offered nothing less than the integration into a life-long academic and corporate network which provides them with support for their professional career—as long as they wish and to whatever extent they prefer.

All this starts with the first contact by potential students in the context of a formal or informal inquiry, participation in a workshop, or visit to HHL on the occasion of an Information Day. An administrative mentor takes care of the prospective students and answers all their questions. Graduating students or alumni act as academic mentors and provide guidance concerning HHL’s academic structure and corporate philosophy.

The enrollment of the new students into the various study programs in early September marks a first important milestone. During the Welcome Event students of all programs are brought together to work on a particular practice-oriented task in small teams. From the very first day of their program they are thus offered opportunities to get to know each other; this is often the beginning of a life-long friendship. Again, the mentoring provided by older students and alumni helps the freshmen to become almost immediately familiar with life at HHL, with the 24/7 facilities, and the easy access to both academic and administrative staff. The concept of Your Personal Business School, enabled by the HHL's small size, starts to reveal its advantages for the students.

The Welcome Event is then followed by a variety of company presentations. These provide an insight into the world of business and a good opportunity to come into contact with potential employers, who appreciate the quality of the HHL graduates and who want to establish close ties with these young students as early as possible. Students can then deepen these initial contacts through internships at one or sometimes even two of these companies. Career Services at HHL is responsible for developing, cultivating, and intensifying HHL's relations to business and accompanies the students through their study period. The Career Services staff members provide valuable advice and help each student find his/her optimal entrance into the world of business. This extends beyond graduation day: HHL alumni can also approach Career Services and ask for support at any time if they have special needs in their professional life.

HHL's academic programs are characterized by a synthesis of theory and practice and are based on close cooperation with national and international companies. Field projects and professionally qualified lecturers from the private sector convey to students a hands-on understanding of what it means to be in a position of responsibility in a company, e.g., having to make decisions which may have potentially dramatic effects on the further development of the company despite having only incomplete information available. HHL's innovative, but resource-intensive concept of co-teaching allows students to acquire a holistic view of the world of business. The relationships between marketing and finance, for example, which tend to become neglected due to an ever-increasing specialization, can thus be "rediscovered". And the various subjects of business administration can be directly embedded into a context of sustainability—underscoring HHL's mission to educate effective and responsible business leaders.

The Integrated Management approach, which provides the framework for the academic education at HHL, perceives business companies as dynamic systems with a need for continuous adjustments to the environment, but which themselves shape this environment through their decisions (Meffert 1997, pp. 4–21). This perception of the complex world of business "requires versatile thinkers who have benefitted from a broad education and research orientation avoiding over-specialization" (Meffert 1996) and calls for "an education which places emphasis on creative leadership behavior in conjunction with social competence" (Meffert 1996).

For these reasons, education at HHL and, interestingly, more than a century ago at the former Handelshochschule Leipzig has always focused on the whole person:

the development of analytical and problem-solving skills, and also the development of soft skills, of competencies, which are deemed indispensable for business leaders. Team work, intercultural experiences, student initiatives, and leadership presentations by renowned executives expose students to the challenges of real life, helping them to grow as a person. Needless to say that beyond analytical skills at least traces of these soft skills should characterize a student, who wants to study at HHL. It is therefore the pre-eminent task of the admissions committee to identify leadership potential in applicants to HHL's study programs.

The fact that human resources managers from the private sector are integrated into the admissions process helps to find and select appropriate students. This in turn is a crucial part of HHL's business model: when prominent employers understand HHL's policy for the selection and education of future executives, they are usually interested in coming to the business school for company presentations, hosting field projects, and inviting students for internships; furthermore, they tend to become more approachable regarding donations and financial support.

Interesting in the context of leadership competencies is also the composition of the classes with respect to the study background and the first academic degree of the students, and, in the case of part-time and doctoral students, also with respect to their professional activities. HHL's typically highly diverse student body with a substantial number of international students leads to cross-professional and cross-cultural encounters and to discussions from which all students benefit. As HHL's M.Sc. students are required to spend one term abroad at one of the almost 100 renowned partner institutions, many exchange students from all over the world help make HHL a truly international business school. Intercultural competencies are moreover stimulated by HHL's policy to send only one, in exceptional cases two students to a particular partner institution in a given period of time.

After their graduation, HHL students are encouraged to join the alumni network which provides further support for their professional career and which operates in close cooperation with Career Services. An Alumni Officer takes care of the special needs of the alumni, maintains their academic relations to HHL, and develops and strengthens their emotional ties to their Alma Mater. The mentoring program in which HHL alumni look after applicants to HHL's study programs and freshmen completes the cycle and helps to bring students and alumni together.

The question arises to what extent HHL's explicit service orientation provides a USP, a Unique Selling Proposition, with respect to public universities on the one hand and to other private business schools on the other. It seems to be obvious that the large public universities with sometimes tens of thousands of students can hardly compete with a small private institution in terms of career or alumni services or the special support offered to the students during their study program as outlined above. Also, a small business school can adjust more quickly the structure of the academic programs and the way they are delivered. The successful provision of these services is dependent on the concept of 'Your Path to Success' in combination with 'Your Personal Business School', which requires not only human resources but also a holistic approach to programs in business administration.

Things are more difficult with respect to a differentiation to other private business schools with educational concepts comparable in terms of quality to those of HHL. However, like other top-ranked business schools in Germany or Europe, HHL succeeds in convincing potential candidates to choose HHL for its leadership orientation, the quality of its services, and its academic reputation. Because a business school should be excellent with respect to all its programs and services, it is usually not advisable to develop a rather narrow USP. Of course, this might help to attract some students, but can also keep potential candidates from applying to this particular institution, because they are not willing to agree with such a special orientation which, moreover, could depend on developments outside the control of the business school. Some unexpected political or economic events can then badly damage this ‘USP’. For these reasons it seems to be preferable to rely upon the principle of being an ‘excellent’ business school—excellent with respect to each of the programs offered, with respect to academic research, and with respect to the services provided both to the students, and also to the public in general and to HHL’s stakeholders in particular.

The institutional accreditation of a business school by an internationally renowned organization such as AACSB International or EFMD should not be underestimated in this context. Both AACSB and EQUIS accreditations are recognized worldwide as a seal of approval given only to excellent institutions with excellent programs delivered by motivated and academically or professionally qualified faculty. HHL is currently one of only three German business schools or faculties, which are institutionally accredited by AACSB International. In addition, HHL’s study programs are accredited by ACQUIN, a prominent German agency approved by the Akkreditierungsrat. This national accreditation of the study programs is required according to the German regulations for the Bologna Process.

In summary, it is the philosophy of Your Path to Success in combination with Your Personal Business School which help HHL—Leipzig Graduate School of Management to position its study programs successfully in this dynamically changing environment.

9.4.2 Professionals as Clients

Executive education in business administration in Germany is most often provided by private institutions, as outlined above also by private institutions which operate closely with a public university in the background. One reason is that further education in the form of degree programs has only recently become part of the services public universities should offer, at least in principle.² Another reason is that

² E.g. the Law for Universities in the Free State of Saxony from December 10, 2008, obliges universities to offer further education (cp. [http://www.smwk.sachsen.de/download/HG-Gesetz\(2\).pdf](http://www.smwk.sachsen.de/download/HG-Gesetz(2).pdf), §38). In earlier versions of this law universities were only asked to develop and offer study programs in further education.

many of these executive programs with or without a degree have to be delivered in the evenings or during the weekends. In combination with insufficient possibilities for appropriate remuneration, the motivation of the faculty of a public university to provide executive education in addition to the regular study programs, which require most of their attention, is most often rather limited.

This constitutes an excellent opportunity for a private business school. Not surprisingly then, almost all private business schools in Germany offer programs in further education. The range extends from full-time to part-time MBA programs and to executive programs with certificates but without a formal degree. HHL's study programs currently include a full-time and a part-time MBA program in general management with especially the part-time program attracting executives with considerable work experience.

HHL's subsidiary HHL Executive currently offers tailor-made programs for executives of renowned companies, which operate not only in Germany. Open enrollment programs with courses covering key topics in the area of general management are currently being introduced.

According to HHL's philosophy of Your Personal Business School, these executive programs are service orientated and, as made-to-measure advanced training programs and seminars, suit the requirements of the customers, be they companies or individuals. For these programs, HHL's small faculty is often complemented by external faculty consisting of former HHL professors or other experienced academically or professionally qualified lecturers. In addition to the regular faculty a "virtual" faculty is thus at HHL's disposal, and finding the right lecturer for a specific course is, in general, not a big deal.

Actually, this virtual faculty allows more flexibility with respect to assigning appropriate lecturers to a particular course. Moreover, guest faculty from other universities increases the visibility of HHL in the academic environment, and professionally qualified faculty emphasizes the practical orientation of HHL and its close cooperation with the private sector.

What then is HHL's advantage in comparison to other private providers of programs in executive education in management, which are continuously increasing in number? Of course, HHL Executive profits from HHL's reputation. Thus, the non-degree programs for executives are considered to be the programs of a renowned German business school. Moreover, due to its relatively small size, HHL can attract special clients, e.g., graduates of the humanities or from fine arts, and integrate them into its MBA programs without establishing a separate study program for these candidates. On the one hand this helps to increase the academic "diversity" in class, on the other hand, the MBA degree can certainly help to attract the interest of business companies in these graduates as potential employees. Bigger companies sometimes prefer graduates from the humanities for special tasks, e.g., in corporate communication or human resources development.

Again, the philosophy of Your Path in Success combined with Your Personal Business School allows a positioning of a private business school with respect to further education and executive programs. Private business schools seem to have a clear advantage over public universities although public institutions are currently

intensifying their efforts to get more than a foot into the profitable markets of academic executive and further education.

9.4.3 Business Companies as Clients: The HHL Open School Initiative

The most effective forms of knowledge transfer from universities to the world of business involve human interaction and try to bring together people from companies and universities. However, the biggest challenge when it comes to encouraging business-university collaboration lies in stimulating the demand from companies, rather than in increasing the supply of products and services from universities—this is at least the result of various recent investigations in this important field (Lambert 2003).

With its Open School Initiative, for which it received a first prize in a national competition announced and funded by the Bundesministerium für Bildung und Forschung and the Stifterverband für die deutsche Wissenschaft, HHL tries to close this gap between academia and business. Eugen Schmalenbach's vision of a collaborative generation of knowledge between universities and companies is integrated with the latest developments in the area of Open Innovation to stimulate exchange processes and the transfer of knowledge, and to foster and accelerate innovation in companies. As Eugen Schmalenbach was one of the first students of the Handelshochschule Leipzig in 1898, the HHL Open School Initiative revisits an issue which had already gained considerable importance some 110 years ago.

Exchange processes between academia and business permeate all aspects of HHL. As mentioned above, they first of all characterize the study programs with the participation of professionals in the admission committees, with their real-life field projects, with their company presentations, with their student initiatives and the clear leadership orientation. A speciality in this context is HHL's program in International Entrepreneurship, which helps to position HHL as Your Entrepreneurial Business School in the business environment of the Free State of Saxony and of Germany. With this program, HHL provides support for small- and medium-sized companies, especially with respect to the problem of finding and establishing an appropriate successor as managing director of such a company. Moreover, HHL successfully educates and cultivates the entrepreneurial spirit and supports the start-ups launched by HHL graduates. Despite its small size, more than 70 start-ups have emerged from HHL since 1998, the year the first graduates left the re-founded HHL, creating more than 1500 jobs, many of them in Leipzig and in Central Germany. Quite a few of these young companies have received awards in business plan and start-up competitions. This network of successful start-ups helps to develop and foster HHL's competence as Your Entrepreneurial Business School.

The HHL Open School Initiative recognizes the gradual shift of innovation management from a model of 'Closed Innovation' to a model of 'Open Innovation'.

This development, sometimes characterized as ‘Democratizing Innovation’ (von Hippel 2005), pursues the goal of not only integrating academia, but also stakeholders, in particular customers, into the process of innovation management.

It is the vision of the Open School Initiative to establish HHL as an institution for this kind of collaborative generation of management knowledge. HHL addresses the core subjects in management (strategy, marketing, innovation, finance, and controlling) in a close and personal cooperation with business companies. Both sides benefit from this initiative: the companies receive valuable advice and access to the latest research results in management; HHL students have the opportunity to become familiar with real problems in the business world. This is, once again, a clear aspect of Your Personal Business School, characterizing HHL as a first mover with regard to implementing the goals of the Open School Initiative.

9.5 Managing a Private Business School

The dominant goal of the management of a small, private business school in Germany is to support this process of adaptation to a fundamentally changing environment for institutions of higher learning and to provide guidance to faculty and administrative staff.

9.5.1 *Managing the Process of Adaptation*

It is the responsibility of the management of a business school to ‘steer’ the institution through the ‘troubled waters’ which inevitably accompany this process of transition. The executive management, dean and chancellor, must come up with the right instruments at the right time and safeguard a ‘balanced’ growth in all parts of the business school according to the financial means available. Last, but not least, the stable financial development of the institution is a *conditio sine qua non* for the entire process.

This process requires a firm commitment to a strategy, which has to be the joint effort of the faculty and the heads of the administrative departments with further input and significant support from students, all employees and relevant stakeholders. The latter includes of course the shareholders, the members of the supervisory and the advisory board, and also the alumni, corporate partners, including start-ups, and the public administration, not only if financial support is needed or expected from these groups.

The process of transition itself is dependent on various framework conditions which are external to the business school. The regulations of the Bologna Process are a good example for this, requiring the transition from the traditional and esteemed two-cycle degree system to the three-cycle degree system, which was until recently

not very well known in Germany. The willingness to switch to this new system was therefore limited, also because there was, at least for many academic subjects, no objective necessity, and no obvious need to adopt the new system.

The situation was a little different for business schools and faculties in business administration which have always been characterized by a large number of international students and very active programs for student exchanges. The completely different degree systems proved to be not very helpful for a further internationalization of the study programs. Therefore, business schools, in particular the private ones, were among the first institutions to adapt their programs to the new requirements. The executive managements of the private business schools in Germany recognized at an early stage the opportunity to improve the education of future business leaders who are going to face the challenges of an increasingly globalized world.

Nevertheless, there is the problem that in particular some large public universities switched only recently, one or two years ago, to the new system. The consequence is that graduate schools, such as HHL—Leipzig Graduate School of Management, have to deal with a comparatively small number of bachelor graduates in economics and business administration.³ This fact is aggravated by the longer duration of the bachelor programs (typically three years) in comparison to the former Vordiplom (two years).

The marketing departments of the business schools had to propose and develop appropriate instruments to bridge these periods with a small number of potential candidates. In addition, it was necessary to “transfer” the reputation of the traditional diploma programs to the new master programs. For a private institution this is very important although it is not at all an easy task to accomplish. At HHL the concepts of Your Path to Success combined with Your Personal Business School proved helpful in addition to the active integration of stakeholder groups, in particular representatives of companies, into the development of the master programs. New programs, such as a part-time M.Sc. program, are in preparation and are oriented toward those bachelor graduates who started to work immediately after their graduation.

Furthermore, with its Open School Initiative HHL has succeeded in attracting the corporate interest in its degree and non-degree programs. The fact that this initiative is new with regard to its implementation on the one hand, but traditional with regard to its philosophy on the other, helped HHL to promote it with increasing returns. The visibility of HHL, still a small, private business school in the eastern part of Germany, has been significantly enhanced in Germany through the attention HHL is currently receiving in the media.

³ In 2007 there were less than 6,800 bachelor graduates in the humanities (law sciences, economics and business administration, social sciences) in Germany. This is still a small number in comparison to approximately 94,000 graduations in these areas altogether with a vast majority of graduations in diploma programs. Cp. the reports of the HRK (Standing Committee of Rectors and Presidents) in Germany.

How can a small, private business school increase its visibility at a European level? One strategy, also applied by HHL, is to establish an intense cooperation with other prominent business schools in Europe. This cooperation may result in a joint degree program or in a joint executive program. In each case both HHL and the partner institution benefit from increased public attention on the European level in the short-run.

For a sustainable penetration of the European market, a business school has to be large enough to become a significant player in the European league of business schools. The accumulation of the financial means to fund the necessary growth process is a challenging task in times of a financial market crisis and an economic downswing.

9.5.2 Providing Guidance to Faculty and Staff

As in any other business company, the management of a business school is reliant on the support of its faculty and staff when it comes to adjusting the strategy in reaction to changes in the framework conditions. All stakeholder groups must be kept informed about necessary changes in the strategy. In the case of a business school with chairs in strategy and organization and in marketing management, it is advisable to let the experts lead discussions concerning modifications to the strategy. Given the degrees of freedom of faculty members,⁴ this procedure makes it easier for faculty and staff to adopt and support the structural changes of a business school in transition.

9.6 Conclusion

The current competitive environment for business schools presents daunting challenges, but at the same time exciting opportunities. Adjustments in strategy and focus in response to new framework conditions are required of all players, and each institution of higher learning needs to re-position itself in the market on the basis of its strengths, self-imposed goals, and resources. While small private business schools face certain disadvantages compared with large business administration faculties in publicly funded universities, the example of HHL—Leipzig Graduate School of Management demonstrates that even a very small business school can position itself advantageously and with eminent success if it follows the right strategy, enjoys the support of its stakeholders, nurtures its partners, and implements an appropriate business model.

⁴ In Germany, faculty enjoy the freedom of teaching and research which is guaranteed by the German Constitution (Grundgesetz).

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