

EDITED BY
STÉPHANIE DAMERON
THOMAS DURAND

THE FUTURE OF MANAGEMENT EDUCATION

Challenges facing Business
Schools around the World

Volume 1



The Future of Management Education

Stéphanie Dameron • Thomas Durand
Editors

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Editors

Stéphanie Dameron
Université Paris Dauphine
PSL Research University
Paris, France

Thomas Durand
Conservatoire National des Arts et Métiers
Paris, France

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Notes on Contributors

Granit Almog-Bareket is Director of the Graduate Unit of the Mandel Foundation and a graduate of the Mandel School for Educational Leadership. She is also the chairman of Healing with Hope, a volunteer-based organization she founded, providing support to chronically ill children. She holds a master's degree in educational policy and management from the Hebrew University and a doctorate from the IAE Business Management School at the Sorbonne. She completed her postdoctoral degree at the Sanford School for Public Policy at Duke University, North Carolina, USA.

Millard Arnold is Senior Advisor to Bowmans, South Africa's leading firm of attorneys. He is Executive Director of the South African Business Schools Association and Honorary Business Representative for the Government of Singapore in South Africa. Dr Arnold is a non-executive director of listed companies Petmin and Generator Plant Hire. He has also served as the US Deputy Assistant Secretary of State for Human Rights and Humanitarian Affairs and formerly was Professor of Law at Touro University and adjunct professor at Georgetown University Law School. He holds a juris doctorate degree from the University of Notre Dame. He was a journalist for the *Washington Post* and a senior fellow at Carnegie Endowment for International Peace.

Johan Berglund, PhD, Docent, Stockholm School of Economics (SSE) Department of Management and Organization. His broad research interest is what passes for knowledge in different contexts. One particular area of interest is managerial discourses and professional identities.

Marco Berti has been Lecturer in Management at UTS Business School, University of Technology, Sydney, since 2014. After a 20-year international career as a management consultant, specializing in organizational development and strategy, Berti completed a PhD in management and became a full-time business academic. His research interests are in the fields of managerial and organizational innovation.

Wolfgang Burr is Professor of Innovation and Service Management at the University of Stuttgart, Germany. His research focuses on new service development, service engineering, patents and licensing strategies of firms, innovation in the pharmaceutical industry and the history of economic thought.

Jean-François Chanlat is Professor of Organizational Studies at Paris-Dauphine University, where he focuses on intercultural management. He has published extensively on the theme of diversity, including the book *Cross-Cultural Management*. He runs the executive MBA and co-runs the master's in intercultural management at Paris-Dauphine University.

Vitor Fernando da Conceição Gonçalves is Full Professor of Business Administration and President of the Management Department at ISEG-Lisbon School of Economics and Management, University of Lisbon. He received his PhD in management from the University of Seville and is a member of several corporate boards. He is former Vice-Rector of Technical University of Lisbon and also President of ISEG. His research has been published in journals such as *Journal of Business Research*, *Service Industries Journal*, *Interfaces*, *Quality and Quantity*, *International Journal of Retail and Distribution Management* and *Case Research Journal*.

Stéphanie Dameron is Professor of Strategic Management at Paris Dauphine University where she runs the chair 'Strategic and Competitive Intelligence'. Her research topics include a special focus on the management education industry. Her work has been published in international journals including the *Journal of Management Studies* and the *British Journal of Management*. Institutionally engaged, she is member of the board of Paris-Dauphine University and of the supervisory board of Essec Business School. She is one of the chair leaders at the Strategic Management Society. She is also the former elected chair of the French Academy of Management and the former chair of the Advisory board of EM Normandie Business Schools. She is the co-author and co-editor with T. Durand of *The Future of Business Schools*, (Palgrave

Macmillan, 2008) and *Redesigning Management Education and Research* (2011).

Donatella Depperu is Full Professor of Business Strategy at Università Cattolica del Sacro Cuore, Milano, Italy. She is a fellow of EURAM, where she has been an executive committee member (2000–2009), and an Italian representative on the board (2003–2009). As well as these positions, Depperu has been an executive committee member of AIDEA (Accademia Italiana di Economia Aziendale) since 2001, where she was also vice-president 2011–2013. She is a reviewer for national and international journals.

Dorota Dobija is Professor of Accounting and Management at Kozminski University, Poland. Prof. Dobija is a former vice-rector for research and faculty development and director of the Kozminski Center for Corporate Governance. At present she holds a position of PhD Academic Director at Kozminski University. Her current major research interests include corporate boards and governance as well as performance management in the education sector. She has authored more than 100 research publications and participated in a number of international research projects. She is also a recipient of numerous awards and honors for scientific achievements.

Irene. M. Duhaime is the Robinson Distinguished Leadership Professor in the J. Mack Robinson College of Business at Georgia State University, where she recently served for more than a decade as associate dean and senior associate dean of the college. Her PhD in business administration (strategy) is from the University of Pittsburgh.

Thomas Durand is Professor of Strategic Management at CNAM-Paris where he heads the Strategies Department. His research interests focus on strategy, the management of technology, innovation and competence. A Euram Fellow, he is past president of both the French Academy of Management and Association internationale de management stratégique.

Alejandro Escribá-Esteve is Associate Professor of Management and Strategy at the University of Valencia. His research has been published in international peer-reviewed journals such as *Journal of Management Studies*, *Group and Organization Management*, *British Journal of Management* and *International Small Business Journal* among others. His research interests focus on the interface between top management teams and strategy in SMEs. He is interested in academic performance, as well as the study of scholarly impact.

David Furlonger is editor-at-large of the *Financial Mail*, a South African weekly business magazine based in Johannesburg. In 2000, he launched the magazine's *Ranking The MBAs* annual supplement, which he has compiled and edited ever since. In 2009 he launched an annual review of executive education. He also writes regularly on the motor industry and on marketing.

Abby Ghobadian is Professor of Management at Henley Business School and Westminster Business School. His research focuses on identifying factors that contribute to organisations competitiveness. He has published extensively top journals, received many research grants, and supervised 30 doctoral students to completion. He has served on a number of government working parties and was a member the APPG Commission on the future of management instrumental in the establishment of Apprenticeship degrees. He is the Past President of the British Academy of Management and serves on the editorial boards of a number of international journals. He is a Fellow of the Academy of Social Sciences, Fellow of the British Academy of Management, Companion of Chartered Management Institute, recipient of an honorary doctorate from University of Pecs, and co-editor of *Journal of Strategy and Management*.

Roy Green is Dean of the UTS Business School at the University of Technology Sydney. His doctorate is from the University of Cambridge and he has worked in universities, business and government, mainly in Australia but also in the UK and Ireland. Roy has published widely in the areas of innovation policy and management and has also undertaken collaborative projects with the OECD and other international bodies.

Sylwia Halas-Dej is Director of the Center of Excellence at Kozminski University, Poland, where she is also Director of Executive MBA. She is an experienced manager in program design and management. She is also an experienced assessor for AMBA and a member of numerous boards related to management education in Poland and abroad. Her research interests are related to management of higher education institutions.

María Iborra is Associate Professor of Strategic Management at University of Valencia (Spain). Her research interests are in the areas of strategic management, specifically, ambidexterity, upper echelons, corporate governance, CSR and culture. She has published on these topics in different international journals and books.

Allain Joly is Associate Professor at HEC-Montréal and President of the HEC-Montréal Professors Association. His research focuses on different aspects of international management, specially comparative and cross-cultural management. He is also a specialist of Brazil.

Sylvia Jones is the director of Lodestar Marketing Research, a company that she established in 2007. She has worked in the marketing research industry for over 20 years, with a particular focus on education and pharmaceuticals. Her involvement with the Financial Mail publications started while she worked at her previous company, and she has conducted the research for Ranking the MBAs and Executive Education since 2003.

Pierre Kletz is a professor at Ben-Gurion University of the Negev. He is the founding director of the Mandel Social Leadership MBA. He has served as vice-president of the Mandel Foundation—Israel (2009–2014). He received his doctorate from HEC-Paris. He holds an accreditation to supervise research from the Sorbonne.

Dodo zu Knyphausen-Aufseß is Professor of Strategic Leadership and Global Management at Technische Universität Berlin, Germany. His research focuses on top management teams, corporate diversification, business models, the role of external players in the strategy development of business firms and on the strategic management of cities.

João Carvalho das Neves is Professor of Management and Director of the master's degree in real estate at ISEG Lisbon University. He is an advisor for management education to the Agency for Evaluation & Accreditation of Higher Education. He is also a member of the general and supervisory board of EDP Energias de Portugal SA. He is a PhD in business administration (Manchester Business School).

Vicente Safón is Associate Professor of Management and Strategy at the University of Valencia, Spain. He is also the director of Lluís Vives Business School's MBA program. His research interests are focused on corporate reputation, strategy and management education. He has published on management education in several academic journals, such as *Academy of Management Learning and Education*, *Corporate Reputation Review*, *Management in Education*, *Scientometrics* and *Regional and Sectoral Economic Studies*.

Bengt Stymne is Professor Emeritus of Organization Theory at the Stockholm School of Economics, where he was the scientific head of the FENIX Programme, aiming at creating useful knowledge through collaboration between management scientists and practitioners.

Nicole Sutton is a lecturer at the University of Technology Sydney, teaching management accounting in the undergraduate and postgraduate programs. Her research to date has focused on the design and use of systems to manage research.

She has studied these systems in a variety of contexts, including universities and inter-organizational research and development.

Andreas Werr is a professor at the Stockholm School of Economics (SSE) and head of its Department of Management and Organization. He is also head of the Center for HRM and Knowledge work at the SSE Institute for Research. His research focuses on different aspects of knowledge work, especially management consulting.

Tracy A. Widman is the Assistant Dean for Accreditation, Assessment and Data Management in the J. Mack Robinson College of Business at Georgia State University. She holds a PhD in educational policy (research, measurement and statistics) from Georgia State University.

Irene Zaera is a graduate of business administration (2004) and in research and marketing techniques (2005) from the University of Valencia. She also holds a bachelor's degree in international management, majoring in marketing, from Euromed Marseille-École de Management (2003). Since 2007, she has worked for the Ivie, specializing in fields such as human capital and economics of education, particularly related to the analysis of higher education institutions and university rankings.

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1

Trends and Challenges in Management Education around the World

Thomas Durand and Stephanie Dameron

The various chapters focusing on specific countries that our colleagues from around the world have kindly contributed to form the two volumes of this book provide a fascinating account of both specificities and commonalities in the current dynamics of management education across a wide range of countries. This chapter deals primarily with the commonalities that we identify across these contributions. Yet some of the specificities will also be mentioned along the way.

When referring to management education or business schools, we mean all forms of institutions, public or private, that provide educational and training services in the field of management and business at the tertiary level (i.e. college and university degrees—undergraduate, graduate, postgraduate research degree—and equivalent levels according to country).

T. Durand (✉)
CNAM, Paris, France
e-mail: thomas.durand@lecnam.net

S. Dameron
Université Paris Dauphine, PSL Research University, Paris, France

The Role of Business in Society and the Booming of Tertiary Education in Management Around the World

In many countries, management education emerged apart from universities because the field was not seen as being properly academic (e.g. Germany, France, Sweden, UK) and/or in religious institutions (Spain, Italy, Portugal, USA, Brazil). The timing of emergence varies from the late eighteenth century and early nineteenth century (1759 in Portugal with the school of commerce in Lisbon, 1819 in France both at CNAM (National Conservatory of Arts and Crafts) with Jean-Baptiste Say and ESCP (École supérieure de commerce de Paris), now ESCP Europe in Paris, and in Germany with cameralism) to the turn of the century and the early twentieth century (USA, Italy, Poland) and up to the second half of the twentieth century (UK, Australia, Israel, South Africa) or even more recently (Russia, China), sometimes being reborn after the fall of the Berlin wall (e.g. Poland, Romania, Slovenia).

Management education boomed after World War II and transformed itself into a significant business. Roy Green reports of Australia: “From a purely economic perspective, [management education] has the lion’s share¹ in one of Australia’s most valuable exports,² education, generating around \$15 billion (AUD) in revenues each year.” For the UK, Abby Ghobadian provides an estimate of around £3.1 billion in contributions of business schools to the local economy, of which over £900 million stem from overseas students. In this context, some use the wording the “business of business schools”.

The demand for management education remains high and growing in most Organisation for Economic Co-operation and Development (OECD) countries, while it is booming in the rest of the world, particularly so in BRICS (Brazil, Russia, India, China, South Africa) and BRICS-to-be countries. Reports from most countries suggest that the demand will remain high, despite already high but still rising fees paid by the students and their families. Executive education is more sensitive to economic downturns but flourishes again with upturns.

¹ Probably around 20 % or so.

² Services to non-residents are accounted for as exports.

In short, management education is doing very well, serving a growing demand that is ready to pay for the services, with or without the support of public funding.

What is at stake behind this growing demand? First, money: management education can be a business not only for private organizations, but also for institutions and states. Second, ideology: the content of management education and research influences our representations of enterprise and the way companies and firms are run (Durand and Dameron 2011). As developing countries will be the main providers of the growing demand, the ideological stake is strengthened.

Money and ideology are the driving forces of an insidious battle around which countries and institutions vie for dominance of the field worldwide, influencing our vision of what should be taught and learnt regarding business. *Our purpose here is to point out the relevance of management education for societies, to propose a reflexive stance in analyzing the way the global system is driven and to promote a more diverse and contextual vision of management education in a multipolar world.*

To better understand what is happening, we need to gain a deeper understanding of the diversity of national management education ecosystems. We need to analyze the challenges that affect these systems, go through a fine-grained depiction of the main variables that may change the way these systems interact, and suggest strategies to offer a more balanced view of the operating forces that drive management education.

Through the chapters in the two volumes, which depict 22 national management education systems, we see at least six main challenges that institutions and business schools are facing around the world.

Management Education is Increasingly Subject to External Evaluation Conducted by Third Parties. How to Deal with This Market of External Evaluation?

Business schools are often part of a university. And the university is very likely to be regulated by government.

Yet third parties emerged that added a layer of complexity to the system (Dameron and Manceau 2011). These third parties are:

- international accreditation bodies (AACSB, EFMD-EQUIS, AMBA),
- national evaluation bodies or processes (RAE, 1986, now REF in the UK, 2014; HSV, 1995, now UKA, 2013 in Sweden; CHE in South Africa, 1998; Akkreditierungsrat in Germany, 2005; AERES, 2007 now HCERES, 2013 in France; A3ES in Portugal, 2009; Anvur in Italy, 2011; TEQSA in Australia, 2011; UKA-KRASP-RGSW in Poland, 1997–2014; ...)
- rankings published by newspapers and magazines (*Financial Times*, *Business Week*, *The Economist*, *Forbes* etc.).

We use the wording third parties in a very broad sense here. We call these organizations third parties in the sense that the business schools are being audited and accredited by players that may be from outside the domain of management (e.g. academics from other fields), from outside the country where they operate (e.g. international accrediting bodies) and even from private bodies outside academia (e.g. journalists creating rankings). The business of management education evaluation is flourishing and these third parties have become very influential (Fig. 1.1).

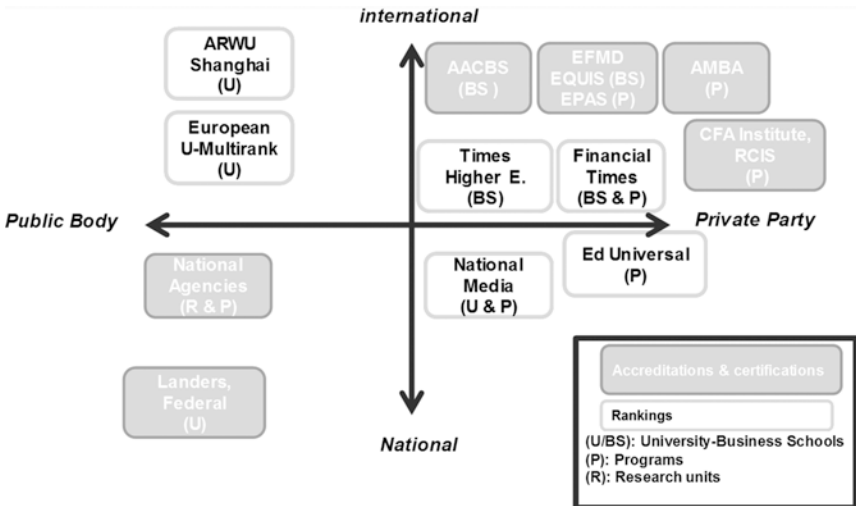


Fig. 1.1 Mapping of auditing third parties (based on Dameron and Manceau 2011)

The USA does not regulate the degrees awarded by its universities at the federal level. As a result, the AACSB (Association to Advance Collegiate Schools of Business) was created in 1916 to offer quality improvement audit schemes and the attached certification that is now known as accreditation, accrediting the institutions that are primarily devoted to management education. This helped the then young US market of management education to mature.

In contrast, Europe had a tradition of government-regulated tertiary education. The European Union (EU) subsequently set up the three-level LMD (license-bachelor/master/doctorate) system, with credit transfer options, to facilitate student mobility in Europe. As a result, the right to award the LMD degrees is granted by each government of EU member countries. In other countries, governments (e.g. Russia, South Africa, Israel) also control the granting of national degrees. It is worth noting in passing that some countries, even EU members, have also kept their well-established traditional degrees (“diploma” in Germany, “diplôme Grande Ecole” in France, “specialist” in Russia etc.).

As the names of the American standard degrees (Bachelor, MBA, PhD or DBA) are free to be used in the international market, the leading role played by the USA and the internationalization of higher education in management led to a broad use of these standards. This may also have been seen as a way for business schools to escape from national regulation, such as INSEAD in France.

Until the beginning of the twenty-first century, the MBA was the main management degree seen as an international standard. This was helped by the creation in the UK of the accreditation program body AMBA (Association for Management of Business Administration) in 1967. This standard led the American AACSB to cross the Atlantic in 1997 to assess its first European business schools, ESSEC. In that sense, 1997 is then a turning point that led to the internationalization of evaluation bodies for business schools. The EFMD (European Foundation of Management Development) then launched a competing European accreditation system, EQUIS. The EFMD internationalized its status in 2012 to promote its development all over the world.

Things then accelerated. As many European institutions had a long tradition in management education, the Bologna process (LMD) quickly

fostered a seemingly harmonized and visible European system based on five-year programs. The *Financial Times* (FT) ranking assessing the “Master of Science in Management” was launched in 2005. This ranking made European business schools more visible internationally. It worked as a source of differentiation, helping them compete with American business schools.

Accreditations soon became used as marketing tools to attract students (and faculty). What was initially designed as a quality assurance scheme became primarily a marketing tool. This led to what is known as the triple crown “achievement”: being accredited by AACSB+EFMD+AMBA would be a sign of great quality, as if the owner of three driving licenses (say, one issued in Germany, the second in India and the third in the USA) would be a better driver.

The real impact of accreditation bodies is their role as an entryway into international rankings. In fact, the most popular ranking, the FT’s, identifies business schools once they are accredited and starts sending them questionnaires to get them into the ranking list.

The Wits Business School in Johannesburg, South Africa, was not really in the rankings until the dean of the business school in Cape Town decided to go for an accreditation with AMBA. Once accredited, the MBA of Cape Town Business School appeared in the FT rankings. When that happened, the alumni of the Wits Business School prompted the matter at the subsequent board meeting. “Cape Town is in the FT ranking; where are we?” Wits Business School went for AMBA accreditation of their MBA as well, and thus got it entered into the FT rankings.

As a result of a move from a competing school, Wits therefore entered the race for rankings. This illustrates how the ranking pandemic spreads throughout the world of business schools.

Source: Interviews

Ranking appeared as a way for prospective students and families to identify where to go to study management overseas. It goes without saying that the papers raise their sales with special issues that rank business schools and programs: a market of business school evaluation has been developing since the beginning of the twenty-first century. For instance, since 1997, EFMD has launched a series of certificates (e.g. in 2005 EPAS for program degree). Eduniversal, a private company, launched an international business programs ranking in 2007.

Rankings and accreditations also help deans identify potential partners in a country that they do not know that well. In turn, these schemes may influence governments in defining their higher education policy. The Shanghai ranking (2005) made by Joa Tong University had a tremendous impact on some public policies. The European Commission created its own university ranking scheme (U-multirank) in 2011, partly in response to the Chinese evaluation.

In that sense, the accreditation and the ranking schemes set up by third parties will have spurred much activity in business schools, including improved curricula and much more research. Yet, these schemes, especially the rankings, also contribute to creating problems and some tensions within the business model of business schools.

The Business Model of Business Schools Built on Funding and Reputation is at Risk. The Search for More Revenues

Most business schools do not operate for profit. They aim at training managers (and leaders) and managers-to-be. If they fight fiercely to generate more funding, it is essentially to deliver ever better managerial education while improving their standing and reputation. (Country reports suggest that a small number of private actors actually operate for profit: this is still marginal but should be recognized as a weak signal to be monitored over time. We discuss this further in section “The Development of Private Companies Running Management Education for Profit”). Most business schools run their business model to grow revenues to better their reputation to grow their revenues and so on. Hence, the heart of the business model is two-fold: funding and reputation.

Most business schools offer all or part of the following:

- Undergraduate programs
- MBA
- Master’s also called master of science in management (MSc in management) and/or specialty master’s (marketing, finance, HR, project management or sectorial specialties etc.) called an MSc in marketing, finance or even advanced Msc (one-year program)
- PhD or some forms of doctoral degree (e.g. DBA, doctorate in management etc.)
- Executive education

The revenues collected by business schools stem from all or part of the following:

- the fees paid for the above programs
- public funding for all or part of the above educational services
- donations from alumni and business corporations—primarily rich alumni: “I wanted to give back what I received from my school”
- chaired professorships funded by companies and research grants

Obviously each business school adapts this model to its own context, but the fundamental traits of this generic model can be found in most places (Fig 1.2).

In a nutshell, executive education is the cash cow; the MBA is the flagship; MScs come on top; the heavy investment is for reputation, in the form of the race for publications (in the name of knowledge produced via research); the undergraduate programs bring additional income, and gross margin—if well managed—while they leave a socioeconomic footprint in society, creating an alumni base that may yield donations in the long term.

Eager to attract the best students (and faculty), business schools are doing their best to go up the ranking ladders. The FT institution ranking and the FT MBA ranking evaluate the quality of the research through the number of publications achieved in a list of 45 academic journals. Hence, we see heavy investments made in research to generate publications in so-called starred journals. These investments are prioritized over those for internationalization (partnering or establishing campuses abroad), distance e-learning tools and programs and recruiting famous names to build reputation.

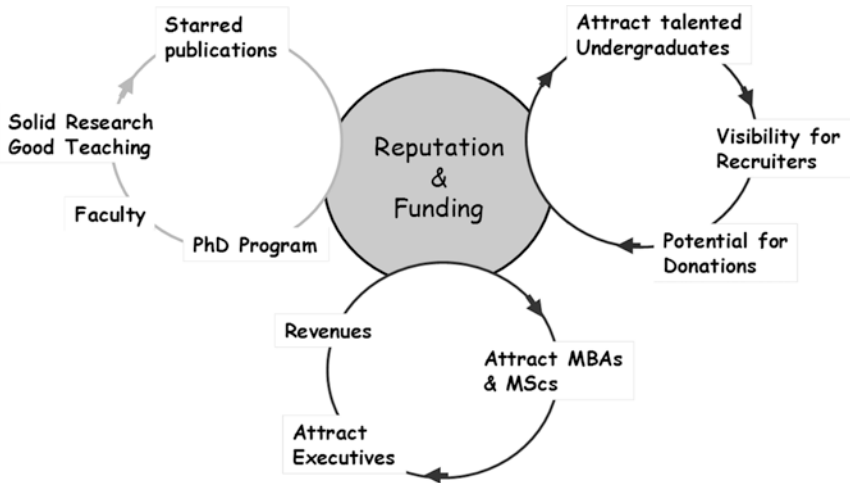


Fig. 1.2 A generic business model for business schools

The financial consequences of this race for ranking are significant:

- Costs (salaries, IT platform investments, travels and distant campuses) keep going up. On top of this, when a business school is part of a university, it is often seen as a cash cow by other academic disciplines. Hence, the parent university, that may have been used to retaining part of the revenues, tend to ask for a larger slice of the income.
- It is difficult to raise revenues at the same pace: fees are already high (except in some countries like Germany, in some of the French universities or in Italy, Spain and Portugal); public support often tends to decrease, at least in relative terms; donations are not enough in most places; executive education suffers from ups and downs according to economic cycles.

Business schools in the countries from where we have reports responded to this financial squeeze in a variety of ways. Initially they essentially tried to grow the top line. Despite the risk of what may be regarded as a bubble ready to implode, business schools managed to surf successive waves:

- first calling for public support when possible, increasing fees and milking executive education,

- then diversifying the portfolio, for example via DBAs or research grants and, more recently, undergraduate programs. This last move may be seen as questionable given the ongoing debate about when is it relevant to study management (Dameron and Durand 2011). Indeed, arguably many management courses are inadequate for young students with no practical experience.
- calling upon donations, creating foundations and launching fundraising campaigns. In countries with limited experience in fundraising, business schools are still experimenting and learning—often the hard way—the tricks of the trade, such as finding out that donations come more from private individuals than from companies.
- leveraging their past investments in the international arena to generate revenues from distant campuses, partnerships or foreign students.

More recently, we have seen more attention paid to keeping costs under control:

- More caution around salary increases. If salary inflation for management faculty does keep running, it is at a significantly lower pace in many countries. Furthermore, data from the USA show that while the hunt for the best academic performers may still be on (there is still a premium paid to those faculty moving to a new place), however, the premium paid for mobility may have peaked around 2005–2006. (It is interesting to note that the highest mobility premium, relative to salary, goes to new PhDs as they carry with them their pipeline of publications following their doctoral work.)
- Some business schools have started to hire more adjunct professors (these may also be called affiliated, practitioner, non-research, executive in residence or teaching professors). This phenomenon is seen in many academic fields beyond management and is known as “adjunctification”. Behind the move, the intent is clearly to hire cheaper faculty, avoiding the high compensations and low teaching load awarded to successful research professors. As this may have far-reaching implications, we discuss the matter in more detail below, in the third part of the chapter.
- There are reports of business schools encouraging their star faculty members to spend a few months elsewhere each year as a way to share their heavy salary cost with other institutions. Others are

custom-designing a package of requirements (teaching load + publications + institutional engagement) specific to each faculty member, with a financial package attached. This obviously requires quite agile management of HR.

- Mergers are taking place as a way to share the fixed costs of investments in e-learning and internationalization. It is also seen as a way to gain more visibility in the marketplace.

Note that, in parallel, fees are being increased more cautiously than in the last two decades.

All in all, the race for publications and rankings puts the business model of business schools under heavy financial stress, if not at risk. The array of responses used to cope with the tensions indicate some form of maturation of the industry (better control of costs, diversification of sources of revenues, more cautious fee increase, cost sharing etc.). Yet the adjunctification of part of the management faculty raises some concerns.

A Dividing Line May Increasingly Split Management Faculty. How to Ensure the Quality and the Relevance of the Management Knowledge?

In their chapter on the USA, Irene Duhaime and Tracy Widman choose to use the wording NTT faculty to name adjunct professors. NTT stands for non-tenure track. This applies to assistant, associate or full professors.

Duhaime and Widman report that about a quarter of the faculty in AACSB-affiliated US business schools in 2015 were NTT. This is very significant. It is clear that this move towards more adjunctification has been made to cut salary costs as NTTs are paid less for more teaching (obviously with no research expectation).

Yet, the adjunctification of part of the faculty in a business school also contributes to moderate the effect that the race for publications may have on the content and relevance of the teaching delivered and thus on the students' learning experience. Indeed, the priority given to research as a way to perform in the publication game may have improved reputation but led in turn to academics moving away from the training of managers

and managers-to-be. Business schools and the education that they provide run the risk of a disconnect with practice. One way of limiting this disconnect may be to call upon contributors with practical experience to intervene in the classroom and in tutoring projects.

As Laurent Choain, HR Vice-President of Mazars, put it: “We are not interested in your executive education programs where our managers end up overpaying the service to fund your research projects that are of no interest to us. As long as you do not change radically the editorial slant of management research conducted at Business Schools, we shall arrange to train our managers on our own within our corporate Universities” (SFM workshop, Feb 2015).

Some practitioners teaching as NTT faculty may provide useful input to keep management education within the zone of relevance, thus compensating for the research focus that has invaded business schools in many countries over the course of the last two decades. (This invasion is bound to affect more countries in the years to come.)

In that sense, adjunctification may help strike a better balance, or find a more combined approach between conceptualizing and theorizing on the one hand and practical considerations on the other, complementing each other for the sake of student learning. However, something more is at stake. Adjunctification leads to a line of divide among faculty in business schools. Obviously there is a sort of nobility attached to well-paid research faculty positions with research requirements and limited teaching loads, while NTTs may be seen as cheaper, hence minor faculty, loaded with teaching hours. This may not serve academic collegiality. More importantly, this is likely to reinforce the disconnect between those in charge of creating new knowledge and those in charge of disseminating the knowledge through teaching.

In a way, this disconnect started early on in executive education, as many schools have been calling upon external contributors for many years already. These contributors had little or nothing to do with the researchers whose publications fueled the reputation that lured executives into the business school in the first place, where they were then put in front of and interacting with adjunct faculty.

One could even imagine that this disconnect, once fully recognized and accepted, could convince the tenure-track faculty to focus even more on research while the NTTs would increasingly take care of the teaching, with the risk of ignoring part or most of the management academic literature that departed too much from their own practical concerns.

The very structure of universities that emerged over the centuries kept research and education closely linked on the same premises, with the same faculty in charge of conducting both production and dissemination of new knowledge. Changing that key connection is very risky as far as the scientific quality and the depth of the content of management education are concerned.

Competition Among Business Schools Across the World is Changing with Transnational Offerings and Brain Drain: How to Compete in an Increasingly International Arena?

Country reports suggest a dual situation. On the one hand, a significant part of management education remains primarily national and even local within a country. On the other hand, leading business schools open up to the outside by attracting students from abroad, hiring international faculty in the international market for management professors, partnering with business schools from other countries, opening campuses in targeted cities abroad and so forth.

Taking the business school as the unit of analysis, the internationalization of offerings in management education may follow different paths. They are summarized in Fig. 1.3.

A business school may open a new campus abroad to attract local students and/or to offer an international track to its home-country students. When the foreign campus is mainly dedicated to internationalization of the student track, with teachers coming from the national campus, we may call this specific form of internationalization the “offshore campus”. On the contrary, the implementation of a “local campus” may be driven by the objective of attracting new students—and new revenue-, coming from the region, with lecturers that may contextualize the content

Scholar originates from... Student originates from...	Local BS/ country/ region	The BS which internationalises its offer
Local BS/ country/region	<p>Local campus</p> <p><i>For the local zone:</i> reputation of the brand of the partner <i>For the foreign BS:</i> attracting new students, new revenue</p>	<p>Export/ Import of content</p> <p><i>For the local zone:</i> Expertise, degree <i>For the foreign BS:</i> international influence and status</p>
The BS which internationalises its offer	<p>Exchange program/ Double degree</p> <p><i>For the local BS:</i> quality of the foreign students <i>For the foreign BS:</i> student track internationalisation</p>	<p>Offshore campus</p> <p><i>For the local zone:</i> socio-economic impact <i>For the foreign BS:</i> student track internationalisation</p>

Fig. 1.3 Various forms of internationalization of business schools

of curricula. These students may even decide to finish the four or five-year degree in the home-base campus, which may foster the international experience of all the students. The campus opened by the University of Paris Dauphine in Tunisia is an illustration of this strategy: students mainly from North Africa take the license (bachelor) degree in Tunis; if they succeed they are offered the chance to pursue their studies for a master’s degree at the Paris campus.

While the first two modes depicted above imply the creation of a specific campus, the two other modes are based on partnerships. The “exchange program” is based on an agreement between two or more business schools to mutually open their doors to visiting students for an exchange of one or two semesters, with course validation, and may even go further to offer a double degree. This agreement may also be at the level of the states: The Erasmus program launched in Europe in 1984 is a good example of the institutionalization of international exchange programs. Alternatively, lecturers from the national campus may teach

a program degree abroad to local students that is delivered in the name of the internationalizing business school. The content of a curriculum and the quality of the pedagogy is then “sold” to the students of the local partner institution. The local institution may then benefit from the reputation of the internationalizing business school, while the latter may extend its international influence and brand status. This is the “export/import of content” model.

While internationalizing their offerings, business schools may face different issues: costs, language used and the relevance of contents. First, if business schools want to go further than exchange programs and double degrees, the other forms of internationalization imply that they are directly confronted by new competitors, new markets, new rules and institutions and new students. Each national education system has its own specificities and complexity; business schools need to do their best to root and embed in the local context to succeed. As a consequence, the implementation of new campuses is a costly strategy that takes time to pay off.

Second, English is the lingua franca of management and most exchange programs rely on English. Too often, non-native English speaking professors teach non-English native speaking students in English. Thus, some of the subtle bits and pieces of the content may be lost along the way.

Third, beyond the language employed, the content of the course and more importantly the examples and the case studies used are very important. Management needs to be contextualized. This is particularly so in teaching strategy, organizational behavior, HR, marketing, law and so on. The dominance of some leading business schools tends to lead to strange concepts: international examples are too often associated with US-based multinational corporations while other contexts are too easily considered parochial. Embedding the teaching and learning of management in the context where the students are bound to operate after graduation requires writing or acquiring local case studies, not just importing teaching material from abroad. This is a major challenge for business schools around the world.

While transnational offerings aim at finding new source of revenues, answering student demand for track internationalization, distance and blended learning is another path to develop and disseminate management education services.

Distance and Blended Learning, and Other Innovations in Management Education

Information technologies have been available for decades already and so have digitalized videos. Although a more recent development, the internet and the various platforms it offers have also been around for some 20 years. Yet, it is only now that technology has begun to create radical change in education. This relates to faster internet access and cheaper data storage, making online learning possible.

Seen from the perspective of the general public, massive open online courses (MOOCs) epitomize the changes that are affecting higher education. Yet MOOCs are only the tip of the iceberg. Moreover, with no or limited monetization, MOOCs are essentially an additional marketing tool to grow reputation, while undoubtedly contributing to some dissemination of knowledge. However, this may in itself have a strong impact on business schools. We could envisage some new academic names becoming famous not for their research but for the impact of their teaching. MOOCs have a worldwide reach that may help unknown faculty professors, with a low or medium profile in research, suddenly appear in the spotlight. Hence, one could foresee that the radical change attached to distance-learning opportunities could lead to a different balance between teaching and research as ingredients for the reputation of a business school.

As the potentially radical transformation attached to digitalization and distance learning is still underway, we can only take stock of what we see today and speculate on future outcomes.

Several trends are reported from around the world:

- the purely online model of learning obviously brings something new to those isolated in remote areas. It also makes it possible for business schools to reach out for far away students who can access knowledge and some form of training from wherever they are.
- In most cases, however, users clearly indicate that they prefer to combine distance and face-to-face learning, in a blended format. Commuters in urban areas save time by coming to school less often, viewing the course contents online and following some distance

tutoring online, but they also report feeling starved for some form of direct classroom interaction that may take place only a few times during a course.

This means that the profession of educators is not likely to disappear in the coming years. Yet, it is likely to undergo significant changes. From threefold (classroom lessons + reading/working + group discussion), a course now becomes fourfold (video viewing + reading/working + distance tutoring + classroom discussion). The top-down delivery of contents through formal classes may be challenged; distance tutoring requires new forms of skill for teaching/stewarding; group work and discussions still need to be facilitated as before, often with more input and reviewing of content to fill the gaps in what students have retained from video viewing and reading on their own.

This means that the traditional academic categories are being challenged. The top-down teaching is increasingly taking place in front of a camera or a computer with little direct feedback, as the performer is no longer able to sense an audience to adjust the flow, rhythm and content of the teaching. Improvisation and discussions triggered by questions are minimal, if present at all, while preparation is significantly increased. Conversely, the traditional task of a teaching assistant (TA) is evolving significantly. On the one hand, the role is enriched as more course content needs to be reviewed to cope with misunderstandings and questions that could not be raised in class, as the class did not gather. On the other hand, distance tutoring means dealing with a disassembled group in parallel ways (responding to emails received anytime, monitoring chats and forums regularly etc.).

Another implication of the digital transformation is the additional costs attached to investments in the studios for the videos, software and internet platforms, the maintenance to ensure access reliability 24 hours a day, seven days a week, managing the lifecycle of standards, formats and contents over the years and so on. Depending on the visual quality of the material, the cost of making the videos for a course may skyrocket.

- As Henri Isaac (2016) suggests, the learning experience that is being transformed via the ongoing digitalization process is affected in its four components: (1) the course part; (2) tutoring and mentoring, housing, funding; (3) linking to the job market and practice,

- training periods, alumni, placement office; and (4) socialization via sports and campus activities. Isaac suggests that academics tend to focus too much on the first block, while neglecting the interconnections among all four of the blocks that digital solutions make possible. Again, this means more costs with uncertain savings attached.
- If the overall dynamics of digitalization of management education remains unclear, we see some evidence of resistance at work.
 - Most publishers are very cautious in accepting manuals (printed or virtual) combined with videos and similar digital materials posted online.
 - Some markets, such as China, are known to be reluctant to adopt distance learning.
 - Some faculty question the way in which the intellectual property regulations are applied to the online material that they develop.
 - The logistics, and in fact the spirit and culture, of the schools still gravitate around the structure of the premises, the schedules and the classrooms.
 - The unit to measure workload in teaching remains the “hour face-to-face”, although this may no longer be relevant to account for most faculty contributions.

All in all, digitalization in management education is currently transforming the learning experience for students and the practice of educating. In addition, it increases the capital requirements and the costs for business schools that are already under severe financial stress. It also blurs boundaries and geographies, making it possible for competitors to enter into distant markets that were once seen as protected local backyards.

The Development of Private Companies Running Management Education for Profit

Private universities have existed for decades and sometimes centuries. They became part of the landscape and in the long run ended up operating in ways similar to public universities. In management, several schools started apart from universities, for example under the auspices of religious

orders or chambers of commerce. They were private, or semi-private, while not being operated for profit.

At some point, unsatisfied with existing market offerings, some large corporations felt that they needed specific management training for their managers and leaders-to-be. They created their own corporate university, with specific missions and goals, limited staff and very limited faculty—if any. They called upon external academics, consultants and practitioners that they would cherry pick to come and teach and/or facilitate discussions for their own managers. These universities are now also part of the landscape, probably a bit less active and prominent than they were in their early days, typically the 1990s. These corporate universities are private, are not run for profit and are usually focused on in-house training, hence not really competing on the management education market, except for their own needs that are covered via internalization.

There are variants of the same breed. In some instances, a group of large companies decided to set up a “joint corporate university” to share costs and mutualize the learning process. A typical example is CEDEP (European Centre for Executive Development), founded by L'Oréal, Danone and Renault. It is based on the INSEAD campus in Fontainebleau, France. This again is private, non-profit and in-house focused, although this is a multi-in-house management training, hence not operating on the market of management education. Yet, the internalization aspect is slightly bigger.

Another variant is an internal executive MBA set up to train the top management team in a large organization, but that is eventually opened up to other companies. This is the setting of a large audit firm, Mazars. When the audit firm opened the E-MBA to their clients' managers, they became a private operator on the market of management education. Yet, they claim that they do not run it for profit, as they only aim at covering costs.

A very different setting is seen when business schools from various countries join forces in some form of club to offer management programs on the world market, with the obvious aim of generating a gross margin and augmenting the reputation of the club members. TRIUM (delivered together by HEC Paris, London School of Economics and New York University) is a typical illustration of such an alliance. The founding institutions may be public or private, but the club is for some form of profit and competes on the market.

On top of the above arrangements, two new species have recently appeared on the market of management education.

- Private operators have entered the market to run management education for profit. They acquire schools in various disciplines, including management, and grow the business. A typical example is Laureate from the USA.
- Existing business schools that no longer receive enough funding from their parent organization (local government, chamber of commerce etc.) manage to become private as a way to sail free from the constraints that they have been under so far. They will be seen as private players, although in fact not much will have changed: before going private, the amount of funding received from the public parent was often already below 20 % of their revenues. Their market behavior may not be radically transformed by the change.

It is quite paradoxical to see private players entering a market where the supply has been and remains under a great deal of financial stress. Yet, those new entrants are successful in building critical mass to dilute the fixed costs attached to distance learning, reputation building, campuses and facilities and internationalization. In turn, they represent another challenge for incumbents.

Summary of Challenges Facing Business Schools

In short, this volume identifies and exemplifies six major challenges for business schools:

1. Third parties play an increasing role in evaluating business schools
2. The existing business models are at risk due to a serious financial squeeze
3. The recruitment of NTTs is creating a line of divide among management faculty and a disconnect between knowledge production and dissemination
4. Internationalizing is complex and costly before it pays off

5. Digital transformation significantly affects management education
6. New private entrants are running for profit

Volume 2 will discuss ways to face these challenges.

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2

Higher Education in Management: The Case of the United States

Irene M. Duhaime and Tracy A. Widman

The History of Management Education in the United States of America

The earliest business schools in the USA trace their founding to the late 1800s, with the Wharton School of Finance and Economics, founded by Joseph Wharton in 1881, often cited as the first (American Association of Collegiate Schools of Business 1966; Flesher 2007; Spender 2016). Business Schools were founded at the University of California and the University of Chicago in 1898, and nearly 75 business schools opened over the next three decades.¹

Spender's excellent summary of the history of management education explains the importance of the 1862 Morrill Land-Grant Act in the

¹Bisoux 2016: p. 1.

I.M. Duhaime (✉) • T.A. Widman
J. Mack Robinson College of Business, Georgia State University,
Atlanta, GA, USA
e-mail: iduhaime@gsu.edu; twidman1@gsu.edu

development of public state universities, which are the parent institutions of many of the finest business schools in the USA today.² These universities were established “for farmers and mechanics” at the urging of the Industrial League, an organization formed by Illinois businessmen and headed by Joseph Wharton.³ Given the initiators of these efforts and their business-related purposes, it is not surprising that business schools were important foundations of those early land-grant universities.

With the help of funding provided by the Morrill Land-Grant Act, many states established land-grant universities over the next few decades; these included Ohio State University, University of California Berkeley, University of Illinois at Urbana-Champaign, University of Nebraska and University of Wisconsin-Madison. Concurrent to the founding of business schools at these and the many other public universities (such as University of Texas) that were developing across the USA, business schools were also being established at private universities all over the country, in addition to the Wharton School of Finance and Economics at University of Pennsylvania. Among business schools at private institutions were those founded at Columbia University, Cornell University, Dartmouth College, Harvard University, New York University (NYU), Northwestern University, Tulane University, University of Chicago and University of Pittsburgh.

By the middle of World War I in 1917, 30 business schools had been founded in the USA.⁴ Representatives from 17 of these schools (listed in the preceding paragraph) met in 1916 on the invitation of the deans of Harvard, Chicago and Northwestern “for the purpose of considering the formation of an ‘Association of Collegiate Schools of Business.’”⁵ That organization, founded in 1916 and named the American Association of Collegiate Schools of Business (AACSB), has become the primary accrediting body for US business schools, and is known today as AACSB International.

Compared to business schools in Europe, Asia and other parts of the world, it is difficult to overstate the influence on US business schools

² Spender 2016.

³ Spender 2016.

⁴ Bisoux 2016: p. 1.

⁵ American Association of Collegiate Schools of Business 1966: p. 85.

of having a dominant accrediting body—on patterns of growth, on standards, on funding/budget autonomy, on business school/university relationships, on information exchange, on competition, on education/development/exchange of best practices. These aspects of business schools in the USA and AACSB's role in them are discussed in a later section of this chapter.

Another important development in the history of management education in the USA was the founding in 1941 of the Academy of Management, which arose from meetings organized by professors from University of Michigan and University of Chicago in 1936 “to discuss formation of an organization of educators to advance the philosophy of management.”⁶ This organization to support scholarly activity, the exchange of scholarly ideas and collaborative endeavors among its now 19,000 members, has been critically important to the quality of management education in the USA and globally, with particular benefits to graduate education and research.

The Supply Side of Higher Education in Business in the USA

Main Suppliers of Business Education

Broader-missioned universities and colleges may be considered to be the main suppliers of management education in the USA, in that US business schools are almost all housed within those broader universities and colleges rather than existing as free-standing entities. In some cases (the authors' institution is one such case), the parent university traces its origins to a business school, with the parent university or college developing around the business school over time; but virtually all business schools today are within parent institutions.

⁶Academy of Management, <http://www.aom.pace.edu/About-AOM/History.aspx>.

Parent institutions (and therefore their business schools) in the USA are considered to be “public” or “private” in terms of “institutional control,” according to the role of a government entity (usually one of the 50 states in the USA) in an institution’s ownership, governance and control. Institutions considered to be owned, governed and controlled by a government entity are deemed “public” institutions. Institutions considered to be owned, governed and controlled by a religious order or other non-governmental group are deemed “private” institutions. Public institutions generally receive some portion of their funding from their state government. However, the proportion of institutional budgets covered by state allocations has been declining in most states and in some states is only a small percentage of the institutions’ resources. In addition, an institution’s designation as “public” does not imply that enrollment in that institution is open to any citizen of the state; most public institutions of higher education have admissions requirements and processes.

Private Institutions

Among private universities and colleges, many are “one-of” institutions, free-standing and unrelated to any other educational institution. Other private institutions are related in the sense that they were founded by and/or are owned and therefore accountable to a religious order (for example, institutions founded by the Jesuits (Society of Jesus, a Roman Catholic order of priests) such as Boston College, Santa Clara University, Loyola University and Georgetown University, or institutions founded and operated by the Sisters of Charity (a Roman Catholic order of nuns) such as College of St. Elizabeth and College of Mount St. Vincent).

Public Institutions

Among public universities and colleges, a few were established and initially funded by cities (such as Brooklyn College, founded in 1930 by the New York City Board of Higher Education and now part of City University of New York, a university system which was established by the state of New York but also receives funding from the City of New York).

However, most public educational institutions are founded and overseen by the 50 state governments of the USA, with the oldest of these institutions tracing their founding to actions taken in response to the Morrill Acts of 1862 and 1890 that provided grants of federal lands to state governments to establish public state universities; these are sometimes referred to as land-grant institutions and were “designed to foster a program of education suited to the needs of the agricultural and industrial classes.”⁷ Land-grant institutions include University of Illinois at Urbana-Champaign, University of Minnesota and similar universities in every state; given their history, it is not surprising that many leading business schools are found in land-grant institutions.

Public University Systems at the Individual State Level

Over time, some states’ population growth and related growth in publicly supported educational institutions led to the establishment of a “system” overseeing a state’s educational institutions—for example, the University System of Georgia (USG) which through the USG Board of Regents oversees all state-supported “public” educational institutions (currently 29) in the State of Georgia. The USG Board of Regents must approve degrees to be offered by a public educational institution in Georgia, locations at which those degrees may be offered, establishment of endowed chairs and professorships for faculty, and numerous other decisions that are components of a Georgia public institution’s strategy for competing in the higher education marketplace. These approval constraints can be particularly challenging for the business schools of those institutions, given the highly competitive marketplace they face for attracting and retaining both students and faculty.

In addition to holding approval authority over what degrees are offered and where, the USG Board of Regents has significant influence (but not complete control) over the funding levels of Georgia public educational institutions. In determining allocation of the state’s resources across all state agencies (including the Departments of Labor,

⁷ Association of Public and Land-grant Universities 2012: p. 4.

Transportation, K-12 schools, etc.) the State Legislature considers the funding request of the USG Board of Regents. The Board of Regents, in turn, has considered requests from each of the state's 29 public educational institutions in preparing its funding request. Public institutions' finances are also influenced through the establishment of the institutions' prices (tuition). The amount of tuition (and any increases therein) must be approved by USG BOR/State Legislature, making those prices subject to political forces in addition to (and sometimes instead of) market forces. Finally, the USG BOR/State Legislature affect public institutions' finances by annually establishing the total amount each institution is permitted to spend on faculty and staff salary increases (and, in some years, by proscribing how those amounts may be distributed across an institution's faculty and staff members). Despite these various influences on public institutions' financing, we consider institutional financing to be influenced rather than controlled by the USG BOR/State Legislature because institutions are permitted to generate additional resources themselves, through fundraising and through non-degree offerings such as executive education.

Although their roles and influences are very similar to the University System of Georgia example given above, some states in the USA have multiple "systems" of educational institutions, one example being Illinois. Illinois has two systems, the University of Illinois system (covering University of Illinois at Urbana-Champaign, University of Illinois-Chicago and University of Illinois-Springfield) and the Southern Illinois University system (covering Southern Illinois University-Carbondale, Southern Illinois University-Edwardsville and several medical and healthcare-related institutions).

Distribution of Institutional Governance, Business School Accreditation and Data Sources

As noted at the beginning of this chapter, the dominance of AACSB International in the USA market for higher education in business is such that nearly all widely recognized business schools are either members or accredited members of AACSB. For example, more than three quarters of the 784 MBA programs listed on the Find-MBA website (<http://find-mba>.

com) are offered by AACSB-accredited or AACSB member schools; many of the AACSB-unaffiliated schools offering MBA programs are small liberal arts schools, for-profit institutions or satellite locations of AACSB schools. AACSB regularly collects extensive data from its accredited and member schools and makes that data available on an aggregate basis to schools that participate in its surveys. As the resulting AACSB database includes data from nearly all widely recognized schools, those data are considered to be the closest available substitute for population level data, and many of the tables in this chapter are built from the AACSB reports and database.

AACSB reports having 657 member schools in the USA as of the 2014–2015 reporting year. In terms of institutional control, nearly two thirds of these business schools are housed in public institutions (see Table 2.1).

For some of the topics in this chapter, it is relevant to distinguish between AACSB-accredited schools and schools that are members of but not accredited by AACSB (we will call these “non-accredited member schools”). Many though not all schools in the latter group are in various stages of qualifying to apply for accreditation by AACSB. Table 2.2 shows the distribution of AACSB member schools by accreditation status and, for accredited schools, by type of accreditation held.

Table 2.1 Institutional control

	2004–05	2009–10	2014–15
Private	260 (39.3 %)	269 (39.5 %)	247 (37.6 %)
Public	401 (60.7 %)	412 (60.5 %)	410 (62.4 %)
Total	661	681	657

Source: AACSB International

Table 2.2 AACSB accreditation status

	2004–05	2009–10	2014–15
Accreditation type			
Business		310 (45.5 %)	344 (52.3 %)
Business & accounting		166 (24.4 %)	172 (26.2 %)
Total accredited	424 (64.1 %)	476 (69.9 %)	516 (78.5 %)
Not accredited	237 (35.9 %)	205 (30.1 %)	141 (21.5 %)
Total members	661	681	657

Source: AACSB International

Typical Programs Offered

Most business schools in the USA were founded to offer the bachelor's degree (usually the Bachelor of Business Administration (BBA) or the Bachelor of Science in Business Administration (BSBA)), though a small number of business schools (such as the Tuck School of Business at Dartmouth University) were founded to offer the Master of Business Administration (MBA) degree. Some US business schools have continued to offer the bachelor's degree only, while many others have expanded their offerings to include graduate degrees.

Table 2.3 shows the four broad types of degree programs offered at US business schools, and the proportion of reporting schools that offer programs at each level. Currently, 96 % of reporting US business schools offer an undergraduate degree (generally four years of full-time study and 120 to 130 semester hours). Although a number of schools may have a “[donor name] Graduate School of Business,” less than 4 % of reporting US business schools offer only graduate degrees. Nearly 90 % of reporting US business schools offer one or more MBA degrees, nearly two thirds offer one or more specialized master's degrees, and about one fourth (generally large universities) offer one or more PhD programs in business.

The period 2004 to 2014 has seen dramatic growth in schools' offerings of a variety of more focused, discipline-specific master's programs, usually referred to in the USA as “specialized master's programs.” As shown in Table 2.4, that growth has occurred in both private and public institutions, with even stronger growth in private schools. Among schools offering graduate degrees, the next most frequently offered graduate program after the MBA is the master's degree in accountancy (sometimes called the Master of Professional Accountancy (MPA), the Master of Accountancy (MAcc) or the Master of Science in Accountancy (MSA)). Indeed, many small- to medium-sized schools whose enrollment, faculty and other resources would not support diversification to other specialized master's degrees offer a master's degree in accountancy. Despite recent declines in MBA application levels, most schools offering graduate degrees continue

Table 2.3 Program levels and proportion of schools offering each level

	2004–05	2009–10	2014–15
Undergraduate	95.2 %	95.1 %	96.1 %
MBA	88.0 %	89.3 %	89.9 %
Specialized MS	62.2 %	64.2 %	66.1 %
Doctorate	26.0 %	26.0 %	26.8 %
# Unique schools	415	450	514

Source: DataDirect, AACSB International

Table 2.4 Proportion of institutions offering a specialized master's program

	2004–05 (%)	2009–10 (%)	2014–15 (%)
Private	62.8	63.4	69.6
Public	61.9	64.6	64.5

Source: DataDirect, AACSB International

to offer MBA programs; in the most recent period only 18 schools offered specialized master's degrees without also offering MBA degrees.

Schools offering specialized masters degrees as well as an MBA have found that although most prospective students want to determine which degree best suits their career objectives, some pursue both an MBA and a specialized master's degree, either by continuing to take specialized courses in their main MBA area to be awarded a specialized master's in that area as well, or by taking first a specialized master's degree and returning to school later for an executive MBA degree as their career advances and requires more general management knowledge.

PhD programs are long established in the USA. Business schools in many large research universities offer PhD programs across a half-dozen or more disciplinary areas, with many schools offering accountancy, finance, management and marketing and some institutions offering programs in information systems, real estate and other specialized areas. (Economics PhD programs are not necessarily in business schools; at some institutions the economics department is in a college of arts and sciences, a college or school of policy studies or in another unit.) At some business schools,

the resulting degree is called a PhD in business administration with a “major,” “concentration” or “specialization” in (for example) finance; at other schools the resulting degree may be called a PhD in finance. In many cases the program content and structure are very similar across schools with different degree names, although at some schools there is a higher proportion of general business coursework and a lower proportion of discipline-specific coursework than at other schools.

A more recent development at the doctoral level has been executive doctoral programs. This market offering is much less developed in the USA than in Europe; in the USA the array of existing executive doctorate programs carry a variety of degree titles and have a variety of program missions. For example, the Executive Doctorate in Business (EDB) at Georgia State University aims to “advance the development and practice of effective organizational leadership,” Case Western Reserve University’s Doctor of Management (DM) to “develop thought leaders for the advancement of business and society,” Pace University’s Doctor of Professional Studies in Business (DPS) to “advance in senior management, initiate a consulting practice, or launch an academic career,” and Oklahoma State University’s PhD in Business for Executives to “accelerate executive skills by fusing scientific rigor with ... leadership skills.”

Development of Current Pedagogy

Given that business faculty in the years following the establishment of business schools were largely drawn from the social sciences, it should come as no surprise that much of the curriculum consisted of social science courses. What is often overlooked is that the faculty and the curriculum are reflective of the initial rationale for the inclusion of a business school in the university. The establishment of a business school was often framed in terms of the public good to counter the controversy about whether business had any place in a university. The reasoning for its inclusion became one of protecting the public interest from the associated negative aspects that characterized business, such as self-interest and money. The Yale Report of 1828 was a response from the faculty eschewing the idea of including content in the curriculum that was not pro-

scribed or part of the classical curriculum, stating in part: “As our course of instruction is not intended to complete an education, in theological, medical, or legal science; neither does it include all the minute details of mercantile, mechanical, or agricultural concerns. These can never be effectually learned except in the very circumstances in which they are to be practiced.”⁸ These ideas were consistent with the general belief that business was best learned through an apprenticeship and that a college education was intended to be broader and more basic, a base on which an apprenticeship could be built. It took another 50 years after the Yale 1828 curriculum report for the first school of business to be established at the University of Pennsylvania in 1881.

Business school curriculum is often a tug-of-war between stakeholders who see it as serving the purposes of the practical needs of industry/practice and the theoretical understandings expected in academia. The Ford and Carnegie reports, both published in 1959,⁹ exacerbated that push and pull. The reports criticized the quality of business education because it lacked a foundation of the science of management. The study of management by business faculty was not considered to be of the rigor found in the sciences and social sciences that drew on quantitative research and the scientific methods (Bok 2013). Advances in business doctoral education and related changes in faculty performance expectations have resulted in increased quality of research in business schools today, to the point that some outside the academy believe that much of the research now being done in business schools is out of touch with business practice and contributes little to the improvement of practice.

At the same time, there have been many positive developments in the curricular offerings of business schools, and many of these developments have been designed to enhance the engagement that programs have with practice. Curricular offerings at most US business schools have long included and even depended on case studies to engage students with real business problems. However, students seldom view those cases as real (especially when corporate identity has had to be disguised),

⁸ http://www.yale.edu/sites/default/files/files/1828_curriculum.pdf.

⁹ *Higher Education in Business* by Robert Gordon and James Howell for the Ford Foundation and *The Education of American Businessmen* by Frank Pierson for the Carnegie Foundation.

and are especially suspect of cases more than a couple of years old (despite their instructors' assurances that the problems depicted in the cases are timeless). In part to address these issues (and more recently, to enhance engagement with business practice as urged by the 2013 revision to AACSB standards), internships, field studies and project-based assignments have become much more common in US business schools. Historically more common in executive MBA and similar graduate programs, project-based assignments involving student engagement with local companies are now common even in undergraduate business programs.

Other advances in business school programs underscore the importance of developing the soft skills important to employers and other stakeholders, with increased emphasis on teaching communication, persuasion, critical thinking, leadership, decision-making and the recognition of and approaches to solving ethical problems. Business schools have struggled with the incorporation of these soft skills into their programs. The solution for some has been the addition of courses devoted to these issues, but separate courses (and separate faculty members for such courses) sometimes have the unintended consequence of conveying to students a message of unimportance (Bok 2013). Curricular developments continue in US business schools, encouraged and supported by AACSB's emphasis on ongoing quality improvement.

Business Models of Business Schools

In considering the business models of business schools in the USA, we must first examine the business models of their parent institutions, recognizing that their parent institutions fall into one of two categories: public and private. With only rare exceptions (a handful of undergraduate institutions such as Berea College in Kentucky, College of the Ozarks, and the service academies such as West Point, the Naval Academy and the Air Force Academy), higher education institutions in the USA charge fees to their students, generally referred to as tuition, whether the institutions are public or private.

Tuition is often quoted “per semester” or “per year” for full-time students and “per credit hour” or “per course” for part-time students. At many institutions, tuition for graduate-level education is higher on a per-credit-hour basis than for undergraduate education. Undergraduate tuition and required fees at leading schools¹⁰ currently range from \$5000 to \$49,022 for one academic year of about 30 semester credit hours, with an average of \$22,704 and median of \$14,867.¹¹ Across those leading schools, fees for MBA programs that range from about 40 to 60 semester credit hours currently are between \$23,240 to \$123,750, with an average and median of about \$71,000.

At many public institutions, tuition for “out-of-state” residents is higher than the tuition charged to residents of the state, on the rationale that the taxes paid by residents of the state (income taxes, sales taxes, etc.) are providing much of the funding for the state’s higher education institutions. (Median undergraduate tuition and required fees for out-of-state students at our sample schools is currently \$33,485 versus \$14,867 for in-state students, while the median MBA program fee for out-of-state students is \$87,910 versus \$71,050 for in-state students.)

At some institutions the tuition varies by program (liberal arts majors versus business majors versus medicine majors, for example), with a “tuition differential” or higher rate for higher-cost programs. There are also differences across schools regarding where control of the resulting tuition resources resides: at some institutions, tuition generated is credited directly to the business school budget, while at other institutions the tuition dollars are collected by and retained by the parent institution, becoming part of the overall “pot” of resources from which institutional allocations to the business school and the institution’s other units are

¹⁰For purposes of this chapter we identified a group of 75 leading business schools in the USA to examine some of the issues we discuss. Our group includes the 50 schools highest ranked for their undergraduate business program (using the 2017 US News & World Report rankings), the 50 schools highest ranked for their MBA program (using the same rankings) and the 50 schools highest ranked for their faculty’s research productivity (using the 2011–2015 UT Dallas rankings). As many of the schools are highly ranked in two or all three of these dimensions of business school quality, the resulting leading schools list consisted of 75 institutions after elimination of duplication.

¹¹ “[T]uition and required fees” and “program fees” in this section have been drawn from DataDirect, AACSB International.

made. Although tuition levels vary widely, even at institutions with the highest tuition, the tuition charged covers only part of the costs of the educational programs leading to its students' degrees.

In public institutions, the respective state government provides partial funding of the institution's budget; that funding is often referred to as the "state allocation" portion of the institution's resources. Public institutions annually prepare budget requests to their state university systems or other governing body; increases in such budget requests might be linked to cost increases and/or to planned expansions of programs, but state allocations to universities' budgets are subject to the state's tax collections and other influences on the state's resource availability, as well as to political influences such as shifting composition of the state legislature. Generally, state allocations to public universities' budgets have been declining over recent decades, and in some states (Pennsylvania, for example) the state allocation covers only 10–20 % of the budget of even the state's flagship university (Pennsylvania State University).

Another important source of funding for both private and public institutions is fundraising, from individual donors, corporate and other institutional donors, and alumni donors. In research universities, sponsored research can also be an important funding source, through faculty or institutional research grant applications to federal funding agencies such as National Science Foundation (NSF), National Institutes of Health (NIH), the US Department of Education (DOE) and many others. Far fewer grant programs' Requests for Proposals, or RFPs, are aimed at research done in business schools than in the sciences, engineering and medicine, yet efforts by business school faculty to obtain such funding as well as corporate-sponsored funding (or contract research) have become more common. Indeed, at some schools, grant productivity is becoming more expected (and is being reflected in reward systems) as universities and their business schools have faced budget shortfalls in recent years.

So far we have described the business model at the institution level (parent university/college), because, as noted above, almost all business schools in the USA are situated within broader institutions and therefore the business school's allocated portion of the parent institution's resources constitute an important part of (but not all of) a typical business school's budget. Beyond the allocation the business school receives from its parent

institution from state allocation (if a public institution) and from tuition, the picture is very similar at the business school level in that there is significant pressure to “grow the top line” (raise additional resources) through fundraising, successful grant applications, contract research and other means. For business schools, an additional resource generator may be executive education programs, depending on the business school’s arrangement with its parent institution regarding retaining or sharing generated resources with the institution (sometimes referred to as the “university tax” on executive education).

On the expense side, there is a great deal of variation across business schools regarding expense items the business school is expected to fund versus expense items the parent institution provides (for a charge or as a “free good” such as facilities, marketing, etc.). By far the largest expense item or budget line for most business schools is faculty salaries, regardless of the system, so dynamics of faculty salary escalation are critically important to the business model of most business schools.

Faculty salaries at US business schools have stabilized somewhat in the last decade, in part because of the broader economic downturn experienced in the USA and worldwide. Salary freezes and “no raise” years were common at US institutions and their business schools, particularly between 2008 and 2011, holding down the median salary levels for all faculty though not necessarily the salary levels for new hires. Salaries for finance faculty and accounting faculty at US business schools historically have been the highest.

Table 2.5 shows salary growth at all position levels over the decade, though that growth was a bit less in the second half of the decade for the professor group. New hire salaries can be seen to be higher than those for all faculty at the same rank (except instructors in the last period), but the acceleration in new hire offers appears to have slowed in the latter period, influenced no doubt by the economic downturn and its effect on number of positions available. This is evident in Table 2.5, which shows 157 new hires at the professor level for 2005–2006 but only 106 for 2010–2011 and 107 for 2015–2016, with an accompanying moderation in salary offer growth. A similar reduction in hiring can be seen at the associate professor level, with some recovery in number of positions for 2015–2016 but nearly flat salary levels.

Table 2.5 Median salaries across all disciplines—all schools

	Median salary—\$s in 000s (# of faculty at rank)		
	2005–06	2010–11	2015–16
All faculty			
Professor	105.7 (7736)	125.4 (8175)	139.8 (8463)
Associate professor	89.6 (6335)	106.1 (6758)	120.0 (7427)
Assistant professor	89.0 (5703)	105.4 (6187)	119.3 (7370)
Instructor	50.7 (2792)	60.9 (3725)	71.6 (5074)
New hires			
Professor	110.0 (157)	150.0 (106)	179.7 (107)
Associate professor	100.0 (225)	125.0 (139)	125.5 (181)
Assistant professor	89.0 (1093)	110.0 (948)	120.0 (1437)
Instructor	50.0 (424)	60.2 (430)	70.0 (690)
New doctorate	91.5 (333)	115.0 (267)	118.0 (416)

Source: DataDirect, AACSB International

Note: Member schools reporting in AACSB's annual Salary Survey

The “new doctorate” category contains those newly hired faculty members who have just completed their doctoral degrees; they are usually hired as assistant professors in the USA. High demand and resulting strong hiring markets have for some time been resulting in compression and even inversion of faculty salaries in US business schools, with newly hired assistant professors being offered salaries that are very close to the salaries of the school's experienced faculty (compression) and sometimes higher than experienced faculty (inversion). Table 2.5 bears that out, but shows that the drop in hiring of new doctorates (267 for 2010–11 versus 333 for 2005–2006) had a softening effect on subsequent salary growth, despite a rebound in number of faculty positions filled by new doctorates for 2015–2016.

The numbers in Table 2.5 for assistant professors are probably also affected by another trend that occurred in the USA during the economic downturn (and to a lesser extent since then): faced with limited hiring opportunities, some schools chose to hire experienced assistant professors instead of new doctorates for the few positions they had, on the assumption that faculty members who were two to five years beyond their doctoral degrees, with proven records in research and in teaching, were safer bets for their scarce recruiting resources.

As shown in Table 2.6, salaries reported by the leading schools group are significantly higher across the board than salaries reported by all AACSB member schools, and reflect stronger growth over the decade for new hires with new doctorates and for existing faculty at the professor and associate professor ranks than reported by the broader population of member schools (see Table 2.5). The moderating effect of the economic downturn is evident in the data from the leading schools group as well, but is less pronounced, especially with regard to new doctorate salary offers. It is also notable in Table 2.6 that even for the leading schools group, there has been dramatic growth in the total number of faculty in the instructor category as well as in the number of new hires at the instructor level. This is consistent with overall growth in the proportion of US business schools' faculty (and leading business schools' faculty) that hold non-tenure-track positions, discussed further in the "Faculty Career Paths" section later in this chapter.

Another major (and growing) expense item for US business schools derives from the increasing importance of online and hybrid offerings of courses and programs. In 2004–2005, 4 % of schools reported offering an undergraduate degree online; that proportion grew to 18 % in 2014–2015. The trend toward online and hybrid offerings is similar at the graduate level, with growth from 10 % of schools reporting MBA online offerings in 2004–2005 to 28 % in 2014–2015 and from 3 %

Table 2.6 Median salaries across all disciplines—75 leading schools group

	Median salary—\$s in 000s (# of faculty at rank)		
	2005–06	2010–11	2015–16
All faculty			
Professor	153.4 (2499)	185.4 (2464)	227.4 (2412)
Associate professor	115.1 (1594)	141.7 (1676)	172.0 (1691)
Assistant professor	116.6 (1673)	139.8 (1803)	163.2 (2011)
Instructor	64.5 (710)	78.2 (1089)	90.0 (1481)
New hires			
Professor	175.0 (43)	240.0 (36)	236.0 (47)
Associate professor	140.0 (63)	162.5 (54)	185.5 (56)
Assistant professor	120.5 (264)	145.0 (290)	162.0 (370)
Instructor	60.0 (73)	80.0 (75)	90.0 (185)
New doctorate	122.0 (81)	148.3 (88)	170.0 (80)

Source: DataDirect, AACSB International

Note: Member schools reporting in AACSB's annual Salary Survey

of schools reporting specialized master's online offerings in 2004–2005 to 16 % in 2014–2015. The recent rapid growth of program delivery in online and hybrid formats stems from two major pressures in US business schools and their parent institutions: (1) a desire for innovation and (2) demands for efficiencies to offset declining funding and budget shortfalls. But expansion of online and hybrid carries significant costs for IT development and maintenance, and still greater investment required to support faculty success with these technological advances, necessitating continuing investment in training and faculty support if they are to keep up with accelerating advances in technology. Even in instances where the parent institution is shouldering a significant proportion of the investment for technology infrastructure, it is usually up to the business schools to invest in faculty training and support. In the face of accelerating change in instructional technology as well as stagnant or declining budgets, this is a major challenge for most business schools.

Faculty in Higher Education in Business in the USA

Demographics

Across more than 500 business schools in the USA, the full-time equivalent (FTE) of 37,537 employees are involved in instruction in the latest reporting year (2014–2015). Of that total, 80.8 % were full-time faculty, 17.6 % were the sum of part-time faculty and 1.6 % were the sum of graduate students'¹² assignments in instructional roles (see Table 2.7). Over the last decade, the total FTE involved in instruction has increased by more than 25 %, but the proportion of full-time faculty in reporting schools' instructional corps has dropped from 83.6 % in 2004–2005 to

¹²At research universities with PhD programs in their business schools, the schools' instructional corps may be supplemented by PhD students who are teaching to fulfill their program's requirement for teaching experience and/or to satisfy the work requirements of their graduate assistantships.

Table 2.7 Distribution of full-time equivalent (FTE) faculty—all schools

	% FTE (# FTE)		
	2004–05	2009–10	2014–15
Full-time	83.6 % (25,067)	82.7 % (28,989)	80.8 % (30,327)
Part-time FTE	14.3 % (4281)	15.2 % (5332)	17.6 % (6614)
GTA FTE	2.1 % (635)	2.1 % (734)	1.6 % (596)
Total FTE	29,962	35,055	37,537

Source: DataDirect, AACSB International

the current 80.8 %. Reliance on part-time faculty has grown over the decade, from 14.3 % in 2004–2005 to the current 17.6 %.

Gender

Today, business school faculty members in the USA are a diverse group, on a number of dimensions. Although far below their proportion in the US population and below their proportion in PhD program enrollment, women faculty have been gaining in numbers and as a proportion of business schools across all schools and across position types (see Table 2.8, below). The increased representation of women in terms of numbers of full-time positions and proportion of the total faculty is even more pronounced at the leading schools group, although the percentage gains in tenured and tenure-track positions filled by women faculty are lower (see Table 2.9, below).

Ethnicity/Race

In terms of faculty ethnicity/race, US immigration and employment laws require that non-citizens of the USA be approved for permanent US residency within six years of commencing full-time faculty employment in order to continue employment and residency in the USA, so it is not surprising that the proportion of full-time faculty at US business schools that hold either US citizenship or permanent US residency has

Table 2.8 Women as proportion of full-time faculty—all schools

	% Women (Avg. # Women full-time faculty)	
	2001–02 ^a	2014–15
Full-time tenured women	18.2 % (6.0)	26.7 % (8.2)
Full-time tenure track women	32.2 % (4.0)	38.5 % (4.99)
Full-time NTT women	35.5 % (3.7)	39.2 % (5.6)
Avg. Total % and # full time women	24.1 % (13.7)	31.9 % (18.5)

Source: DataDirect, AACSB International

^a2001–02 is first year of data available in DataDirect

Table 2.9 Women as proportion of full-time faculty—75 leading schools

% Women (Avg. # Women full-time faculty)		
	2001–02	2014–15
Full-time tenured women	13.4 % (7.8)	21.0 % (11.5)
Full-time tenure track women	29.8 % (6.7)	33.9 % (8.3)
Full-time NTT women	32.0 % (6.8)	34.1 % (12.0)
Avg. Total % and # full-time women	21.0 % (21.3)	27.5 % (31.8)

Source: DataDirect, AACSB International

been stable across time at about 95 %. To assess the underlying diversity of ethnicity/race of business school faculty, we draw on reporting schools' data on ethnicity/race backgrounds of the 95 % of faculty who are US citizens or permanent US residents; the remaining 5 % of faculty who are neither US citizens or permanent US residents are classified as “international” (see Table 2.10, below). Faculty members of “Asian/Pacific Islander” descent show the greatest increase as a proportion of faculty across all schools, and increases can be observed in the proportion of “Black, non-Hispanic” and in “Hispanic” faculty, offsetting a decrease in “White, non-Hispanic” faculty. A similar pattern can be observed at the leading schools group for increases in Asian/Pacific Islander and Hispanic, but a slight decrease in Black, non-Hispanic faculty (see Table 2.11, below).

Table 2.10 Ethnicity/race as proportion of full-time domestic faculty—all schools

	2001–02	2014–15
American Indian/Alaska native	0.3 %	0.0 %
Asian/Pacific Islander	10.4 %	16.7 %
Black, non-Hispanic	3.1 %	4.1 %
Hispanic	1.6 %	2.8 %
White, non-Hispanic	83.5 %	74.3 %
Race/ethnicity unknown	1.1 %	1.5 %
Average # full-time domestic faculty	56.0	55.9
International	2.5 %	4.1 %

Source: DataDirect, AACSB International

Note: Ethnicity/race is reported for US citizens and permanent US residents; all other faculty are reported as “International.” We are referring to the US citizens and permanent US residents group as “domestic” faculty.

Table 2.11 Ethnicity/race as proportion of full-time domestic faculty—75 leading schools

	2001–02	2014–15
American Indian/Alaska native	0.3 %	0.0 %
Asian/Pacific Islander	11.2 %	14.5 %
Black, non-Hispanic	2.7 %	2.6 %
Hispanic	1.6 %	2.2 %
White, non-Hispanic	83.2 %	77.4 %
Race/ethnicity unknown	1.1 %	1.5 %
Average # full-time domestic faculty	93.7	104.2
International	5.4 %	7.4 %

Source: DataDirect, AACSB International

Note: Ethnicity/Race is reported for US citizens and permanent US residents; all other faculty are reported as “International.” We are referring to the US citizens and permanent US residents group as “domestic” faculty.

The PhD Project

In 1994, concerned about low levels of diversity in accounting and other professions in the USA, a leading accounting firm (KPMG) established “The PhD Project,” an organization dedicated to “increas(ing) workplace diversity by increasing the diversity of business school faculty.”¹³ Initially working in partnership with Citi, AACSB and GMAC, KPMG

¹³<http://www.phdproject.org>.

has provided generous financial and administrative support to The PhD Project over the last two decades, inspiring many more corporate sponsors as well as academic organizations such as the Academy of Management, the American Accounting Association and the American Marketing Association to provide funding to the PhD Project as well. From the organization's initial formation of an Accounting Doctoral Student Association for minority accounting doctoral students supported by the PhD Project, the program was expanded to information systems, finance, marketing and management in less than five years. Open to US citizens and permanent U.S. residents who are African-American, Hispanic-American or Native American, the PhD Project provides financial support as well as significant opportunities for mentoring, peer support, annual conferences and other support to enhance students' success in their PhD programs. The organization reports doctoral program completion rates higher than overall US averages, as well as higher faculty retention rates than overall US averages.¹⁴ Since the inception of the PhD Project, the number of minority faculty at US business schools has more than quadrupled, from 294 to over 1,300.¹⁵

PhD Requirements

To enter PhD programs in US business schools, applicants must have a bachelor's degree (four years). All other things being equal, many business schools are more likely to admit applicants who also hold an MBA or other master's degree in business or in related disciplines such as economics or psychology (or require completion of some master's-level foundational courses of students without master's degrees) and applicants who have at least a few years of meaningful work experience. Admission to PhD programs is competitive, and most schools require standardized test scores (Graduate Management Admission Test (GMAT) or, for some, Graduate Record Examination (GRE)), recommendation letters, personal statements and sometimes personal interviews. Most students

¹⁴ <http://www.phdproject.org/our-success/milestones-achievements>.

¹⁵ <http://www.phdproject.org/our-success/about-us>.

admitted to full-time PhD programs in the USA are fully supported on graduate assistantships that provide full tuition as well as a modest living stipend (currently averaging \$20,000–30,000 per year, depending on discipline). PhD assistantships generally require students to work 15–20 hours per week as research assistants or teaching assistants to faculty or as instructors of up to two classes per semester. PhD programs at top business schools often offer more generous stipends and/or lower teaching requirements to attract the best-qualified applicants.

In part because of resource availability for PhD assistantships and in part because of faculty availability to supervise PhD students, especially at the dissertation stage, most schools admit only a small number of students per discipline each year, or stagger admissions across the school's disciplines (for example, allowing marketing and accounting to admit five students each this year and management and finance to admit five students each next year). Such a staggered approach can help a business school meet its university's minimum class sizes to offer PhD seminars, but can create capacity challenges for faculty supervision of students at the dissertation stage.

PhD programs in business in the USA usually require two to two and a half years of doctoral-level courses, a comprehensive exam or other integrative experience and a dissertation. Students at the coursework stage typically take a full load of courses (doctoral seminars) for at least two years, including a broad array of methods courses as well as theory and content seminars in their major or area of specialization. It is not unusual in the USA for PhD students to take one third or more of their courses in methods. This characteristic ties to an increased emphasis in the USA on PhD students having publications before being hired into faculty positions at research institutions.

The PhD dissertation in the USA today may take the form of the traditional single large research project, or the three-paper model, depending on the school and on the individual student, but the latter has become dominant in most business fields in the last decade. Often, through coursework and/or through assignment as a research assistant, a student has developed a working relationship with a senior faculty member who may become the student's dissertation advisor or dissertation committee chair (titles differ across schools). In many cases the student develops a dissertation proposal under the supervision of

that advisor. Generally, other faculty members are invited to serve on the committee as the dissertation proposal takes shape and it becomes clearer whose expertise would be helpful to the dissertation's development and who would be interested in the work and willing to commit time to its supervision.

Many but not all business schools in the USA require a formal defense of the dissertation proposal as a milestone in the dissertation progress, and some schools require that the proposal be successfully defended by a specified point in the student's program for progress to be considered satisfactory and funding to be continued. Formal presentation (final defense) of the resulting dissertation work, conclusions and contributions is required before graduation and conferral of the PhD degree. At most business schools the examining committee for the final defense is the supervising committee but some schools include or substitute independent readers or examiners.

From the above description, the reader can see that it may be possible to complete a PhD degree in business in the USA in as little as four years, but for most students a PhD program in business requires five to six years of full-time work and for some students the work takes several years beyond that. During what students anticipate to be their last year in the PhD program (that is, when they and their dissertation advisor anticipate that the dissertation will be completed during the current academic year), students are typically also "on the job market"—applying for and being nominated by their advisors for faculty positions as assistant professors, participating in screening interviews and other informal meetings at professional conferences, and participating in campus interviews with the objective of being prepared to start a full-time faculty position the following fall semester. "Post-doc" positions exist in the USA but they are rare, in part because most business fields have been characterized by high demand for many decades. What is more common than formal post-doc positions are situations in which short-term, temporary matches are made between students whose dissertation completion timing cause them to "miss the market" and schools that have unanticipated faculty vacancies late in the recruiting season. These matches are referred to as "visiting faculty" positions.

Faculty Career Paths

From the founding of the first school of business (Wharton, in 1881) through the mid-twentieth century, faculty teaching in business schools were often drawn from related disciplines in the social sciences. Academic business research through the mid-twentieth century was limited, often focused on descriptions of practice, and was not characterized by the rigor that is expected of business faculty members' work today. As a foray into research to impact practice, Harvard Business School Bureau of Business Research was established in 1916 (AACSB, <http://www.aacsb.edu/about/history/timeline>). Much of the work of early research bureaus focused on gathering statistics and conducting contract research (Bok 2013).

In the late 1950s, two reports were released that were critical of the quality of business education and of the research being produced at US business schools. These reports (often referred to as the Ford report and the Carnegie report, for the foundations that sponsored them in connection with development of their grant programs) shifted the trajectory of business faculty, business education and business research. Critical of the practice-oriented descriptive research produced at most business schools, the reports encouraged more rigorous research that would contribute to the base of knowledge about the science of management and business. The reports led a greater emphasis on PhD qualifications for business school faculty and to the development and expansion of PhD programs at major business schools, to grow their own faculty who could develop the theory and science of management. Although it is rare today for a PhD student in the US to be hired at the time of degree by their doctoral institution, in the mid-twentieth century it was more common, as leading schools struggled to fill their faculty positions with qualified candidates.

Today the majority of full-time faculty members in US business schools hold PhD degrees; very few are hired solely based on practical industry experience. The majority of faculty positions at US business schools are on the "tenure track" and include research expectations in order to be granted tenure and as a criterion for performance to be considered even adequate, both before tenure is granted and continuing over the length of a tenured faculty member's career. In addition, many US business schools

have increased the proportion of their faculty that hold non-tenure-track rather than tenured and tenure-track faculty positions (see Tables 2.12 and 2.13, below), and more faculty are now found in business schools with the title of executive in residence, professor of practice or clinical (assistant/associate) professor. This trend is evident in the leading schools group (Table 2.13) as well as across all schools (Table 2.12). Some holding such non-tenure-track positions have MBAs or other master's degrees in business and have significant managerial experience, while others (such as "clinical" faculty members at the authors' institution) have PhDs from well-respected business schools, significant engagement with industry, and conduct and publish applied and/or pedagogical research in their academic fields as an expectation of their faculty positions.

Business schools in urban areas benefit from the availability of experienced business practitioners to supplement their instructional corps of full-time faculty. To be appointable as part-time instructors, practitioners generally must have both significant management experience and a

Table 2.12 Average percentage of faculty at rank by year—all schools

	2001–02	2004–05	2009–10	2014–15
Tenured	59.5 %	58.7 %	57.2 %	55.6 %
Tenure-track, not yet tenured	24.0 %	24.8 %	24.4 %	22.9 %
Non-tenure-track	16.5 %	16.5 %	18.5 %	21.5 %
Total full-time faculty	100 %	100 %	100 %	100 %
Part-time FTE	11.7 %	12.7 %	13.1 %	15.0 %
# Schools	353	404	450	514

Source: DataDirect, AACSB International

Table 2.13 Average percent of faculty at rank by year—75 leading schools group

	2001–02	2004–05	2009–10	2014–15
Tenured	56.2 %	55.4 %	53.8 %	49.9 %
Tenure-track, not yet tenured	24.9 %	25.1 %	23.0 %	22.4 %
Non-tenure-track	18.9 %	19.4 %	23.2 %	27.7 %
Total full-time faculty	100 %	100 %	100 %	100 %
Part-time FTE	9.7 %	10.4 %	11.9 %	12.4 %
# Schools	58	63	65	66

Source: DataDirect, AACSB International

high-quality graduate degree in the area of instruction, for university and business accreditation reasons. These part-time instructors are captured in the “Part-time FTE” group in Tables 2.12 and 2.13, which show growth in the number of part-time instructors, even at leading business schools (Table 2.13). Increased use of part-time instructors can serve to enhance the curricular connection to practice, consistent with renewed emphasis in the AACSB standards. At the same time, some of that growth may be offsetting reduced availability of graduate students for instruction. Budget constraints have caused PhD program sizes to remain steady at many schools, yet many leading schools have been striving to reduce the teaching required of their PhD students, in order to enhance those students’ research experiences and publication records as expected by the faculty job market today.

Although the total FTE involved in instruction has been increasing steadily (see Table 2.7), Table 2.12 reflects a decline in the proportion of both tenured faculty and tenure-track faculty who are not yet tenured, for the population of reporting schools. Table 2.12 also shows increases in the proportions of non-tenure-track faculty and part-time FTE across those schools. Table 2.13 indicates similar patterns even for the leading schools group. In many cases, schools’ shifts in the distribution of their instructional corps from tenured and tenure-track positions to greater reliance on lower-salaried non-tenure-track faculty and part-time instructors has been driven by increasing expenses coupled with budget cuts over a number of years. There is no question that these shifts have raised concerns about negative consequences the reallocations may have for research reputations of the schools as well as for faculty governance. But such reallocations can also help schools align with the most recent AACSB standards for accreditation, which place greater emphasis on engagement with practice for both faculty and students. There is also acknowledgment in the new AACSB Standards that, for some faculty members and their institutions, value can be added to a school’s offerings when a faculty member shifts over the course of an academic career from basic research to a greater emphasis on applied research.

How successful or problematic the redistribution of faculty lines from tenure-track to non-tenure-track is at a particular school may well depend on two factors: (1) indications by university and college administrators

that tenured and tenure-track faculty will remain in the majority, reducing though not eradicating concerns about reputation and faculty governance, and (2) cultural characteristics of the institution (and, particularly for the purposes of this chapter, the business school). These cultural characteristics vary widely across business schools, but it might not be difficult for the reader to imagine the consequences of a shift in proportion from tenure-track to non-tenure-track at a school where the tenure-track faculty do not even know the names of their non-tenure-track colleagues. By contrast, one can imagine different consequences at a school where tenure-track and non-tenure-track faculty view each other as colleagues, and where tenure-track faculty respect the non-tenure-track faculty's contributions to business community engagement, to students' opportunities for experiential learning and to the reduction of tenure-track faculty's teaching loads in order to help support their research productivity.

Non-Tenure-Track Faculty Positions

As shown in Table 2.14, the proportion of full-time faculty whose positions are non-tenure track has increased in both private and public institutions, with even more growth in private institutions. Historically, most US business schools have had among their instructional staff at least one or two full-time faculty members who have not been on the tenure track; these faculty positions are generally referred to as non-tenure-track (NTT). The faculty members who have held these positions may have had different titles depending on the school, but were often called instructors rather than assistant professor, associate professor or professor. Such a position was sometimes used to hire a local businessperson who had recently retired and whose business experience filled a gap in

Table 2.14 Average % full-time NTT faculty by institutional control—all schools

Control type	AACSB reporting year		
	2004–05 (%)	2009–10 (%)	2014–15 (%)
Private	14.7	18.9	23.0
Public	17.2	18.3	20.9
Total	16.5	18.5	21.5

Source: DataDirect, AACSB International

Table 2.15 Average % full-time NTT faculty by institutional type—all schools

Institutional type	AACSB reporting year		
	2004–05 (%)	2009–10 (%)	2014–15 (%)
Doc/Master's	10.8	14.6	18.1
Doc/MS/UG	21.2	23.0	26.9
Master's	15.9	17.8	36.6
Master's/UG	14.7	16.6	18.7
UG	18.3	20.8	25.7

Source: DataDirect, AACSB International

Note: Type defined by range of degrees offered

the tenure-track faculty's teaching capabilities; thus, even schools in rural areas might have at least one or two NTT faculty (for example, a retired small business owner teaching entrepreneurship or an attorney teaching business law). Considering the range of degree programs that different institutions offer, it is perhaps not surprising that there has been growth in representation of NTT faculty positions in most types of institutions (see Table 2.15, above).

The Tenure Track: Expectations and Assessment

The normal progression of tenure-track faculty is from assistant professor to associate professor to professor. At most business schools in the USA, a faculty member is promoted to associate professor when “tenure” is granted, based on high performance according to the business school's (and its parent institution's) standards. Most schools have a seven-year maximum on the “tenure clock” and faculty members typically apply for tenure that would be effective after their sixth or seventh year of employment. If tenure is not granted, faculty members typically move to another institution, often finding a better match for their preferred career path. For faculty members who have been promoted to associate professor and tenured, or those who have been hired at the level of associate professor, application for promotion to the rank of professor (sometimes called “full professor”) is usually a goal but is not required (there is usually a minimum period between associate and full professor, such as five years, but there is not a required time within which a faculty member must apply).

The expectations of faculty members, and therefore the standards for tenure and for promotion, vary from school to school, but generally include some combination of research, teaching and service (external to the profession and internal to the institution). Historically, some business schools (and their institutions) have been regarded as research schools (institutions where top-quality disciplinary research publications are expectations of faculty performance and requirements for tenure and promotion, regardless of the level of teaching performance that is expected of faculty and/or required for tenure and promotion) and other business schools and their institutions have been regarded as teaching schools (institutions where research expectations and requirements are lower in quality and quantity and expectations for teaching excellence and student engagement are generally higher). However, the expanding importance, prevalence and dominance of AACSB accreditation has resulted in increased research expectations and requirements even at teaching schools, with the expectation of scholarly contributions by many faculty members at accredited schools. This has also contributed to the expansion of clinical faculty and similar positions at research institutions, as they seek to stretch declining resources to meet demands for teaching and business community engagement while also meeting research expectations for accreditation.

Teaching Loads and Other Workload Components

Teaching loads for business school faculty in the USA vary both across and within institutions. At more research intensive institutions, most faculty teach three or four course sections of three credit hours each, with section sizes typically 20–40 students each (except PhD seminars which might be five students), during an academic year of two 14–15-week semesters.¹⁶ At less research intensive institutions, teaching loads might be three or four course sections per semester (six to eight course sections during an academic year), with little variation across faculty except for those in administrative positions such as deans or department chairs.

¹⁶Some business schools operate on the “quarter system” rather than the “semester system.” Quarters are generally ten weeks long rather than 14–15-week semesters, so faculty typically teach more course sections per year on a quarter system than on a semester system.

Variation from the typical three or four course sections at research intensive schools may be by institution (research versus teaching focus) or within institutions (based on high faculty performance or other responsibilities in an individual faculty member's workload). Within research intensive institutions, for example, top-performing senior faculty members with very high research productivity might have their "on-load" teaching assignments reduced to one or two sections per academic year. Large institutions with a wide variety of faculty positions might also have a wide variety of teaching loads ranging from eight or more sections per academic year (non-tenure-track instructors or lecturers with no research expectation), to teaching loads between the instructor/lecturer level and the tenure-track level, five to seven sections per academic year (non-tenure-track clinical faculty with some research expectation in their workload), to tenure-track faculty for whom the institution's standard teaching load might be four sections per academic year but new assistant professors and productive tenured faculty have teaching reductions to support their research productivity.

In addition to variation across institutions according to semester system versus quarter system, faculty members at teaching intensive business schools generally teach more course sections per academic year (typically six sections or more) than do faculty at research intensive business schools. Especially at AACSB-accredited teaching intensive business schools (and such schools that are aspiring to achieve that accreditation), faculty are expected to engage in research in addition to teaching and many such schools require publications in peer-reviewed journals. While teaching intensive business schools may welcome, appreciate and reward faculty publications in top-ranked ("premier") scholarly journals, they seldom require publications in those journals for faculty to be considered high performing or for tenure to be granted, so a teaching load of six sections per academic year is deemed reasonable. Workloads (distributions of research, teaching and service expectations) of non-tenure-track clinical faculty at more research intensive institutions are fairly similar to workloads of tenured and tenure-track faculty at more teaching intensive institutions, although course section sizes at teaching intensive institutions are generally smaller (number of students per section) than at research intensive institutions.

Remuneration of Faculty

Salary levels also vary both across institutions and within institutions. Across institutions and faculty position types, salary levels can vary over a wide range, as shown in Table 2.5, above. These data represent a significant majority of business schools in the USA, as they include more than 85 % of AACSB-accredited schools. Given demand for faculty holding PhD degrees in the USA, these data represent nearly the entire populations of US business schools that a graduating PhD student would consider for employment.

Salary levels are higher at leading business schools than for the broader population of business schools. Table 2.6 shows the median faculty salaries at these leading schools, compared to the broader population of all reporting schools (Table 2.5). Salary levels also vary significantly across disciplinary areas in US business schools. It should be noted that at some institutions the salary levels, range and the process for determining salaries for individual faculty members are influenced/controlled by a faculty union contract at the institution.

Beyond base salary, faculty members at some US business schools have additional compensation opportunities, most often for teaching course sections in the “summer” semester and for participating in developing and/or teaching in the business school’s non-credit executive education programs. Urban institutions with large numbers of part-time students who are employed in the local business community often have extensive summer semester offerings; the resulting compensation opportunities can require careful management of teaching versus research time by faculty members and their employers. Payment for summer teaching varies widely across US business schools—10 % of academic year (AY) salary for a three-credit course is probably most common, but some schools pay one-ninth of AY salary and others pay a fixed dollar amount (such as \$5000 or \$7000 per three-credit course) or cap the percentage-of-AY-salary payment at some dollar level.

Larger and urban institutions are also more likely to be providers of non-credit executive education programs, which may be “custom” (designed for a particular corporate client at an overall program price) or “open enrollment” (marketed broadly to interested parties in the business

community, generally at a fixed, per-person price). Faculty members may participate in the development and/or delivery of a school's executive education programs and are usually compensated beyond their base (academic year) salary for doing so; at a limited number of schools, non-credit executive education can be "counted" toward a faculty member's academic year workload, but such an arrangement would not be acceptable to many public institutions' state legislators and other governing bodies.

The Demand for Higher Education in Business in the USA

A business degree in the USA has never been in higher demand by students and employers than it is today. Exemplifying this is the National Center for Education Statistics (NCES) report on degrees conferred. NCES is the primary federal entity tasked with collecting and analyzing data and reporting on the condition of education in the USA. The most recently published report shows that in 1970–1971 degrees in business accounted for 13.7 % of all undergraduate degrees conferred in the USA.¹⁷ This percentage placed business well behind degrees conferred in the humanities (17 %), social and behavioral sciences (23 %) and education (21 %). By 2011–2012, the latest year included in the 2013 report, degrees in business fields accounted for 20.5 % of all undergraduate degrees conferred in the USA, and business represented the largest proportion of degrees awarded for the six "fields of study" categories. Degrees conferred at the master's level reflect a similar story of increased demand, rising from 11.2 % of degrees conferred in 1970–1971 to 25.4 % of 2011–2012 degrees. As is the case for undergraduate degrees, master's degrees in business now represent the largest proportion of degrees awarded for the six categories.

Data from AACSB member schools paint a similar picture of business degree growth since 2001–2002, the first year of data availability in AACSB's DataDirect database (see Table 2.16). Growth in business bachelor degrees conferred annually has been strong, increasing nearly 50 % from 2001–2002 to 2014–2015. The more moderate growth in

¹⁷https://nces.ed.gov/programs/digest/d13/tables/dt13_318.20.asp.

Table 2.16 Degrees conferred by program type and year—all schools

	2001–02	2004–05	2009–10	2014–15
Bachelors	132,401	163,735	177,853	197,117
MBA	45,428	51,552	53,435	58,981
Specialized master's	14,783	16,293	18,187	34,352
Doctoral	853	870	985	1131

Source: DataDirect, AACSB International

MBA degrees conferred is consistent with some softening of interest in that degree over the last decade and greatly increased interest in specialized master's programs, for which degrees conferred in 2014–2015 were more than double the number conferred in 2001–2002.

Students Involved in Business Programs in the USA

Given the growth in the number of business degrees conferred it is not surprising that enrollment in business programs has generally been strong. Significant enrollment growth in the last decade has occurred in undergraduate programs and in specialized master's programs (see Table 2.17). Undergraduate programs enrollment has grown steadily, with 2014–2015 enrollment 50 % higher than that in 2001–2002. Enrollment in specialized MS programs more than doubled over the same period (2014–2015 enrollment compared to that in 2001–2002). The growth in specialized master's enrollment stands in stark contrast to the enrollment in what many consider to be the flagship program of business schools, the MBA program. MBA programs continue to enroll more students than specialized master's programs, but MBA programs overall have been experiencing slowing enrollment growth, and overall MBA enrollment in 2014–2015 was actually lower than overall MBA enrollment in 2009–2010.

A closer look at the data on MBA enrollment in Table 2.17 reveals different patterns of growth and decline across different types of MBA programs (full-time MBA versus part-time MBA versus executive MBA). These different patterns influence the overall MBA picture, especially in light of the fact that the number of students enrolled part-time in MBA programs is greater than those enrolled full-time. During the period represented in our table, full-time enrollment increased by 37 % with a smaller overall number of

Table 2.17 Enrollment by program and year—all schools

Program	2001–02	2004–05	2009–10	2014–15
Undergraduate	586,789	665,678	767,766	879,919
MBA	118,476	131,821	142,054	140,690
<i>MBA (Full-time enrolled)</i>	40,772	40,755	57,017	56,003
<i>MBA (Part-time enrolled)</i>	69,906	79,636	75,253	73,758
<i>MBA (Exec MBA enrolled)</i>	7798	11,430	9784	10,929
Specialized masters	32,583	34,805	41,207	67,601
<i>Spec. Ms. (Full-time enrolled)</i>	15,281	16,377	23,765	40,610
<i>Spec. Ms. (Part-time enrolled)</i>	17,302	18,428	17,442	26,991
Doctoral	5522	6414	5994	6835
<i>Doctoral (Full-time enrolled)</i>	4437	5547	5439	6283
<i>Doctoral (Part-time enrolled)</i>	1085	867	555	552

Source: DataDirect, AACSB International

students, but part-time enrollment increased by 7 % with a larger number of students, resulting in a narrowing difference in size between the two program formats. Full-time enrollment was flat in the earlier periods but jumped in the later periods, perhaps reflecting effects of the economic downturn with scarcer employment opportunities driving some to pursue full-time programs while unemployed and searching for jobs and to enhance future job opportunities and job security. By contrast, part-time and executive MBA enrollment jumped in the earlier periods but dropped in 2009–2010, perhaps reflecting cutbacks in employers' tuition support/reimbursement programs in the economic downturn. Across the decade, there have been years of enrollment declines and increases, and despite speculation about possible causes there remains uncertainty about what is causing the shifts because of difficulty documenting the reasons of those who never apply, those who did not matriculate and those who did not stay to complete the degree. As a result, what to expect in the years ahead must be recognized for what it is: a best estimate based on current market research.

Another indicator of demand for business education is the number of prospective students considering and applying to business school. The model for predicting how many people will become new students is often referred to as the admissions funnel. The admissions funnel, like all funnels, is wide at the top and narrows as you move down. At the top of the funnel are individuals who have expressed an interest in a business program. Further down are those who have submitted an application ("applicants"). Further yet are those

who were admitted (“admissions offers”) from the population that applied, and finally at the bottom of the funnel are those who matriculate (“new entrants”) into the business program. Two commonly calculated measures that accompany the funnel are “selectivity” (of those who apply, the percentage who are offered admission) and “yield” (of those who are admitted, the percentage who matriculate). As selectivity and yield are considered by some to be indicators of a school’s quality, and are included as measures in some rankings calculations, schools would typically like to be selective (have a low percentage of admitted to applied students) and have a high yield from those applicants they do admit, as a good reflection of their perceived desirability.

The admissions funnel data for US business schools (see Table 2.18) reflects the increased demand for undergraduate business education seen in the degrees conferred and enrollment data. In the last decade, US undergraduate programs experienced a dramatic increase in the number of applications for admission, with applications more than doubling, compared to approximately 50 % increases in enrollment and in degrees conferred. The increase in applications allowed business schools to be more selective in terms of who is offered admission, yet at the same time to admit more students in an effort to increase enrollment, for tuition revenue and/or university enrollment target reasons. The number of students who decided to enroll increased over the decade, despite a drop in 2009–2010 that may have been related to the economic downturn, as the growth over the decade and the drop in 2009–2010 are evident in both the all schools group and the 75 leading schools group. A smaller percentage of admitted students enrolled (yield) in the latter periods. This trend to higher growth in number of applications than in matriculating students, and therefore of lower yield rates for admitting schools, likely traces to the advent of the “common application,” a development which makes it far easier for prospective students to widen the net of their college search by sending applications to more schools.

At the graduate level, the past decade presented a challenge for MBA programs, with demand as reflected in the number of applications submitted moving up and then down across the decade for full-time programs (see Table 2.18). Applications for part-time MBA programs declined for the all schools group across the decade while the leading schools group enjoyed an increase in applications in 2009–2010 and then remained flat at that higher level for 2014–2015. Instability in the MBA market

Table 2.18 Admissions funnel measures by program type, year and schools grouping

Bachelor's admissions						
	All schools			75 Leading schools group		
	2004–05	2009–10	2014–15	2004–05	2009–10	2014–15
Applicants	459,961	657,084	983,908	116,028	152,223	240,181
Admissions offers	300,260	369,353	545,516	67,542	66,825	101,197
Selectivity	65.3 %	56.2 %	55.4 %	58.2 %	43.9 %	42.1 %
New entrants	172,310	158,733	245,995	38,459	33,643	51,950
Yield	57.4 %	43.0 %	45.1 %	56.9 %	50.3 %	51.3 %
# Schools reporting	305	293	395	52	46	51
Full-time MBA admissions						
	All schools			75 leading schools group		
	2004–05	2009–10	2014–15	2004–05	2009–10	2014–15
Applicants	64,241	97,263	84,412	44,474	64,818	61,912
Admissions offers	29,293	33,398	31,138	16,937	19,623	18,050
Selectivity	45.6 %	34.3 %	36.9 %	38.1 %	30.3 %	29.2 %
New entrants	15,575	18,505	17,393	8,016	10,297	9,256
Yield	53.2 %	55.4 %	55.9 %	47.3 %	52.5 %	51.3 %
# Schools reporting	305	293	395	57	60	61
Part-time MBA admissions						
	All schools			75 Leading schools group		
	2004–05	2009–10	2014–15	2004–05	2009–10	2014–15
Applicants	47,698	46,177	45,454	12,107	14,029	14,203
Admissions offers	32,174	32,324	31,002	8,543	9,925	10,270
Selectivity	67.5 %	70.0 %	68.2 %	70.6 %	70.7 %	72.3 %
New entrants	24,528	24,051	23,020	6,949	7,883	7,981
Yield	76.2 %	74.4 %	74.3 %	81.3 %	79.4 %	77.7 %
# Schools reporting	243	221	253	39	41	47
Exec MBA admissions						
	All schools			75 leading schools group		
	2004–05	2009–10	2014–15	2004–05	2009–10	2014–15
Applicants		7,557	7,736		4,308	4,297
Admissions offers		5,723	5,985		3,219	3,299

(continued)

Table 2.18 (continued)

Selectivity	75.7 %	77.4 %		74.7 %	76.8 %	
New entrants	4,499	4,869		2,512	2,496	
Yield	78.6 %	81.4 %		78.0 %	75.7 %	
# Schools reporting	96	103		35	35	
Specialized master's admissions						
	All schools			75 Leading schools group		
	2004–05	2009–10	2014–15	2004–05	2009–10	2014–15
Applicants		59,206	124,991		25,111	55,542
Admissions offers		34,502	63,532		12,314	23,281
Selectivity		58.3 %	50.8 %		49.0 %	41.9 %
New entrants		21,049	35,577		7,807	13,290
Yield		61.0 %	56.0 %		63.4 %	57.1 %
# Schools reporting		227	292		48	56
Doctoral admissions						
	All schools			75 Leading schools group		
	2004–05	2009–10	2014–15	2004–05	2009–10	2014–15
Applicants	18,435	19,956	22,481	13,971	15,410	15,850
Admissions offers	2,309	2,318	2,762	1,259	1,291	1,415
Selectivity	12.5 %	11.6 %	12.3 %	9.0 %	8.4 %	8.9 %
New entrants	1,236	1,393	1,552	646	736	756
Yield	53.5 %	60.1 %	56.2 %	51.3 %	57.0 %	53.4 %
# Schools reporting	101	103	117	46	48	48

Source: DataDirect, AACSB International

trickled down the funnel and appears in both the number of offers of admissions and the number of new students enrolling each year. This is seen in the all schools group as well as in the leading schools group.

With continuation of the historical growth and stability of the MBA market seeming less predictable, some schools have benefited from having diversified their graduate-level offerings with specialized master's programs. The dramatic increase in demand for specialized master's programs has helped schools offset declining MBA enrollments.

The number of applications in 2014–2015 is more than double the number in 2009–2010 for both the all schools group and the leading schools group.¹⁸ These applications filtered down the funnel to result in a 69 % increase in new enrollments (new entrants) in specialized master's programs for the all schools group and a 70 % increase for the leading schools group.

Table 2.18 also shows that growth in admissions offers and new entrants has been much lower for doctoral programs than for undergraduate and master's programs, especially specialized master's programs. This lower growth reflects the fact that most US PhD students are enrolled full-time and supported with graduate assistantships that provide modest living stipends. With flat or declining budgets at most US schools, increases in schools' doctoral budgets that would support increased enrollment in doctoral programs are constrained.

Competition for Degree Programs in Business in the USA

As evidenced through admissions and enrollment trends, the demand for business education remains high for many degree programs. The demand by students for a business education and the desire by business schools for increased enrollment to increase revenue and reputation has created a competitive environment for business schools. This is especially true in urban areas which serve as the economic hubs of a region. The large population and sometimes mobile population in these areas provide a fertile ground for attracting students seeking business degree. As an example, there are nine AACSB-accredited institutions located in the metropolitan Atlanta area. In addition, there are a number of unaccredited for-profit and regionally accredited liberal arts institutions as well as online and hybrid programs from other accredited and unaccredited schools operating in the Atlanta area. Similar examples exist in Boston, Chicago, Dallas, Los Angeles, New York, San Francisco, Washington, DC and many other smaller metropolitan areas.

¹⁸ Reflecting the rapid development of interest in specialized master's programs, AACSB does not have ten years of admissions data for these programs, thus Table 18 shows only 2009–2010 and 2014–2015 data for specialized master's programs.

Labor Market for Graduates

With the continually increasing enrollment and graduates of business schools, the question of market saturation seems warranted. GMAC (Graduate Management Admissions Council) collects and analyzes data relevant to market demand for graduate business students. The Corporate Recruiters Survey is administered annually and gauges the demand for MBA and master's-level business graduates. Based on the most recent results (2015), the labor market demand for business students is strong. The survey had 748 employers globally respond. Of the responses, 84 % planned to hire MBA graduates and 85 % planned to hire undergraduate business graduates in 2015. The majority of respondents (59 %) planned to either maintain or increase the number of MBAs hired during 2015 compared to the number hired in 2014. For the same measure, 62 % of respondents indicated that they would maintain or increase the number of business bachelor's graduates hired and for various specialized master's degrees 49–58 % of respondents planned to maintain or increase the 2014 hiring of specialized master's graduates. Specifically in the USA, MBA graduate hiring "is at an all-time high."¹⁹ Across the country, 92 % of responding employers plan to hire MBA graduates, with 59 % planning to maintain or increase the number of MBAs hired. The projected median starting salary is up \$5000 from 2014 to \$100,000. The expected starting salary for undergraduate business graduates is a median of \$55,000.

The Recruiting Trends Survey is a second survey that gauges the labor market demand for business school graduates. It was administered by MBA CSEA (MBA Career Services & Employer Alliance) in December 2014 in collaboration with AACSB. MBA CSEA is a membership organization consisting of schools of business accredited by AACSB or EQUIS or members of GMAC and professionals who recruit MBA/graduate business students for internship or full-time positions within their companies/organizations. Member schools report annually to MBA CSEA which allows MBA CSEA to report on schools' recruitment activities, the pool of upcoming graduates and employment rates. The survey addresses recruitment activities

¹⁹ GMAC (2015). Corporate Recruiters Survey. 2015 Survey Report, p. 12.

on campuses and the pool of upcoming graduates entering the job market. In a press release from MBA CSEA, the results of the most recent survey (fall 2015) indicate that employers continue to seek new master's-level graduates. On-campus recruitment has increased for full-time MBA graduates and specialized master's graduates. More full-time job opportunities were advertised or posted within business schools for part-time MBA and specialized master's graduates than in preceding years.

Regulatory Bodies Affecting Higher Education in Business in the USA

An Open Market for the Establishment of Educational Institutions

There is essentially an open market for educational institutions in the USA, in that they are not authorized or regulated by the federal government, known as “the state” in many other countries. How, then, is the quality of educational institutions in the USA monitored or assured? Perhaps because of the open market for establishment of educational institutions, the lack of barriers to entry for establishment of educational institutions even by individual businesspersons, the fragmentation of oversight of public institutions across the 50 states, and the private institutions which do not fall under those states' oversight, the accreditation of educational institutions by respectable accrediting organizations takes on a high level of importance in the USA.

Regional Organizations Accrediting Universities and Colleges

As noted earlier in this chapter, with very few exceptions the business schools in the USA are housed within broader educational institutions. Generally these institutions are “universities” (for example, Pennsylvania State University includes the Smeal College of Business, Rice University

includes the Jesse H. Jones Graduate School of Business, Georgia State University includes the J. Mack Robinson College of Business, and University of Virginia includes both the Darden School of Business (graduate programs) and the McIntire School of Commerce (undergraduate programs). In some cases, though, the parent institution has a “college” rather than “university” name (for example, Dartmouth College and its Tuck School of Business).

As already mentioned, and discussed in more detail below, business schools in the USA are significantly influenced by the dominance of a single accreditation organization for business schools, the AACSB. As these US business schools are almost always housed within broader educational institutions, though, they also fall under their parent universities’ accrediting bodies, and are expected to comply with those accrediting bodies’ guidelines and requirements and to cooperate with the data reporting requirements to which their parent universities are subject. Major accrediting bodies with jurisdiction over universities include the Southern Association of Colleges and Schools (SACS), the New England Association of Schools and Colleges, the Middle States Commission on Higher Education and others.

Accreditation at the university level focuses primarily on the adequacy of resources (across the university and across a broad set of resources) and on student learning outcomes. SACS, for example, conducts a major review of each accredited university every ten years to ensure that its financial resources, its facilities, its library/information offerings, the quality of its instructional corps and other resource categories are continuing to meet expectations and standards for ongoing accreditation. In addition to the periodic scheduled review, a SACS-accredited institution is expected to self-report any “substantive change” in the institution’s offerings or operations during the decade between major reviews, and to be subject to interim review visits to demonstrate that the substantive change has not diminished the quality level on which the last accreditation decision was based.

For example, if a business school located in a major urban area is faced with a shift in the concentration of business offices in that urban area, the school might decide to offer its MBA program at a new facility or to offer additional programs at an existing satellite locations, to bring its programs

closer to where students work and live. Such decisions would trigger a substantive change review, with permission to proceed withheld until that review has demonstrated that the quality of the remote facility, of access to library resources, of faculty assigned to course offerings at the facility and so forth are at least equal to what students at the home facility are offered.

In terms of student learning outcomes, measures are quite similar for university-level and business school-level accrediting bodies. But while both university-level accrediting bodies and the business school accrediting body most central to US business schools (AACSB) are focused on quality assurance, with regard to faculty/instructional corps quality the measures are different. Faced with assessing quality across the breadth of course and program disciplines in a large university, a university-level accrediting body like SACS focuses on the educational credentials of the instructional corps, requiring detailed justification of “exceptions” in degree–subject match or in degree level—instructors whose highest educational degree does not match the subject the instructor has been assigned to teach, or whose highest educational degree is not at least one level higher than the course/degree level the instructor has been assigned to teach. By contrast, AACSB’s criteria for assessing faculty sufficiency (essentially, quality of the instructional corps) is more complex, reflecting the importance of both scholarly and practical experience to the delivery of quality business programs and including both educational preparation (degree credentials) and the currency of scholarly and/or practice engagement in the assessment of individual instructors’ qualifications for their particular teaching assignments.

AACSB as the Accrediting Organization for US Business Schools

As noted above, in the USA at the business school level, AACSB is by far the dominant accrediting body. Known globally by the initials AACSB, the organization was founded in 1916 as The American Association of Collegiate Schools of Business. The founding members included: Columbia University, Cornell University, Dartmouth College, Harvard University, New York

University (NYU), Northwestern University, The Ohio State University, Tulane University, University of California Berkeley, University of Chicago, University of Illinois at Urbana-Champaign, University of Nebraska, University of Pennsylvania, University of Pittsburgh, University of Texas, University of Wisconsin-Madison and Yale University. As AACSB expanded its offerings of development programs and accreditation review to schools across the globe through the 1990s, the organization attempted to rename itself from the American Association of Collegiate Schools of Business to something more inclusive of the growing global marketplace. Recognizing that it was universally known by the shorthand “AACSB” and wanting to connect to that established brand, the organization renamed itself to its more globally inclusive current name, “AACSB International.”

Accreditation Standards and Review Process

There have been several important shifts in the focus of AACSB’s accreditation standards over the century of its existence, as well. The 1991 revision of AACSB standards marked a significant shift in the organization’s stance.²⁰ Acknowledging that the decades of growth in the number of educational institutions had resulted in multiple paths for business schools to meaningfully contribute to meeting the market’s need for business education, rather than a single path leading to large comprehensive institutions, with institutions at different stages of development along that single path, AACSB shifted to a mission-focused stance and revised its standards to reflect that mission focus. Under the 1991 standards, focus shifted away from the content of schools’ curricula (earlier, course-specific standards) toward a process orientation that emphasized the development of curriculum and of faculty.²¹ The 1991 standards introduced two categories for qualification of faculty: academically qualified (AQ) and professionally qualified (PQ), with AQ requiring a doctorate and scholarly contributions but PQ representing acknowledgment that “a masters degree and relevant experience could be sufficient” for some faculty.²²

²⁰ Flesher 2007.

²¹ Flesher 2007: p. 36.

²² Flesher 2007: p. 36.

A further revision (the 2003 standards) provided more flexibility to better recognize the academic structures in other countries.²³ It also changed the review cycle for reaffirmation or “maintenance” of existing accreditation from once every ten years to once every five years. Finally, it strongly increased emphasis on assessment of student learning outcomes, also known as assurance of learning. The 2013 standards further broadened recognition of different faculty roles and appropriate preparation, moving from AQ and PQ to four categories: scholarly academic, practice academic, scholarly practitioner and instructional practitioner. These categories and other aspects of the 2013 standards reflect greater emphasis on engagement with practice and appreciation for executive education.

In terms of the level of the institution that is accredited by AACSB, technically it is the parent university/college because AACSB anticipated that the accreditation would be claimed by the whole/parent institution. Thus, AACSB has long required its examination and determination of the “scope of review” before scheduling initial reviews or any subsequent continuous improvement review. As part of the review application process, schools are required to identify to AACSB any program or other sub-unit of the parent institution that could possibly be considered business related and to demonstrate proactively why that program or unit should be excluded from the accreditation review. The scope of review determination is in AACSB’s hands, and a school’s accreditation report must include data on all programs determined to be in a school’s scope of review, including data on qualifications of all instructional staff across those programs.

AACSB accreditation reviews are conducted by peer review teams (PRT). The members of a school’s PRT are appointed by AACSB, taking into consideration the school’s identification of schools it considers to be its competitors, its peers and aspirant schools (competitors are excluded from the PRT, which may be drawn from the other two groups but is not limited to them). PRTs for business-only accreditation usually consist of the deans of three other business schools, with one member appointed by AACSB as chair of the PRT. If a school is applying for separate accounting accreditation, or is being reviewed for continuation of separate accounting accreditation, the PRT will include two members (deans of other business schools) desig-

²³ Flesher 2007: p. 42.

nated for the business review, with one appointed by AACSB as chair of the business review and of the overall PRT, and two additional members designated for accounting review, with one appointed by AACSB as chair for the accounting review. Those appointed for accounting reviews are often chairs or directors of departments or schools of accountancy at other colleges or universities, or may be associate deans elsewhere who have accounting backgrounds and may have previously served as chairs or directors of departments or schools of accountancy.

Accredited Schools and Member Schools

Over the century since the founding of AACSB its rolls of accredited schools have grown, with particularly strong growth in the last few decades (see Table 2.19, below). As of March 13, 2015, the AACSB's global listing of accredited institutions totaled 755 schools. Of those, 517 of the AACSB-accredited schools are in the USA.

AACSB has not diverged from its original and continuing role as an accreditation body. Indeed, it has successfully expanded the demand for its accreditation review role throughout the USA and, more recently, throughout the global marketplace of business schools. In the USA, AACSB accreditation is required in order to be a serious competitor in the business school market.

Table 2.19 Growth in AACSB accreditation—USA

	# Newly accredited
1916–1920	18
1921–1930	25
1931–1940	11
1941–1950	16
1951–1960	28
1961–1970	48
1971–1980	68
1981–1990	57
1991–2000	106
2001–2010	105
2011–2016	37

Source: AACSB International

Schools of business may apply for and hold accreditation in business only or may hold accreditation in business and separately in accounting. Of the 516 US business schools accredited in business by AACSB, 172 hold separate accreditation in accounting as well. Many of the business schools in the “member” category consider themselves to be on a path to applying for accreditation; others view the investments needed to meet AACSB accreditation requirements as beyond their reach but find the benefits of AACSB membership to more than offset the annual membership fees, currently \$3000.

AACSB as Both Judge and Partner

Continuous Quality Development

In addition to AACSB’s historical and continuing role as an accreditation body and therefore judge of business schools, the organization has placed a great deal of emphasis on continuous quality development of business schools, offering programs to assist accredited schools in sharing best practices and to assist non-accredited schools’ development toward their goals of accreditation. AACSB offers a wide array of conferences and seminars, many on a regular, annual basis (such as the Associate Deans Seminar, the Department Chairs Seminar, the New Deans Seminar and the Lessons for Aspiring Deans Seminar; the Advisory Council Seminar, the Assurance of Learning Seminar, the Business Accreditation Seminar and the Continuous Improvement Review Seminar). Some seminars that are in high demand (such as the Assurance of Learning Seminar) are offered multiple times each year, in multiple locations and/or in conjunction with other conferences like the Associate Deans Seminar. Through these offerings, the organization facilitates learning opportunities for attending schools and enables the sharing of best practices. The registration fees AACSB charges for these conferences and seminars are an important part of the organization’s business model as well—although some attendees (and others who choose not to attend) may criticize that the registration fees are too high, more often the sentiment expressed by attendees is a

variation on “the benefit to my school of that one thing I just learned was worth the cost of this seminar,” an observation shared by the authors.

Data Collection and Dissemination for Benchmarking

Another significant role AACSB plays beyond accreditation is in the area of data collection, and then dissemination of the resulting aggregated data to reporting schools. Each year AACSB collects information from accredited and non-accredited business schools around the world. These data are housed in a database (DataDirect) that can be used by participating schools to build reports. Participation in the annual Business School Questionnaire (BSQ) and the annual Salary Survey is voluntary for member and accredited schools, but is both strongly encouraged by AACSB and strongly incentivized by the fact that the extensive resulting data, so valuable for benchmarking on a host of schools’ decision dimensions, are available only to schools that have completed the annual surveys. These surveys are used to collect data from non-US schools of business as well as US schools, so the resulting datasets are available to participating non-US schools as well as to participating US schools. However, the dominance of AACSB among US business schools makes access to these data especially valuable to US business schools.

The annual Salary Survey, for example, requires that reporting schools provide for each full-time faculty member (unidentified by name) the following data as of October 1: academic year salary, primary field/discipline of appointment, academic rank (professor/associate professor/instructor), tenure track or not, new hire or not, new doctorate or not, gender, academic year teaching load in credit hours, administrative position or not and holder of endowed chair/professorship or not.

The resulting dataset, distributed to the deans of reporting schools, includes an aggregated file of worldwide institutions and an aggregated file of US-only institutions. Focusing on the US-only file, consistent with this chapter, the data aggregated from more than 500 schools are stratified by discipline (across 19 disciplines), by institutional control (public, private, combined), by accreditation status (accredited schools, non-accredited schools, combined), by position level (professor, associate professor, assistant professor, instructor, new doctorate) and within

those positions by new hires versus all faculty. For each row of these stratified tables, the total number (n) of such positions across all the reporting schools, on which the salary percentiles are based is shown, along with the mean, max(imum), 90th percentile, 75th percentile, median, 25th percentile, 10th percentile and min(imum) salary levels for that position (e.g. new hires, professor) across the reporting schools of that type (e.g. public accredited). Access to these data is invaluable to large US educational institutions that engage in extensive faculty recruiting each year, but it may be even more valuable to smaller schools that come to the faculty recruiting market in any particular discipline only infrequently.

The Business School Questionnaire is sent to AACSB member schools and it is regarded by AACSB as a responsibility of membership to complete all applicable data fields on the survey with the exception of the section regarding finances. AACSB-accredited schools are required to complete the finance questions. The survey includes questions covering: institutional characteristics and mission; finances; programs offered and characteristics; enrollment; degrees conferred; gender and race of faculty and students; class size; program admissions; and new graduate employment. The survey is administered in the spring of each academic year with the questions pertaining to the current year. Responses are a snapshot of each year, as guidance on reporting of data is provided with the use of an “as of” date to keep the reporting consistent across institutions. Results of the survey are produced by AACSB and are available to schools. Schools agreeing to data sharing are provided access to a reporting tool allowing them to access much of the survey data.

Concluding Reflections

Looking ahead, US business schools have opportunities for growth and development, in light of continuing growth in demand for business education and strong growth in some degree sectors. Technology presents a significant opportunity for schools that have the capabilities (or are able to quickly develop them) to successfully compete in the market for online degree programs. Students are seeking innovative and more flexible formats for earning degrees, so technology to support online programs

and hybrid classes is becoming an expectation for US business schools today. The ability of any given school to successfully implement some pedagogical models (such as the “flipped” classroom) is highly dependent on the technical capabilities of the institution and on both the technical capabilities and the willingness of the institution’s faculty members. Students’ expectations for technology utilization in education are very high and continually increasing, given all that they themselves can access and accomplish online in other aspects of their lives. With so many options of schools to provide them with a business education, prospective students will, when possible, elect to attend a school where their expectations will be met.

But challenges loom for US business schools as well, including rising costs, constraints on pricing, declining funding and significant and increasing competitive pressures. The opportunities presented by technology-enabled offerings of business educational programs and by expansion of schools’ historical geographic market boundaries come with a very high cost—for infrastructure as well as for faculty training and continuous support for successful use of that infrastructure. Any such investment must be considered as only an initial installment, as continuously accelerating development of instructional technology requires ongoing and increasing investment in both infrastructure and faculty support. In the face of these significant and increasing technology costs, schools face growing pressure to limit tuition increases, with such pressure coming from students and parents, from state legislatures in the case of public institutions and from the presence of so many competitors. Finally, just as technology offers schools opportunities beyond historical boundaries, it also opens their markets to competitors from far-flung geographic markets. While this intensifies the pressures to constrain price increases, it also has the positive effect of spurring innovation across the market of US business schools, resulting in higher quality programs for the students we all seek to serve.

The following note applies to Tables 2.3, 2.4, 2.7, 2.8, 2.9, 2.10, 2.11, 2.12, 2.13, 2.14, 2.15, 2.16, 2.17, 2.18.

Note: Member schools reporting in AACSB’s annual Business School Questionnaire.

The following note only appears in relationship to Tables 2.5 and 2.6.

Note: Member schools reporting in AACSB’s annual Salary Survey.

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3

Higher Education in Management: The Case of Germany

Dodo zu Knyphausen-Aufseß and Wolfgang Burr

A History of Business Administration Education in Germany

The aim of this introductory section is to provide a general overview of the history of business administration as an academic discipline in Germany, as well as in part in the neighboring German-speaking countries of Austria and Switzerland. It illustrates the lines of development and trends that have shaped the subject of business administration over the last 100 years.¹

¹ On this point and the argument that follows, see also Burr (2011).

D. zu Knyphausen-Aufseß (✉)
Strategic Leadership and Global Management, Technische Universität Berlin,
Strasse des 17. Juni, 135, 10435 Berlin, Germany
e-mail: knyphausen@strategie.tu-berlin.de

W. Burr
General Business Administration, esp. Innovation & Service Management,
University of Stuttgart, Keplerstrasse, 17, 70174 Stuttgart, Germany
e-mail: wolfgang.burr@bwi.uni-stuttgart.de

Institutionalization of Business Administration at the Beginning of the Twentieth Century

The institutionalization of business administration as a science in Germany took place at the beginning of the twentieth century (cf. Schneider 1997, p. 495 f.). Economic problems in companies had already been discussed two centuries earlier in the context of the cameralistic tradition. The very first works of economics (understood in a broad sense) in German that related to companies include those by Luther (1524), and later Marperger (1717), Ludovici (1752–1756), and Büsch (1792).

A key concern of business administration at its beginnings was the tension between practical orientation and theory orientation. On the one hand, there were expectations of entrepreneurial practice with regard to the development of solutions to problems for companies and the provision of qualified graduates. On the other hand, the scientific character of the new discipline of “business administration” was questioned in the beginning by universities, especially by established representatives of economics (cf. Mugler 1998, p. 48). In dealing with economics and business practice, business administration has now found its identity and research topics; it has become an independent science and has legitimized itself. It was not until the 1920s, however, that the technical term “business administration” was established in Germany and finally prevailed over other terms for the new discipline (cf. Mugler 1998, p. 49, as well as Witte 1998, p. 734).

Business administration as an independent discipline established itself at specialized commercial colleges and subsequently at universities. The first commercial colleges in German-speaking regions were founded in Leipzig (1898), Vienna (Export Academy 1898), Aachen (1898), St Gallen (1899), Cologne and Frankfurt/Main (1901), Berlin (1906), Mannheim (1908), Munich (1910), Königsberg (1915), and Nuremberg (1919) (cf. Mugler 1998, p. 46 f., as well as Witte 1998, p. 731, and Schneider 1997, p. 490). Today, business administration is represented at almost all state-run and private universities in Germany, Austria, and Switzerland as a research and teaching field (cf. Witte 1998, p. 732).

The development and establishment of professional journals (cf. Schneider 1997, p. 496, as well as Witte 1998, p. 744, fn. 54) such as *Zeitschrift für handelswissenschaftliche Forschung* (today: *Zeitschrift für betriebswirtschaftliche Forschung*, *ZfbF*; the English version containing different articles published in English is called *Schmalenbach Business Review*, *SBR*), founded in 1906, *Zeitschrift für Handelswissenschaft und Handelspraxis* (today: *Die Betriebswirtschaft*), founded in 1908, and *Zeitschrift für Betriebswirtschaft* (today: *Journal of Business Economics*), founded in 1924, also contributed to the institutionalization and legitimization of business administration as a science. Important professional journals in other German-speaking countries are *Die Unternehmung* (English title: *Swiss Journal of Business Research and Practice*, Switzerland), founded in 1947, and *Journal für Betriebswirtschaft* (*JfB*, Austria; in 2014, this journal was renamed *Management Review Quarterly*), founded in 1951. Furthermore, the founding of the German Academic Association for Business Research (Verband der Hochschullehrer für Betriebswirtschaft, *VHB*) on November 26, 1921 as a professional association and the advocacy of business administration professors was vital to the institutionalization of the business administration discipline, with an annual conference (“Pfungsttagung”—Pentecost conference) as a core event. This association also edits a freely accessible online journal named *Business Research*.

Since its foundation, business administration has always identified itself as a practice-oriented discipline. A core field of concern for business administration was and remains the development of methods and tools to solve operational problems in corporate practice. Examples here include economic assessment procedures, cost accounting procedures and calculation methods, organizational concepts, financial instruments, market research methods, and instruments of strategy formulation and strategy implementation but also methods of operations research and system dynamics approaches (cf. Witte 1998, p. 741).

Transformation of the Object of Knowledge or Research Topic Over Time

Modern business administration as an academic discipline in Germany had its origins in the question of how to run a private company using adequate methods and instruments, and more specifically, how the economic success of a company can be measured and assessed. Thus, the central issues and key questions of modern business administration after 1919 were:

- Elimination of fluctuations in value from accounting, especially after 1919 (in response to the high inflation in Germany between 1918 and 1923)
- The cost problem, principles of cost theory, cost accounting, and internal accounting, especially in the 1930s (cf. Schneider 1997, p. 498) (also in response to the requirement for German companies to work more productively in order to be able to compete with American and British companies)
- Entrepreneurial and corporate finance, for example, investment calculation methods, instruments for capital procurement, funding policy recommendations (in response to the financing problems of many companies after 1918 or 1929)
- Organization and management of private companies, for example, process organization and company organization structure (cf. e.g. Nordsieck 1934, as well as Kosiol 1962).

Business administration opened itself up to the management of public or non-profit companies as well as to the management of government authorities, and became interested in them some years after its foundation (e.g. works by Ernst Walb 1926 and Rudolf Johns 1938).

After World War II, the focus shifted increasingly to strengthening the foundations of theory and to reinforcing the scientific character of business administration. In the 1950s, Erich Gutenberg designed the “Grundlagen der Betriebswirtschaftslehre” (Basics of Business Administration) (cf. Gutenberg 1951, 1955, and 1969), in works that were later extended to three volumes, and comprised an understanding of the company as a combination of factors that built on microeconomics and the theory of monopolistic competition.

This approach was the largely accepted paradigm within the German business administration community until the early 1970s. After this time, the overcoming of the paradigm shaped by Erich Gutenberg led to the emergence of manifold and even competing schools of thought (cf. Mugler 1998). Among these are: the decision logic approach (e.g. Laux and Liermann 1987), the decision theoretic approach (Heinen 1984), the social and behavioral-oriented approach (e.g. Kirsch 1970/1971), the contingency approach of organizational theory (Kieser and Kubicek 1977), the holistic-oriented management approach/systems theory (Ulrich 1968), the marketing approach (Meffert 1977), and approaches of operations research and system dynamics (e.g. Hanssmann 1982; Zahn 1972). These new ideas were accompanied by an increasing orientation towards empirical research, largely promoted by, for example, Eberhard Witte and colleagues (e.g. Witte 1968, 1973).

In the past few decades, business administration has also opened itself further to other disciplines. Moreover, the controversial opening towards economics and other disciplines such as engineering, law, and social sciences should be noted. Even the further opening of business administration towards psychology, neuroscience, and evolutionary biology within, for example, interdisciplinary management training and management research has been under discussion for several years. We believe that the idea of sustainability—for example, conducting business in a post-growth economy (Jackson 2009)—presents a complex theoretical challenge to our discipline, where a great deal of future work is to be conducted and where indeed an intensive interdisciplinary collaboration is required (for an initial attempt, cf. e.g. Müller-Christ 2010). Progress in this direction could then also have a significant impact on the content of future teaching programs.

Internationalization of German Business Administration

After its foundation at the beginning of the twentieth century, business administration in German-speaking countries very quickly oriented itself internationally and was respected and cited abroad until the World War

II (e.g. in Japan, Scandinavia, and the USA). After World War II, German business administration was almost entirely confined to the German-speaking world. It was not until the 1980s that business administration in Germany moved out of its international isolation and oriented itself more towards other European countries, Japan, and especially the USA. Today, the question arises whether German business administration will take on the form of Anglo-American management studies, including their publication standards, research methods, and theories, to an even greater extent in the future and will thus become merged with international management research, which is dominated by the USA. However, it is also possible and cannot be ruled out that German business administration will find a more independent way forward in the future.

The Supply Side

The Structure of the Education System

Germany comes from a diploma tradition,² especially in the field of engineering, where the German Diploma degree was considered a successful trademark. Following the Bologna protocol, almost all German universities switched to bachelor's and master's programs, with the exception of the University of Greifswald and the Technical University of Freiberg, which still offer a diploma degree in business administration (TU Dresden still

²The traditional diploma curriculum usually lasted 8–12 semesters. The student was able to complete the full undergraduate and graduate program at one university. After 4–6 semesters there was an intermediate examination (*Vordiplom*), which had to be passed in order for the student to continue the program of study. However, this intermediate examination was not (like the bachelor's degree today) recognized as the qualified completion of a degree. Typical of the old diploma curriculum was a relatively small bureaucracy and high flexibility in the temporal organization of studies, as well as many choices in determining the combination of subjects. Students enjoyed a high degree of academic freedom. The graduate part of the program after the *Vordiplom* had fewer mandatory deadlines and rules for students than the currently established bachelor and master's degree programs. The number of tests during the program was also significantly lower. At the end of the diploma program and after the completion of a diploma thesis there was a comprehensive final exam (diploma), in which the entire curriculum (usually 4–6 semesters after the completion of the intermediate examination) was covered in five written examinations and the same number of oral exams. For students, this meant a very intensive learning effort at the end of the program, but it helped them to understand the relationships between the different subjects.

offers a diploma degree in business engineering). The bachelor programs can, for example, be structured as three-year (six-semester) programs and the master's programs as two-year (four-semester) programs, which are equivalent to 180 and 120 ECTS points, respectively. Of course, it is also possible to structure the bachelor programs as seven- (210 ECTS) or eight-semester (240 ECTS) programs, as long as the master's programs offered by the same institutions do not then last longer than three (90 ECTS) or two semesters (60 ECTS), respectively. Note that, in reality, many students exceed the regular timeframe due to things like failed exams or part-time work engagements. In 2011, the median timeframe for students of business administration was approximately 11 semesters (see Statistisches Bundesamt 2015, p. 16).

Master's programs are mostly offered as a master of science or master of arts, and less frequently as master of business administration (MBA) programs. This implies that full-time master's programs are conceptualized as consecutive and direct follow-ups to the bachelor programs, without any requirements for practical work experience. Exceptions are, for example, offered by the Mannheim Business School, private universities such as the European Business School, and WHU Otto Beisheim School of Management, or universities of applied sciences (see below) such as the Hochschule für Wirtschaft und Recht/Berlin School of Economics and Law, where admission requires a minimum of three years' work experience. Part-time MBA programs are offered by the like of University of Potsdam, RWTH Aachen, and the University of St Gallen (Switzerland).

Doctoral degrees can be achieved at state-owned universities and those private universities that have received the right to award doctoral degrees from the federal states (see below). Traditionally, only a low percentage of those who have achieved a doctoral degree remain in academia; a much higher percentage move over into business practice. This can be seen as an important lever for the transfer of academic knowledge to practical applications. However, more recently, there has been a trend to follow a more American-like system in which doctoral students are assumed to have much higher academic ambitions.

Academic institutions that have the right to award doctoral degrees also have the right to award "habilitation", which is a kind of second doctoral degree that is regularly required at universities in order to

become a full professor. However, universities have recently tended to accept habilitation-equivalent qualifications, such as a high number of qualified journal publications. This applies in particular to applicants who began their academic careers outside of Germany.

Main Suppliers of Business Education

Currently, bachelor programs are offered by approximately 200 institutions in Germany and master's programs in business administration and related fields are on offer at approximately 110 (see <https://www.bwl-studieren.com>). The right to award doctoral degrees in business administration is retained by approximately 70 university-like institutions. University-like institutions comprise state-owned universities and technical universities, private universities such as the University of Witten-Herdecke or the Zeppelin University at Friedrichshafen, and private business schools such as the WHU Otto Beisheim School of Management and HHL Leipzig Graduate School of Management. A list of these university-like institutions is provided in the Appendix.

While (general) universities usually offer programs entitled “business administration”, technical universities (e.g. Aachen, Berlin, Darmstadt, Dresden, Karlsruhe, and Munich) tend to focus on business engineering—programs that combine business and economics elements with a basic education in an engineering discipline, such as mechanics or electrical engineering. Alternative programs pursue a combination of business and economics on the one hand and information technology on the other (“business informatics”). In both cases, it is expected that students will find it easy to get jobs in technology-oriented firms.

A special case of a state-owned university is Fernuniversitaet Hagen, which concentrates on distance learning. Almost 20,000 students enrolled in their programs are business and economics-oriented (making it the largest faculty³ in Germany), approximately 2,000 of whom live outside of Germany.

³Note that most universities in the German-speaking countries prefer the term “faculty” to the term “school”. The Mannheim Business School and the Goethe Business School (at Frankfurt) are private institutions founded by and closely related to university faculties, with the aim to offer

An important development within the German academic landscape is the foundation of several private universities, in many cases with a dedicated formation as a business school. Table 3.1 lists those institutions that have received the right to award doctoral degrees. In the past, a minority of these universities and schools have come into the news due to financial difficulties or irregularities.⁴ In general, however, all of these institutions have proven to be strong competitors to state-owned universities without losing their dominant role in terms of the overall number of students. WHU Otto Beisheim School of Management, for example, has grown considerably in the last decade—from 16 faculty members (full, junior, and adjunct professors) in 2006 to 52 in 2015—and has an institutionalized and long-standing partnership (since 1989) with one of the top schools in the USA, the Kellogg School of Management at Northwestern University. These universities and schools usually tend to have a strong international orientation and mirror much more the US university model than do state-owned German universities. Of course, due to the relatively high tuition fees, the attractiveness of this model is limited to those students who have a wealthier background, are willing to take bank credit, or who receive a stipend. (In the early 2000s, some of the federal states in Germany introduced moderated tuition fees for their universities but these were later abolished.) Private business schools also tend to be engaged in executive education programs, which is usually not the case for state-owned universities.

All the above-mentioned institutions face severe competition from the so-called “Fachhochschulen”/“Universities of Applied Sciences” (UAS). Approximately 160 of these (state-owned or private) institutions in Germany offer bachelor’s programs and approximately 50 offer master’s programs on a full- or part-time basis. The professors usually have a doctoral degree and a number of years of practical experience; after becoming professors, they conduct some research, but the research projects are much more applied than those of university professors. UAS thus promise

fee-based part-time study programs. Private universities with a sole focus on business administration-related programs, such as the ESMT European School of Technology and Management or the Cologne Business School, tend to name themselves “school”.

⁴Due to these problems, some of these projects have failed relatively quickly, such as the private Hanseuniversität Rostock.

Table 3.1 Private business schools in Germany with the right to award doctoral degrees (status 2015)

		Tuition fees (year 2015)				
	Founded in	Number of students	Number of faculty	Accredited by	Master	
EBS European Business School, Oestrich-Winkel https://www.ebs.edu/	2010	Approx. 2,000	27 professors	German Council of Science and Humanities, EQUIS, FIBAA	BA General Management BA General Management (International Business Studies) Cost examples: BA General Management: €24,640; Full-time: €42,490; part-time: €37,990	MA Automotive Management MA Finance MA Management MBA Cost examples: Full-time MA Management: €24,640; Part-time MA Business and Innovation: €29,500
ESCP European School of Management Campus Berlin http://www.escpeurope.eu/	1819 (Paris)	137 (winter 2012/2013)	11 academic chairs	EQUIS, AMBA, AACSB	BA Management Cost example: €38,750	MA Management MEB Master European Business MBA Cost example: MA Management: €28,370
ESMT European School of Technology and Management https://de.esmt.org/	2002	244	34 faculty members	EQUIS, AACSB, AMBA, FIBAA	n/a	MA Management MBA Cost examples: MA Management: €25,000 MBA: Program and Tuition Individual €38,000, Corporate €50,000

		Tuition fees (year 2015)			
Founded in	Number of students	Number of faculty	Accredited by Bachelor	Master	
Frankfurt School of Finance and Management http://www.frankfurt-school.de/content/de	1957 1,486 (winter 2014/2015)	54 professors	German Council of Science and Humanities, FIBAA, AACSB, EQUIS	BA Finance and Management BSc Banking and Finance BSc International Management BSc Business Administration for Professionals BSc Management Philosophy and Economics BSc Business Administration Focus Auditing BSc Business Administration BSc Business IT Cost examples: BA Finance and Management, eight semesters: €18,950; four semesters: €14,800 BSc Business Administration (International Management): €46,650	MSc Finance MA International Business MSc Management MBA Cost example: MSc Management: €32,500

		Tuition fees (year 2015)				
	Founded in	Number of students	Number of faculty	Accredited by	Master	
HHL Leipzig Graduate School of Management http://www.hhl.de/en/home/	1898 (re-established 1992)	Approx. 600	More than 20 professors, four junior professors	AACSB, ACQUIN	n/a	MSc Management MBA General Management Global Executive MBA General Management Cost example: MSc Program: €25,000
Jacobs University Bremen https://www.jacobs-university.de/	2001	1,164 (Winter 2015/1016)	106 professors, 198 research and teaching staff	German Council of Science and Humanities, ACQUIN	BSc Industrial Engineering and Management BA Global Economics and Management BA International Business Administration Cost example: BSc Industrial Engineering and Management: €20,000	MSc Supply Chain Engineering and Management Cost example: €20,000
Kühne Logistics University https://www.the-klu.org/	2010	Approx. 200	15	German Council of Science and Humanities, FIBAA	BSc Management Cost example: €39,840	MSc Management Cost example: €23,920

		Tuition fees (year 2015)		
Founded in	Number of students	Number of faculty	Accredited by	Master
2003	1,308 (Winter 2014/15)	14 (Department of Economics)	ACQUIN	Master
Zepelin University Friedrichshafen https://www.zu.de/				B.A. Corporate Management and Economics BA Communication, Culture and Management Cost examples: €15,800; CME Program and General Management (GEMA) Program: €29,600 Bachelor in Corporate Management and Economics (CME) Program: €35,600 Executive Master's Programs (eMA): eMA Business and Leadership for Engineers, eMA Digital Pioneering, eMA Mobility Innovations, eMA for Family Entrepreneurship, eMA in Intersectoral Leadership and Governance, eMA in Retailing

to provide a more practically oriented education and tend to have a much higher professor to student ratio. UAS such as ESB Business School at Hochschule Reutlingen or HTW Berlin are highly reputed within the German business education landscape, especially from the perspective of business firms as future employers.

From the perspective of (technical) university faculties of business administration/management/economics—and in line with the very early debate mentioned above—the pressure coming from the UAS is occurs in different aspects. First, within universities it is often argued that the really ambitious research is conducted in the natural sciences, engineering disciplines, and liberal arts fields such as history, sociology, and political science. In contrast, “business administration” is seen as a field that does not really belong in a university and that could be better offered at a UAS. Thus, in order to legitimize it as an academic discipline, university professors of business administration must engage in academic research and publish in high-ranked international journals, which may distract them from engaged teaching and widen the practical gap with the teaching found at UAS. Second, the unique selling point that (technical) universities have against their competitors is their right to award a doctoral degree/PhD, as mentioned above. In the past, it was relatively easy to argue that former UAS students did not possess the skills to conduct qualified research and could therefore not be accepted as doctoral students. This line of argument is more difficult now due to the Bologna premise that bachelor’s and master’s classes at different types of institution must be counted as comparable. Moreover, federal state governments increasingly take the position that UAS should also have the right to award doctoral degrees conditional upon their having sufficiently qualified advisors within their own faculties or collaboration agreements with (technical) universities. All these aspects have come together in recent recommendations by the German Council of Science and Humanities (Wissenschaftsrat) to merge the business education at the University of Saarland and the Hochschule für Technik und Wirtschaft within the same federal state, as well as in the actual merger of two institutions (University of Cottbus and University of Applied Sciences Senftenberg) into the renamed BTU Cottbus-Senftenberg in eastern Germany.

A final supplier of business education worth mentioning here is the so-called “*Berufsakademien*”—Universities of Cooperative Education (UCE). While many curricula of (technical) universities and UAS require a company internship, UCE are based on the idea that academic studies and their practical applications are tightly connected. Students sign a contract with a company that guarantees a small salary and, following three months of academic training, the students gain employment in internship phases that usually last three months. The fields of study are often quite specialized, such as the real estate business or financial services management. The bachelor’s exams are not always counted as academic exams, with the notable exception of the Dual University of Baden-Württemberg (one of the 16 federal states in Germany) and a couple of other UCE that follow this model. Good results in exams from these institutions may then open the gates to master’s and doctoral programs at (technical) universities. More recently, UAS have also started to offer cooperative programs and thereby challenge the institutional core of UCE, the largest provider of such programs among the state-owned UAS being HWR Berlin.

Typical Programs Offered

As mentioned above, bachelor’s programs are often structured as three-year (six-semester) programs, at least in traditional (technical) universities; at UAS, the bachelor’s programs often last seven semesters, including one internship semester. Content-wise, they tend to have a general orientation,⁵ whereas master’s programs (typically two years/four semesters or three semesters, respectively) sometimes have a stronger focus, especially at UAS; typical examples (taken from HWR Berlin) would be “International Marketing Management” or “International Business and

⁵Note that this “general orientation” does not imply an extended inclusion of liberal arts subjects, as is usually the case in the US system. One reason for this—and for the fact that many bachelor’s programs are scheduled only for six semesters—is that the German high school system traditionally spans 13 years and was assumed to include more liberal arts subjects than in, for example, US high schools. Recently, the number of school years has reduced from 13 to 12, making this argument somewhat obsolete. However, due to the many criticisms that have arisen, it remains to be seen whether the 12-year timeframe will hold as the general model.

Consulting: Strategic Management”. At the bachelor level, mandatory courses lay the methodological foundations in mathematics and statistics and provide an introduction to business administration sub-disciplines such as accounting, investment and finance, marketing, production management and organization, as well as to economics sub-disciplines (micro- and macroeconomics, economic policy), business informatics, and private law. In addition, students must choose a number of compulsory electives as well as a small number of free electives, opening at least some marginal space for subjects from other disciplines. Master’s programs follow a similar logic at a more advanced level. Programs of business engineering or business informatics tend to follow a three thirds rule—one third of classes focus on business-related subjects, one third on technical subjects such as informatics, electrical or civil engineering, and one third on methodological foundations (mathematics, statistics, etc.). Bachelor’s (master’s) theses are written within a two- or three- (three- or six-) month timeline, usually with a preparation phase of two to three weeks and in some cases, but by no means always, followed by an oral disputation. Many students are interested in writing their theses during an internship at a company, which often requires some negotiation with their advisors due to the academic standards that need to be fulfilled.

At the bachelor level, classes are mostly taught in German, especially at universities; at the master’s level, there is a clear tendency to offer classes in English as well. Many universities and UAS require or recommend at least one semester abroad. Since this requirement is easier to integrate into a six-semester schedule, German universities face a structural problem because their foreign exchange partners may find it more attractive for their own students to have bachelor’s-level offerings in English, making exchange agreements with German universities less attractive. Most student exchanges are, of course, organized within the Erasmus framework. However, foreign students studying in the German language may find it difficult to achieve good grades. The question as to whether universities should increasingly move into English-language teaching or continue to expect foreign students to learn German is highly debated at the moment. Some faculties also run double-degree programs with partner institutions in countries such as France, Spain, or the Netherlands.

In some cases, universities have established a compulsory internship in the range of two to three months. UAS tend to have a full internship semester. A short internship (less than three months) is sometimes difficult to realize, due to the longer duration requirements of business firms. Many university students suffering from this problem therefore take a semester out.

Traditionally, doctoral degrees in Germany did not require the successful completion of a dedicated study program; instead, the dissertation topics were negotiated with individual academic advisors and the candidates had to defend their thesis in an oral disputation and/or pass a number of oral examinations. Thus, doctoral candidates did not receive a systematic methodological training comparable to doctoral students in other countries such as the USA. Today, a number of universities offer a structured postgraduate study program or require their doctoral students to achieve a certain number of credit points to pass courses on research methods or other topics relevant to their academic work. The Ludwig Maximilians-University in Munich, for example, offers an ambitious “Master of Business Research” degree for students with a qualified master of science degree or students with a qualified bachelor degree who have passed an additional number of foundational master’s classes.⁶ Smaller universities that cannot afford to offer such a program can either collaborate with other universities or rely on course offerings from the German Academic Association for Business Research (VHB) (see <http://vhbonline.org/en/events/the-doctoral-program/>). The VHB has recently also established a “science angel” program to offer additional advice to doctoral students independent from their direct doctoral advisors.

Given these developments in the field of doctoral education, chairs that employ assistants who want to achieve a doctoral degree—which is the rule—face a conflict of interest: The more these students participate in doctoral courses, the less time they have to work for their chairs. The typical faculty structure of German universities is explained further below.

⁶See www.mbr.bwl.uni-muenchen.de

Current Development of Pedagogy

Traditionally, the German university system is dominated by lectures given by professors and exercises/tutorials supervised by their teaching assistants. In a way, this is efficient because it allows a great deal of information to be provided within a short timeframe. The downside is, of course, that there is often an information overload and students become overwhelmed by hundreds of PowerPoint slides every week. Students tend to find it difficult to distinguish between what is important and what is not; they simply rely on memorizing in order to pass the exams, without reading the additional literature recommended by the lecturers. No wonder, then, that the German education system at (technical) universities has the reputation of being uninspiring, and that private universities, UAS, and UCE see a competitive advantage in their higher quality of teaching.

Of course, public universities have, at least to a certain degree, reacted to the ongoing criticism. First, most faculties have established the position of a teaching dean who is the first addressee for all teaching quality-related complaints by students. Second, teaching evaluations and rankings now put pressure on those professors who perform poorly. Teaching awards often serve as an additional incentive. Third, many universities have established pedagogy-oriented modules that can be taken on a voluntary basis or are mandatory stepping stones in the career paths of young faculty members. The VHB also offers workshops with a dedicated focus in teaching-related topics on an annual basis. In sum, all these activities have also led to much more teaching variety at public universities. Case studies, simulation games, experiments, workshop formats, student presentations, practitioner talks, panel discussions, excursions, e-learning, and similar teaching tools can now often be found in and outside of classrooms, depending on the number of students that are enrolled. In general, it is safe to say that more advanced bachelor's and master's classes leave plenty of room for non-traditional teaching methods. In basic bachelor's courses, however, it is still the case that there can be up to 1,000 students in a classroom, at least at the larger universities.

A fundamental issue is how students learn to read academic literature and develop writing skills and it remains a challenge to provide adequate

exam and feedback techniques. For example, do students have the opportunity to write elaborated papers before working on their bachelor's or master's theses? How can it be ensured that students really learn from these experiences? Since the general demise of oral exams, how can we teach students to withstand pressure in face-to-face communication? These questions still require a satisfactory answer. One thing is sure: the more we move in the direction of the “inverted classroom” and direct interaction, the more important the professors' pedagogical skills become (cf. e.g. Brynjolfsson and McAfee 2014, chapter 12).

Faculty

In 2008, approximately 1,150 full-time professors of business administration were employed at universities in German-speaking countries, 911 of them in Germany.⁷ This number may have increased in recent years; however, more recent data are not available.⁸ Table 3.2 shows the average number of business administration-oriented professors per faculty. (Note that many faculties also employ professors of neighboring disciplines such as economics, business informatics, and law, and have therefore an umbrella denomination such as “Economic Sciences” or “Economic and Social Sciences”; only a minority of universities, such as Munich or Mannheim, have genuine faculties of business administration.⁹) Most of the professors in non-private universities are chair professors with an irredeemable contract—they are *Beamte* (civil servants). More recently, many universities have also engaged a small number of junior professors who are evaluated after three years and can then be employed for another three-year period; only a very small percentage of this group has a tenure-track option. To be employed as a junior professor is an alternative to the

⁷ In this section, the term “faculty” is used to characterize the group of people who do the teaching and research at academic institutions. See also note 3, above.

⁸ Note that the VHB had approximately 2,300 members in 2014, including, however, postdocs, and junior as well as retired professors (at the university level). On the other hand, not all professors have to be VHB members.

⁹ Similarly, statistics providers such as Statistisches Bundesamt, on which we rely in this chapter, often use broadly defined terms such as “Economics and Business Administration”, indicating that the disciplinary differentiation may be less complete than suggested in the introductory section above.

Table 3.2 Facts and figures about selected German business schools, $n = 65$

Staff in business administration sector	Average number of professors	Std. Deviation
All professors	17.2	9.1
Full professors	12.2	5.8
Junior professors	1.4	2.0
Other kinds of professor	3.6	4.5

Source: Based on own analysis of information provided on the websites of $n = 65$ German universities (see Appendix), conducted in January 2016

Note: Staff figures are based on core business administration chairs (excluding chairs of economics, information systems and operations research, statistics, economic education, and economic sociology). Other kinds of professor includes [honorary professors](#), guest professors, private lecturers, additional professors.

traditional postdoc model that should lead to the “habilitation”—a second doctoral degree that was until recently a must-have to successfully apply for a chair professorship (see above).

Since the average number of professors is low in comparison to universities and business schools in countries such as the USA, and since most professors are chair professors, these academics usually have to cover a broad area of topics at least in their teaching, dealing with fields such as finance or marketing (in their entirety). These professors also tend to have a heavy teaching load, usually nine hours per week. (Some universities in the federal states of Bavaria and Baden-Württemberg also have teaching professors with an even heavier teaching load of up to 12 or 16 hours per week, but lower expectations regarding their research productivity.) Given, then, that the teaching program repeats every two semesters, many professors indeed teach a relatively high number of different courses. Reductions to this heavy teaching load are given when the professor holds a specific position, most importantly that of being the dean. Other approaches to reduce the teaching load, such as remunerating extraordinary success in research, only occur at the early stages. Junior professors and teaching assistants usually have a teaching load of four hours per week, allowing them to devote more time to their research and to developing their individual careers. Chair professors have assistants, usually between two and five of them, depending on the faculty budget and their negotiating power during the hiring process or upon the occasion of external job offers. These assistants support the professors in

various ways, including performing exercises that supplement the professors' lectures. The assistants usually have employment contracts that last from three to six years and aim to finish their dissertation projects within this timeframe. Some junior professors also have at least one assistant, depending on the federal state in which they are employed.

Further teaching support comes from contract teachers who offer basic routine courses, as well as from honorary professors who have qualified jobs in business firms or other institutions and at the same time at least some academic orientation (beyond a doctoral degree, which is an essential). To maintain their professorship, they must teach at least one class per year, which is usually done within a low number of time blocks. Honorary professors do their teaching without remuneration, whereas contract teachers are paid on an hourly basis. Assistants are paid on a fixed-income basis with a little variation, depending on former qualifications and family status. Junior professors (income level "W1") receive a fixed income and additional pay after a positive three-year evaluation, chair professors ("W3") and professors in between the junior and chair professor level ("W2") receive a basic income and additional pay depending on negotiation, research, and teaching performance, as well as the acceptance of specific tasks such as the dean's, vice-president's, or president's jobs. The 2015 average pre-tax income per month for junior professors was €3654–4096, for chair professors €6294–7561 and for W2 professors €4891–5599, depending on the federal state (<http://www.w--besoldung.net/forschung/zahlen-zur-w-besoldung/>). Recent discussions have centered around two issues. One is that the basic fixed income is considered too low in comparison to other civil servants such as school teachers, given the significantly higher qualification that is required to fulfill a professor's responsibilities. The second issue is that it is unclear how to measure research and teaching performance (see also the brief discussion on ranking and accreditation below). In practice, the most important influence comes from the amount of research funding received, a criterion that might put business professors at a disadvantage in comparison to other disciplines in which the average amount of funding is significantly higher, as is usually the case in the engineering sciences.

Private universities such as WHU Otto Beisheim School of Management usually employ W3 and W1 professors, universities of applied sciences (both state-owned and private) employ professors on a W2 and W3 level.

Both types of institution tend to have a significantly larger faculty than state-owned universities, mimicking the academic system in other countries such as the USA. The salary at private universities is freely negotiable and tends not to be below the income at state-owned universities, compensating to a certain extent at least the risk that the private schools face an uncertain future. In the case of UAS, the income level might also be influenced by the former income of their applicants in business firms or other institutions. Note that professors at UAS are required to have a doctoral degree and at least three years of employment outside the university. Their teaching load is significantly higher than in universities, reflecting the lower research expectations. However, the actual differences in teaching load are difficult to quantify, given that at UAS a high content overlap between courses seems to be more accepted than at universities.

In sum, it seems that the high teaching load and low salaries compared to international standards in connection with the state servant system at public universities are not seen as attractive by foreign academics. Thus, faculties at German universities and business schools tend to be much less internationalized than in other countries (not taking into consideration those few universities that run hubs in other countries, such as the University of St Gallen in Singapore).

The Demand Side

Students Taking Courses in Business Administration

Business administration is by far the most popular subject to study in Germany.¹⁰ Table 3.3 shows that approximately 10 % of all students study economics and business administration and related subjects, with economics students certainly only being a minority. (Focusing only on the top 20 study programs, the numbers are as follows: business administration 232,000 students; economics 91,000; international management 45,000, industrial engineering with a focus on management 39,000; Source: Statistisches Bundesamt 2015a, p. 36). At the bachelor level, UAS students dominate, while at the master's level universities attract more

¹⁰ <http://de.statista.com/statistik/daten/studie/2140/umfrage/anzahl-der-deutschen-studenten-nach-studienfach/>

Table 3.3 German and foreign students according to their study programs and intended academic degrees in the winter term 2014/2015

	Winter term 2014/2015			Of these:				
	In total	Female	Foreign	Bachelor (University)	Master's (University)	PhD	Bachelor (UAS)	Master's (UAS)
All students	2,698,910	1,290,376	321,569	786,737	322,209	111,426	778,425	115,561
Of these:								
Economics and Business	429,676	209,372	50,927	117,661	52,765	5,852	198,857	32,452
Administration								
Industrial Engineering	42,250	10,936	4,400	8,156	4,279	84	23,026	4,233

Source: Statistisches Bundesamt 2015a, pp. 46–47

students. The percentage of female students is relatively high, compared to the natural sciences and engineering disciplines, including business engineering. Approximately 12 % of all students of economics and business administration are non-German, which is about twice the number of German students enrolled in foreign study programs (see Statistisches Bundesamt 2015b, pp. 32–33).

First-semester students tend to be increasingly younger, due to shorter school education (12 instead of the former 13 years) and the omission of mandatory military or civil service (for male students). Usually, prospective students send their applications to multiple universities or UAS in order to ensure that they are accepted at least somewhere. From the supply-side perspective, this creates some uncertainty because it remains unclear how many students will eventually accept the offer and how much the capacities should be overbooked in order to achieve the pre-planned take-up rate. At the same time, the state-owned institutions have an interest in accepting more applicants due to a remuneration scheme that relates government payments to the number of first-semester students. This means that state-owned universities tend to be ambitious for growth and to avoid (re-)defining themselves as smaller, but solely research-oriented institutions with a clear focus on elite students.

As noted above, state-owned universities and UAS do not charge tuition fees—either from German or foreign students—apart from a small basic fee in the range of €100–300 that usually includes a semester ticket for local public transport. The Deutsche Studentenwerk, a major student service organization with 58 branches in Germany, reports that the average monthly living cost for German students in 2012 was €794, with big differences between cities, and that the average income was €864 for German students and €725 for foreign ones (Middendorff et al. 2013). The relatively high income of German students comes from parental support, from an interest-free state credit where repayments are reduced in case of very good study grades or early exams, from other stipends, and/or from student jobs. Of course, these jobs distract students from their studies, which often leads to a tension with the supply-side expectations regarding students' engagement in terms of class attendance and preparation. Part-time study programs are generally not available at state-owned universities or UAS.

Labor Market for Business Administration Graduates

In general, it is often said that business administration graduates still have good employment opportunities, especially if students have a quantitative or technical orientation. The remuneration consulting firm Personalmarkt reports that the average annual income level of business engineering (business informatics) graduates with less than two years of professional experience before tax is €43,631 (42,807),¹¹ whereas the average level of business administration graduates lies at €37,535 (Staufenbiel 2014). Business administration graduates with professional experience of between two and five years earn on average €45,304 and those with more than five years of experience €70,488. It is also reported that UAS graduates earn on average less, and that the standard deviation is quite high, implying that individual negotiation skills play an important role (Staufenbiel 2014). Whether these results are really reliable remains unclear; for example, based on the so-called KOAB data (Graduate Survey Cooperation Project), Schomburg (2011) comes to somewhat different results regarding the relationship between university and UAS graduates' professional salaries.

As optimistic as these numbers may appear, there is no doubt that business administration graduates also suffer from the so-called “generation internship” problem—that they move from one unpaid internship to the other without getting a regular (paid) employment contract. Although there are no robust data available, this problem might be of particular relevance to graduates of bachelor programs, leading them into consecutive master's programs, which is certainly not in line with the intent of the original Bologna reform to allow students with a bachelor degree to find a qualified professional job.

Employers' Investments in Continued Management Education

In Germany, particular importance is attached to a profound and substantiated initial education. Unlike the USA and Great Britain, the

¹¹ The future prospects of business engineering are further explored in Baumgarten et al. (2015).

concept of life-long and extra occupational learning is less developed in Germany. This is the result of the comprehensive and profound initial education, which many people benefit from for longer in their work life. In view of this, many companies expect their employees to train themselves and to finance their own appropriate training. Thus, the most common case is that applicants for a management position and for specialist tasks fund their basic university degree program themselves and enrich it with practical experience (e.g. an internship or work experience before commencing their studies). It is only since 2000, when the bachelor/master's system was introduced in Germany, that some companies have considered financing MBA education for deserving employees. In most cases, however, this is only done for particularly promising young talent and top managers. After 2000, individual German companies also established corporate universities and bundled together their education and training activities. However, corporate universities cannot be compared with private and state universities, as they have no right to award doctorates, for example. Since corporate universities were established with high expectations, things have gone quiet around these facilities in recent years. Sometimes, companies participate financially in the founding of new private universities (e.g. ESMT Berlin) or entrepreneurs donate money as private individuals for the founding of such universities (e.g. WHU Otto Beisheim School of Management, Kühne Logistics University), which sometimes even accept the name of their sponsor. Moreover, there have been powerful attempts by private companies to influence state-run or private universities. In this way, companies want to ensure that the education is practice-oriented and that graduates can be employed quickly in the company. Thus, the bachelor/master's system was very strongly demanded by both private industry and government higher education policy in Germany, while many professors wanted to retain the diploma program. The influence of private industry also occurs via university councils (the supervisory bodies of universities) in which—besides professors, student representatives, and representatives of research assistants—high-level managers of private companies and celebrities from public life can also be found.

Regulatory Bodies

State Regulation and Public Policy

In general, the German system of higher education is regulated at the level of the federal states. At the national level, the Framework Act for Higher Education, established in 1976, only defines a limited number of standards regarding the principal role and legal status of academic institutions as well as the admission of students. All other organizational issues of higher education are addressed by federal state acts or are left to the academic institution itself, following the idea of the so-called “autonomy principle”. At the national level, there are, however, a number of initiatives by the Federal Ministry of Education and Research to support the competitiveness of the German academic system or to help individual institutions to handle issues such as absorbing a higher number of students, which followed from the shortening of high school education from 13 to 12 years (mentioned above). One example of such an initiative is the so-called “excellence initiative”, which is organized in collaboration with the German Research Foundation. In its third tranche, launched in 2012, it provides a three-digit million amount of euros to 11 universities to allow them to realize their future concepts. In the field of economics and business administration, the University of Mannheim receives support to run an ambitious PhD program. At the level of individual federal states, the Bavarian state government has established an “elite network” that provides money to study programs with a special focus on highly talented students. In the field of economics and business administration, an honors program at the University of Regensburg and a program entitled “Finance and Information Management”, offered in collaboration between the universities of Augsburg, Bayreuth, and Munich (Technical University), are supported by this network.

Note that the German Council of Science and Humanities (Wissenschaftsrat) provides advice to the German federal government and individual state governments on the structure and development of higher education and research. The above-mentioned German Research Foundation also plays an important role in providing recommendations regarding, for example, the organization of doctoral education.

Ranking and Accreditation

As in other countries, German-speaking countries also have a number of business and general-interest magazines such as *Capital*, *Spiegel*, or *Focus*, as well as newspapers such as *Die Zeit* and *Frankfurter Allgemeine Zeitung*, that publish faculty and school rankings. In particular, the *Zeit* ranking, developed and executed in collaboration with the “Centrum für Hochschulentwicklung” (CHE), a non-profit private limited company founded by the Bertelsmann Foundation and the German Rectors’ Conference in 1994, aims at supporting prospective students in their university or UAS choice. The methodology is highly disputed, however, leading institutions such as the Swiss and Austrian Rectors’ Conference to withdraw from recommending participation in this ranking. The German Rectors’ Conference as well as business faculties and schools in the German-speaking world have so far hesitated to follow this path.

Some academic institutions seem to have an ambition to be ranked in the *Financial Times* European Business School Ranking. In the 2014 edition, nine universities (St Gallen, Zurich, Cologne, and Vienna University of Economics and Business) and (mostly private) schools (Mannheim, ESMT, HHL Leipzig, WHU, EBS) found themselves among the top 80.¹² *The Economist* may also serve as an interesting outlet for ranking.

Even more disputed, at least within the academic community, than these faculty and school rankings are the professor rankings published by *Handelsblatt* on a biannual basis since 2009. These rankings are only based on research output published in academic journals, raising (apart from methodological issues) the question of what other professional skills—such as good teaching—may qualify for being a “good professor”. The most recent editions of this ranking were boycotted by more than 300 colleagues, and the above-mentioned VHB, the German Academic Association for Business Research, published very reluctant statements regarding personalized rankings. At the same time, however, the VHB edits a journal ranking named JOURQUAL with the aim of supporting faculties regarding their research evaluations when hiring candidates

¹² See <http://rankings.ft.com/businessschoolrankings/european-business-school-rankings-2014>

(cf. Schrader and Hennig-Thurau 2009). The critical discussion during the preparation phase of the latest edition, published in 2015,¹³ was once again very intense.

The German accreditation system is organized under the umbrella of the Accreditation Council of the Foundation for the Accreditation of Study Programs in Germany and makes the distinction between the accreditation of study programs (“program accreditation”) and the accreditation of internal quality assurance systems in higher education institutions (“system accreditation”). At the end of 2015, 35 (32) bachelor (master’s) programs of business administration at the university level and 59 (17) programs at the UAS level have received an accreditation (<http://www.akkreditierungsrat.de/index.php?id=44&L=1>). Interestingly, only seven university programs, but 24 UAS programs, have an international accreditation (FIBAA) (see http://www.hs-kompass2.de/kompass/xml/akkr/maske_en.html), indicating how ambitious the UAS are and how difficult well-established universities may find it to collaborate, for example, with US universities.

Concluding Remarks

In sum, there is evidence that the German university system (as well as the university systems in Austria and Switzerland) and, more specifically, the way in which higher education in business administration is organized is in transition. The intensity of competition has increased enormously, due to the globalization of the higher education system in general and the recent development of UAS and private universities and/or business schools within Germany. In the nineteenth century, the German university system was admired around the world, and German engineering degrees—especially the diploma—still have a high reputation. As mentioned above, the number of foreign students studying in Germany is about twice as much as the number of German students studying abroad, which shows that the German university

¹³<http://vhbonline.org/en/service/jourqual/>

system is relatively attractive, at least in terms of costs (no tuition fees at state-owned universities) versus benefits (education quality). Overall, however, the German system is often recognized as a laggard in its adaptation to the globalized environment (cf. e.g. Nelson 1993). From this perspective, it remains to be seen how long it will take until the leading German suppliers of business education are recognized as serious players in the top international league of those institutions.

At the same time, it should not be forgotten that the development of the global university system is also under sharp critique (cf. e.g. Crouch 2015) and that the recent developments within Germany are also highly debated (cf. e.g. Münch 2009, 2011). Indeed, there is so far no clear evidence regarding how efficient the national university systems are comparatively and how the performance of these systems should be measured. For example, it is not at all clear whether the higher performance of top US universities and business schools—assuming for a moment that such higher performance indeed exists—is not overcompensated by its higher cost. Further, the recent success of the German economy might also have been the result of an academic education that far exceeds its reputation. Finally, it is a never-ending topic how important the focus on the top 10 % of students is in relation to the other 90 %. The German system of higher education in business administration today certainly has a much wider spread in terms of quality, as was the case in earlier times. In comparison to other countries, this spread may still be lower. Whether this is an advantage or a disadvantage remains an open question.

Appendix: State-Owned Universities with Business Administration Study Programs (also Included: Industrial Engineering with Focus on Management, Business Administration and Economics) (Status 2015)

Please note this list is not exhaustive.

Type of University	Name	URL	Study program
Technical	Brandenburgische Technische Universität BTU Cottbus-Senftenberg	https://www.b-tu.de/	BSc Business Administration MSc Business Administration B.Eng. + BSc Business Administration and Engineering M.Eng. + MSc Business Administration and Engineering
Technical	Karlsruher Institut für Technologie RWTH Aachen	http://www.kit.edu/index.php https://www.rwth-aachen.de/cms/~a/root/lidx/1/	BSc + MSc Industrial Engineering with focus on Management BSc Business Administration and Engineering: Electrical Power Engineering BSc BSc Industrial Engineering, Civil Engineering Specialization BSc Industrial Engineering, Materials and Process Engineering Specialization BSc Industrial Engineering, Mechanical Engineering Specialization
Technical	Technische Universität Bergakademie Freiberg	http://tu-freiberg.de/	BSc Industrial Engineering and Management MSc Industrial Engineering and Management BSc Business Administration MSc Business Administration Diploma (postgraduate studies) Business Administration
Technical	Technische Universität Berlin	http://www.tu-berlin.de/	BSc Industrial Engineering and Management BSc Sustainable Management MSc Industrial Engineering MSc Innovation Management and Entrepreneurship

Type of University	Name	URL	Study program
Technical	Technische Universität Braunschweig	https://www.tu-braunschweig.de/	BSc Industrial Engineering with focus on Civil Engineering, Electrical Engineering and Mechanical Engineering MSc Industrial Engineering with focus on Civil Engineering, Electrical Engineering and Mechanical Engineering BSc Industrial Engineering BSc Business Administration and Engineering MSc Business Administration and Engineering MSc Industrial Engineering BSc Business Administration MSc Technical Business Administration BSc Industrial Engineering MSc Industrial Engineering
Technical	Technische Universität Chemnitz	https://www.tu-chemnitz.de/	BSc/MSc Business Engineering—technical field of studies Mechanical Engineering BSc/MSc Business Engineering—technical field of studies Electrical Engineering and Information Technology
Technical	Technische Universität Clausthal	http://www.tu-clausthal.de/	BSc Business Administration MSc Technical Business Administration BSc Industrial Engineering MSc Industrial Engineering
Technical	Technische Universität Darmstadt	http://www.tu-darmstadt.de/	BSc/MSc Business Engineering—technical field of studies Mechanical Engineering BSc/MSc Business Engineering—technical field of studies Electrical Engineering and Information Technology BSc/MSc Business Engineering—technical field of studies Civil Engineering
Technical	Technische Universität Dortmund	http://www.tu-dortmund.de/univ/Uni/index.html	No relevant study programs in Business —Administration
Technical	Technische Universität Dresden	https://tu-dresden.de/	BSc Business and Economics MSc Business Administration MSc Industrial Engineering Diploma of Industrial Engineering

Type of University	Name	URL	Study program
Technical	Technische Universität Hamburg-Harburg	http://www.tuhh.de/tuhh/startseite.html	MSc Industrial Engineering Management
			MSc International Management and Engineering
			MBA
Technical	Technische Universität Ilmenau	https://www.tu-ilmenau.de/	BSc Industrial Engineering and Management
Technical	Technische Universität Kaiserslautern	https://www.uni-kl.de/startseite/	MSc Business Administration
			BSc Technical Business Administration
			BSc Technical Business Administration
			BSc Industrial Engineering with varying technical specializations
Technical	Technische Universität München	https://www.tum.de/	MSc Industrial Engineering with varying technical specializations
			MBA
			BSc Business Administration Management and Technology
			MSc Business Administration Management and Technology
			MSc Business Administration Management
			MSc Industrial Engineering
			BA Business Administration
Traditional	Albert-Ludwigs-Universität Freiburg	https://www.uni-freiburg.de/	BSc Business Administration (Public and Non-Profit Management)
			MSc Business Administration (Public and Non-Profit Management)
			BSc Business Administration and Electrical Engineering
Traditional	Bergische Universität Wuppertal	http://www.fbe.uni-wuppertal.de/fbe/studiengaenge/wiing.html	MSc Business Administration and Electrical Engineering

Type of University	Name	URL	Study program
Traditional	Christian-Albrechts-Universität zu Kiel	http://www.uni-kiel.de/	BSc/ MSc Business Administration BSc/MSc Business Science
Traditional	Europa Universität Viadrina Frankfurt (Oder)	https://www.europa-uni.de/de/index.html	BSc/MSc Industrial Engineering BSc International Business Administration BSc Economy and Law
Traditional	Fernuniversität Hagen	https://www.fernuni-hagen.de/	MSc International Business Administration MA European Studies
Traditional	Freie Universität Berlin	http://www.fu-berlin.de/	BSc Business Science
Traditional	Friedrich-Alexander-Universität Erlangen-Nürnberg	http://www.wing.uni-erlangen.de/	BSc Business Administration MSc Management and Marketing BSc Business Administration BSc International Business Studies
Traditional	Heinrich-Heine-Universität Düsseldorf	http://www.uni-duesseldorf.de/home/startseite.html	BSc International Engineering and Management BSc International Production Engineering and Management
Traditional	Humboldt Universität Berlin	https://www.hu-berlin.de/de	MBA Business Management BSc Business Administration MSc Business Administration
Traditional	J.-W. Goethe-Universität Frankfurt	http://www.uni-frankfurt.de/de?locale=de	BSc Business Administration MSc Business Administration MSc Economics and Management Science
Traditional	Justus-Liebig-Universität Giessen	https://www.uni-giessen.de/	BSc Business Science MSc Business Administration

Type of University	Name	URL	Study program
Traditional	Katholische Universität Eichstätt-Ingolstadt	http://www.ku-eichstaett.de/	BSc Business Administration BSc International Business Administration (German—Chinese) BSc Business Science MSc Business Administration MBA
Traditional	Leibniz Universität Hannover	http://www.uni-hannover.de/	BSc/MSc Business Science
Traditional	Leuphana Universität Lüneburg	http://www.leuphana.de/	BSc/MSc Industrial Engineering BA Business Administration BSc Business Management BSc International Business Administration and Entrepreneurship MA Management MSc Management and Engineering MSc Business Administration BSc Business Science
Traditional	LMU Ludwig-Maximilians-Universität München	http://www.uni-muenchen.de/index.html	MSc Business Administration BSc Business Administration BSc Industrial Engineering MSc Business Administration
Traditional	Universität Augsburg	https://www.uni-augsburg.de/	MSc Industrial Engineering MSc Business Administration BA Business Administration MA Business Administration
Traditional	Universität Bamberg	https://www.uni-bamberg.de/	BA/MA International Business Administration BSc Business Administration BSc Industrial Engineering MSc Business Administration MSc Industrial Engineering
Traditional	Universität Bayreuth	https://www.uni-bayreuth.de/de/index.html	BSc Business Administration MSc Business Administration MSc Industrial Engineering

Type of University	Name	URL	Study program
Traditional	Universität Bremen	http://www.uni-bremen.de/	BSc Business Studies MSc Business Studies BSc Management and Electrical Engineering MSc Management and Electrical Engineering BSc Management and Production Engineering MSc Engineering and Management BSc/MSc Business Administration BSc/MSc Industrial Engineering
Traditional	Universität der Bundeswehr Hamburg (Helmuth Schmidt-Universität Hamburg)	https://www.hsu-hh.de/hsu/index.php	
Traditional	Universität der BundeswehrMünchen	https://www.unibw.de/	MBA International Management B.Eng. Industrial Engineering BSc/MSc Business Administration, Economics and Organization
Traditional	Universität des Saarlandes	http://www.uni-saarland.de/startseite.html	BSc Business Administration MSc Business Administration
Traditional	Universität Duisburg-Essen	https://www.uni-due.de/	BSc Business Administration MSc Business Administration BSc/MSc Industrial Engineering
Traditional	Universität Erfurt	https://www.uni-erfurt.de/	BA Management
Traditional	Universität Göttingen	http://www.uni-goettingen.de/	BSc Business Administration MSc Business Administration BSc/MSc Business Science
Traditional	Universität Greifswald	http://uni-greifswald.de/	Diploma Study of Business Administration BA Law, Business Administration, Human Resource Management BSc/MSc Business Administration BSc Business Science
Traditional	Universität Halle-Wittenberg	http://www.uni-halle.de/	

Type of University	Name	URL	Study program
Traditional	Universität Hamburg	https://www.uni-hamburg.de/	BSc/MSc Business Administration BSc/MSc Industrial Engineering
Traditional	Universität Hohenheim	https://www.uni-hohenheim.de/	BSc Business Administration and Economics BSc Business Science MSc International Business and Economics MSc Management
Traditional	Universität Jena	https://www.uni-jena.de/	BSc Business Administration MSc Business Administration BSc Business Science
Traditional	Universität Kassel	http://www.uni-kassel.de/uni/	BSc/MSc Industrial Engineering
Traditional	Universität Leipzig	http://www.zv.uni-leipzig.de/	BA Business Administration and Economics MSc Business Administration BSc/MSc Business Science
Traditional	Universität Magdeburg	https://www.ovgu.de/	BSc /MSc Business Administration BSc International Business and Economics BSc International Management
Traditional	Universität Mannheim	http://www.uni-mannheim.de/	BSc/MSc Industrial Engineering MSc International Economics and Finance BSc Business Administration MSc Management
Traditional	Universität Marburg	http://www.uni-marburg.de/	BSc/MSc Business Administration MBA
Traditional	Universität Münster	https://www.uni-muenster.de/de/	BSc/MSc Business Administration
Traditional	Universität Oldenburg	https://www.uni-oldenburg.de/	BSc/MSc Business Administration
Traditional	Universität Osnabrück	http://www.uni-osnabrueck.de/startseite.html	BA Business Administration MA Innovation Management MA Business Science BSc/MSc Business Administration BSc Business Science

Type of University	Name	URL	Study program
Traditional	Universität Paderborn	http://www.uni-paderborn.de/	BSc Business Science BSc/MSc International Business Studies MSc Business Science
Traditional	Universität Passau	http://www.uni-passau.de/	BSc Business Administration and Economics MSc Business Administration
Traditional	Universität Potsdam	http://www.uni-potsdam.de/	BSc/MSc Business Administration MBA
Traditional	Universität Regensburg	http://www.uni-regensburg.de/	BSc/MSc Business Administration
Traditional	Universität Rostock	http://www.uni-rostock.de/	BSc Business Science
Traditional	Universität Siegen	https://www.uni-siegen.de/start/	BSc/MSc Industrial Engineering MSc Industrial Engineering BSc Business Administration MSc Management and Markets MSc Entrepreneurship and SME Management MSc Controlling and Risk Management MSc Accounting, Auditing and Taxation
Traditional	Universität Stuttgart	http://www.uni-stuttgart.de/home/	BSc/MSc Technical Business Administration MSc Business Administration
Traditional	Universität Trier	https://www.uni-trier.de/index.php?id=48	BSc/MSc Business Administration
Traditional	Universität Tübingen	https://www.uni-tuebingen.de/	BSc Economics and Business Administration MSc General Management MSc International Business BSc Business Science MSc Business Management
Traditional	Universität Würzburg	https://www.uni-wuerzburg.de/startseite/	
Traditional	Universität zu Köln	http://www.uni-koeln.de/	BSc Business Administration MSc Business Administration MSc International Management

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4

Higher Education in Management: The Case of Australia

Roy Green, Marco Berti, and Nicole Sutton

A Brief History of Business HE in Australia

The strategic relevance of higher business education in Australia cannot be overstated. From a purely economic perspective, it has the lion's share in one of Australia's most valuable exports, education, generating around \$15 billion in revenues each year (Group of Eight 2014). Business schools train and accredit generations of business leaders, entrepreneurs and business professionals, who constitute the backbone of national economy and society. Their research offers useful intelligence on how to reinforce and reconfigure organizational and industrial capabilities, helping practitioners and policymakers.

R. Green (✉) • M. Berti • N. Sutton
University of Technology Sydney, Ultimo, NSW, Australia
e-mail: Roy.Green@uts.edu.au; Marco.Berti@uts.edu.au;
Nicole.Sutton@uts.edu.au

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Before the Second World War, vocational business education was almost absent in Australia, and only in the 1950s the US model of business education, with its complement of case studies and scientific management models was imported; by 1963 Melbourne, Sydney and Canberra had Universities offering American style MBAs (Pearse 2010). These emerging schools were mostly providers of education, and, before the 1970s, Australia academic production in the field of organizational sciences appeared to be marginal. The first elite institution explicitly modelled on US models was founded in the late 1970s as the Australian Graduate School of Management at the University of New South Wales.

The boom in the business education industry of Australia, propelled both by domestic and international opportunities, started in the following decades: the number of business students grew threefold between 1990 and 2007. The real catalyst for the development of the industry has been the international market. Since the 1990s Australian universities, with diminishing levels of public funding, have joined other private education providers in aggressively recruiting international students paying higher fees (Zammuto 2008). Australia is now ahead of both the USA and UK as destination of choice for fee-paying international students, thanks to the role played by strategic public–private partnership initiatives and to an initially favourable government policy in regards to student visas (Iñiguez de Onzoño 2011, p. 87). The growth in international demand has been a boon for the Australian education industry, since nearly half of international students are enrolled in management and commerce courses (Norton 2012). The other side of the coin is that the success in attracting foreign students has made the sector highly dependent on this source of revenues (up to 37 % of the total), thus exposing Australian schools to the competition of a global market (Zammuto 2008). For instance, a strong currency has recently altered the path of international student education demand, increasing the demand for short-term and lower quality training (Ross 2012).

A booming regional economy, together with the progressive disengagement of government from education funding also created a very fertile environment for an increase in corporatization and commodification of business education. Market forces have been the primary drivers of the business education transformation in Australia, while attempts to reform the system to improve its capacity to increase capabilities at a national level

have not been successful. The 1995 federally funded “Enterprising Nation” report (Karpin 1995), which stressed the need to increase the focus on “soft” management skills (such as leadership, innovation, people management) had only a patchy implementation through scattered initiatives, haphazardly put in place by individual business schools (Ibsa 2012).

Despite commercial success, the field of business education in Australia still seems to be a cause of dissatisfaction for various industry commentators and practitioners, who accuse Australian business schools of being “out of touch with the real and practical needs of the management community”, also claiming that “the capability of Australian management and education business schools has declined in recent years” (Ibsa 2012, p. 30). The limited impact of university-based business schools is also attested: according to a 2003 industry survey only one tenth of management education in Australian was conducted via “formal programs” (Hall et al. 2013, p. 13). Apart from the diffusion of informal forms of apprenticeship and on-the-job learning, the vigorous competition from the non-university higher education sector (that also includes professional associations) whose offer of business-related courses has the lion’s share of the market, is reducing the centrality of academic management education (Norton 2012, p. 13). In sum, the history of business education in Australia appears to be “a tale of two cities”: on the one hand a very vital industry with international reach; on the other, a system that has not yet fully delivered its potential to influence, improve and innovate managerial and professional practices in the nation.

The Supply Side: Institutional Edifices and Transforming Pedagogies

According to the most recent Commonwealth data there are 69 institutions offering higher education courses in business administration in Australia.¹ Of these, 27 are private higher education providers, offering bachelor

¹ Data have been obtained by collating data from two sources: the Tertiary Education Quality and Standards Agency (TEQSA) register (available online at www.teqsa.gov.au) and the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) (available online at cricos.education.gov.au). The list excludes private colleges offering graduate education in specialized management subjects (e.g. hotel management or agribusiness management).

degrees (25), master's by coursework or research (14) or doctorates (one) in business administration and management. There are also three private universities, offering all types of undergraduate and postgraduate courses, and one overseas university branch, offering master's-level courses. Finally, all 37 Australian public universities offer a complement of business-related undergraduate, postgraduate and by research degrees.

The large variance in the fees paid by students to enrol in business degree programs is not surprising considering this large variety of suppliers. At an undergraduate degree level, this variance is fully experienced by international students, who can pay fees ranging from \$15,000 per year (in the least expensive private college), through to \$20,000 in the most affordable universities and up \$37,000 for studying at the most exclusive institutions (Melbourne University or University of New South Wales Business Schools). When cost of living is factored in, Australia becomes the most expensive country for overseas students, with a combined average cost of university fees and living expenses totalling more than \$38,000 per year (Pash 2014). The domestic market for undergraduate degrees is instead highly regulated, with flat funding rates established by the Commonwealth for all accredited education providers that is set at around \$12,000 per year for business disciplines. Students (who can access a government-supported loan scheme, HELP) are expected to pay a large share of this cost, around 10,000 per year. The conservative coalition government has proposed in 2014 a bill that would deregulate the market, and it is thought that this could cause the cost of a degree in a business discipline to potentially triple, at least in the most prestigious universities. This proposal has met strong criticism and has been momentarily shelved, but it is possible it will be reintroduced in the future (Trounson and Lewis 2015).

The effects of a free market and of the different prestige of education providers are particularly visible in the case of postgraduate courses pricing. Figure 4.1 shows a comparison of fees paid by students for a master of commerce in Australian universities grouped by typology: the 'Group of Eight' the oldest and highest ranked institutions (Go8); the Universities of Technology (Tech), the Innovative Research Universities network (IRU) and the minor regional universities.

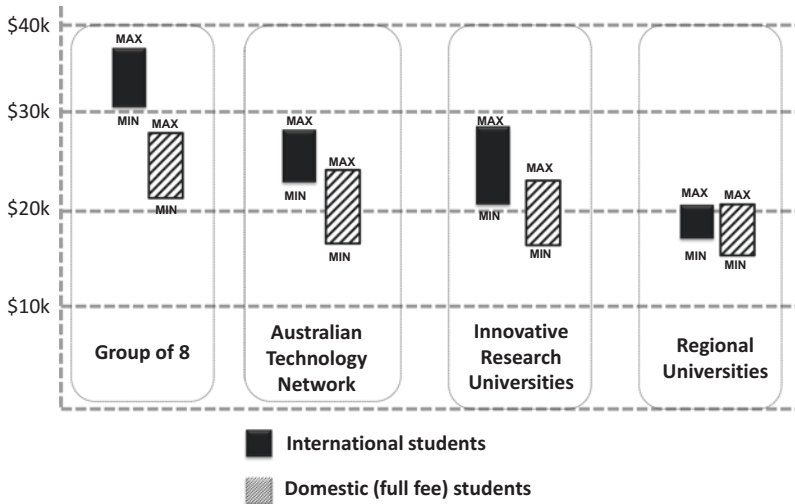


Fig. 4.1 2014 Fees for postgraduate commerce students, by university group (Adapted from Cherastidtham and Norton 2014)

When we consider the most universally recognized graduate qualification offered by business schools, the MBA, fees vary between a minimum of \$18,000 (at the Central Queensland University) to a maximum of \$75,000 at Melbourne University, with the majority of public universities' business schools charging fees between \$30,000 and 50,000. These disparities cannot be explained by fundamental differences in the quality of the education on offer (didactic methodologies, faculty reputation and experience, content of the curriculum, etc.) but indicate that the value of MBA programmes do not reside uniquely in learning, but include also the acquisition of symbolic and social capital (Vaara and Fay 2011; Cherastidtham and Norton 2014). Attending a 'top' MBA programme offers valuable networking opportunities which, combined with the reputational cache deriving from being alumni of a prestigious university, in the eyes of students justify the higher price tag.

The importance of symbolic features in shaping the reputation of business schools is reflected in the decision of many Australian universities to make conspicuous investments in the construction of new buildings to house them. Among the most notable examples are the new buildings at

University of Western Australia, Griffith University, University of NSW, Sydney University and University of Technology Sydney (UTS). In the case of UTS the creation of the new building, designed by the world famous architect Frank Gehry, assumes a specific relevance, as a strategic move to denote and support the effort to compete on a global scale through the pursuit of design-led innovation principles (Lancione and Clegg 2013, 2015).

Despite this emphasis on branding, pedagogical issues are a still central aspect of education, and many international commentators have criticized business education for being insufficiently relevant (Bennis and O'Toole 2005; Lorsch 2009; Antonacopoulou 2010), not sufficiently pragmatic (Mintzberg 2004; Chia and Holt 2008), too siloed (Iñiguez de Onzoño 2011), or for failing to foster professionalism and ethical principles in managers (Ghoshal 2005; Pfeffer and Sutton 2006). In the case of Australia, a pivotal role in the "reform" attempt has been represented by curricular innovation and by the prototyping of new pedagogies. In the first place, an interdisciplinary emphasis has been given to undergraduate curricula, to overcome the typical siloed approach that derives from disciplinary divisions both through the development of graduate attributes systems (Bajada and Trayler 2013), and the introduction of capstone subjects aimed at consolidating, integrating and applying theoretical knowledge to professional work (Bailey et al. 2012; van Acker et al. 2014). Another key challenge for management education is that constituted by digitalization, in the form of the diffusion of Massive Online Open Courseware (MOOC), which has led most Australian higher education providers to invest in the concept of the "flipped classroom", where traditional lectures are replaced by online content and face-to-face class time is used in interactive, workshop-type activities (Jarvis et al. 2014). Australian business schools curricula appear also to put an increased emphasis on social responsibility, sustainability and ethical practice, even if these concepts are still often inadequately conceptualized (Lilley et al. 2014).

Finally, it is important to stress the centrality of faculty in determining and shaping the offerings of business schools. In 2014 there were 4,713 full-time equivalent management and commerce academic staff (teaching only or teaching and research) employed in public and private

universities (excluding private colleges), which represented 5.8 % of all staff (Department of Education and Training 2015b). This means that the staff to student ratio in Australian business faculties is much higher than in other disciplines (Table 4.1).

Historically, faculty have come to business academia with a diverse array of vocational, practice-based and education backgrounds; however, nowadays the pathway into an academic career typically requires a PhD (Group of Eight 2013). There is a significant number of doctoral candidates guaranteeing the reproduction of the academic body: in 2014 over 4,000 PhD candidates in management and commerce were enrolled in Australian universities, with 612 PhD completions (Department of Education and Training 2015a). Half of these PhD graduates in business were domestic students, whom the Commonwealth supports through the Research Training Scheme, while international students must cover tuition fees up to A\$30,000 per year for the duration of their candidature. Australian PhD training is based on the UK model, taking the form of a research apprenticeship in which individual students work closely with a nominated supervisor (Group of Eight 2013), even if recently coursework components, typical elements of the US model, have been introduced in some universities. The formal assessment is focused on a written

Table 4.1 Staff to student ratio (SSR) in Australian Universities (2014)

Academic organizational unit	Staff	Students	SSR
Management and commerce	4,713	204,127	43.3
Natural and physical sciences	5,190	108,210	20.8
Information technology	1,291	37,614	29.1
Engineering	3,045	75,722	24.9
Architecture and building	841	19,230	22.9
Agriculture and environmental studies	725	11,081	15.3
Health	7,446	135,047	18.1
Education	3,255	83,045	25.5
Society and culture	8,044	215,302	26.8
Creative arts	3,349	84,652	25.3

Source: Department of Education and Training—Higher Education Statistics Data Cube

Note: Staff are teaching only or teaching and research academic staff
Students are equivalent full-time students enrolled in public
and private universities

dissertation and does not include a public defence of the research thesis (viva); students are however required to deliver one or more presentations of their research to a panel of experts before submission.

Despite the lack of a consistent and established set of policies guaranteeing a full comparability to conventional dissertations (for instance the number of publications required is very variable), the number of PhDs granted by publication is constantly increasing (Jackson 2013). Also, professional doctorates are recognized by the Australian Qualifications Framework but are still in the early stages, having been recently introduced in some business schools (Group of Eight 2014).

Encouragingly, surveys show that the vast majority of doctoral students are interested in pursuing an academic career (Edwards et al. 2011). However, as is the case for many disciplines, there are concerns about the employment rates of candidates, and the opportunities available for formal academic positions in Australia (Bexley et al. 2011; Group of Eight 2013; Tsen-Kwok 2013). A recent survey of Australian academics showed that age was a key factor shaping intention to move to an overseas institution, or to leave higher education all together, with 40 % of academics aged under 30 surveyed planning to leave Australian higher education in the next five to ten years, with 13–18 % intending to leave in the immediate future (Bexley et al. 2011). Worryingly, this trend seems more acute in business, with 47.7 % of management and commerce PhD candidates with ambitions for academic work reporting intentions to pursue work overseas (Edwards et al. 2011).

One of the key issues raised by respondents to these surveys was concerns about adequate job security. Certainly, the Australian academic workforce is characterized by high levels of casualization, with approximately 29.1 % of management and commerce staff employed under casual contracts in 2011 (Tsen-Kwok 2013).² There are positive aspects in the involvement of non-full-time academic in business education: engaging experienced practitioners (acting managers, consultants, professionals) as adjunct faculty members brings in current, applied knowledge. Also, it

²In addition to casual employment, there is a reliance on short-term contracts; in 2015 36.5 % of all full-time and fractional staff held limited-term positions (Department of Education and Training 2015b).

offers an opportunity for research students to develop their teaching skills and integrate their income. However, a massive use of casual teachers, driven by cost-saving strategies can produce negative effects, such as: limited access to professional development and little exposure to research; non-stringent recruitment processes; low morale and patchy professional integrity restricting casuals' ability to perform and negatively affecting teaching quality (Lama and Joullié 2015).

Full-time academics are typically employed through enterprise contracts, which are negotiated collectively to standardize each institution's conditions for pay and promotion for academics at five seniority levels. By international comparisons, academics at Australian universities are relatively well paid, earning more than their counterparts in New Zealand and the UK (Deloitte 2012). In addition to their base salary and pension arrangements (which typically are up to 20 % the value of staff's base pay), most institutions also offer performance-based salary loading schemes, which are determined on an individual basis either at the point of hire or periodically through their tenure. However, the attractiveness of careers in Australian business schools is potentially undermined by concerns about institutional performance pressure and workloads. In more recent enterprise agreements, many Australian institutions have formalized expectations of academic standards, often in terms of expected outcomes in relation to research, teaching and service and engagement, even for staff on continuing (tenurial) contracts (NTEU 2015a). There are concerns with how this may manifest in performance measurement and benchmarking systems, which tend to prioritize measurable quantitative outcomes such as number of (ranked) journal publications, the value of external grant income and student evaluation scores—particularly in the context of ambiguities about workload. Although the majority of academics employed under an enterprise contract are contracted to work 38 hours a week (typically allocated at a ratio of 40:40:20 to research, teaching and managerial and engagement activities respectively), recent surveys show Australian academics currently work an average of 50.7 hours per week, with 77 % reporting they worked the hours they did in order to perform their duties satisfactorily (NTEU 2015b).

The Demand Side: Key Stakeholders and Their Expectations

As observed before, international students play a central role in the business model of Australian management higher education providers: they constitute the majority of enrolments in master's-level courses and in shorter undergraduate degrees, and in the case of private colleges they represent three quarters of the student population (Table 4.2). Conversely, domestic students outnumber overseas in management bachelor degrees offered by public universities and in postgraduate research.

Table 4.2 Enrolments in management and commerce courses in 2014

Institution	Postgraduate coursework	Postgraduate research	Bachelor	Other undergraduate	Total
Public universities					
Domestic students	39,632	2,673	129,676	1,365	173,346
Overseas students	55,965	1,781	82,548	5,825	146,119
Public universities total	95,597	4,454	212,224	7,190	319,465
Private universities					
Domestic students	3,050	26	167	113	3,356
Overseas students	1,661	16	1,084	797	3,558
Private universities total	4,711	42	1,251	910	6,914
Private Colleges					
Domestic students	2,522	–	4,116	2,318	8,956
Overseas students	6,497	–	6,790	9,869	23,156
Private Colleges total	9,019	–	10,906	12,187	32,112
Total	109,327	4,496	224,381	20,287	358,491

Source: Department of Education and Training (<http://goo.gl/B6rK0d>)

The former datum is consistent with regulated fees, and the latter with the possibility for Australian citizens and permanent residents enrolled in higher degrees by research to have their fees paid by the government.

The fact that students, especially international ones, have become one of the main sources of revenues both for private and publicly owned Australian business schools, can also produce problematic side-effects. The major threat is the risk of a creeping “academic consumerism, whereby students are given the power of customer through paying fees and being required to evaluate individual academics and the school” (Ryan and Guthrie 2009, p. 324). This can cause tensions between commercial drives (the desire to acquire and retain more full-fee-paying customers) and the need to maintain high academic standards by being selective and challenging.

The reliance on international students as a source of income has also put business schools’ economic stability at risk of market fluctuations, as demonstrated by the financial difficulties caused by the recent decline in international students’ enrolments (Hall et al. 2013)

Traditionally, a business degree has been regarded as an investment by students (Wilson and Thomas 2012) but achieving a degree in a business discipline does not guarantee a position in the job market (Table 4.3). For instance, despite the fact that accounting positions have been consistently listed by the Australian government among the professions for which there are skill shortages (Norton 2012), there is a sizable fraction of accounting graduates that appear to be out of employment.

Table 4.3 Undergraduate business graduate outcomes

Postgraduate students	Employed full-time (%)	Employed part-time or casual (%)	Unemployed (%)	Undertaking further full-time study (%)
Business studies	77.3	8.4	7.2	7.1
Accounting	67.7	15.3	10.9	6.1
Economics	62.5	10.0	11.3	16.3
Business studies	52.9	23.4	12.8	10.9
Accounting	58.1	17.7	15.5	8.7
Economics	43.6	15.7	11.1	29.6

Source: Australian Graduate Survey compiled by Graduate Careers Australia (<http://goo.gl/5E6Pt4>)

Australian business schools and their graduates face two challenges. First, there is the increasing turbulence of a labour market constantly reshaped by globalization and technology, one in which “the top ten jobs in 2010 did not exist in 2004” (Cameron and Quinn 2011, p. 9); second, the progressive dissolution of the traditional model of long-term employment, making contemporary managerial careers increasingly mobile and liquid (Urry 2007; Davis 2013). Australian business schools are endeavouring to offer their students a mix of specialized knowledge and boundary-crossing skills, enabling them “not just to become more employable but to start their own business and social ventures” (ABDC 2014, p. 30). This translates, in practice, to the emphasis put on innovative managerial methodologies (design-led innovation, agile and lean models, open collaboration etc.), and in an increasing focus on nurturing entrepreneurial skills and ideas.

Alumni are another important stakeholder for business education and all business schools actively promote and support alumni networks (Crainer and Dearlove 1999; Vaara and Fay 2011). While Australian business schools’ alumni do not constitute, as in the case of many American institutions, an important source of income through donations, they do provide a vital connection with industry, and in particular “strong and deep links into Asia” (Hall et al. 2013, p. 1). The steady growth in demand for business education in Asia, especially in the Far East (Datar et al. 2010) makes these networks a key asset. The principal challenge for the future is therefore the mobilization of these alumni networks and putting to use their potential to increase business education providers’ capacity to liaise with industry and society.

Business stakeholders (industry representatives, professional associations, employers etc.) constitute another important set of partners that business schools need to consider. The business education sector in Australia has a long history of relationships with industry bodies (such as the Australian Institute of Management and the Australian Institute of Company Directors) as well as with a large number of professional bodies with members who are practicing managers. However, their capacity to respond to expectations is far from optimal: in a 2010 National Workplace Skills Survey employers rated universities relatively poorly in terms of the relevance of courses (3.8 out of a possible seven) and the quality of graduates (3.5 out of a possible seven) (Hall et al. 2013).

On its part, Australian business might need more than just a supply of “work-ready” graduates and more practical research. Productivity studies have revealed how Australian management practices are only moderately above average when benchmarked globally, even if Australian management tends to overrate its own performance, and that many Australian enterprises appear to be stronger in operations management than people management (Green et al. 2009). Interestingly, these findings appear to mirror those of the older Karpin report on Australian management education (Karpin 1995), which criticized the lack of “soft skills” focus in local business schools.

In a recent report, the Australian Business Dean Council has outlined some guidelines to increase this strategic engagement capability, including the need to pool resources by establishing a network of deans, working with key industry bodies to identify common issues and to jointly achieve shared key objectives, and collaborating to increase experiential learning opportunities for university graduates (ABDC 2014, p. 7)

The Regulation of Business HE in Australia

Being part of broader universities, business schools have to adhere to university-wide goals, policies and practices. University scrutiny is high, since in Australia, as well as internationally, business schools are typically perceived as universities’ cash cows (Pfeffer and Fong 2004; Starkey et al. 2004).

Higher education providers in Australia are also subjected to the requirements of public regulatory and assessment bodies such as TEQSA (Tertiary Education Quality and Standards Agency). The accreditation process includes examining course content, assessment methods and staff qualifications (Norton 2012). Moreover, accreditation agencies and professional bodies pressure business schools toward the adoption of certain offerings and practices (Hall et al. 2013). As of 2015, 12 Australian business schools have obtained Association to Advance Collegiate Schools of Business (AACSB) accreditation (AACSB 2015), eight have an European Quality Improvement System (EQUIS) accreditation (EQUIS 2015) and two an Association of MBAs (AMBA) accreditation (AMBA 2015).

There are contrasting opinions regarding the impact of accreditation: some commentators highlight that it provides legitimacy through quality certification and forces schools to formulate a clear mission and strategy (Zammuto 2008), but others are concerned that it is turning into a conservative force which maintains the status quo and preserves the prerogatives of the established elites (Lowrie and Willmott 2009) while producing conformity, especially within MBA programs (Grey 2002; Pfeffer and Fong 2004). Yet, regardless of justified criticism, accreditation systems undoubtedly comprise an important part of the current space of management learning, and are central to business schools' branding in Australia (Lancione and Clegg 2015).

Another strong regulatory driving force is constituted by the increased centrality of performance-based research funding systems—management systems that are in use in many developed countries to ensure academic accountability (Hicks 2012). In the case of Australia this approach is embodied by the Excellence in Research for Australia (ERA) exercise, which drives academic behaviour in the direction of publication in academic journals. The collection of data is regulated by government-issued Higher Education Research Data Collection (HERDC) specifications that have the purpose of ensuring the quality of the research output by defining which publication outlets are considered appropriate to academic standards. This type of assessment has an important financial impact, since Australian universities receive about \$11 billion annually from government, which constitutes 45 % of their total budget, but the application of these guidelines is not straightforward, leaving an ample margin of interpretation to individual institutions (Buckley 2015). Individual researchers are in turn assessed by different institutions in light of their contribution to this publication effort, and their opportunities to achieve tenure (if they are fixed term or casual) or to advance in their career are strongly related to this performance measure. As a consequence, there is a strong drive to publish, especially in prestigious journals—a trend that on the one hand stimulates individual and institutional investment in research and production of original knowledge but that, on the other hand, can encourage researchers to engage in safe and predictable, “gap-spotting” theoretical research rather than focusing on more innovative solutions and practically relevant problems (Alvesson and Sandberg 2013).

In addition to certification, accreditation and accountability measures, another powerful factor influencing business schools in Australia and globally is the role of media ranking. The proliferation of media rankings is not a phenomenon restricted to business education (Wedlin 2007), and their function is not simply to help consumers make an informed decision. They can also help reinforcing or constructing organizational reputations (Wedlin 2011), and even simulate a dynamic competition among schools (Gioia and Corley 2002), while offering useful information for prospective students (Iñiguez de Onzoño 2011, pp. 118–9). The reputational boost given by positive ranking has an immediate effect on the financial returns of a business school, thanks to significant increases in student intake and fees (Peters 2007). However, many concerns have been expressed about the reliability of the system in the absence of agreed-upon standards as to what constitutes an ideal business school (Devinney et al. 2008). The media outlets that compile rankings need to legitimate their ranking systems and it is easier to achieve this by producing results that confirm “previously held notions of the positions of leading business schools in the field” (Wedlin 2011, p. 212). Moreover, doubts have been raised about the rigour and the quality of statistical methodologies used in these rankings (Dichev 2008; Safón 2009) and about the fact that rankings are also driven by structural factors that are difficult to change (Wilson and McKiernan 2011).

These critical remarks seem also to apply to the situation of Australian universities: across all three most influential university rankings (Shanghai Jiao Tong, The Times Higher Education and QS World University Rankings), Group of Eight universities outperform other groups, confirming the tendency to reward institutions with long history and prestige, while the hierarchy below the Group of Eight is less clear (Cherastidtham and Norton 2014). In the specific field of business education, ranking becomes even more controversial: for instance, accreditation and ranking bodies express strong disagreements, with the AACSB suggesting “that rankings actually do a disservice to the quality of management education because the ultimate effect is one of homogeneity rather than diversity” (ABDC 2014, p. 13). However, some diversity (at least in assessment criteria) must be present in the system, considering the absolute inconsistency of the MBA rankings published by different media outlets. For

example, only one of the top three entries in the 2015 Financial Times Global MBA Australian rankings appear among the first ten in the 2015 Boss/Australian Financial Review Ranking, and none of them are in the Graduate Management Association of Australia “5 star” list.³

Conclusions: Future Challenges and Opportunities

This concise outline of the state of Australian business education depicts the multifaceted nature of this sector, highlighting the existence of a number of tensions.

The first one is the tension between tradition and innovation: competition for ranking and performance-based research funding systems induce researchers and institutions to play safe, producing publications that conform to abstract standards without regard to their relevance or innovativeness, thus reproducing conservative tendencies. At the same time, the sector is expected to drive those organizational innovations that Australia needs in order to improve its productivity and remain competitive as a high-cost economy, and to help future graduates to acquire sufficient cross-disciplinary skills and intellectual agility to adapt to a changing job market and to create their own occupations.

A second tension concerns the relationship with universities. On the one hand, business schools are still seen as a fundamental source of revenue but often dismissed as “minor” contributors to the research effort, in comparison with scientific and technological (STEM) faculties. On the other hand, there is an increasing awareness of their role as innovation think tanks, essential partners of STEMs for commercializing their research, and for understanding the social and economic opportunities and challenges deriving from their adoption.

A third dualism is that between the focus and investments in human capital versus investments in non-human infrastructure. Enormous sums have been poured into both the development of IT systems offering new forms of distance learning and collaboration, and into the construction

³ See: <http://www.mbaguide.com.au/mba-rankings/>

of opulent and visionary buildings that contribute to promote brands and to support collaboration. Less attention has been given, however, to the fundamental role played by human faculties: reimagining forms of cooperation that can increase collective research and educational capacities while enhancing the sense of belonging is crucial to maintain high standards and reputation.

Finally, the relationship between its technical aims and its higher objectives is another source of tension. The importance of producing practically relevant knowledge should not lead Australian business schools just to be suppliers of commoditized knowledge and accreditations. Nurturing ethical values in organizational leaders, producing critical reflections on the contradictions of our production and governance models, developing understanding and solutions to social and environmental sustainability challenges are all fundamental responsibilities of business education.

All these tensions are not just sources of conflict but also elements of vitality that can inspire the sector to transform and innovate its practices, tackling a central strategic challenge for business education in Australia: its capacity to develop a unique voice, based on the capacity to bridge Western and Eastern traditions, rather than reproducing American models and techniques. In this regard, the presence of a large number of international students should be seen not just as a source of revenue but also as a learning opportunity, enabling Australia to become the Constantinople of the twenty-first century, the meeting place between East and West.

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5

Higher Education in Management: The Case of Spain

Alejandro Escribá-Esteve, María Iborra, Vicente Safón,
and Irene Zaera

The History of Management Education in Spain

The history of the management education system¹ in Spain can be described by breaking it down into four periods: (1) the emergence of the management education system, (2) the creation of formal university

¹ The higher education system in Spain includes both university-level studies and the highest level of vocational training. In this chapter we refer to the management education system only at the university level and we only make specific (and explicit) references to the professional education system when presenting the structure of the higher education system.

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A. Escribá-Esteve (✉) • M. Iborra • V. Safón
Department of Management, Facultat Economia, University of Valencia,
Av. Tarongers, s/n, E46022, Valencia, Spain
e-mail: aescriba@uv.es; miborra@uv.es; safon@uv.es

I. Zaera
Ivie (Instituto Valenciano de Investigaciones Económicas),
c/ Guardia Civil, 2, esc. 2 1º, E46020, Valencia, Spain
e-mail: irene.zaera@ivie.es

studies and foundation of management/economics faculties (under pre-democratic laws), (3) the structuration and universalization of the management education system (under democratic laws) and (4) the current management education system (after the implementation of the European higher education reform, or Bologna declaration).

- (1) Emergence of the management education system (up to 1943): The University of Salamanca was founded 1218 by King Alfonso IX. Together with the universities of Paris, Oxford and Bologna, it is one of the oldest universities in Europe. Formal education in business administration can be dated back to 1897 when the so-called schools of commerce were created. Those initial studies in management or business did not belong to the public university system until 1912, when the schools of commerce were ascribed to the different public universities. In the private university system, the Deusto Business School that belongs to University of Deusto (founded 1886) pioneered the training of business leaders, starting its activity in 1916. Up to that point, studies in management were not considered part of the formal education system and were mainly offered and performed by the schools of commerce.
- (2) Creation of formal university studies and foundation of management/economics faculties: The second period of development of management studies starts with the formal establishment of university-level studies in business and the foundation of the faculties of economics and business (1943–1980s). The first faculty offering business education was founded in 1943 (The Faculty of Political Science and Economics of the Complutense University) in Madrid, and some scholars consider this to be the most important milestone in the changing of business studies' structure in the higher education system (Infante Diaz 2013). After Madrid, new faculties were created in 1953 in Barcelona and Bilbao, and between 1963 and 1967 at the universities of Málaga, Santiago de Compostela and Valencia. Before 1983 there were already 34 Spanish public universities and four private universities (Deusto, Pontificia de Comillas, Navarra and

Pontificia de Salamanca²) offering business studies. In this period, business studies were offered through three different types of programmes. There was a three-year programme amounting to a diploma in business administration (BA), mostly offered in schools of commerce belonging to universities, a five-year programme for the graduate (*Licenciado*) in economics and business administration³ and the doctorate programmes in BA offered in the faculties of economics and business.

- (3) Structuration and universalization of the management education system: After the establishment of democracy in Spain (1978), the higher education system was widely reformed. The legal system changed significantly, granting a higher level of autonomy to the universities (LRU 1983). Degrees in economics and business were significantly updated, introducing new subjects, both compulsory and non-compulsory, and increasing specialization. In this period (1980s–2007), the demand for management education notably grew and the number of suppliers, both private and public, increased considerably too (see Fig. 5.1); virtually every public university created its own faculty of economics and business. The system allowed for the first time the creation of degrees specialized in business studies, independent from those in economics. The structure of the university studies remained very close to what existed in the previous period, with a catalogue of official studies based in two cycles: *Diplomado* (three years, first cycle degree) or *Licenciado* (three + two years, second cycle degree). The educational system recognized only four official degrees related to business: *Diplomado* in business sciences (first cycle: mainly taught at schools of commerce), *Licenciado* in management and/or business administration (first + second cycle: five years), *Licenciado* in market research techniques (second cycle: + two years), *Licenciado* in actuarial and financial sciences (second cycle: + two years). Students had to complete a five-year degree (or three + two) in order to be admitted onto a PhD programme. Master's studies were

²Until 1991 (law of creation of universities, Royal Decree 557/1991), all private universities in Spain belonged to the Catholic Church.

³The degree was unique for economics and BA, with the only difference being the specialization chosen by the student.

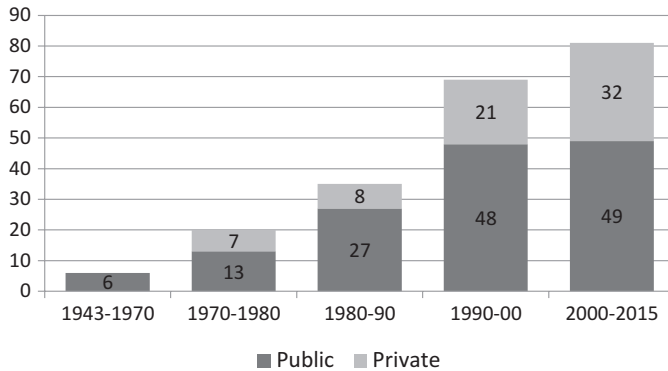


Fig. 5.1 Number of universities with management and business studies 1943–2015

Source: ANECA (2005), MECyD (2015)

not included in the official catalogue of university degrees, so they were offered as a complement by universities or private business schools. Private business schools dominated the market in master's for management education and training.

- (4) Current management education system: After the European higher education reform (2008–2016), three main changes followed in the business/management education system in Spain. First, a new educational system of degrees was set up for university studies: bachelor degrees (four years—240 European Credit Transfer and Accumulation System (ECTS)), master's degrees (one or two years—from 60 to 120 ECTS) and PhDs. Second, there is no longer a closed catalogue of official bachelor or master's degrees; the new system provides full autonomy to each university, so that they can develop their own catalogue, which is monitored through a national accreditation agency (ANECA). The accreditation agency verifies the programmes and grants the official category to the degrees proposed by any university (public or private). Lastly, the number of faculties of economics and business in public universities remains stable, but the number of private suppliers has grown strongly. In 2016, 81 institutions offer 269 bachelor degrees in management or business-related areas, 361 master's degrees and 86 PhD programmes (only seven private universities offer PhDs).

As a final note, in 2015 the Spanish government approved a change of structure for degrees. According to this change, a bachelor in management may have a minimum of 180 ECTS and a maximum of 240 ECTS, with a duration of three or four years respectively. Although this change has not yet been implemented in the vast majority of the system, some universities are trying to take advantage of the new opportunities in terms of attracting international students, and they have started to offer three-year bachelor degrees. At the master's level the university system continues to evolve. The number of suppliers offering master's in management-related topics grows every year and there is a high likelihood of relevant changes on market shares in the near future, in terms of the relative proportions of public and private institutions, as well as distance, blended and classroom education.

The Supply Side of Higher Education in Business

Main Suppliers of Management Education

The supply side of management education in Spain includes both public (state-owned) and private universities, as well as other private education entities, and it is structured through the provision of bachelor, master's and PhD degrees.

At the bachelor level, 81 universities offer studies in management-related topics, and they are typically taught at faculties of economics and business. Private universities supplying studies in management represent a 39.5 % of the total of institutions, but they cover a much lower percentage of the demand, and they are mostly focused in master's studies instead of the bachelor level (see section "Teaching and Research Performance in Business Higher Education"). Indeed, the percentage of students who take business or management-related bachelor degrees in public universities is about 88 %. The biggest university (in terms of number of students) for management-related bachelor degrees is a distance-learning public university

(UNED).⁴ The national accreditation system establishes that only universities may offer officially recognized bachelor qualifications. For this reason, some private education entities (business schools) supply bachelor degrees in cooperation with (under the umbrella of) public or private universities.

With regard to master's degrees, 82 universities supply official programmes in management-related areas, which are taught in faculties of economics and business, but also at business schools (both from public and private universities). Furthermore, there is a vast array of master's programmes available that do not have official accreditation by ANECA (the national accreditation agency) that are offered privately by public and private universities. While most of these private, non-official programmes cover only local demand, some of them, especially those offered by top private business schools, enjoy very good reputations and recognition in the market (e.g. Instituto de Estudios Superiores de la Empresa (IESE), Instituto de Empresa (IE) or Escuela Superior de Administración de Empresas (ESADE)) (Table 5.1).

Public and private universities are increasingly offering master's programmes (MBAs and other management-related fields), and they are also making important efforts in promoting their programmes both in Spain and abroad. However, most of them, especially in the case of public institutions, lack a clear strategy to position and differentiate their courses and therefore their target intakes remain mostly local.

There is an increasing focus on internationalization of business education. Although there are no official statistics about this, there is a trend to increase the offer of programmes partially or fully taught in English, at all levels (bachelor, master's and PhD). Indeed, Spain is the leading country in the European Union in terms of incoming Erasmus Students (39,277 students in 2013–14, according to the EC Erasmus statistics), followed by Germany (30,964), France (29,621) and UK (27,401), all of which are larger countries than Spain. However, the percentage of international students enrolled in Spanish universities on a permanent basis still remains very low at the bachelor level (4 % according to the Ministerio de

⁴ From 1972 to 1995 the UNED (National University for Distance Education) was the only institution supplying distance education for bachelor degrees in Spain. In 1995 the UOC (Oberta University Catalunya) was created as a modern university with strong investments in IT and specialized in distance learning.

Table 5.1 Spanish Universities (1218–2016)

University	Foundation	Type	University	Foundation	Type
U. de Salamanca	1218	Public	U. de Girona	1992	Public
U. de Valladolid	1346	Public	U. de Lleida	1992	Public
U. de Barcelona	1430	Public	U. de La Rioja	1992	Public
U. de Zaragoza	1474	Public	U. Rovira i Virgili	1992	Public
U. de Santiago de Compostela	1495	Public	U. de Almería	1993	Public
U. de València	1500	Public	U. de Huelva	1993	Public
U. de Sevilla	1505	Public	U. de Jaén	1993	Public
U. Complutense de Madrid	1508	Public	U. San Pablo CEU	1993	Private
U. de Granada	1531	Public	U. de Burgos	1994	Public
U. de Oviedo	1604	Public	U. Internacional de Andalucía	1994	Public
U. de La Laguna	1701	Public	U. Alfonso X el Sabio	1994	Private
U. de Deusto	1886	Private	U. Antonio de Nebrija	1995	Private
U. de Murcia	1915	Public	U. Europea de Madrid	1995	Private
U. Internacional Menéndez Pelayo	1932	Public	U. Oberta de Catalunya	1995	Private
U. Pontificia Comillas	1935	Private	U. Miguel Hernández de Elche	1997	Public
U. Pontificia de Salamanca	1940	Private	U. Pablo de Olavide	1997	Public
U. de Navarra	1952	Private	U. Rey Juan Carlos	1997	Public
U. Autònoma de Barcelona	1968	Public	IE University (antes U. SEK)	1997	Private
U. Autónoma de Madrid	1968	Public	U. Católica de Ávila	1997	Private
U. del País Vasco	1968	Public	U. Internacional de Catalunya	1997	Private
U. Politècnica de Catalunya	1971	Public	U. de Mondragón	1997	Private
U. Politécnica de Madrid	1971	Public	U. de Vic	1997	Private
U. Politècnica de València	1971	Public	U. Católica San Antonio de Murcia	1998	Private
U. de Córdoba	1972	Public	U. Politécnica de Cartagena	1999	Public
U. de Málaga	1972	Public	U. Camilo José Cela	2000	Private
U. de Cantabria	1972	Public	U. Cardenal Herrera-CEU	2000	Private

(continued)

Table 5.1 (continued)

University	Foundation	Type	University	Foundation	Type
U. Nacional de Educación a Distancia	1972	Public	U. Europea Miguel de Cervantes	2002	Private
U. de Extremadura	1973	Public	U. Francisco de Vitoria	2002	Private
U. de Alcalá de Henares	1977	Public	U. Abat Oliba-CEU	2003	Private
U. de les Illes Balears	1978	Public	U. Católica de Valencia San Vicente Mártir	2004	Private
U. de Alicante	1979	Public	U. San Jorge	2005	Private
U. de Cádiz	1979	Public	U. a Distancia de Madrid	2008	Private
U. de Las Palmas	1979	Public	U. Internacional de La Rioja	2009	Private
U. de León	1979	Public	U. Tecnología y Empresa	2009	Private
U. de Castilla-La Mancha	1982	Public	U. Internacional Valenciana	2010	Private
U. Pública de Navarra	1987	Public	U. Europea de Canarias	2010	Private
U. Carlos III de Madrid	1989	Public	U. Loyola Andalucía	2011	Private
U.e da Coruña	1989	Public	U. Internacional Isabel I de Castilla	2011	Private
U.e de Vigo	1989	Public	U. Europea de Valencia	2012	Private
U. Pompeu Fabra	1990	Public	U. Europea del Atlántico	2013	Private
U. Jaume I	1991	Public	U. Fernando Pessoa-Canarias	2014	Private
U. Ramón Llull	1991	Private	U. Interancional de Canarias	2015	Private

Source: MECyD e INE

Educación, Cultura y Deporte (MECyD)). Nevertheless, at the master's level, foreign students represent 18 % of the total number of enrolled students, a positive trend that continues growing every year. Foreign students enrolled in Spanish universities come mainly from other countries in the European Union (42.8 %), as well as Latin America (26.9 %), and their destinations are largely concentrated in universities located in Madrid, Barcelona, Valencia and Andalucía (in this order) (MECyD,

2015). Top business schools in Spain are not included in these figures, but their international orientation is much higher.

Business Studies in the Higher Education System

The higher education system in Spain includes three different educational sub-systems (see Fig. 5.2):

- Arts higher education system, which includes both superior degrees in arts (music, dance, plastic arts, design, restoration and so on) and master's in arts.
- University education system, which offers a wide variety of university-level studies in different fields of knowledge (basic sciences, humanities, social sciences, technical sciences and so on)
- Professional education or vocational training, which includes professionally oriented training programmes in a broad variety of fields, including business and/or administrative studies

Business and management-related studies are offered both by universities and institutes for professional/vocational education. However, university studies are considered the highest level of education in management. Indeed, students from vocational training programmes can access the university level only after having finished the highest level of professional education.

Students can follow two different paths to access bachelor (university-level) studies (see Fig. 5.2):

- The most common path is to access university studies (bachelor) after having finished high school education (up to 18 years old approx.). In order to be admitted onto a specific degree at a certain university (in the public system) students must pass a national exam.⁵ The grade of this exam is taken into account by public universities in order to admit students, who are ranked according to a proportional average between the grade in the national exam and

⁵A new educational law, LOMCE, establishes a new student selection process for public universities, which will provide greater autonomy and discretion to the universities, but at the time of writing this chapter (April 2016) it is still to be defined and implemented.

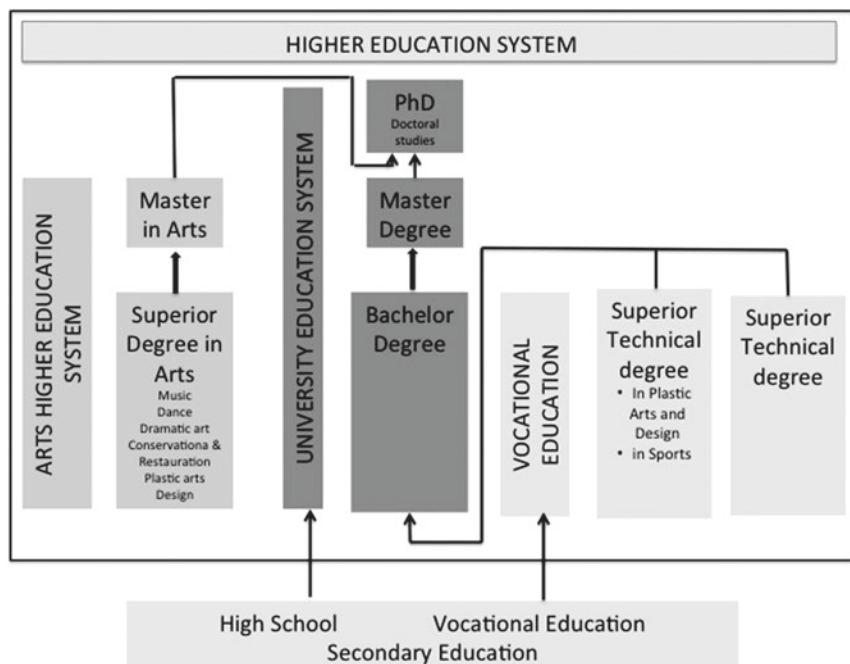


Fig. 5.2 Spanish higher education system: types of degrees and access paths
 Source: LOMCE and MECyD

their high school qualifications. Universities inform in advance of the *numerus clausus* for each degree. Then, prospective students apply to their degrees of preference, and public universities follow the order in the rankings, admitting students from the highest grade and descending until all the available places for each degree are taken up. In this sense, public universities cannot select students according to any criteria other than the public ranking. For private universities, the students' admission system is completely different. Private institutions have full discretion to implement their own selection processes, and they typically use specific exams, personal interviews, group dynamics and more.

- The second path of access to university studies is from the realization of professional education (vocational training) studies. Students who are 15 years old or more can commence professionally oriented

studies. Those studies have three levels: basic, medium and high. The highest level of professionally oriented studies is part of the higher education system and it also includes business and administration studies. After finishing the highest level of vocational training, students may also apply to be admitted to university studies for related topics.

As for the master's degree programmes, the students' selection processes are much more flexible. In this case, universities may take into account the candidate's professional experience and language skills, as well as motivational factors. However, in the case of public universities, the institutions must guarantee that their selection processes are fair, aligned with the mission of universities as a public service, and they need to be formalized and transparent.

Programmes Offered and Corresponding Fees

Within university-level studies, the Spanish system offers three different levels of degree (Table 5.2).

The existing offers of these sorts of degrees in business or management-related topics are considerably wide and heterogeneous. Table 5.3 provides an approximation of the number of bachelor and master's qualifications offered in Spain in relation to the total number of degrees available in Spanish higher education, as well as the distribution between public and private suppliers.

Business or management degrees (both at bachelor and master's level) account for around 10 % of the total degrees at university level. Private bachelor degrees represent around one third of the total number of business/management degrees offered in Spain, which is almost nine points above the quantity of private universities at the bachelor level (considering all fields of study). In this sense, business and management studies have a higher competitive rivalry between public and private universities than in other subject areas.

As for master's degrees, the situation is even more accentuated. While the proportion of business and management in the total number of master programmes on offer remains close to 10 %, the market share of private

Table 5.2 Spanish academic degrees in business studies. University level

Spanish denomination	Basic degrees	Duration (years)
Grado	Bachelor	3–4
Master	Advanced degrees Master (MSc & MBA)	Bachelor + (1 or 2) = 5
	Research degrees	
Doctorado	PhD	Master + 3 (or 5 if part-time) = 8 (10)

Source: MECyD

Table 5.3 Number of Spanish academic degrees 2015–16 (business and total). University level

	Total	Public Universities	Private Universities
Total Bachelors	2,723	2,061	664
Business Bachelor's	269	182	87
Management	166	118	48
Accounting	5	5	–
Finance	23	22	1
Marketing	75	37	38
Total Masters	3,783	3,070	224
Business Master's	381	224	157
Management	246	146	100
Accounting	42	25	17
Finance	40	26	14
Marketing	53	27	26

Source: MECyD

universities is much higher than for bachelor's, and private schools represent 41.2 % of the business/management-related supply for master's (twice the proportion of private universities for the total available master's degrees).

With regard to tuition fees, private and public universities follow different criteria and procedures to establish them. Educational policy in Spain is devolved to the regions (autonomous communities) but it is coordinated or monitored by the central government. In this sense, for public universities, it is the regional government who establishes the public fees for different types and levels of degree each year. Fees are published in euros/ECTS and they may be different depending on the field of study (humanities, social sciences, engineering and health).

Until 2012, fees for bachelor studies were rather similar in all regions. However, in the last years the central government gave greater discretion to the regional governments (within some limits) and the differences

have been growing considerably. In the academic year 2015–16, there were significant differences among university fees for bachelor degrees in business/management in different regions, Cataluña being the most expensive (€25.3 per ECTS) and Galicia being the cheapest (€9.9 per ECTS) (Fig. 5.3).⁶

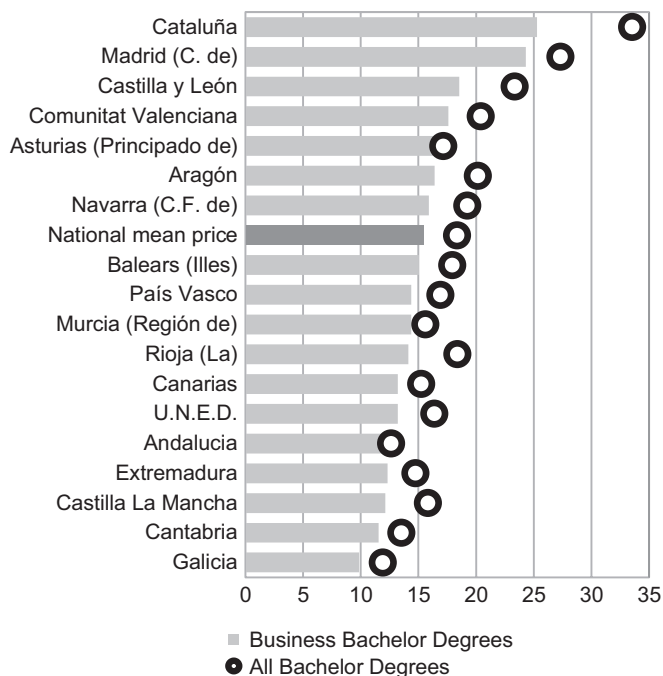


Fig. 5.3 Fees for bachelor degrees by Spanish region: Average price per ECTS at public universities. 2015–16

Note: From higher to lower fees for management and business degrees

Source: MECyD

⁶ Bachelor degrees (180–240 ECTS) are usually structured in 3–4 years (60 ECTS per year). Total fees and annual fees can be calculated. The figure shows fees for a first-time enrolment on a subject. Second and subsequent enrolments are more expensive

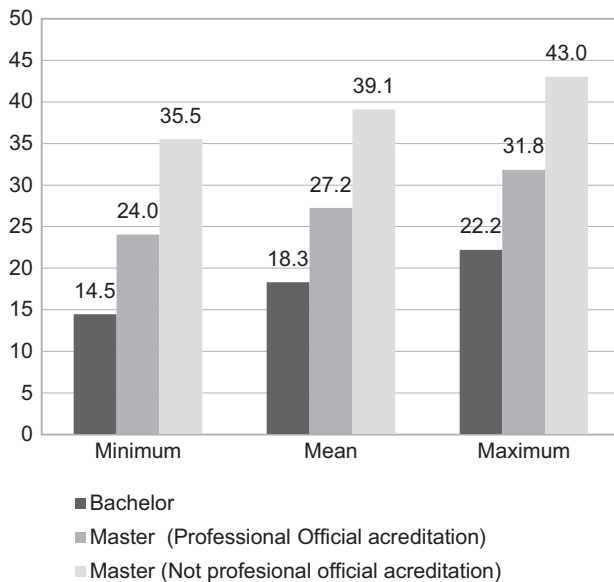


Fig. 5.4 Tuition fees for bachelor and master's degrees. Average of minimum, mean and maximum prices per ECTS in Spanish regions. 2015–2016
Source: MECyD

In the case of the master's degrees, Fig. 5.4⁷ illustrates the average fees for different types of degree, indicating the minimum, mean and maximum fees.⁸ In the case of master's programmes, those that are compulsory in order to have access to some regulated professions (lawyers, actuaries, architects, high-school teachers etc.) are less expensive than those that are not compulsory.

As for top business schools, there are many differences between their fees for management education and those of public and private universities. In Spain, there is no regulation of fees for private institutions, nor for private degrees. Although it is difficult to cover the whole diversity of fees in existence in business schools, Table 5.4 shows some illustrative

⁷Master's degrees (60–120 ECTS) are usually structured in 1–2 years (60 ECTS per year). Total fees and annual fees can be calculated. The figures show fees for a first-time enrolment in a subject. Second and subsequent enrolments are more expensive. In the case of master's, fees for public universities may vary depending on the knowledge field. Usually the field of study with the lowest fees is humanities, while the highest fees typically apply to medicine. Business and management master's are usually reported as having low (minimum) or medium fees

⁸The figures reflect the average fees (minimum, mean or maximum) for all Spanish regions.

fees for MBA education at business schools accredited by AACSB, EQUIS/EPAS and/or AMBA as well as for other business schools included in the *Financial Times*, *Business Week*, *The Economist* or *Forbes* rankings (see section “Regulatory Bodies”).

All of these institutions offer a full time MBA, a part time MBA, executive or not, and a global or international MBA—the latter being the most expensive. Fees for a full-time MBA go from €61,700 to €77,000 in accredited degrees by all three accreditation systems. Global or international MBA fees are difficult to compare because in some cases fees include all expenses (tuition, travel, accommodation etc.) while in others only some expenses are included or only tuition. Master’s without an international accreditation are less expensive, as is illustrated in Table 5.4.

Table 5.4 Fees for MBAs at private business schools

Accredited degrees (AACSB and/or EQUIS/EPAS and/or AMBA)	
ESADE	
Full-time MBA	€61,700
Executive MBA	€59,000
Global Executive MBA	€137,832
Multinational MBA7	€66,366
IE University	
Full-time MBA	€65,000
Part-time Executive MBA	€45,200
International Executive MBA	€75,000
Global MBA online	€44,700
IESE	
Full-time MBA	€77,700
Global Executive MBA	€99,000
EADA	
International MBA	€45,000
ESIC	
Full-time MBA	€22,900
International MBA	€29,400
Other MBAs	
Deusto Business School	
Full-time Executive MBA	€37,900
Full-time Executive MBA (Blended)	€37,900
ICADE Business School	
MBA	€22,000

Source: Websites of the B-Schools

Note: GEMBA and MMBA fees are in US\$; we have convert to euros in order to compare all MBA fees

Current Development of Pedagogy

Since the European higher education reform (Bologna declaration) Spanish universities have been promoting the adoption of innovative approaches for teaching and learning. Every university is developing its own strategies for this (integrating IT in education, more participative learning methods, experiential learning, etc.). However, there are no official statistics or published information yet about what exactly they are doing and what results are being achieved.

In terms of the type of learning, there is not specific data available for business studies, but we can offer data at university level (including all knowledge fields) that may be useful to approximate the distinct proportions of different channels of learning.

At the bachelor level, degrees are mainly taught through a classroom learning approach. Indeed, distance and blended/mixed learning methodologies account for less than 8 % of total degrees offered in the Spanish university system. Private universities are more open to distance and blended methods (25.8 %) than public ones (2.1 %).

As for master's degrees, there is a greater use of distance and blended learning both at public and private universities. At private universities, master's programmes using blended learning methods account for 13.4 % of the total number of master's offered, and distance-learning programmes account for more than 20 % (Table 5.5).

Table 5.5 Distribution of classroom, blended and distance-learning methods in university degrees. 2015–16

	Total #	%	(#) Public universities	%	(#) Private universities	%
Total Bachelor degrees	2,723	100.0 %	2,061	100.0 %	664	100.0 %
Classroom learning	2,510	92.2 %	2,017	97.9 %	493	74.2 %
Distance learning	113	4.1 %	37	1.8 %	78	11.7 %
Blended learning	14	0.5 %	1	0.0 %	13	2.0 %
More than one type	107	3.9 %	24	1.2 %	83	12.5 %
Total Master degrees	3,783	100.0 %	3,070	100.0 %	741	100.0 %
Classroom learning	3,094	81.8 %	2,687	87.5 %	419	56.5 %
Distance learning	282	7.5 %	135	4.4 %	152	20.5 %
Blended learning	359	9.5 %	265	8.6 %	99	13.4 %
More than one type	104	2.7 %	37	1.2 %	71	9.6 %

Source: MECyD

Faculty

PhD Requirements

Doctoral studies are regulated by a national law that applies to all territories and fields of knowledge. According to the norm, doctoral studies must be completed in three years (for full-time students), or up to five years if students enrol part-time. In general, in order to access an official doctoral programme, it is necessary to hold a master's degree.⁹ Universities may establish additional requirements and criteria for selection and admission of students to every specific doctoral programme (e.g. language skills, specific specializations), and they may require the completion of specific courses and supplementary training. Students typically have one (or two) supervisors, and they must commit to the accomplishment of a development plan, which may include the completion of training courses, submission of papers to conferences or journals and other intermediate goals, till the submission and defence of the PhD dissertation.

Doctoral dissertations are defended in front of a committee, which is composed by three or five doctors depending on the university norms. PhD evaluation committees must have a majority of members coming from other universities, outside the one in which the student is enrolled. The PhD dissertation may be presented in two different formats: a traditional one, developed as an original piece of research (with a research question, theory, methods, empirical study, discussion and conclusions), or as a compendium of published articles. The manuscript can be written and defended in any official language, as well as in any language that is commonly used in the specific field of research. In 2013, 282 new doctors graduated in business, and of these 83.6 % achieved their doctorate through a public university. In terms of gender, women graduates account for 38.6 % of total graduates (see Table 5.6). The number of theses is growing at a rate of 6 % per year.

⁹Alternatively, students may be admitted to PhD programmes if they hold a five-year degree (*licenciatura*).

Table 5.6 PhD dissertations in Business-related fields, 2011–13

		Public Universities				Private Universities				
		Total	Female	Male	Total	Female	Male	Total	Female	Male
2013		282	109	173	236	100	136	46	9	37
	Percentage	38.60 %	61.40 %		Percentage	42.40 %	57.60 %	Percentage	19.60 %	80.40 %
2012		265	119	146	231	110	121	34	9	25
	Percentage	44.91 %	55.09 %		Percentage	47.62 %	52.38 %	Percentage	26.47 %	73.53 %

Source: MECyD

Professional Career

Faculty' professional careers of public universities in Spain are structured through five professional categories, plus other complementary positions:

- Tenured positions:
 - Professor or Full professor. *Catedrático de Universidad* (civil servant status)
 - Associate Professor. *Profesor Titular de Universidad* (civil servant status) and *Profesor Contratado Doctor* (equivalent position to *profesor titular* without civil servant status)
- Non-tenured positions (not civil servant status):
 - Assistant Professor/PhD Lecturer (*Profesor Ayudante Doctor*)
 - Teaching Assistant/Non-PhD Lecturer (*Profesor Ayudante*) (PhD is not required)
- Other positions:
 - Part-time instructor (*Profesor Asociado*)
 - Visiting professor
 - Emeritus professor

In the Academic year 2011-12 to 2014-15 there were 115,366 university professors in Spain. Of these, 40 % were civil servants and 86 % were employed at public universities.

Table 5.7 shows the number of faculty staff in public universities that teach business-related studies and their distribution by professional category. The information for private universities is not accurate and we cannot provide data on their distribution of positions. In the 2014–2015 academic year, tenured positions account for 52.9 % of faculty staff, and 80.2 % of them are civil servants. The total number of faculty staff has decreased up to 7.8 % in the last four years, and there is no change in

Table 5.7 Faculty by positions. Public Universities. Academic year 2011–12 to 2014–15

	2011–2012	%	2012–2013	%	2013–2014	%	2014–2015	%
Total	5,703	100%	5,483	100%	5,352	100%	5,260	100%
Tenured positions	2,284	40.0%	2,334	42.6%	2,798	52.3%	2,785	52.9%
(Full) Professor (CU) (civil servant)	314	13.7%	331	14.2%	325	11.6%	317	11.4%
Associate Professor (TU + CEU) (civil servant)	1,376	60.2%	1,456	62.4%	1,462	52.3%	1,445	51.9%
Associate Professor (Prof. Contratado Dr.)					501	17.9%	551	19.8%
Other (Prof. Titular de Escuela Universitaria)	594	26.0%	547	23.4%	510	18.2%	472	16.9%
Non-tenured positions					232	8.3%	245	4.7%
Teaching Assistant					84	36.2%	78	31.8%
PhD Lecturer/Assistant Lecturer					148	63.8%	167	68.2%
Other positions					2,396	44.8%	2,230	42.4%
Part-time instructor					1,752	73.1%	1,703	76.4%
Visiting Professor					76	3.2%	63	2.8%
Other					553	23.1%	448	20.1%
Emeritus Professor	8	n.a.	13	n.a.	15	0.6%	16	0.7%

Source: MECyD

Notes: There is no disaggregated data for the white cells

‘Other’ refers to positions that have recently been eliminated by law and where there is no new recruitment
CU Catedrático de Universidad; TU Profesor Titular de Universidad; CEU Catedrático de Escuela Universitaria

the number of full professors during these last years, which shows an unattractive market in terms of size and career. A significant issue is that non-tenured positions represent less than 5 % of those at the faculty. In the last years, budgetary cuts from the central and regional governments, as well as legal constraints for hiring new employees in public institutions have blocked access to academic careers. This situation entails important challenges for the renewal and rejuvenation of faculty staff. As a consequence, most universities cover their necessities for teaching with part-time faculty members, which account for 32.4 % of the total number of faculty members in business-related fields.

The natural path of access to an academic career begins with the figure of teaching assistant (non-PhD) and then assistant professor (PhD) (Fig. 5.5 shows the typical paths for an academic career in Spain). During 2014–2015, there were only 78 business teachers at the first level (teaching assistant) and 167 at the second level (PhD, assistant professor). To attain an *assistant* professorship, candidates need to have a PhD and to get an accreditation from ANECA or from any of the regional accreditation agencies. Access to these initial professional categories is usually (but not necessarily) achieved after having enjoyed research grants for a doctoral dissertation.

Access to tenured positions requires accreditation from ANECA (for civil servant positions) or from the regional accreditation agencies (non-civil servant positions). In order to be accredited, these agencies assess the (1) teaching performance, (2) productivity and quality of the research outputs, (3) life-long training and (4) commitment to administrative tasks. The quality and quantity of research output counts for more than 54 % of total accreditation assessment (including all criteria) across all levels of tenured positions.

Workload and Salaries

National laws and labour agreements regulate the teaching workload of university professors. In general, tenured professors in public universities dedicate eight hours to classroom teaching and six additional hours

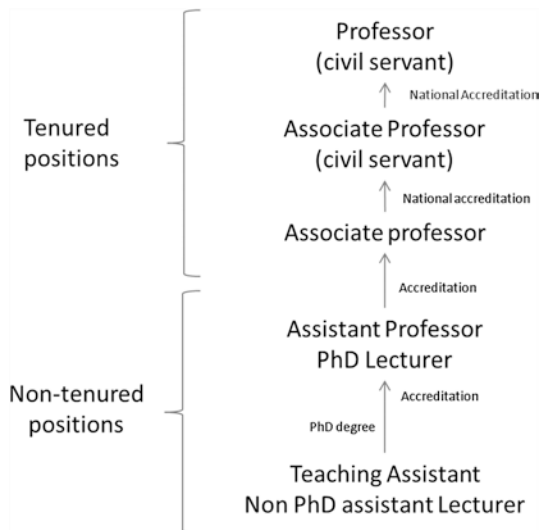


Fig. 5.5 Paths of the academic career in public universities (Source: MECyD)

of tutorials (attention to students) every week,¹⁰ 30 weeks per year. This commitment can vary upward (up to 12 hours) or downward according to his/her research productivity and his/her dedication to administrative tasks. However, the number of students per class may vary among different universities and this causes a different workload, outside of the classroom, that cannot be easily estimated. In private universities, the teaching load is usually higher than in the public ones, with a maximum workload of 22 hours of classes per week. While some universities may assess the doctoral, master's or bachelor teaching hours differently, the national regulations do not make distinctions, neither by the degree level nor by the number of students in attendance (Royal Decree—law 14/2012).

National and regional laws regulate the remuneration of faculty in public universities. The autonomous communities (and their public universities) have the capacity to slightly modify salaries, but in general there are no major differences between public universities, nor between teachers from different areas or disciplines. A salary is composed of a

¹⁰ The teaching workload for assistant professors is typically half that of tenured professors.

fixed amount (flat salary plus complements for seniority) and a variable amount (bonus for quality and productivity of teaching and research outputs). Productivity bonuses may be achieved every five years for teaching, or every six years for research, and, if positively assessed, they become a new stable complement that accumulates from previous ones. Faculty can also get contracts with other institutions (firms, associations or public administration) for consulting, technical support or advice as well as win competitive research grants.¹¹ As an example, Table 5.8 shows the wages of tenure categories at the Universidad Complutense de Madrid in 2015, for a professor with 30 years of seniority and the maximum efficacy in achieving a productivity bonus.

Salaries of faculty members in most private universities are regulated by a labour agreement at a national level (*convenio colectivo nacional de universidades privadas*). In general, their salaries do not deviate significantly from the referents established by the salaries in public universities, except in top B-Schools that compete in the global market.

Table 5.8 Gross annual salaries of tenured professors (euros). Example from Universidad Complutense de Madrid, 2015

	Salary		Maximum bonus for 30 years of seniority		Total	% bonus
			Seniority (calculated for 30 years)	Teaching quality & productivity		
Professor	40,558	5,518	10,697	8,914	65,688	29.86 %
Associate Professor	32,218	5,518	8,664	7,220	53,620	29.62 %

Source: Own elaboration from Complutense University website

Note: The research productivity bonus may be achieved every six years and, if granted, is obtained forever. However, faculty members very often fail to get these bonuses, or decline to apply for them. For example, in the 2016, 25 % of faculty members employed in business departments at public universities did not get a research productivity bonus (MECyD)

¹¹ Faculty from public universities signing these contracts for consultancy or technical advice have to do so by means of formal agreements between the university and the institutions.

The Demand for Higher Education in Business

Business and management-related studies are one of the topics most demanded by students, both at the bachelor and master's levels, as well as for executive education. Unfortunately, data on demand for executive education are fragmented and difficult to obtain, so we cannot offer details on trends and relative proportions for them.

At the bachelor level in public universities, business-related studies account for a 14 % of the total number of students enrolled in Spanish universities. Enrolled students cover 98 % of the existing supply in business studies, although demand as a first preference accounts for a 72 % of the existing supply, which means that 26 % of the students enrolled in business education consider the selected studies or the selected business school a second best option, after not having been admitted to their first preference. The proportion of business studies in terms of the total number of bachelor students, however, has been decreasing in recent years (it stood at 16.6 % in the academic year 2009–2010).

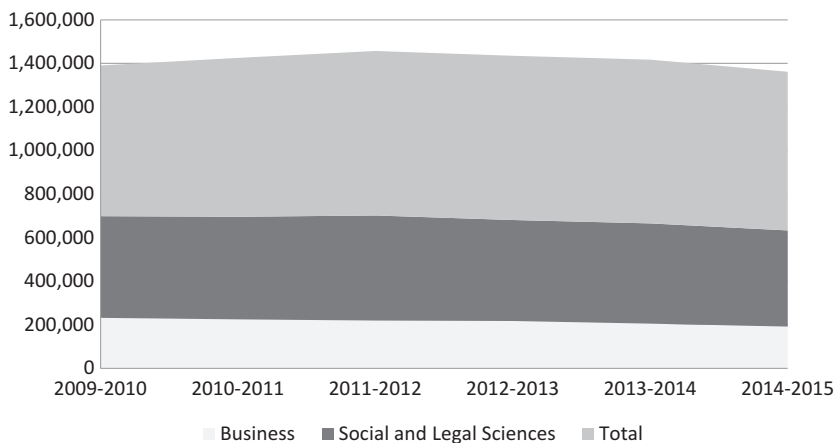


Fig. 5.6 Evolution of number of students registered. Bachelor degree. Courses 2009–10 to 2014–15

Source: MECyD

Nowadays, the number of students enrolled in business bachelor degrees is 18 % lower than in 2009–2010 (see Fig. 5.6). However, this is mainly a consequence of the reduction in the duration of bachelor degrees (from five to four years) after the Bologna reform. Actually, the number of students enrolled in the first year of public universities has remained steady (see Fig. 5.7).

Demand for bachelor business studies at private universities represents a 13.3 % of the total number of enrolled students in Spain (it was 13.8 % in 2009–2010). This quantity has remained quite stable in the last years, with variations lower than 2 % in all fields of knowledge.

At the master's level the situation is considerably different (see Fig. 5.8). There has been a significant increase in the demand for master's degrees

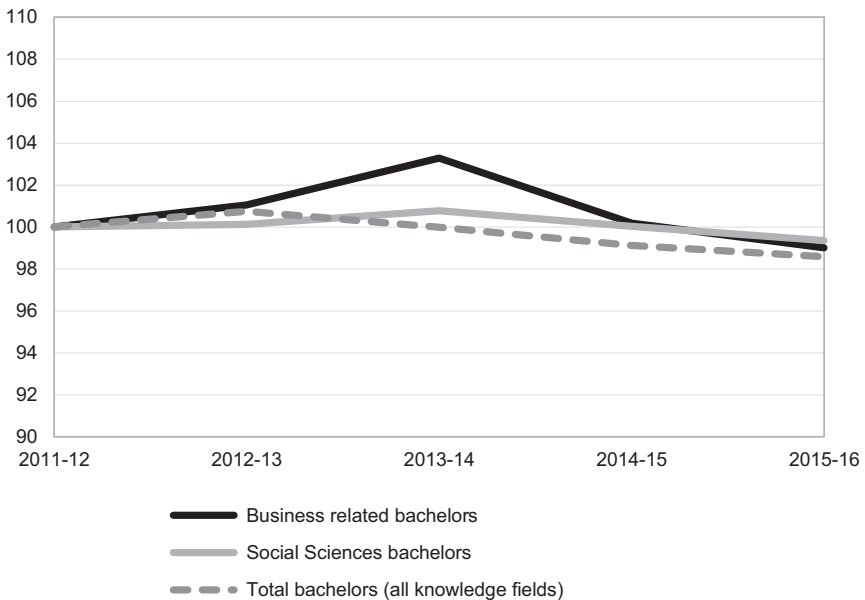


Fig. 5.7 Evolution of first-year enrolments in public universities. Courses 2011–12 to 2015–16

Note: 2011–12 = 100

Source: MECyD

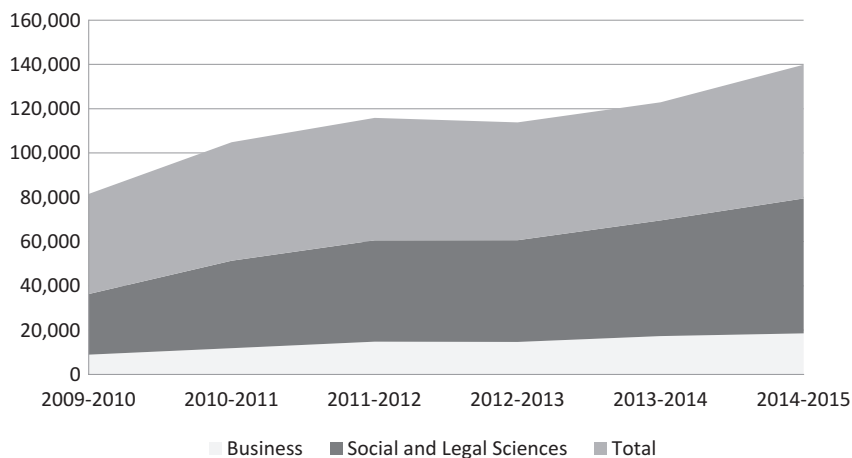


Fig. 5.8 Evolution of number of students registered. Master's degree. Courses 2009–10 to 2014–15

Source: MECyD

in all areas, and business studies have not been an exception. The proportion of students enrolled in business master's with regard to the total number of master students was 13.3 % in 2014–2015 (being 10.9 % in 2009–2010), with the demand having doubled (2.07 times, to be exact) since 2009–2010, in line with the growth of social and legal sciences (2.1 times), and at a higher rate than the total demand for master's studies (1.7 times).

In contrast with bachelor studies, the number of private universities for master's level studies in management has increased significantly in recent years, especially in the case of business-related studies (see Fig. 5.9). In 2014–2015, private universities enrolled almost 56 % of the total number of students registered in master's programmes in Spain (it was 39 % in 2009–2010). While the increase in the number of private universities offering master's level studies has doubled for all knowledge fields in the last few years, the importance of private universities in master's studies in business is the highest in comparison with other knowledge fields.

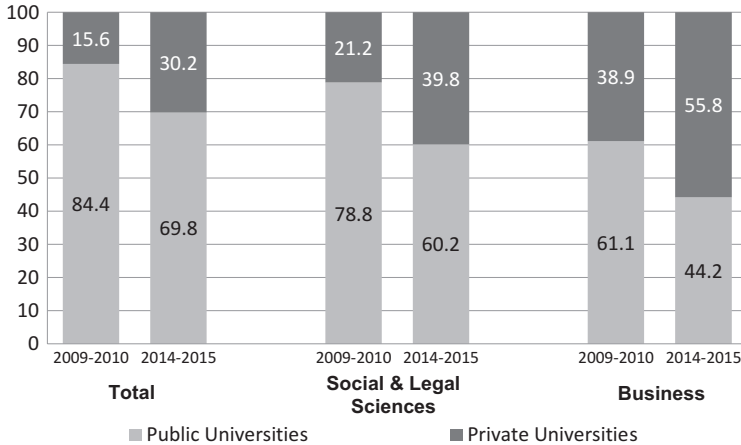


Fig. 5.9 Evolution of proportion of master's degrees by type of university. Courses 2009–10 and 2014–15
Source: MECyD

Teaching and Research Performance in Business Higher Education

Two of the major missions in higher education are the education and training of professionals so that they can join the job market and add value to the companies/institutions in which they will be hired, and the creation and dissemination of new knowledge that may contribute to the evolution, wealth and welfare of society.

When measuring the performance of universities with regard to their teaching mission, it is important to evaluate the impact of the learning process on employability of graduate students, but also the capability of universities to avoid one of the most important problems in higher education: the progressive disengagement of students, and eventually dropout or withdrawal before finishing their studies.

Figure 5.10 shows the dropout rates both at bachelor and master's levels in business-related studies, in comparison with social and legal sciences, and with the total number of students including all knowledge fields. The pattern for dropout percentages in bachelor and master's level studies is, once more, noticeably different. While public universities achieve lower

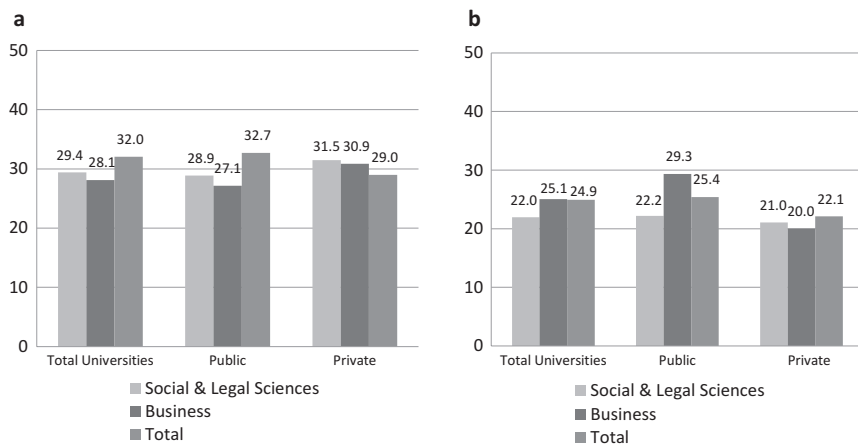


Fig. 5.10 Total students' dropout rate. Cohort 2009–2010 (percentage) (a) Bachelor degrees, (b) Master's degrees

Note: Total rate of students' dropout from a new cohort of enrolment: sum of first, second and third year of partial dropout

Source: Sistema Integrado de Información Universitaria. MECyD

levels of dropout in business bachelor degrees than in other knowledge fields, the situation is the contrary at the master's level, where private universities achieve better performance than public ones, especially in the case of business studies.

In terms of employability, the ability of students who have graduated in business studies to find a job is slightly higher than the average for all university degrees. Some business specializations, such as actuarial and finance sciences, or market research techniques have much more demand relative to the number of graduates, so they can get a job in these fields quicker and with higher rates of success (see Fig. 5.11a). In addition, business graduates show higher rates of tenured (stable) jobs than the average (Fig. 5.11b). Four years after completing a degree, the average for job contracts in tenured positions is 48 % (for all knowledge fields), while it goes from 63 % for graduates with a business diploma (three-year degree) to 85 % for actuarial and finance sciences (second cycle degree, three + two). Unfortunately, a counterpoint to this is that the

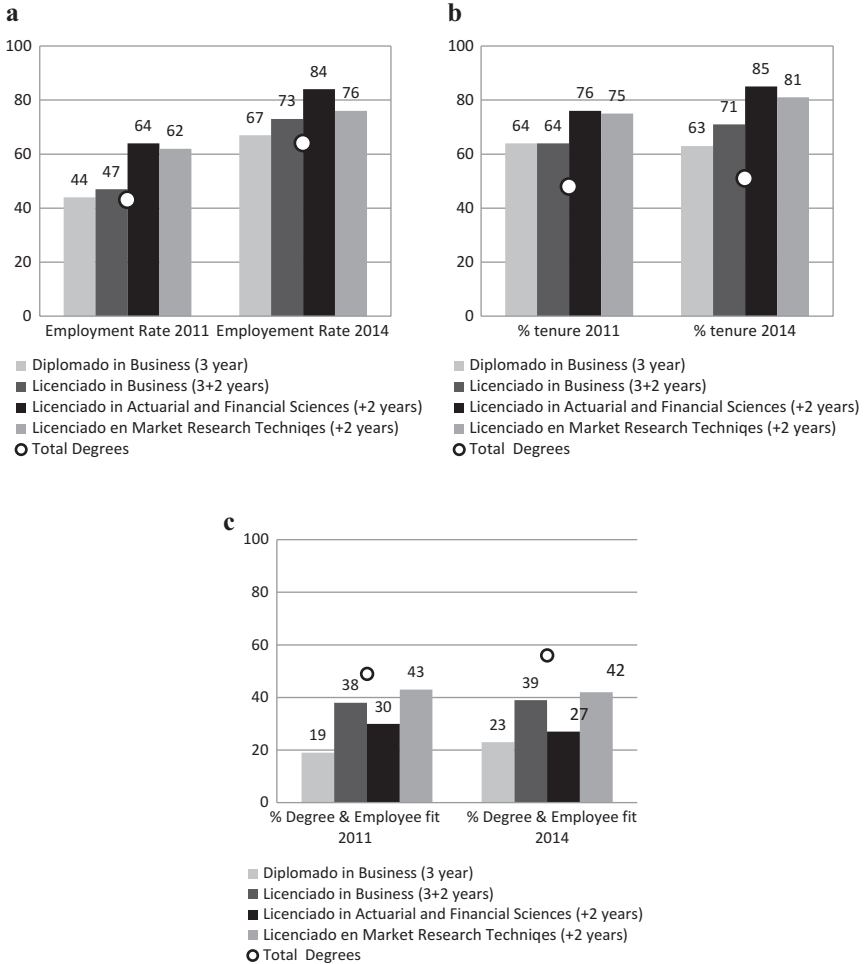


Fig. 5.11 Employment indicators for graduates. Cohort 2009–2010. One and four years after graduation. (a) Employment rate, (b) Employees with a tenure contract, (c) Fit between education level (degree) and the qualification level of the job

Source: MECyD. <https://www.educacion.gob.es/notasdecorte/insercionLaboral>

fit between the level of the degree and the level of the job is lower than the average, both just after completing the degree and four years after graduation (see Fig. 5.11c). While the general average fit between the degree and the position goes from 49 % (one year after) to 56 % (four

years after), these fit percentages are mostly below 40 % for graduates in business-related areas.

With regard to the knowledge creation aspect of universities' missions, productivity and quality of research in business and management fields is growing faster than average in comparison with other knowledge fields. Between 2005 and 2014, scientific production (publications) has tripled, while the amount has doubled for total scientific production (see Fig. 5.12).

In terms of quality, research in business-related topics is still far from the results of other knowledge fields (see Fig. 5.13). However, there is a positive trend in terms of papers published in journals with an impact factor situated in the first quartile, an increasing number of papers co-authored with scholars from other countries (which means internationalization of the research activity) and in the growth of the average impact factor of publications.

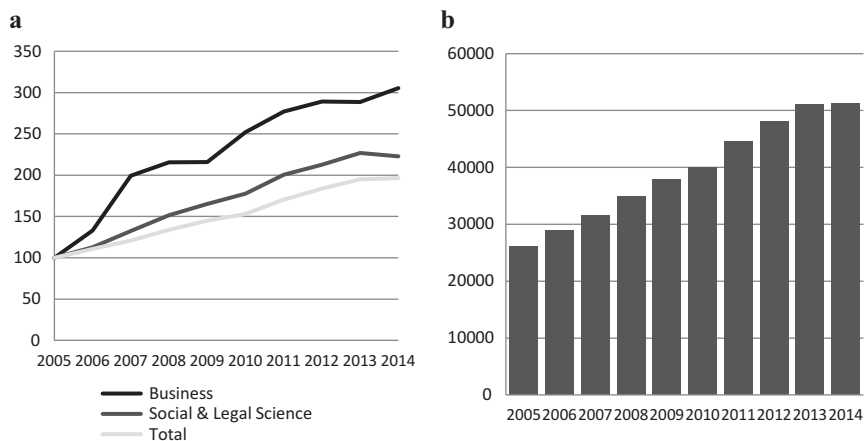


Fig. 5.12 Volume of research at Spanish universities. Business; social and legal sciences; and total. 2005–2014 (a) WoS Publications growth index: 2005 = 100, (b) Scientific research published in business-related areas
Note: Business area includes WoS subjects: business; business finance; hospitality, leisure, sport and tourism and management
Source: Research Institute for Higher Education and Science, INAEUC

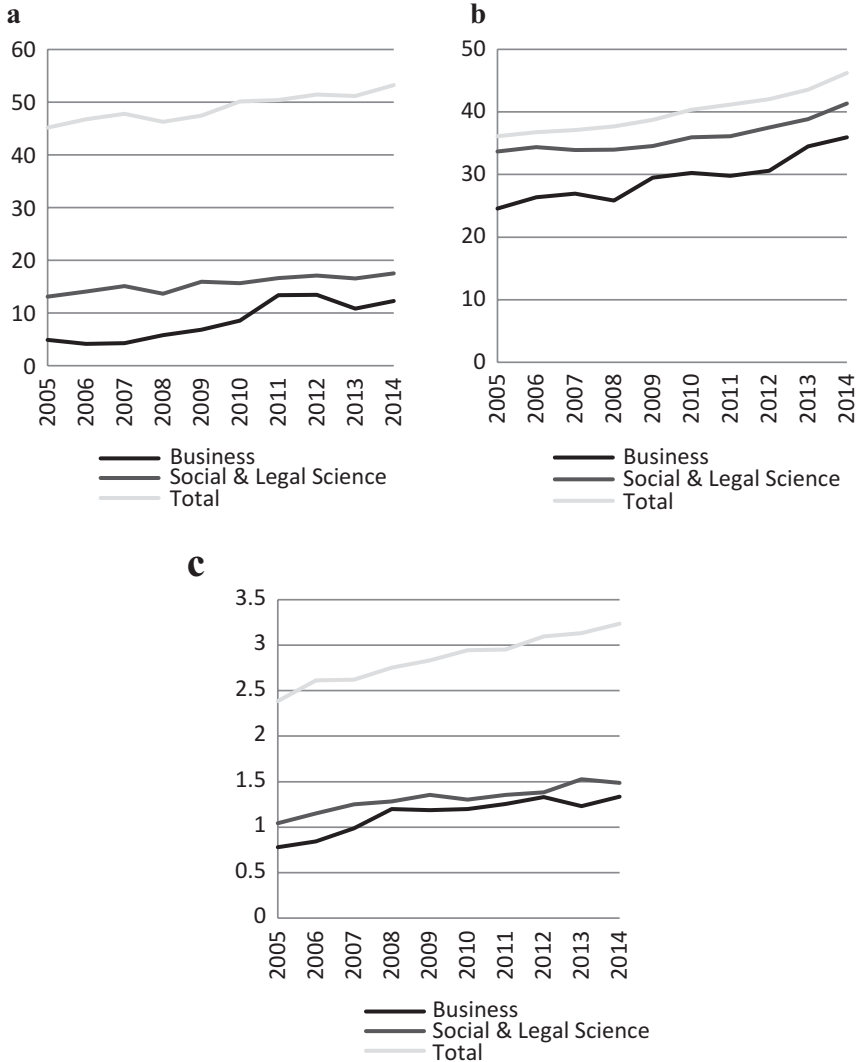


Fig. 5.13 Quality of research at Spanish universities. Business; Social and legal sciences; and Total. 2005–2014 (a) Publications at first quartile (WoS) (percentage), (b) Publications with international partnership (percentage), (c) Impact Factor

Note: Business area includes WoS subjects: business; business finance; hospitality, leisure, sport and tourism and Management

Source: Research Institute for Higher Education and Science, INAEUC

Regulatory Bodies

Regulation of education in Spain takes place on two levels: national and regional (autonomous communities); both have their laws and regulatory bodies, and work in coordination with each other.

ANECA is the national agency for quality assessment and accreditation for business programmes, institutions and faculties. It is a governmental organization whose mission is to provide external quality assurance for the Spanish higher education system and to contribute to its long-lasting improvement. Table 5.9 shows the main projects developed by this agency and its areas of focus. In addition to ANECA, most regions have their own evaluation agencies (Table 5.10).

Regional evaluation and accreditation agencies develop functions that have been delegated by ANECA, but can also foster new projects focused

Table 5.9 Projects developed by ANECA

Area 1. Institutional and programme evaluation:	
VERIFICA	Project for evaluation of programmes proposals designed according to the aims set for building the EHEA (Spanish Higher Education Authority)
MONITOR	Follow-up of an ex-ante accredited programme until it has to be submitted again in order to renew its accreditation
ACREDITA	Checks that the degree has been carried out according to the initial project proposal
ACREDITA PLUS	Assessment for national accreditation and for international seals
AUDIT	Guidance for Higher Education Institution (HEI) to establish their own internal quality assurance systems
MENCION	Aimed at selecting high-performing PhD programmes and marking them with a quality label
Area 2. Faculty evaluation:	
PEP	National accreditation for future applicants to positions of non-civil servant academic staff (PhD lecturer, PhD assistant lecturer, non-PhD assistant lecturer and private universities lecturer) as defined by Spanish university laws
ACADEMIA	National accreditation for civil servant academic staff in terms of access to the senior lecturer/associate professor and professor positions
DOCENTIA	Supports universities wishing to establish their own mechanisms to evaluate the quality of the teaching activity of their faculty

Source: www.aneca.com

Table 5.10 Regional agencies for quality assessment and accreditation

Andalucía	Agencia Andaluza del Conocimiento (AAC)
Aragón	Agencia de Calidad y Prospectiva Universitaria de Aragón (ACPUA)
Canarias	Agencia Canaria de Evaluación y Acreditación Universitaria (ACECAU)
Castilla y León	Agencia para la Calidad del Sistema Universitario de Castilla y León (ACSUCYL)
Cataluña	Agència per a la Qualitat del Sistema Universitari de Catalunya (AQU)
Madrid	Sección de Evaluación, Certificación y Acreditación de la Calidad de la Enseñanza Superior de la Fundación para el Conocimiento
Comunidad Valenciana	Agència Valenciana d'Avaluació y Prospectiva (AVAP)
Galicia	Axencia para a Calidade do Sistema Universitario de Galicia (ACSUG)
Islas Baleares	Agència de Qualitat Universitària de les Illes Balears (AQUIB)
País Vasco	Agencia de Evaluación de la Calidad y Acreditación del Sistema Universitario Vasco (UNIBASQ)

Source: www.aneca.com

on improving the quality and performance of the universities located in their territory.

In addition to the national accreditation systems, some business schools and faculties from universities with business studies that have a notable international orientation have submitted their programmes (usually MBAs) to international accreditation. Table 5.11 shows the institutions that have obtained these accreditations.

These institutions enjoy great international reputation and usually appear well positioned in international rankings of master's programmes (Table 5.12).

On the domestic front, in the last years several rigorous and comprehensive ranking systems have appeared. These rankings allow placing not only of the universities, but also the different undergraduate programmes offered by all public universities and the majority of private ones. Table 5.13 shows the five best performers for the “business administration bachelor degree”, the most common undergraduate business programme in Spain.

In the case of PhD programmes, there are 86 degrees in business available. ANECA provided a qualification of excellence to 15 PhD degrees in business. Four of the 15 PhDs are offered through alliances between

Table 5.11 Schools accredited by AACSB, EFMD (EQUIS & EPAS) and AMBA (April 2016)

Business School/University	AACSB	EFMD (EQUIS & EPAS)	AMBA
ESADE Business School	X	X	X
IE Business School	X	X	X
IESE Business School	X	X	X
IQS-Institut Químic de Sarrià—IQS School of Management	X		
EADA Business School		X	X
Universidad Carlos III de Madrid			X
ESIC		X	

Source: Own elaboration. Information retrieved in April 2016 from AACSB, EFMD and AMBA websites

Table 5.12 International ranking for 2016 full-time global/international MBA programmes

	Financial Times	Business Week	The Economist	Forbes
IE	12	4	17	5
IESE	16	7	14	2
ESADE	23	11	21	10
EADA*	24			
ESIC		27		

Source: Own elaboration

*Note: Included in the European Business Schools ranking

Table 5.13 Top five universities at U-ranking 2016. Teaching-focused ranking for bachelor in business administration

University	Index
Universidad de Navarra	1.6
Universitat Politècnica de València	1.5
Universitat Pompeu Fabra	1.5
Universidad Carlos III	1.3
Universidad de Deusto	1.3

Source: U-ranking and own elaboration

two or more universities. Three of them are specialized in finance, one in marketing, three in management and seven in economics and business. None of them are one of the seven PhDs available from private universities. This qualification towards excellence allows relevant advantages, such as better access to financial resources and grants.

Recently, it has been announced that there is a project to merge ANECA with another regulatory agency that is in charge of evaluating the research productivity of the faculty of Spanish universities (CNEAI).¹² This department assesses the productivity and research quality of professors who apply, providing positive or negative answers that ultimately intend to prove a six-year period of good research performance (*sexennium*). These research evaluations have a direct effect on the productivity bonuses in the wages of the faculty, as we mentioned in section “Faculty”. Evaluations are based on publication records provided by the researchers themselves, according to specific criteria delineated in advance. Criteria have evolved year by year in order to approximate the Spanish requirements with international scientific standards. It is aimed at fostering university professors’ research productivity and quality and improving the diffusion of this research both nationally and internationally.

Another important agency is ANEP (national agency for evaluation and prospective), which is in charge of assessing the applications for competitive research grants. Evaluations are peer-based and anonymous. It is aimed at introducing research excellence criteria into public funding.

Conclusion

In conclusion, management and business higher education in Spain is characterized by several important recent trends.

From the side of **the supply of business studies**, we have been witness to an increasing growth of suppliers. Specifically, the market share of private institutions has risen significantly. In the case of bachelor-level programmes public institutions still dominate the market, but at the master’s level private universities have grown considerably in the last years and they currently hold more than 50 % of the market. The present regulations for creation of universities (Royal Decree 420/2015) have made it easier to enter into the higher education system. In this sense, while the most recent public university was created at 1999, a total of 17 new private universities were founded between 1999 and 2015.

¹²BOE 18/02/2014 (Orden ECD/233/2014, de 4 de febrero).

As for the structure of the degrees at different levels, a recently approved piece of legislation opens the possibility of shortening bachelor programmes (three years) and increasing the duration of master's programmes (two years).¹³ In the short to mid-term these changes will impact the duration of undergraduate and postgraduate studies and will consequently alter the quantities of both types of qualification. We can then expect that the supply of master's programmes, and their proportion in terms of the total supply for business studies, will increase even more in the coming years.

Another important trend is related to the internationalization of the existing supply. Bachelor and master's programmes will increase their international focus and will foster the use of innovative learning approaches. There is an increasing emphasis on internationalization of business education via programmes partially or fully taught in English, incoming Erasmus students and international double degree programmes. The Spanish government is working on this purpose with a plan for the internationalization of Spanish universities, and some regional governments (e.g. Cataluña) are strongly encouraging internationalization of existing programmes, especially at the master's level.¹⁴ This is combined with the growth in the supply of blended and distance-learning methods in university degrees, as well as the increasing adoption of more innovative approaches for teaching and learning.

An important milestone in recent years has been the liberalization of public tuition. Until 2012, public tuition for bachelor studies was rather similar in all regions (autonomous communities). Nowadays, the differences have grown considerably and they may determine different levels of organizational slack and availability of resources, as well as different market segmentations.

With regard to the **faculty**, the data shows that the number of new doctors is growing at a rate of 6 % per year. However, despite the growth in the supply of PhD graduates, growth of academic careers at public universities (which have the largest part of the job market) have slowed

¹³ Organic law 8/2013 (LOMCE: Ley Orgánica 8/2013, de 9 de diciembre, para la mejora de la calidad educativa).

¹⁴ MECyD (2014). Estrategia para la internacionalización de las universidades españolas 2015–2020.

dramatically due to financial constraints resulting from the recent economic crisis. As a consequence, public universities rarely hire young scholars (assistant positions) and the aging of faculty staff is increasing significantly. In a context in which the job market is not very open and dynamic, this situation may have two opposing effects: (1) a potential change of the job market, that might become more efficient, and (2) increasing difficulties for universities to plan career development within their faculty.

With respect to the research productivity and quality of the faculty members, there is a positive trend in terms of the total number of publications, the percentage of papers co-authored with scholars from other countries and the growth of the average impact factor of these publications. However, the performance of business and management research in Spain is still far from that of other knowledge fields, especially regarding the percentage of papers published in top journals.

Regarding the **demand for business higher education**, the most important trend is the growing demand at the master level's and the stagnation numbers of students enrolled in bachelor degrees. The new regulations will likely reinforce this trend and, consequently, we can expect that both public and private universities will increase what they offer at the master's level. At the bachelor level, however, public universities still hold the majority of the market, but it may only be a matter of time until private universities increase their investment in bachelor programmes too. Bachelor and master's programmes are being evaluated more and more in terms of their capability to increase the employability of their students. In this sense, employability of graduates in business is above average, but there is still room for improvement in the fit between the degree level held by the graduate and the type and level of the jobs they are attaining.

These trends, along with the data and insights presented in this chapter, allow us to point out the **major challenges** that the **business higher education system in Spain** will need to face up to in the near future.

Bachelor Level Education The recent changes in the regulations on the structure of degrees open the possibility that some universities will modify what they offer towards three-year bachelor programmes. If this happens, it will be very likely that many others will imitate the move, aligning the duration of their courses to what exists in most foreign countries. As a

consequence, universities will face a reduction of approximately 25 % in undergraduate students, and so being able to attract master's students will become a key priority. Right now, public universities seem to be less able to attract master's students than private ones or business schools, whose market shares keep growing year on year. In this sense, public universities might also face the challenge of managing the increasing slack in their teaching capacity, as the major part of their faculty occupy tenured (and civil servant) positions and the number of students will decrease. Some alternatives to deal with this issue may be reducing the number of students per class (with the aim of increasing the quality of teaching) or offering new bachelor or master's programmes. In any case, there will be a higher intensity of competition to attract students at both levels.

Master's-Level Education Following the same line of argument as for bachelor studies, we can expect a significant increase in the business studies demand at the master's level. The 2014–2015 course was the first in which the cohort of bachelor students ended their degree in four years instead of five, increasing their need and demand for postgraduate studies. This trend will increase if universities move towards the offer of three-year bachelor programmes. Additionally, competition at the master's level is confronted with greater complexity because of the coexistence of official degrees (accredited by ANECA) and non-official degrees (not accredited by ANECA), and a fast-growing supply of master's programmes both from public and private universities. While official master's are regulated by law and by the national and regional agencies of accreditation, the non-official ones have a much laxer regulatory framework. This situation has serious drawbacks, creating competitive handicaps for official master's that have a much smaller margin of manoeuvre and adding noise to a misinformed market about what the "official" label adds to the degree. For example, for many prospective students it is not clear what the differences are between an official degree (i.e. an MBA or MSc accredited by ANECA) and a non-official one (i.e. an MBA or MSc not accredited by ANECA). In this sense, beyond labels, some younger private universities and some public ones are trying to improve their positioning at the master's level by pursuing international accreditations, hiring international staff and attracting foreign students, as well as increasing their customer orientation and developing networks with industries in order to achieve higher employment rates.

Doctoral-Level Studies In Spain, 86 PhD business programmes are offered (i.e. a little more than one PhD programme per university), and 17.4 % of them have been qualified by ANECA with a label of “excellence”. Business-related PhDs programme in Spain do not have a great capacity to attract the best international students and typically lack well-structured programmes of grants or fellowships to train talented young researchers. Among PhDs qualified as “excellent” there is a trend to establish alliances with foreign universities and/or business schools, and these programmes pay special attention to quality in the selection of PhD instructors and supervisors. There is also a lively debate about whether all universities, independent of their dominant mission (i.e. more or less teaching versus being research oriented) should in fact offer PhDs or not.

Faculty Staff Public and private universities also face important challenges regarding the teaching workload, research productivity, professional careers and skills development of their faculty.

The characteristics of faculty in public and private universities are quite different, and so are their challenges. At public universities, one important challenge is improving the relationships and bonds between the faculty staff and relevant companies. These relationships are key in order to improve the universities’ opportunities to become attractive and competitive at the master’s level. Some formulas have been tested to bring faculty closer to companies, but they have not yet proven effective. At private universities, however, their priorities are related to increasing their research capabilities. With the exception of the top business schools, most private universities are far from being competitive in terms of research.

The current teaching workload is high, and it has been increasing in recent years as a result of normative changes, the adoption of new teaching methods and the growth in the number of master’s programmes. Rationalizing the teaching workload is key in order to raise research performance of universities both in terms of quantity of publications and their quality, without jeopardizing the standard of teaching.

The presence of foreign teachers in Spain is very low. One of the challenges raised by most educational authorities points towards the need to internationalize the faculty in the Spanish universities. However, this challenge entails additional problems. On the one hand, the respective job market in Spain is not efficient, basically focused on the domestic

(or even regional) market, and with a highly regulated salary framework. Currently, only the top business schools and a few private and public universities attract talent on the international market at international prices. On the other hand, as a result of the recent international economic crisis, public institutions have imposed financial and hiring restrictions that have altered the job market. The ban from the government on hiring or promoting the faculty in public universities has blocked the academic career of many scholars to tenured and non-tenured positions (e.g. Tables 5.6 and 5.7 show that the number of new doctors per year is much higher than the absorption capacity of the market for positions as assistant lecturers). This causes the departure of young talent abroad and discourages faculty members who see their promotion to higher professional categories blocked due to lack of resources. This situation involves important challenges for the motivation, renewal and rejuvenation of faculty staff, and also makes it more difficult to attract foreign professors to positions open in Spain.

Finally, the structure of faculty staff in public universities imposes major challenges to improving the quality of teaching and research. Faculty staff in legally obsolete categories account for 17.5 % of the total. The vast majority of these staff do not hold a PhD and are outside of the academic careers designed by the new legal framework. There is a very high proportion of faculty looking to be incorporated into the new categories who are taking a leap in their curriculum (doctoral thesis) and in their research outputs in order to pass the accreditation process of the new positions.

Despite these challenges, most faculty members from public and private business-related institutions are aware of the enhancement necessary to achieve international quality standards for teaching and research, and the improvement trends are positive. However, the context of a blocked market for faculty, the inertia of the dominant culture and constraining regulations do not favour the strategic renewal of higher education institutions. The objective assessment presented in this chapter may be useful to foster debates and changes at all levels: governmental institutions, university chancellors and deans of business schools and faculties, and faculty members in general.

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6

Higher Education in Management: The Case of Israel

Pierre Kletz and Granit Almog-Bareket

From the Kibbutz to the Start-Up

The relationship between society's needs and its educational systems has been discussed at great length. For some, education should ideally be detached from society's demands—students should be prepared to contribute to social progress without being limited by the established order. An opposing view contends that social needs *always* determine developments within the educational system, an idea which has been interpreted

P. Kletz (✉)

GGFBM-Mandel Institute Leadership, Ben-Gurion University of the Negev,
Marcus family campus, 8410501 Be'er Sheva, Israel
e-mail: kletz@bgu.ac.il

G. Almog-Bareket

Mandel Graduate Unit, Mandel Foundation,
Derech Hevron, 101, 9110501 Jerusalem, Israel
e-mail: galmogbareket@mandel.org.il

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in several ways. Critical approaches lament the way capitalism utilizes the educational system to provide businesses with the manpower needed to make profits, while reform-minded or indeed conservative authors celebrate this manifestation of the *raison d'être* of education: to prepare students to meet society's requirements. As far as academic education in the field of management in Israel is concerned, as we will see, it appears to be consistent with the ideal-type of an educational system determined by social needs.

The three main historical academic players in Israel—the Hebrew University of Jerusalem (HUJI), Tel Aviv University (TAU) and the Technion—created their management education institutes (a Faculty of Management for HUJI and TAU, and a Faculty of Industrial Engineering and Management for the Technion) in 1952, 1966 and 1959 respectively. In the 1990s, these institutes were reconfigured as business schools, with a complete overhaul of their mission and curricula. Until then, HUJI and TAU focused on teaching micro- and macro-economics, while the Technion centered on operational research and production optimization. The new model turned these institutions into efficient machines with two main capabilities: producing innovative managers of the kind needed by hi-tech companies (which since the late 1990s have been the source of originality and strength of the Israeli economy) as well as training the specialists needed to create a financial system sustaining the deep economic change. It was also in the 1990s that three other research universities—Haifa, Ben Gurion and Bar-Ilan—created their own management faculties or business schools, and since 2000, a series of newly created colleges (which do not have the status of universities) have also set up management education units. What can account for these changes?

Israel's economic history has been a transition, so to speak, “from the kibbutz to the start-up”, with traditional industry and agriculture giving way to the growth, in the past 25 years, of an impressive hi-tech industry. In this chapter, we will analyze the educational system which resulted from that transition in order to produce the qualified managers required by the economy.

The Management Education System of the “Start-Up Nation”

Since the beginning of the 1990s, rising incomes and an increasingly mixed array of professional job opportunities in Israel have enlarged the proportion of high school graduates seeking higher education. The result was a dramatic boost in demand and a severe strain on universities and colleges. The top research universities have responded in a Malthusian way, which encouraged the expansion of public and private colleges offering BA and, more recently, MBA programs.

The institutions now offering management education in Israel can be categorized as follows:

Seven universities: Ariel University, Bar-Ilan University, Ben-Gurion University of the Negev, Haifa University, the Hebrew University of Jerusalem, the Technion and Tel Aviv University.

Three publicly funded colleges: the Ruppin Academic Center, the Tel Aviv-Yafo Academic College and Sapir College.

Four privately funded colleges: The College of Management-Academic Studies (COMAS), The Interdisciplinary Center (IDC) Herzliya, the Netanya Academic College and Ono Academic College.

Other: The Open University

In addition to growth, the pattern of demand has shifted in the direction of professional education, especially management education. This evolution has taken place in the context of the huge mutation that the Israeli economy has undergone in the last 20 years to become the “Start-Up Nation”, as described by Dan Senor and Saul Singer.¹ By 2014, one in seven BA graduates and one in four MA graduates earned their degrees in the fields of management and business administration. Demand for MBA degrees soared, with enrollment numbers doubling in the past decade up to 9,000 students enrolled in 2013, half in universities and half in colleges.²

¹ Senor D. and Singer S., *Start-Up Nation: The Story of Israel's Economic Miracle* (New York: Twelve, 2011), 2nd ed.

² In addition, the number of Israeli students interested in doing an MBA in the USA is five times greater than just a decade ago.

The increased demand and diversification of the offers have brought about major changes in the structure of business education in Israel, with less and less control from the state. Higher education used to be supported exclusively by public funding, a model now giving way to a mixed public–private structure which follows an international trend: as rising demand exceeds the capacity of public funding, private funds increasingly fill the growing budgetary hole. While the proper domain of public regulation should differ in accordance to whether public or private resources are being deployed, the emergence of private educational institutions limits the power of the government to regulate publicly funded institutions too. Furthermore, the private institutions are competing with the publicly funded universities for faculty, students and donors, resulting in a complex and changing system.

On paper, the government retains regulatory privileges. Its Council for Higher Education is exclusively responsible for accrediting institutions and academic degrees, which is generally believed to prevent anarchy in higher education, as students are keen to hold recognized qualifications. However, this idea is increasingly trumped in the field of business administration, where students primarily seek degrees that will open corporate doors for them. This means that the views and desires of corporations bear ever more influence on the whole academic teaching system of management. Indeed, the administration controlling management education in Israel is somewhat reminiscent of the king in Saint-Exupéry's *Little Prince*, who proved his omnipotence by ordering the sun to set at “about twenty minutes to eight”—after consulting an almanac. In the past decade, the council has essentially been lending support to the popular trends among students, who themselves tend to evaluate the various programs based on two main parameters: international rankings (the *Financial Times*'s ranking has gained a huge influence) as well as the quite arbitrary perception of the way corporations might evaluate the various management schools.

The spectacular growth of management and business education in Israel has therefore taken place with an increased level of heterogeneity, as stressed by the Council for Higher Education itself.³ Analyzing this

³ Council for Higher Education—Committee for the Evaluation for Business Administration Study Programs—General Report <http://che.org.il/wp-content/uploads/2012/04/The-General-Report.pdf>.

market gives the impression that, on the one hand, buyers and sellers tend to be asymmetrically informed while, on the other, management education is developing fast and anarchically, with no vision of what the general picture of management education in Israel should ultimately be. Control of program quality and of the resources necessary to finance the system remain open to question, as does the relationship between colleges and universities, or between publicly and privately funded schools.

Nevertheless, some trends can be identified. In the last few years, student numbers have slowly declined in the management departments and business schools of research universities, while enrollment increased in the colleges. This trend singles out management education as opposed to the sciences and humanities: in these fields, colleges have only marginally developed programs and do not pose any real competition to the universities.

Specificities of Business Education in Israel

Why is the case of management different? The two main reasons seem to be the Malthusian response that universities gave to the increase in demand as well as the type of education itself. While Israel's universities are top-level institutions (six of the seven universities regularly receive high international rankings, with HUJI a regular in top 50s and TAU and the Technion usually in top 100s), colleges have a competitive edge in the field of management and business because, regardless of their international visibility, they open the doors to employment in hi-tech and industry at large. Thus, they are in a position to compete for funding, students and faculty in this field, gaining market share. This effect is compounded by the fact that the Council for Higher Education allocates public funding according to enrollment, which means that research universities get less public funding for management education. The ensuing austerity has resulted, in particular, in a serious erosion in the number of qualified faculty members.

It would be hasty to conclude that universities missed the boat of management education in its new form. Indeed, they responded to the

changes in the field by extensively adapting their curricula and pedagogy, to provide students with the skills necessary to manage and finance companies in the hi-tech industry. The focus of their curricula lies far beyond HR, management control, accounting or logistics—all technical subjects that have become key in college programs. Thus, it might seem that, generally speaking, colleges are training students who will end up working under the leadership of university graduates.

In addition, most colleges are still seeking an educational identity and a functional balance in a context of unprecedented growth in applications, especially to their law and business management programs. At the same time, as they often accept students rejected by the universities, colleges are setting a national standard for sensitivity to student needs, because they depend on student tuition revenue and have a weaker commitment to research. This makes colleges (most of which are private) “market-oriented”, with a lower direct public cost per student, a high level of student service and a creative approach to offering new programs. Thus, despite a greater variance in terms of student level, private colleges offer public colleges and universities healthy competition.

The most pertinent problem for the colleges is sustainability. Almost all aspire to develop research and offer graduate programs. The former is motivated largely by the faculty promotion standards set by the Council for Higher Education, although the prospect of elevating one’s status as an institution of higher learning plays a role. Colleges also face staffing problems due to the spread of public budget over more students and institutions. A general consequence, which affects universities as well, is that a growing share of BA and MBA courses are taught by less qualified faculty, adjuncts and PhD students. Budget cuts and competition over tuition-paying students has also resulted in reduced contact hours, a gradual shift to evening classes and concentration of studies in one or two days of the week.

As for the future shape of management programs, they seem to follow their own path. It has been internationally observed that, unlike others, such programs are held within heterogeneous structures determined primarily by history and power relations between faculties, as

well as the social acceptability in a given country to accept professional education. Such is the case in Israel. While management and business education currently takes place within a large array of organizational arrangements (with some programs embedded in economics departments or in faculties of social sciences, while others constitute departments, schools or even faculties of their own), a long-term trend is at work: as a professional program, management education, like law, has unique attributes that inhibit success when subordinated to social or behavioral science or industrial engineering. We therefore observe a continuous progression towards the autonomy and status of faculties in their own right.

A Practical Approach to Pedagogy

Another particularity of management studies in Israel is their pedagogy. MBA programs are offered in many Israeli universities and colleges today. Programs typically run over four academic semesters, with some variations. Classes are grouped in one to three days a week, allowing students to hold a part-time job while studying, a common situation in Israel. In terms of their curricula, programs resemble what is found in most countries, with a strong variety of specializations and a highly practical approach (for a list of programs in business administration, along with their durations and fees, see Table 6.1).

A unique feature of several MBA programs in Israel is their inclusion of a mentoring program: senior businesspeople accompany students and help them develop a network of connections in the business world. Two main reasons explain this idiosyncratic development. First, it mimics the ways of the Israeli hi-tech and start-up industry, where small teams of project developers are mentored by highly skilled professionals or steering committees. The model is so prevalent in Israel that academics have adopted it to prepare students for their future professional life. Secondly, mentoring enables students to know key Israeli figures on a personal basis. A typical feature of social-professional networks in Israel is the

Table 6.1 Programs in business administration, with their durations and fees

Number of years/ name of institution	3 years	4 years (One-year program)	4-5 years	5 years	+up to 9	+up to11
The Hebrew University Jerusalem	Degree Awarded BA in Business Administration; Combined BA in Business Administration and East Asian Studies; BA in Accounting	The International MBA in Entrepreneurship and Innovation	Executive programs: Executive MBA in Integrative Management; Executive MBA in Financial Engineering and Banking; Master of Business Administration; EMBA in Accounting Financial Management	MA combined with economics, statistics or psychology; (students can take a minor from other departments, such as East Asian studies, urban studies or Latin business world); MBA programs in: Finance and Banking; Marketing; Organizational Behavior and Human Resources Management; Internet Studies; Strategy and Managerial Entrepreneurship; Operations Research and Management	PhD	Postdoctoral Fellowship
Tel Aviv University, The Recanati School of Business Administration	€3,130 per year, €9,400 for 3 years BA in Management	€27,000 Sofaer International MBA one-year MBA in Entrepreneurship and Innovation	Kellogg-Recanati International Executive MBA (a joint MBA from both Northwestern University and Tel Aviv University); Recanati EMBA	€6,260 (for 2 years) General-Track MBA; MSc in Management; MBA in Financial Management; MSc in Organizational Consulting; MBA in Technology, Entrepreneurship and Innovation; MA in International Business (IMBA); MIA programs for holders of senior management offices	PhD	Postdoctoral Fellowship
	Typical fees					
	Degree Awarded					

Haifa University	Typical Fees	€3,130 per year, €9,400 for 3 years	€28,800	KR-€56,300; EMBA –€26,600	€6,260 (for 2 years)	
	Degree awarded	N/A	Risk Management and Insurance	The General Executive-Level MBA Program (in Hebrew); The MBA Program for	MBA program for the Management of Not-for-Profit Organizations; International MBA Program in English; Natural Resources and Environmental	PhD Postdoctoral Fellowship
			MBA Program Specializing in Sustainability	Strategic Human Resource Management—a year and a half	Management; Energy Policy and Management; Management of Sustainable Built Environment	
	Typical Fees	N/A	€3,130	€6,260 (for 2 years); Human Resources €10,500	€6,260 (for 2 years); IMBA €8,350	
	Degree Awarded	BA in Logistics; BA in Technology Management	N/A	Executive MA – Master's Degree for Executives in Logistics Management	Master's Degree in Logistics Management; MA in Public Health and Health System Management; MA in Industrial Management	PhD Postdoctoral Fellowship
Ben-Gurion University of the Negev, Guilford Glazer Faculty of Business and Management	Typical fees	€3,130 per year, €9,400 for 3 years	N/A	€10,260	€6,260 (for 2 years)	
	Degree Awarded	BA in Management; BA in Hotel Management and Tourism	N/A	Executive Master 1.5 years; MBA in Social Leadership	MBA; MA in Administration and Public Policy; MA in Hotel Management and Tourism; MA in Management of Health Systems	PhD Postdoctoral Fellowship

(continued)

Table 6.1 Continued

Number of years/ name of institution	3 years	4 years (One-year program)	4-5 years	5 years	+up to 9 +up to11
	Typical fees	N/A	€6,260 (for the 4 semesters)	€6,260 (for 2 years)	
Interdisciplinary Center Herzliya (IC), The Arison School of Business Administration	€3,130 per year, €9,400 for 3 years BA in Business	N/A One Year MA in Financial Economics	Global MBA Program (Strategy and Business Development MBA program, and Innovation and Entrepreneurship MBA program)	MA program Organizational Behavior and Development; MBA—2 tracks: specialization in finance, or in marketing; Research MBA Program (Subject to the approval of the Council for higher education)	N/A
	Typical fees	€9,160 for a year, €27,500 for 3 years	€16,230	MA – €8,750 (for a year); MBA €20,850; Research €11,890	
Technion – Israel Institute of Technology, The Faculty of Industrial Engineering and Management	BSc in: Industrial Engineering and Management; Economics and Management; Entrepreneurship Program; Data Science	The Azrieli Start-up MBA program	MBA Haifa	MBA Tel-Aviv—Part-Time; MA in Behavioral Science and Management; Economics; Industrial Engineering; Information Management; Statistics; Operations and Optimization; Master of Engineering	PhD Postdoctoral Fellowship
	Typical fees	€3,130 per year, €9,400 for 3 years	€31,500	MBA – €15,770; MA – €6,260 (for 2 years)	
Ariel University	BA in Economics and Business Management		€8,120	MBA	

			€6,260 (for 2 years)
The College of Management —Academic Studies	Typical Degree Awarded	€3,130 per year, €9,400 for 3 years BA in Business Administration	Dual MBA Degree – American and Israeli; MBA in Research Program; Bio-Medical Management; Technology Companies Management; Management and Business Psychology; Marketing and Advertising; Strategy and Entrepreneurship; Human Resources Management and Organizational Consulting; Multi-Disciplinary Program; MBT (Master of Business Taxation) Program
	Typical fees	€7,500 for a year (€22,600 for 3 years)	€6,680 per a year (€13,350)
The Academic College of Tel Aviv-Yaffo	Degree Awarded	BA in Economics and Management; BA in Information Systems	MA in Organizational Management and Consulting; MBA
	Typical fees	€3,130 per year, €9,400 for 3 years	€6,260 (for 2 years)

relative lack of hierarchical barriers, as noted already half a century ago by Hofstede's study (very low power–distance score). High-level executives are much more approachable than in other countries, and MBA programs leverage this particularity by dividing classes into groups of four or five students, each group meeting over time with a prominent executive in the Israeli economy. Mentors share their experience with the students, teaching them how to contend with various issues and challenges, and naturally developing ties with them.

As noted earlier, there are considerable differences between the curricula of universities and colleges. Colleges focus their business administration studies on pragmatic, technical solutions. For university programs, the priority is to understand the problems faced by a commercial enterprise with limited funding, which must define its goals in advance, make decisions in real time in a changing and uncertain environment and be judged afterwards. This also explains why research, whether qualitative or based on statistical models, is considered so important by universities.

MBA's Galore: The Demand for Higher Education in Business

The recent growth in demand for MBA degrees in Israel is a phenomenon worth investigating. Several reasons account for it, starting with the general context of a rapidly increasing proportion of academics in Israel and the growth of academic degrees.

To reduce social-economic gaps, Israel has worked hard to democratize higher education. Since 1990, the number of higher education students in the country has doubled, and 46 % of Israelis hold an academic degree, according to the report "OECD 2012 Education at a glance", which ranked Israel second on this count among OECD countries, after Canada. As ever more Israelis hold degrees, the academic demands of the workplace have increased accordingly. Holding a BA, once an advantage in qualifying for certain positions, is now a minimum requirement, although in fact not always justified by the skills needed for the actual

work. BA graduates thus have a harder time finding positions that fit their qualifications and pay well, which encourages many Israelis to try and stand out from the crowd by taking an MA degree, to acquire the skills for a better job that pays more. Thus, in the past 15 years, the number of MA recipients has grown 4.9 times.

And indeed, the common assumption that an MBA is essential to achieve senior positions and higher salaries proves itself right. “Over-education” is increasingly common in Israel. Studies reveal that this phenomenon, of a level of education higher than that required by one’s position, affects one in three working Israelis. People holding such jobs earn on average 11 % less than those whose positions reflect their level of education. This phenomenon is most common among graduates of the humanities and social sciences, and least common among business and management graduates. Consequently, an MBA degree can be seen as a better guarantee to find a position reflecting one’s level of education and improving one’s earnings.

In a survey of Israel’s Central Bureau of Statistics, two thirds of MBA graduates reported satisfaction regarding the way their studies contributed to their careers, and about one third reported improvement in wages, employment conditions and promotions in their workplace resulting from the MBA. This is shored up by research showing that the salary of an MBA graduate can reach up to four times that of a manager in the same position who does not hold an MBA. This degree can thus be seen as a tool to both get promoted and be guaranteed better conditions, two important factors in the Israeli culture, where it seems almost everyone wants to be a manager,⁴ and no one wants to feel like a “sucker” getting less than what they could. This may explain why MBA degrees attract a wide spectrum of Israelis with different interests, who wish to attain managerial positions in a variety of fields. The generalist and practical approach of the MBA serves this purpose well, including many cases of entrepreneurs who have been successfully raised through the program, an important feature in Israel. Thus, in the world ranking of MBAs whose

⁴ Surveys show that 30 % of Israelis with academic degrees, including professional degrees such as accountants, are interested in managerial positions.

graduates have established the largest number of companies, Tel Aviv University came 11th.

Networking is also an important factor explaining the demand for MBAs in Israel. Over the years, the degree has been successfully branded as the stepping stone for ambitious people who want to run successful businesses and lead the business world. In a nation of entrepreneurs, it is quite natural that so many should wish to be part of this milieu. More specifically, the MBA is a great place to meet influential people, whether they are teachers, lecturers, mentors, role models and so forth, who form a network that can later be leveraged for business.

Globalization also plays a role: with the development of the internet, technology and global business opportunities, many entrepreneurs and professionals are keen on learning the international language of business and the proper tools needed to deal with the modern, global, complex and dynamic business world—MBA studies are the natural place for that.

Finally, the rapid growth of the technology sector in general, and of young, innovative “start-up” companies in particular, raise new questions in the field of management. As the pace of innovation and the complexity of the economic management reality intensifies, more sophisticated knowledge feels necessary to keep up with the times. In the context of deep financial changes, with monetizing and business models issues for start-ups, as well as the need for proper professional management in the workplace, there is a rise in demand for professional executives, so that more companies today are searching for MBA graduates—and it is rather difficult to find a managerial position without one.

Academy–Industry Partnership

Another expression of Israel’s focus on practical implementation is that protecting, promoting and marketing commercially promising inventions and know-how developed in the universities is a central preoccupation in Israel. All seven universities plus the Weizmann Institute own technology-transfer companies.

Israel is considered the second most advanced country in the world on this count, and its largest such technology-transfer company, HUJI’s

Yissum, handles the worldwide commercialization of \$2 billion worth of products annually. Over 110 spin-off companies, including Mobileye, Collplant, Briefcam and Santern had their beginnings at Yissum, which maintains strong business ties in Israel and abroad to advance the technologies coming out of the Hebrew University. All universities have similar corporations: Bar-Ilan's "BIRAD", BGU's "BGN Technologies", the Technion's "BioRap Technologies Ltd.", Haifa University's "Carmel-Haifa University Economic Corp. Ltd.", TAU's Ramot and more. The biggest ones meet the level of Yissum's activities.

Management and business administration play a major role in these companies, not just because some projects are business-related, but more fundamentally because technology-transfer activities are a core part of the universities' culture, influencing every discipline and, in the case of management and business studies, encouraging the search for industry partnerships. Some faculty members are already deeply involved in such ventures.

That said, Israel's success at technology transfer should not lead one to believe that the business schools themselves have a high international profile.

Israel's Insular Mentality When it Comes to Management Education

In many respects, Israel resembles an island. This, of course, seems absurd from a geographical point of view: just as France, Israel has a seacoast on its western border and five neighbors (France has six) on its other borders—Lebanon, Syria, the Palestinian Authority, Jordan and Egypt. Yet, save from the Palestinian Authority, Israel has no academic relationships with its neighbors: no student exchanges, no scientific collaborations and no joint projects.

The main partners of Israeli universities are their counterparts in the USA and Europe and, starting recently, in Asia. This collaboration is extremely productive in the sciences. However, in business and management faculties, international academic collaborations have developed

slowly and remain extremely limited when compared with those enjoyed by European and US institutions. In addition, no Israeli management and business administration institution has two campuses in different countries, none of them belong to networks (such as the CEMS Global Alliance in Management Education), and only one, the Recanati Faculty of Management at Tel Aviv University, belongs to an international alliance Partnership in International Management (PIM). Indeed, only two schools have any international accreditation: the Faculty of Management at TAU is AACSB accredited and the Mandel Social Leadership MBA of Ben-Gurion University is EFMD Programme Accreditation System (EPAS) accredited.

This picture differs widely from what prevails in comparable institutions elsewhere in the world, or in fact in other faculties in Israel. Two elements may account for this situation.

First, the best universities in the world have exchange programs at master's level, which exposes students to different cultures and perspectives. This assumes host countries have programs that foreign students can actually attend, a challenge for Israel where the language of instruction is Hebrew, hardly a global language. In addition, the development of programs in English might have been slowed down by the particular historical value of Hebrew, a core symbol of the Zionist movement and of the cementing of Israel's unique culture. Universities are now developing programs in English (in the last five years, for instance, HUJI has increased the number of courses it offers in English by 400 %), but their success as exchange programs remains to be seen. Thus, Tel Aviv University has created the Sofaer International MBA program, which is taught entirely in English, but it includes almost no Israeli students. Quite different is the Mandel Social Leadership MBA at BGU, which is bilingual and includes a study module held in the USA, France and Belgium. Over 90 % of its students are Israeli.

Secondly, American universities are much less internationalized than their European and Asian counterparts. Feeling that they have the most powerful economy in the world, with corporations seen as models globally, Americans perceive less of a need to send their students to learn abroad. A similar effect is at work in Israel, a country considered a model for a hi-tech and start-up economy. This effect is reinforced by an insular

feeling comparable to that perceived by British universities, which send fewer students abroad than do Continental ones. Still, if such attitudes are understandable for a huge country with a GDP of some \$16.77 trillion and a population of over 300 million like the USA, or for a real island like the UK (which has a GDP of approximately \$2.80 trillion), they are less so for a country with a GDP of only \$304 billion and a population of just over eight million.

With a low level of internationalization, Israeli management and business students in local institutions more often stay in their universities and colleges to complete their curriculum. Who teaches them there?

Faculty Lifecycle, PhD Requirements, Salaries

Requirements to obtain a PhD in Israel are similar to those around the world, with some particularities. To prepare research students for the duties they are expected to perform after graduation, the doctoral curriculum includes practical training in research, university teaching and student guidance. Another particularity is that in lieu of a dissertation, students may submit a collection of articles presenting the results of original research they have conducted. This option is increasingly used by students in finance and economics but remains unusual in other fields of management and business administration.

Some 300 PhD students are registered in doctoral programs in business and management in Israeli universities (see Table 6.2). While this small scale (added to Israel's insular mentality in management education) makes it a challenge to sustain vibrant PhD programs, this number is actually high relative to the total number of management and business faculty members across both universities and colleges in Israel—232 in 2014—and hence to the number of positions to which doctors can apply. Actual numbers of PhDs, though, are lower, as the dropout rate in management and business PhD programs in Israel slightly exceeds 50 %, with 80 % of dropouts occurring during the first 18 months.

Of the 300 PhD students in management and business in Israel, 80 are of a nationality other than Israeli. In doctoral as in undergraduate

Table 6.2 Distribution of advanced management students

Students in Institutions of Higher Education in management/business administration by Degree, Institution Type and Gender, 2014/15							
Bachelor's degree	Total			Academic Colleges		Universities	
	percentage of women	Thereof: women	Total	Thereof: women	Total	Thereof: women	Total
Business and management	55.1 %	11,499	20,859	10,447	18,892	1,052	1,967
Master's degree	Total			Academic Colleges		Universities	
	percentage of women	Thereof: women	Total	Thereof: women	Total	Thereof: women	Total
Business and management	48.8 %	5,441	11,140	2,844	5,440	2,597	5,700
Doctorate	Total			Academic Colleges		Universities	
	percentage of women	Thereof: women	Total	Thereof: women	Total	Thereof: women	Total
Business and management	52.3 %	148	283	–	–	148	283

Source: C.B.S.

programs, women are the majority (52.3 % in 2014) while the reverse is true for MA studies (52 % male). Small as it may be, this gap can be interpreted: in general, more women leave the academic world to take positions requiring only a BA, while men tend to access positions requiring an MBA. However, among MBA graduates, since recruitment conditions are less favorable to women, they are more inclined to go on and earn a PhD to improve their chances to land high-responsibility positions.

The typical next step after receiving a PhD is to serve as a postdoctoral fellow in a university, to gain the research and professional autonomy needed for career advancement. Israeli universities welcome postdocs and allocate grants from various possible sources such as the budget of a researcher or a faculty, or dedicated funds, sometimes from an external foundation. Postdocs must be initiated within six years of receiving one's PhD, and for a duration of no more than four years. While postdocs must be involved in the activities of their host departments, scholarships

may not be contingent on postdoctoral fellows doing any other work than their research. In particular, a postdoc teaching a course must be paid an appropriate salary, usually as “visiting lecturer”.

Israeli business schools and faculties of management are part of universities. This determines faculty salaries, according to tables that are identical across universities and indeed disciplines (whether one teaches management, literature, mathematics, etc.).

In public colleges, salaries are 35 % lower than in universities, which seems paradoxical as salary tables are identical (see Table 6.3). The difference is due to a “structure effect”: while professors are paid the same amounts in both institutions, there are far fewer of them in colleges. The status was created seven years ago and nominations remain scarce. While a “regular” career at the university ends with a professorship, college faculty members typically remain lecturers or adjuncts, two categories that are mingled there.

In private colleges, average salaries are lower, although senior faculty members tend to be paid more in lieu of tenure. IDC Herzliya is exceptional in that it generalizes this mutual agreement across the whole faculty: the college offers higher average salaries, with no tenure. At any rate, private colleges (including IDC) have a policy of recruiting highly-paid “superstars”.

Senior positions in colleges are typically held by retired university faculty, who contribute to the stature of the institutions and compose part of the teaching staff along with PhDs, doctoral students and numerous adjuncts. University faculties comprise many PhDs obtained abroad (mostly from the USA) and also include numerous adjunct faculty members. The Council for Higher Education recognizes that career profiles differ in the two kinds of institutions, and that the “differing missions of the colleges” must be recognized through an extension of the standards of promotions, especially by partly counting high-quality teaching materials as the equivalent of “research”⁵—another sign that the practical ability to produce managers is a central preoccupation of the system.

⁵See n. 3.

Table 6.3 Yearly gross wage according to position and seniority for universities and public colleges

Title/year	0	5	10	15	20	25	30	35
Lecturer	€24,360	€42,844	€46,751	-	-	-	-	-
Senior Lecturer	€24,759	€46,200	€50,326	€54,451	€58,577	-	-	-
Associate Professor	€27,082	-	€51,128	€59,645	-	-	-	-
Full Professor	€29,854	-	€63,853	€69,002	€74,151	€79,300	€84,449	€88,775
Lecturer	₪8,754.96	₪15,397.91	₪16,802.15	-	-	-	-	-
Senior Lecturer	₪8,898.37	₪16,604.12	₪18,086.83	₪19,569.54	₪21,052.24	-	-	-
Associate Professor	₪9,733.34	-	₪19,812.93	₪21,436.30	-	-	-	-
Full Professor	₪10,729.36	-	₪22,948.71	₪24,799.24	₪26,649.63	₪28,500.02	₪30,350.56	₪31,905.49
Taux	0.23187	-	-	-	-	-	-	-

Conclusion

The general level of management education in a given country can be identified thanks to a few elements. In the USA, UK, France, Spain or Singapore, among others, business schools have internationalized curricula and strong exchange programs, high-level faculties, international accreditation and good rankings. There is a large number of good management schools and a high level of research, with faculties publishing numerous articles in excellent peer-reviewed publications. Their graduates earn high average salaries, their pedagogy is creative rather than repetitive and their business schools belong to strong universities with powerful technology-transfer companies that leverage the work of management faculties on top of science faculties. At the same time, countries whose management education remains at a lower level generally do not meet these criteria. In the middle, we find countries such as China, which are progressively improving the level of their management education: they might have met just a few of these criteria ten years ago but they meet many more of them now.

As we saw throughout this chapter, Israel appears to be *sui generis* in that it combines a management education system that meets the highest standards in some respects (technology-transfer companies, innovative pedagogy, high-level research in business administration and management, business schools that are part of highly-ranked universities), while being deficient on other counts (business schools have a low level of internationalization, lack international accreditation and have low rankings).

This overview helps us offer an answer to the question presented in our introduction: to what extent do social needs determine management education? The Israeli economy is itself totally atypical: a country with a per capita GDP at Western European level (superior to Spain) and rapidly growing, but also with wide social gaps; a top international hi-tech industry but a declining, almost non-existent low-tech industry; world class cultural and entertainment centers that never sleep like Tel Aviv, coexisting with places entirely determined by an economy of war, and so on.

Israel's business schools and management faculties appear to be more strongly determined by these features—with institutions efficiently developing the skills of their students to address them—than by any particular isomorphism vis-à-vis other business schools anywhere in the world.

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7

Higher Education in Management: The Case of the UK

Abby Ghobadian

Introduction

The genesis of modern business and management education owes much to the Urwick Committee's report in 1945 (Argles 1964). Bryan (2009) suggests that the critical few lines in the Urwick Report were: "A valid distinction cannot be drawn between the study of management for one purpose rather than for another, nor is there anything new in the suggestion that management should be the subject of theoretical study."

This single sentence established two important principles: (1) that management is a generic subject; and (2) that it consists of a body of knowledge suitable for formal study. The most important outcomes of the Urwick Report were the establishment of the Administrative Staff College

A. Ghobadian (✉)
Henley Business School,
Greenlands, Henley-on-Thames, Oxfordshire, RG9 3AU, UK
e-mail: abby.ghobadian@henley.ac.uk

at Henley-on-Thames and the establishment of a diploma in management studies (DMS)—the first postgraduate management qualification in the UK. Following several name changes, and gaining a Royal Charter in 1991, Henley merged with the University of Reading in 2008. Thompson (1955) points to two other important influences in the development of management studies in the UK—the postwar courses run by the Ministry of Labour (MOL)—integrating returning service personnel into business; and the creation of the British Institute of Management (BIM) to professionalise management. Williams (2010) provides an in-depth historical analysis of the development of business and management education in the UK.

The next phase of development owes much to reports produced by two influential committees—Robbins in 1963 and Franks in 1966. Both recommended the creation of two US-style business schools. This led to the establishment of London Business School and Manchester Business School, both in 1965. Crucially, both reports recommended the adoption of the US model. Accordingly, public business schools in the UK developed within colleges and universities and therefore began life with an academic focus (Üsdiken 2004). The reports by Constable and McCormick (1987) and Handy et al. (1987) resulted in further expansion of business and management education. In 2002, another report by the Centre for Excellence in Management and Leadership contributed towards the establishment of the Advanced Institute of Management (AIM). It is important to point out that the British Academy of Management (BAM) and the Chartered Association of Business Schools (CABS) have also played important roles in the development of business and management education (Masrani et al. 2011). In particular, BAM has contributed to the development of capacity and CABS to ensuring the voice of the business schools is heard.

Business and management, despite the late start and the initial resistance from academics of traditional disciplines to its introduction into their universities (Fauri 1998), has developed considerably since the mid-1960s (Engwall and Danell 2011; Thomas and Wilson 2011). Engwall and Danell (2011) divided the elite UK business/management school into five groups:

1. *Frontrunners*—LSE, Ashridge and Henley Business School
2. *Engineers*—Cass, Imperial College Business School and Aston Business School

3. *Frankies*—London Business School and Manchester Business School
4. *Followers*—Cranfield School of Management, Strathclyde Business School, Warwick Business School, Durham Business School, Lancaster University Management School, Bradford University School of Management and the University of Bath School of Management
5. *Latecomers*—Saïd Business School and Judge Business School.

Williams (2010) concluded that business schools have been one of the great success stories of British higher education (HE) over the past 70 years. From the end of the Second World War formal business and management education in the UK expanded from being a marginal activity undertaken in a few dedicated institutions to become the single largest area of teaching and research in British universities.

In this chapter the author examines the current position—identifying key issues and challenges. The chapter is organised into eight sections. Section “The Supply Side of Business and Management Education and Training” considers the supply side of business and management education; this is followed in section “Typical Programmes Offered” by a consideration of the typical programmes that are offered. Section “Current Development of Pedagogy” discusses the current development of pedagogy in the business/management schools; and in section “Business Models of Business Schools and Their Sustainability” the schools’ business models and their sustainability are considered. The faculty are discussed in section “Faculty”; and the demand for higher education in business in section “The Demand for Higher Education in Business”. Finally, conclusions are drawn in section “Conclusions”.

The Supply Side of Business and Management Education and Training

The supply side is complex. It is characterised by a broad range of providers, is highly competitive and is internationally renowned. Suppliers of management education and training fall into the following six broad categories:

1. in-house education/training
2. private training firms
3. consulting firms
4. professional organisations
5. for-profit/charitable educational establishments
6. public sector providers.

Public sector and, to a lesser extent, for-profit/charitable providers are the focus of this chapter. However, to complete the picture the author will briefly visit the remaining four categories. Many medium and large organisations offer some form of management training (McBain et al. 2012). Traditional employee training is a \$130 billion annual global market (O’Leonard 2014). The “corporate university” is talked about from time to time (Taylor and Paton 2002; Price and Allison 2003), although their success and spread have been patchy to date. An exception is the McDonald’s University, which offers extensive management training (Ghobadian and O’Regan 2014). A recent report predicted major changes in the way training and education is organised and delivered by corporations (Schwartz et al. 2014). Public sector organisations are not immune from such changes—a point that the author will return to in section “Current Development of Pedagogy”.

Given the size of the training market, it is not surprising that there are many private providers offering training—ranging from soft skills (e.g. personal impact and effectiveness), to hard skills (e.g. sales, negotiations), tools (e.g. Six Sigma), process competencies (e.g. project management) and functional competencies (e.g. marketing). This market is fragmented and it is difficult to ascertain data for a systematic analysis.

A number of consulting firms offer training alongside their advisory activities. For example, KPMG¹ and Hays recruitment consultants.² This market is also fragmented and it is difficult to ascertain data for a systematic analysis. Professional organisations such as the Chartered Management Institute (CMI), Chartered Institute of Marketing (CIM), Chartered Institute of Personal Development (CIPD) and Institute of Leadership Management (ILM), among others, offer extensive management training and education. These professional organisations provide

¹www.kpmg.com/uk/en/services/audit/pages/elearning-frs100-frs101.aspx

²www.hays.co.uk/distance-learning

training directly as well as validating delivery by other organisations. The CMI and its predecessor, the BMI, have played a major role in professionalising management.

The coalition government of 2010–2015 was determined to adopt a more market-based approach to HE. The 2011 white paper entitled “Higher Education: Students at the Heart of the System” (Department for Business, Innovation and Skills 2011) made a commitment to enable private providers to enter the market. As a part of this policy, students studying in the recognised private institutions are entitled to a state loan to cover their fees. The Conservative government, elected in 2015, has gone further in its 2016 HE white paper, “Success as a Knowledge Economy” (Department for Business, Innovation and Skills 2016), making it easier to set up private universities. And by introducing a “Teaching Excellence Framework” (TEF) and linking it to fees, institutions are able to charge with the intention to improve the quality of teaching and employability.

Currently, there are eight private providers (for-profit and charitable trusts) that have their own taught degree-awarding powers; seven of them offer business and management qualifications.

The eight for-profit/charitable trust providers with degree-awarding powers are the tip of the iceberg. Many US universities operate in the UK,³ as well as a small number of Australian and Indian institutions. The Department for Business, Innovation and Skills (BIS) (2013) report identified 674 private HE providers—a significant majority were for-profit and a small percentage were charitable trusts—operating in the UK. The report made it clear that this number was an underestimate and represented a minimum number. It estimated that 160,000 HE learners were studying with the identified private HE providers in 2011/2012. Before turning to public providers, in the next section, it is worth pointing out that a significant majority of private HE providers offer business and management programmes at sub-degree, degree and postgraduate levels. Data for 2011/2012 from the Higher Education Statistics Agency (HESA n.d.) show that there were 94,707 students registered to study in private HE institutions. Close to 60 % (55,360) were studying business and management. This is a significant number and private HE providers, such as the London School of Commerce (LSC), are among the largest providers of traditional MBA programmes in the UK as well as PhDs.

³http://london.usembassy.gov/us_universities_in_uk.html

The UK's Public Business/Management Schools

Despite a relatively late start and initial resistance by traditional academics, the management education offered and research undertaken by the UK's public business/management schools have developed considerably since the mid-1960s (Engwall and Danell 2011; Thomas and Wilson 2011). Today the website of CABS lists 123 business/management schools. More interestingly, the number grew from 108 in 2010 (Ferlie et al. 2010) to 123 in 2015, an increase of nearly 14 %. Not surprisingly, given the history of development of business/management schools in the UK, nearly all of them are institutionally located within their host universities.

Over the five-year period from 2009/2010 to 2013/2014, on average around one in every nine undergraduate students and one in every five taught postgraduate (TPG) students in the UK's universities was studying business and management. Business schools typically attract a large number of overseas students who pay fees substantially higher than the fees paid by home/EU students. On average, over the five-year period considered, one in every three overseas undergraduate students and one in every two overseas TPG students studied business and management. The UK's schools generate a substantial revenue and surplus, and are milked as cash cows by university administrators (Wilson and McKiernan 2011).

The public providers are divided into business and management schools. Is there anything in the name? Ferlie et al. (2010) suggest that, intuitively, schools of management are more inclined to adopt the public interest form of approach and to work with public and not-for-profit organisations, but they go on to state that this needs to be tested empirically. In the author's experience, the difference does not reside in the name but the broad pedagogic philosophy. Some schools, particularly those located in the critical management/liberal arts tradition, tend to focus more on "teaching about or how it should be" while others tend to "teach for or how it is"—a point that will be discussed later.

Research plays a significantly greater role in UK business/management schools, not least because of the Research Assessment Exercise (RAE) and its successor, the Research Excellence Framework (REF). The primary purpose of the REF is to assess the quality of research for each unit of assess-

ment in order to inform the selective allocation of the c. £1.6 billion annual general research budget. The REF is based on peer review—assessing the research output produced by academics (a maximum of four outputs for each individual produced in the REF cycle is submitted for assessment) weighted at 65 %, impact (i.e. reach and significance of research) weighted at 20 % and research environment (i.e. vitality and sustainability) weighted at 15 %. For more details see REF (2014a). In the REF 2014, business and management studies, with 3,320 category A full-time equivalent staff submitted, was the second largest unit of assessment. The number of outputs submitted was 12,240, the impact case studies numbered 432, the number of doctoral awards was 4,805 and research income was £340.22 million (REF 2014b). Table 7.1 shows the average overall quality profile for the business and management unit of assessment (UOA 19) and average sub-profiles for all submissions.

The definitions of the REF star ratings are as follows:

- four star—quality that is world-leading in terms of originality, significance and rigour
- three star—quality that is internationally excellent in terms of originality, significance and rigour, but falls short of the highest standards of excellence
- two star—quality that is recognised internationally in terms of originality, significance and rigour
- one star—quality that is recognised nationally in terms of originality, significance and rigour
- unclassified—quality that falls below the standard of nationally recognised work.

Table 7.1 Business and management unit of assessment overall quality profile

	4*	3*	2*	1*	Unclassified
Overall	26	43	26	4	1
Outputs	20.5	42.8	30.1	5.8	0.8
Impact	37.7	42.5	17	2.2	0.6
Environment	36.8	39.7	21	2.4	0.1

Source: www.ref.ac.uk/media/ref/results/AverageProfile_19_Business_and_Management_Studies.pdf

A high impact score is testimony to the relevance of research undertaken. Kelly (2015) examined the outcome of REF 2014, grading subject areas by their level of competitiveness. He ranked business and management as the second most competitive subject in the UK. Moving away from the REF, Engwall and Danell (2011) examined the authors' countries of origin of papers published in the top 15 management journals in four sub-fields—general management, accounting, administration and marketing—for two periods 1981–1992 and 2005–2009. In both periods, UK academics occupied the third position showing significant improvement from the first to second period overall and in each sub-field. This independent study also points to the strength of research conducted by the UK's schools.

Ranking tables are another important external yardstick for business/management schools. Table 7.2 lists the UK schools that have appeared in the latest *Financial Times* (FT) tables. The reason for focusing on the FT is threefold. First, it was among the first media outlets that produced a ranking list (in 1988). Second, and more importantly, it was the first to produce an international ranking list, in 1999, facilitating a direct comparison between the European and North American schools (Wilson and McKiernan 2011). Third, the FT has broadened the scope of its ranking, now encompassing many of the key postgraduate services offered by the business schools.

UK schools are present in every category. Moreover, 24 different business/management schools featured in the FT ranking tables and a significant number of schools featured in more than one category. Prima facie this is indicative of UK schools' strength and depth. Ricart (2011) noted that European business schools have embraced internationalisation faster and deeper than the very successful US schools because the European domestic market, unlike that of the USA, was not large enough. Dameron and Durand (2009), Thomas et al. (2013) and Fragueiro and Thomas (2011) also noted that the business school sector was internationalising rapidly and that it was increasingly competitive. The UK schools are no exception, and they have led the way in attracting overseas students, internationalising faculty and the curriculum. For the UK's business/management schools, the impetus to internationalise goes beyond the size of the domestic market. It is predicated on the

Table 7.2 UK business schools featuring in the FT ranking lists

FT ranking—Global MBA—2015		FT ranking—EMBA—2014		FT ranking—Online MBA—2015	
Position	School	Position	School	Position	School
2	London Business School	1	HEC/London School of Economics/Stern	2	Warwick Business School
13	Judge Business School	5	Columbia/London Business School	6	Durham Business School
22	Saïd Business School	19	Warwick Business School	8	Bradford School of Management
34	Imperial College Business School	21	Saïd Business School		
35	Manchester Business School	25	London Business School		
38	Warwick Business School	36	Judge Business School		
= 45	Cass Business School	38	Imperial College Business School		
= 45	Cranfield School of Management	40	Cass Business School		
50	Lancaster Management School	53	Henley Business School		
79	Durham Business School	64	Strathclyde Business School		
80	Strathclyde Business School	73	Cranfield School of Management		
84	Bath Business School				
95	Birmingham Business School				

(continued)

Table 7.2 (continued)

Masters FT	Ranking—Master's in finance—Pre- experience—2015	FT Ranking—Master's in finance—Post- experience—2015	FT Ranking—Master's in management—2015
11	Imperial College Business School	1 London Business School	Business School
14	Saïd Business School	2 Judge Business School	6 London Business School
15	Warwick Business School		19 Imperial College Business School
20	Cass Business School		23 Warwick Business School
22	Cranfield School of Management		24 Cass Business School
28	Strathclyde Business School		49 Strathclyde Business School
30	Edinburgh Business School		57 Durham Business School
32	Henley Business School		61 Bradford School of Management
35	Durham Business School		62 Edinburgh Business School
39	Queen Mary College School of Business and Management		63 Leeds Business School
40	Leeds Business School		70 Manchester Business School

(continued)

41	Adam Smith Business School		71	Bath Business School
42	Nottingham Business School		74	Lancaster Management School
43	Exeter Business School		80	Exeter Business School
46	Leeds Business School			
47	Bath Business School			
58	Aston Business School			
FT Ranking—European Business Schools—2014				
1	London Business School	4	London Business School	Saïd Business School
10	Saïd Business School	10	Cranfield School of Management	London Business School
13	Imperial College Business School	22	Ashridge Business School	Cranfield School of Management
= 19	Cass Business School	23	Saïd Business School	Henley Business School
= 19	Warwick Business School	29	Henley Business School	Ashridge Business School
22	Cranfield School of Management	48	Manchester Business School	Judge Business School
29	Judge Business School	60	Imperial College Business School	

(continued)

Table 7.2 (continued)

32	Strathclyde Business School	67	Judge Business School
36	Henley Business School		
37	Manchester Business School		
46	Ashridge Business School		
= 47	Lancaster School of Management		
= 47	Bath Business School		
53	Durham Business School		
54	Leeds Business School		
58	Bradford School of Management		
= 69	Aston Business School		
= 69	Birmingham Business School		
71	Edinburgh Business School		
80	Liverpool School of Management		

Source: FT

change in government policy concerning the status of foreign students, an emphasis on conducting collaborative research, the introduction of the European Commission's Erasmus mobility programme, the search for additional funding as a consequence of reduced funding from central government and the pursuit of excellence (Ayoubi and Al-Habaibeh 2006; Thomas et al. 2014). Not surprisingly, the great majority of international students are congregated in business schools (one in every three overseas undergraduate students and one in every two overseas postgraduate taught (PGT) students). The UK business schools are also active in validating and delivering programmes overseas; the faculty is being internationalised, as is the syllabus. There have been two significant mergers in recent years. The first occurred in 2004 between UMIST's Manchester School of Management, the Institute of Innovation Research (IoIR), the Victoria University of Manchester's School of Accounting and Finance, and the "old" Manchester Business School to form the "new" Manchester Business School. The second significant merger was between Henley Management College and the University of Reading, in 2008, to form Henley Business School—a triple accredited school and ranked by the FT in four categories. More recently, in July 2014, Ashridge and Hult International announced a strategic alliance with the intention to fully merge (*Financial Times* 2014). Ashridge is among the UK's oldest management education providers specialising in executive education and Hult International is a multi-campus business school with a presence in the UK. This will be the first significant merger between a UK and a non-UK institution. A successful merger might open the way for other transnational mergers.

Typical Programmes Offered

The range of qualifications offered by UK schools is extensive—covering foundation degrees to diplomas, master's to PhDs and DBAs, and executive education. For a full description of these qualifications interested readers are referred to the extensive Quality Assurance Agency (QAA) publications. The mix of qualifications offered varies from one school to another. As discussed in section "Business Models of Business Schools

and Their Sustainability”, the scope of services offered is an important strategic decision. It affects all aspects of a school’s operations.

The fees are no less complex and vary significantly at all levels. Table 7.3 provides minimum and maximum fees for key qualifications.

Current Development of Pedagogy

The current literature offers a strong criticism of business schools (for example, Pfeffer and Fong 2004; Khurana 2007; Starkey and Tiratsoo 2007; Ferlie et al. 2010). Some argue that business schools are not practical enough (Bennis and O’Toole 2005). Others believe that business schools are too close to private corporations, with consequent loss of critical distance. Some argue that business schools were complicit in the 2008 crisis (Currie et al. 2010), while others suggest that this is an overstatement (Ricart 2011). Much of the criticism is levied at the content and learning journey of North American offerings. Nevertheless, almost all commentators urge change. Ricart (2011) argues that the current crisis has given European business schools a significant advantage, enabling them to restore a value-based view of management and business, a point of view subscribed to by the author.

The All Party Parliamentary Group on Management (APPGM) established a commission on the Future of Management and Leadership, which reported in July 2014, identifying three key drivers of success for the future (Chartered Management Institute 2014):

Table 7.3 Business and management qualification fees

Qualification	Minimum		Maximum	
	Home	Overseas	Home	Overseas
Foundation degrees	£1,285	£6,510	£12,444	£17,450
Undergraduate—Bachelor’s	£3,810	10,000	£12,444	£21,750
Master’s	£3,400	£6,000	£40,435	£40,435
MBA	£3,930	£9,900	£47,925	£47,925
DBA/PhD	£2,500	£5,000	£4,500	£15,912

Source: *The Complete University Guide* 2014

1. *Purpose*—what social benefits does the organisation exist to achieve and how are its leaders accountable for these aims?
2. *People*—how does the organisation prepare managers and leaders at all levels?
3. *Potential*—how does the organisation support the next generation of managers and leaders?

The conclusions reached by the commission lend support to the need for greater balance in the content between the economic, corporate responsibility and environmental considerations and encompassing broader stakeholders' needs—reinforcing the point made by a number of scholars (Currie et al. 2010; Ricart 2011). Furthermore, a research project jointly conducted by ABS, QAA and CMI examined employers' requirements and identified "honest and ethical" as the second most sought after characteristic employers seek among new managers. The report concluded that employers want business schools to emphasise the importance of ethics and prioritise sustainability in their teaching (ABS et al. 2014). Hence the demand for value-based education is not restricted to academics but it also extends to employers.

UK business and management qualification programmes at all levels have to broadly comply with QAA guidelines. The latest business and management QAA guidelines place a significant emphasis on integration, ethics, corporate responsibility and value-based management (QAA 2014 and 2015). Many UK business schools have revised the content of their programmes giving greater prominence to ethics, corporate social responsibility, sustainability, entrepreneurship, leadership, innovation and creativity. There is now a better balance between economic and reflective thinking and soft transferable skills (see, for example, Antonacopoulou 2010). However, there is no room for complacency and the need to continuously revise the content and align it to changes in environment and societal culture is critical to the continuing success of the UK's schools.

A report by Thorpe and Rawlinson (2013) criticised the education offered by UK schools, suggesting that programmes lacked relevance, topicality and application focus. They argued that programmes too often

reflect the research interests of academics rather than the real needs of British business. Moreover, they emphasised the benefits of mixing formal instruction with work experience, and its impact on employability. They called for a greater emphasis on experiential learning. Employers too value experiential learning. A recent study suggested that 89 % of participating employers believe that embedding work experience within courses would enhance employability (ABS et al. 2014). Vince (2010) describes the benefits of experiential learning, or learning in action, and contrasts it with learning inaction—extolling the benefits of experiential learning.

As a member of a taskforce established by BIS, the author conducted an extensive survey of UK schools (Department for Business, Innovation and Skills 2012). Thirty-five schools participated in the survey, which was conducted with the generous help of CABS—representing close to 24 % of CABS members.

The survey revealed a number of interesting insights and pedagogic innovations. These included:

- Significant engagement by employers in curriculum design and course validation.
- Close to 60 % of participants indicated that they offered sandwich courses at undergraduate level—enabling students to combine academic studies with gaining practical experience.
- The majority of participants indicated that they involved employers in the delivery of programmes—in presentations and talks but also, interestingly, in sponsorship of modules and co-delivery.
- Sponsored degree programmes were another innovation. These programmes are designed with input from employers and allow students to “learn and earn” simultaneously.
- Assessment of students’ projects and presentations by employers and business intermediaries (e.g. banks, consultants, etc.).
- Collaboration with employer organisations, such as the CBI and IoD, exposing students to real organisations.
- In a number of schools, students, as part of their studies, undertook short assignments within organisations addressing specific problems.
- Live case studies provided by employers.

- Creating a virtuous circle between research centres, and course design and delivery. For interesting examples see the Westminster Business School, Cranfield School of Management and Henley Business School among others.
- Entrepreneurship modules requiring students to establish a business and to trade.
- Sustainability/corporate responsibility—requiring students to carry out a project with a social enterprise, the third sector and such like.
- Postgraduate students managing undergraduate entrepreneurship projects.

While it is difficult to generalise, the survey suggests many interesting pedagogic innovations all aimed at offering a greater degree of immersive learning.

Many of the programmes encourage development of interpersonal skills, transferable skills and teamwork. A recent survey suggests that two thirds of employers believe that the ability to communicate is the most important skill that a graduate can possess—followed by problem solving, team-building and motivational skills—and that business schools need to do more in these areas (ABS et al. 2014). Furthermore, this study revealed that two thirds of employers agree that graduates lack the interpersonal skills necessary to manage people. This is somewhat perplexing as many business schools do place a great emphasis on these skills. Sir Paul Judge, chairman of CMI's Academic Advisory Council, is of the view that simulated experience does not replace real experience, pointing to the need for greater immersive learning involving real organisations. Arguably one of the most far-reaching initiatives is the recent launch of the Chartered Manager Degree Apprenticeship championed by the CMI. It provides the best of all worlds—world-class business education, immersive learning and professional development through to chartered status. The UK government will fund up to two thirds of the costs and employers meet the balance. Apprentices will not incur tuition fees. This innovative new degree has the potential to change the way many undergraduates study business and management.

Thorpe and Rawlinson (2013) also allude to topicality. Wilson and McKiernan (2011) make a similar point, suggesting that part of the

problem is the narrowness of the focus and advocating engagement with a wider set of social and economic problems. They go on to suggest that business schools ought to teach topics such as food security, risk, resilience, the black economy, the grey economy and so on. The author made a presentation at a Personal Development Workshop session at the BAM 2015 conference, pointing to shifts in economic paradigms. The *industrial economy* was the dominant paradigm until the 1980s; its dominance was challenged by the *information economy* in 1980s; and, since the turn of the millennium, the *sharing/generative economy* is the challenger (Ghobadian 2015). In this new economy there is: (1) separation between offer and function; (2) separation between content and media; (3) highly evolutionary products that produce user-generated trace data; (4) unclear industry boundaries; (5) value captured not from the direct users; (6) producers competing with producers that give similar products for free; and (7) zero marginal cost.

Now consider these examples. Uber, the world's largest taxi company, owns no vehicles. It was founded in 2009 as "UberCab" and launched in San Francisco in June 2010. It operates in 57 countries and thousands of cities. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. Airbnb, the world's largest accommodation provider (34,000 cities and over 800,000 rentals), owns no real estate. As a profession we need to question to what extent our existing theories, concepts and frameworks apply to the current economic paradigm and to what extent our teaching reflects this new paradigm. Ricart (2011) points to the importance of emerging economies and, again, it is important that we develop our programmes to reflect the changing economic realities and prepare our students for the economic shift of power taking place from the first world to the emerging economies.

Modes of programme delivery are highly diverse. As well as offering full-time studies, a small number of schools offer part-time studies at undergraduate level. At postgraduate level many schools offer part-time studies. Forty-four providers offer online MBA programmes.⁴

⁴www.mbastudies.com/MBA/UK/Distance-learning

Business Models of Business Schools and Their Sustainability

Business schools constitute a business sector in their own right (Starkey and Tiratsoo 2007)—they profit from, and add to, the world economy (Durand and Dameron 2011). UK schools are no exception and represent a major force in the production of management knowledge and the training of future managers (Ferlie et al. 2010). Table 7.4 depicts the approximate revenue generated, predominately by UK public schools, as well as their direct contribution to the local economy. The UK schools generated at the very least £2.4 billion of revenue in 2013/2014. This is a gross underestimate because: (1) the author has used the average PGT tuition fees for all subjects, and business and management PGT fees are considerably higher; (2) for the overseas student the lower average PGT figures are used, ignoring the higher MBA figures; (3) the calculation underestimates the online MBA revenue; (4) these figures exclude research income of £63.45 million in 2012/2013; and (5) finally, these figures exclude executive education income, which would be anything between £70 million and £100 million. Adding in these underestimates takes the revenue generated by the business/management schools in 2013/2014 closer to £2.8 billion. Business/management schools are also a significant contributor to their local economies and the conservative £3.1 billion per annum estimate is on a par with the contribution of the private banking and wealth management sector (see the last column of Table 7.4).

On the lower revenue estimate (£2.4 billion) each business/management academic generated £169,441 in 2013/2014 and, on the more realistic revenue estimate of £2.8 billion, around £200,000 per academic, which is close to four times the average academic salary (see Table 7.5).

Another important measure of productivity is the staff/student ratio. Figure 7.1 compares the staff/student ratio for all subjects except business and management with the staff/student ratio for business and management. The aggregate staff/student ratio for business and management studies over the five years 2009/2010–2013/2014 (19.37) is significantly higher than that for all other subjects (12.03). During the period under consideration,

Table 7.4 Revenue generated by the UK's public business/management schools and the direct contribution to the local economy

	Student population 2013/2014	Average fees	Revenue	Cost of living	Contribution to the local economy
Total home UG students	141,570	£8,891	£1,258.7 m	£12,056	£1,706.8 m
Total overseas UG students	37,045	£12,719	£471.2 m	£12,056	£446.6 m
Total home PGT students	34,440	£5,901	£203.2 m	£12,056	£415.2 m
Total overseas PGT students	36,880	£12,892	£475.5 m	£12,056	£444.6 m
Total home PGR students	3,145	£5,000	£15.7 m	£12,056	£37.9 m
Total overseas PGR students	2,700	£10,000	£27.0 m	£12,056	£32.6 m
Totals	255,780		£2,424.3 m		£3,083.7 m

Source: *Times Higher Education Supplement*, August 13, 2015, p. 32. www.topuniversities.com/student-info/student-finance/how-much-does-it-cost-study-uk [Accessed 20 May 2016]

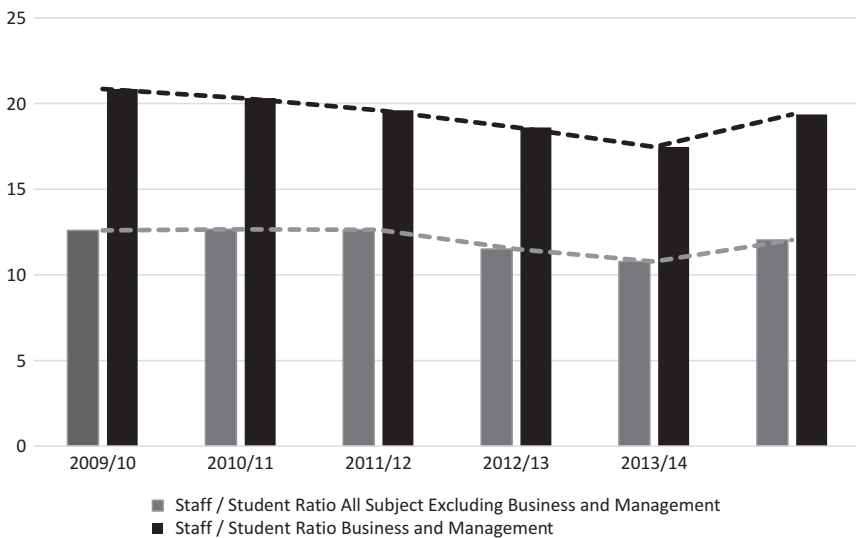
Note: The cost of living figures cover undergraduates' cost of living but we have applied the same figure for PGT and PGR, which in all likelihood is an underestimate. Moreover, the figure for London was significantly higher, but we used the lower figure of outside London

UG undergraduate, PGT taught postgraduate, PGR postgraduate research

Table 7.5 Salary range and averages

Post	Range	Average
Lecturers (assistant professors)	£38,511–53,248	£48,460
Senior lecturers/readers (associate professors)	£48,743–61,705	
Professors (full professors)	£56,482–negotiable	£76,395

Source: www.timeshighereducation.co.uk/sites/default/files/Attachments/2015/03/30/d/p/v/average-salary-full-time-staff-2013-2014.pdf
(Accessed 20 May 2016)

**Fig. 7.1** Staff/student ratios

on average business/management academics taught seven more students than other academics—representing a 61 % efficiency gain.

Pay and conditions for academic (below professors) and research staff are negotiated nationally between the University and College Union (UCU) and the employers' body, the Universities and Colleges Employers Association (UCEA). Table 7.5 shows the range of salaries and averages.

A business model describes the structure, content and governance of transactions between the focal firm and its exchange partners, aiding

effective value creation through exploration and exploitation of business opportunities (Amit and Zott 2001). In the context of business/management schools, the essential components of the business model and strategy include:

1. the educational model
2. underpinning pedagogic philosophy
3. scope of services
4. scope and modes of internationalisation
5. strategic partnerships
6. knowledge production
7. accreditation
8. rankings
9. market segments
10. faculty
11. hygiene factors.

In the following paragraphs, the challenges facing business schools are discussed for each element.

The Educational Model

O'Leonard (2014) argues that the corporate training model will need to alter to adapt to the changing context. Can business/management schools continue in the medium/long term with their current dominant educational approach predicated on a “push” model? Schools design and offer programmes to develop individuals at different stages of their careers. The programmes are “pushed” at the target learners based on predefined content, context and schedule. The “push” system has served business/management schools well in the past. The question is whether it is going to serve them as well in the future. The digital revolution combined with the multi-chapter careers lasting, in all probability, for up to five decades, the predominance of Generation Y (aka the Millennial Generation) and Generation X managers in the future, and the emergence of disrupters, such as Minerva and the DO School, is likely to shift the educational model at least at postgraduate and

executive levels, if not at all levels, more towards a “pull” system. The “pull” system gives the control of what to learn, when to learn and how to learn to the learners. Massive open online courses (MOOCs) are an embryonic example of what is to come. Creating an architecture capable of supporting simultaneous “pull” and “push” operations will increase complexity—requiring different content, context, assessment, monetisation and capabilities. This will present a major strategic challenge affecting the business models of business/management schools. Those schools that can adapt effectively will be the future winners.

Underpinning Pedagogic Philosophy

Another critical issue is the underpinning pedagogic philosophy of schools. The underpinning philosophy drives many other strategic decisions, for example, service offerings, faculty recruitment and development strategy, and research strategy. There are many answers to this fundamental question, and one is not necessarily better than another. The key issue is addressing this question clearly. It is the author’s view that many schools have failed clearly and explicitly to address this question. It is not possible to address this issue in detail within this chapter and this is not an issue solely faced by UK business/management schools. Interested readers are referred to the following publications: Pfeffer and Fong (2002, 2004), Grey (2004), Bennis and O’Toole (2005), Starkey and Tiratsoo (2007), Ferlie et al. (2010), Fragueiro and Thomas (2011), and Thomas et al. (2013).

Scope of Services

The scope of services is another critical strategic and business model decision. The primary decisions revolve around the scope of the education offered. Another choice lies in the mode of delivery. A finer decision lies around what constitutes an appropriate level for each offering. An extensive survey conducted by the author revealed that a significant majority of participants (65.7 %) considered themselves as being full-service schools offering undergraduate, taught postgraduate, postgraduate research and executive education, while 25.7 % of participants considered themselves

as undergraduate and postgraduate schools, and 8.6 % as postgraduate and executive education schools (Department for Business, Innovation and Skills 2012). A truly full-service business school requires a diverse range of competencies and tangible and intangible resources. The outcome of the survey suggests a degree of mimicry—a point made by Wilson and McKiernan (2011). There is a need for greater divergence and clarity of the underpinning philosophy informing the scope of services offered. Another dimension of scope revolves around developing and maintaining relationships with key stakeholders. It is simple to identify the generic stakeholders but a great deal more complex to identify the critical stakeholders. Proper stakeholder mapping can only take place if there is clarity about the underpinning pedagogy and scope of services offered.

Scope and Modes of Internationalisation

Internationalisation has many benefits, giving students and faculty greater cultural awareness and experience of the world. Schools have many different paths to internationalisation. The appropriateness of the path depends on factors such as the underpinning pedagogic approach, scope of services and so forth. Guillotin and Mangematin (2015) used the Uppsala model as the base for developing a model for HE internationalisation. They identified four broad approaches to internationalisation—import of ideas; outsourcing; insourcing; and foreign direct investment (FDI). The author argues that the four-stage model, mimicking the Uppsala model, misses a stage prior to FDI—that of export. The five stages are discussed as follows:

1. *Import of ideas.* An internationalisation strategy without mobility, delivered in the home country. Here ideas are imported through international research networks, books, mimicking business school models, content and so on. A good example is the attempt by many UK business/management schools to internationalise the content of their syllabuses. It is important to note that most of the ideas are imported from the USA and the developed countries. The author argues that there is a need for greater diversity in importing more content and ideas from emerging economies.

2. *Outsourcing*. Internationalisation through mobility, delivered in the host country. The Erasmus programme is a good example, where the teaching of students and their exposure to an international context is outsourced to exchange partners. In the UK context, a number of taught postgraduate programmes include one to two weeks of overseas study visits.
3. *Insourcing*. Internationalisation through student and/or faculty, delivered in the home country. Insourcing is popular among UK business/management schools and business/management schools are host to the bulk of overseas and EU students studying in the UK. There is a concerted effort to internationalise faculty and a degree of faculty internationalisation is taking place due to the lack of home supply.
4. *Export*. This takes a number of different forms. The simplest is to offer a programme overseas and fly faculty in to teach it. Another is franchised provision that entails a partnership arrangement. There were 86,670 students on franchised programmes in 2010/2011 (*Times Higher Education* 2012). Validated provisions entail an arrangement whereby the business/management school through its host university makes an award for a provision designed and delivered by a validated partner. There were 291,595 students studying on validated programmes in 2010/2011 (*Times Higher Education* 2012). Franchising and validation carry a high level of reputational risk.
5. *Foreign direct investment*. This involves creating one or more overseas campuses. This approach requires the highest level of commitment and entails the highest level of financial risk. Most FDIs are led by the host university. UK universities operated 25 offshore campuses in 2012 and frequently business/management was the largest element of the offering (*Times Higher Education* 2012). There are few business/management schools in the UK with their own exclusive overseas branch campuses. One is Henley Business School—with campuses in South Africa, Germany, Hong Kong, Malaysia and Scandinavia.

The key challenge is to internationalise in a systematic and planned manner to create opportunities for learners and faculty and ensure best use of resources. Many large multinational enterprises are global and they look to partner with organisations capable of meeting their global

management training and development needs. Hence the next step for some business schools with international reputation and experience is to become global. This is a great challenge.

Strategic Partnerships

Strategic partnership allows schools to develop complementary capability—extending their international reach at lower costs and risks than export or FDI. Many UK schools have scores of memorandums of understanding, most of which serve no real purpose save window dressing. Strategic partnerships can take many forms and there are many interesting case examples that due to space constraint are not discussed here. The author has no data to comment on how methodical partnership strategies are pursued by the UK schools. However, based on the author's experience they are, more often than not, opportunistic and ad hoc.

Knowledge Production

Research produced by business schools as a whole is subject to a number of criticisms. Petriglieri (2012) summarised these neatly under two broad categories. Those in the “omission camp” portray business academia as clueless—a distracted caste moved by “physics envy” to churn out arcane research that bears little relevance to business in the real world. Those in the “commission camp” go further, casting business academia as a force for evil—a beacon of instrumentalism using its pulpit to proselytise an amoral view of the world, peddling theories that justify managers' selfish elitism, hinting that the value of values is merely to boost the bottom line. These criticisms, while exaggerated, emanate from the inability of many schools to clearly address questions such as: Who are the beneficiaries of knowledge produced by our faculty? What is the appropriate knowledge? How do we go about producing that knowledge? What are the appropriate channels of communication? There is no one answer to these questions and no one correct answer. The important factor is close alignment between these questions and the underpinning educational model and pedagogical philosophy. UK schools also face the pressure and demands of the REF. Details

of critics of the assessment process can be found in Saunders et al. (2011). An unintended consequence of the REF is overreliance of the deans on, and extensive use of, journal rankings to assess the performance of faculty (Wilson and McKiernan 2011). This approach confounds the image and quality of content when good scholarship is substituted in place of publication (Wilson and McKiernan 2011). Moreover, the use of journal ranking effectively precludes innovation—addressing new or controversial questions or using innovative methods—instead encouraging conservatism in the research question and methodology (Adler and Harzing 2009). Overreliance on journal rankings suggests a degree of naivety and inability to articulate what constitutes appropriate and good research for a given school. The use of lists also increases the pressure on younger faculty to self-censor the kind of research they undertake and write, to conform with the conservative characteristics of the top-rated journals (Adler and Harzing 2009). A recent survey of business/management academics suggests that the use of journal ranking such as the Academic Journal Guide (AJG)—formerly known as the ABS list—is unpopular (Walker et al. 2015). Faculty considers that the list has a negative effect on their working practices. Furthermore, research structure and organisation is subservient to the demands of the REF—driving many schools to organise their research so as to maximise the opportunity of staff getting four-star publications rather than seeking to serve critical stakeholders. The author argues that UK schools need to better articulate their knowledge production strategy, aligning it more closely with their educational model and underpinning pedagogy. Doing well at the REF ought to be a by-product of what a school considers good research rather than its driver.

Accreditation

Accreditation increasingly plays an important role in schools' strategy formulation. Arguably the three largest and most important international accreditation bodies are the Association to Advance Collegiate Schools of Business (AACSB), the European Quality Improvement System (EQUIS) and the Association of MBAs (AMBA). In the UK context, the Quality Assurance Agency (QAA), Higher Education Funding Council for England

(HEFCE) and its equivalents in Wales and Scotland, the research councils, particularly the Economic and Social Research Council (ESRC), professional accreditation bodies such as CMI, CIPD and CIM and the rest, also play an important role in influencing the behaviour of schools (see also section “The Demand for Higher Education in Business”).

Rankings

Wedlin (2007) noted that rankings have become deeply institutionalised and that “playing” the ranking game well has become a key pursuit of many deans. Rankings are important externally and internally (Kogut 2008). Externally rankings are scrutinised by potential students, funders and other stakeholders, and they have a strong impact on schools’ economic performance. The evidence suggests that good ranking helps schools to attract higher quality students and drives up the absolute number of applications. Internally, they are used by the host university’s management as a convenient mechanism by which to judge the quality of their own university’s business school and they also affect the morale of a school’s staff. The rankings are driven by structural factors that are very difficult for most schools to change (Devinney et al. 2008). Ranking ought to be a consequence of the other key strategic decisions alluded to, rather than being the driver of strategy and the business model. As was noted previously, the UK’s business/management schools perform well in one of the key rankings, namely, that of the FT.

Market Segments

It is difficult, if not impossible, for schools to target every segment of the market. Markets can be segmented based on managerial position, points of transition in an individual’s career, geography and so on. Many schools, in the author’s experience, are not able to clearly articulate the segments of the market they are targeting—adding to the confusion around strategy and the business model.

Faculty

Business/management schools are people-centred organisations. They are about students, faculty, administrative staff and the employers of their graduates. Hence a clear faculty recruitment and development plan is critical to their success. Too often schools are reactive in their recruitment effort—filling teaching gaps as opposed to strategically linking recruitment to the future direction and business model.

Hygiene Factors

Hygiene factors encompass the learning environment and technology. These are important because they affect students' experience. It is extremely difficult to ascertain reliable statistics showing the level of investment in buildings, classroom technologies, learning resources, career support and so forth. In the author's experience, UK schools continuously improve and enhance hygiene factors, thus improving learners' experience.

Finally, it is interesting to note how the UK's business/management school leaders see the challenges they face. A report based on empirical research (Ivory et al. 2008) identified the following challenges:

- recruitment, retention and development of faculty/staff with track records and future potential
- understanding how much “value” an individual contributes and managing underperformance
- raising the necessary capital to renew existing facilities and fund expansion
- managing the process and outcomes of the Research Assessment Exercise (predecessor of the REF)
- the National Student Survey, accreditations and rankings
- developing a differentiated brand image
- internationalisation (competition, faculty and students)
- determining the appropriate balance between different income streams
- understanding when and how to engage with business
- developing appropriate strategies for different markets
- creating an appropriate student experience.

Faculty

More than 14,000 academics work in the UK's business/management schools—that is one in every 12.5 UK academic staff (see Table 7.6). In the five-year period 2009/2010–2013/2014 the total number of business/management academic staff has risen by 10 %: male staff by 5 % and female staff by 18.8 %. This is an encouraging trend and if it continues parity between male and female academic staff will be attained within the next decade. One in nine business/management academics was a professor and the number of professors has risen by 14.7 % during the period discussed. REF 2014 is a likely contributor to the significant increase in the business/management professorial ranks. Universities, in their returns to HESA, categorise staff as “teaching and research—T&R”, “teaching only—T” and “research only—R”. In 2013/2014 one in every 1.7 academic staff was designated as T&R and one in every three as T.

Figures 7.2, 7.3, 7.4 and 7.5 consists of series of pie charts showing the average breakdown of business/management academics vis-à-vis the total academic population, male/female, professorial/non-professorial and T&R/T over the five-year period from 2009/2010–2013/2014.

A report by ESRC, although dated, pointed to a demographic cliff-hanger and to difficulty in recruitment and retention (Mills et al. 2006). The position has not changed significantly and the UK's schools find it difficult to attract and retain high quality faculty. The supply side, if anything, has tightened due to a surge in the number of business schools at home and abroad—increasing the competition for faculty.

Teaching loads are variable. In the author's experience the normal load is four modules a year. Research-active faculty often have a reduced teaching load of two modules per year. Faculty are expected to supervise up to six PhD/DBA students and considerably more master's/MBA students. There are various schemes in place to improve the quality of teaching—including peer review, professional development workshops and end-of-module questionnaires completed by the students.

Table 7.6 Academic staff population

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Total number of academic staff, excluding those of business and management	168,540	167,835	167,410	172,015	179,925
Total number of business and management academic staff	12,965	13,385	13,920	13,570	14,305
Total number of female business and management academic staff	4,960	5,275	5,630	5,475	5,895
Total number of male business and management academic staff	8,005	8,105	8,290	8,090	8,410
Total number of professorial business and management academic staff	1,355	1,375	1,450	1,390	1,555
Total number of business and management teaching and research academic staff	8,625	8,890	9,125	8,875	8,985
Total number of business and management teaching-only academic staff	3,615	3,710	4,000	3,870	4,535

Source: HESA

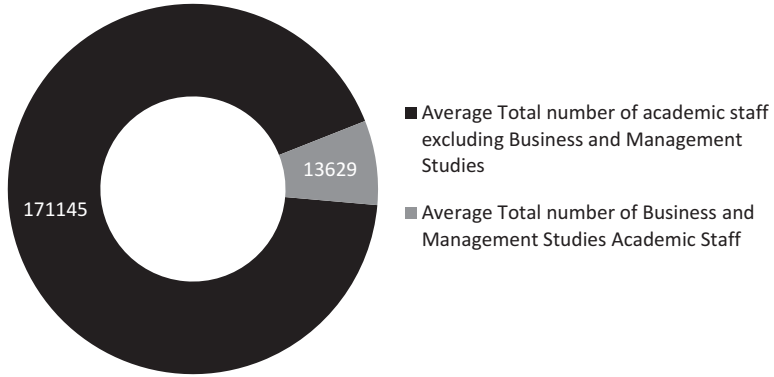


Fig. 7.2 Average total number of academic staff

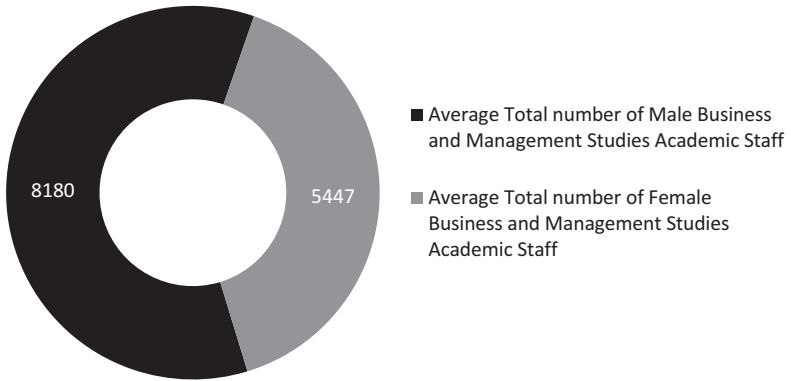


Fig. 7.3 Business and management academic staff by gender

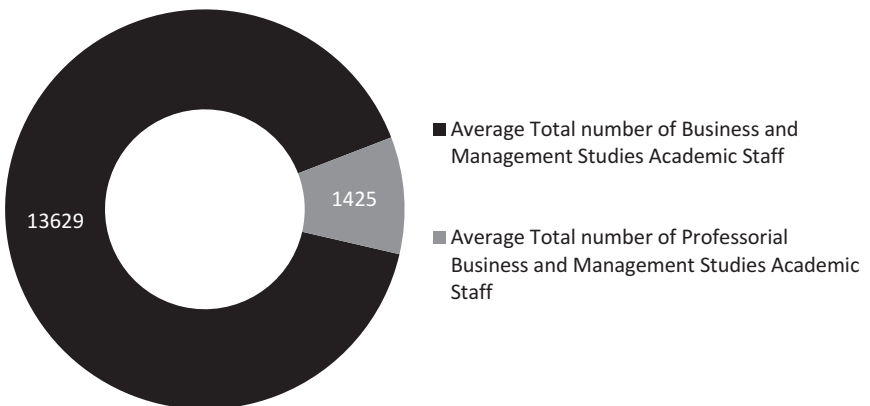


Fig. 7.4 Professorial vs. non professorial

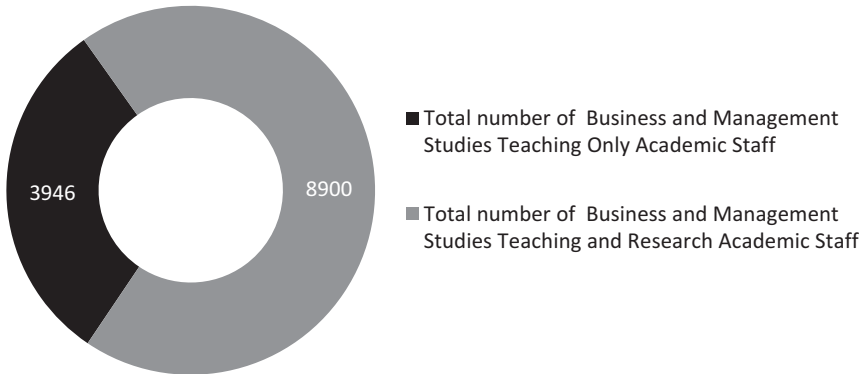


Fig. 7.5 Teaching and research vs. teaching only

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Table 7.7 shows the undergraduate first degree population for all subjects excluding business and management, and for business and management only over a five-year period. Undergraduate tuition fees of £9,000 per annum came into effect in 2012/2013, hence there was a decrease in home/EU student numbers overall and for business and management in 2012/2013.

Figure 7.6 shows the percentage change in the first degree undergraduate population over the five-year period 2009/2010–2013/2014. Overall, the number of first degree undergraduate students grew by 7.7 % while the overall growth for business and management was 9.4 %. The growth for home/EU students was lower than that for all other subjects, while the growth for overseas students was significantly higher.

Table 7.8 shows the population for “other” undergraduate first degree students over the five-year period. This group of students is small compared to that on “first degree” undergraduate programmes. These students, in business and management, accounted for around 10 % of the student population. “Other” undergraduates includes foundation degrees and diplomas of higher education (DipHE). The overall number of students over the five-year period shown has declined by 54 %. This level of decline is mirrored among business and management students. The reason for the decline is not immediately clear.

Table 7.7 Undergraduate (UG) first degree population trend

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
All home/EU 1st UG students, excluding business and management	1,195,245	1,226,025	1,228,080	1,272,890	1,270,540
All overseas 1st UG students, excluding business and management	79,000	86,445	93,230	97,305	102,255
Total number of 1st UG students, excluding business and management	1,274,245	1,312,470	1,381,310	1,368,195	1,372,795
All home/EU business and management 1st UG students	122,685	123,360	128,560	125,745	125,905
All overseas business and management 1st UG students	24,565	28,220	31,490	33,555	35,215
Total number of business and management 1st UG students	147,250	151,580	160,050	159,300	161,120

Source: HESA

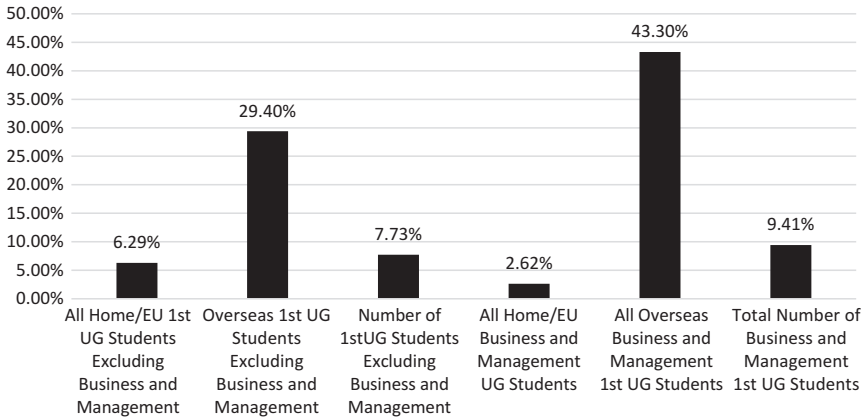


Fig. 7.6 Changes in the first degree undergraduate population 2009/2010–2013/2014

Table 7.9 shows the population trend for postgraduate students. The overall number of students, as well as those studying business and management, has declined over the five-year period. This is of concern and several reports have addressed the issue—for example, 1994 Group: “The postgraduate crisis”⁵; HEFCE: “Trends in transition from first degree to postgraduate study”⁶; and BA Position Statement: “Postgraduate funding: the neglected dimension”.⁷ Essentially, the lack of financial support for home students and their level of indebtedness following completion of a first degree are factors identified by these reports. As far as overseas students are concerned, the key reasons include changes in immigration laws, tighter visa laws and delays in visa applications.

Figure 7.7 shows the level of change between 2009/2010 and 2013/2014 in the population of PGT students in the UK’s universities and business/management schools. The overall decline in the number of PGTs studying business and management has been sharper than the decline in the overall number of PGT students within the UK’s HE sec-

⁵ Reports on the postgraduate situation in the UK. 1994 Group (2012). “The postgraduate crisis”. Policy Report. February 2012.

⁶ Higher Education Funding Council for England (HEFCE) (2013). “Trends in transition from first degree to postgraduate students: qualifiers between 2002–2003 and 2010–2011”. July 2013.

⁷ British Academy. “Postgraduate funding: the neglected dimension”, Position Statement.

Table 7.8 "Other" undergraduate first degree student population

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
All home/EU "other" UG students, excluding business and management	436,540	393,200	344,840	238,815	195,495
All overseas "other" UG students, excluding business and management	18,185	16,990	14,050	14,050	13,075
Total number of "other" UG students, excluding business and management	454,635	410,190	350,390	252,865	208,570
All home/EU business and management "other" UG students	36,390	35,715	34,160	20,470	15,665
All overseas business and management "other" UG students	2,195	2,555	2,195	1,995	1,830
Total number of business and management "other" UG students	38,585	38,270	36,355	22,465	17,495

Source: HESA

Table 7.9 Taught postgraduate population trend

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
All home/EU PGT students, excluding business and management	307,160	309,715	292,840	271,740	268,515
All overseas PGT students, excluding business and management	88,085	92,980	89,955	84,870	88,070
Total number of PGT students, excluding business and management	395,245	402,695	382,795	356,610	356,585
All home/EU business and management PGT students	44,460	40,480	36,865	33,705	34,440
All overseas business and management PGT students	40,080	41,680	39,800	36,985	36,880
Total number of business and management PGT students	84,540	82,160	76,665	70,690	71,320

Source: HESA

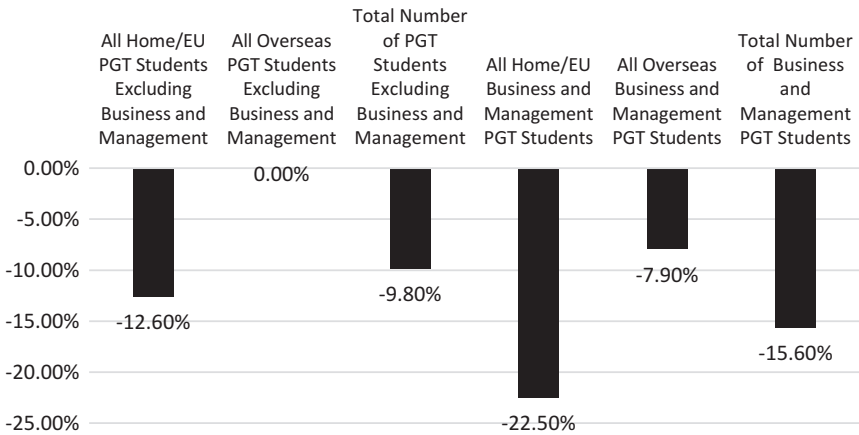


Fig. 7.7 Changes in the PGT population 2009/2010–2013/2014

Table 7.10 Postgraduate research population trend

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
All home/EU PGR students, excluding business and management	67,500	71,645	75,450	74,805	75,450
All overseas PGR students, excluding business and management	26,485	26,995	28,050	28,625	30,180
Total number of PGR students, excluding business and management	93,985	98,640	103,500	103,430	105,630
All home/EU business and management PGR students	2,770	2,960	3,125	3,130	3,145
All overseas business and management PGR students	2,150	2,220	2,445	2,505	2,700
Total number of business and management PGR students	4,920	5,180	5,570	5,635	5,845

Source: HESA

tor. The pattern is similar in the case of home/EU and overseas students. This is a matter of concern for UK schools, although any loss of revenue is offset by a rise in the undergraduate population, which is paying significantly higher fees.

Table 7.10 shows the population trend for postgraduate research (PGR) students over a five-year period. The overall number of students over the five years has grown by 12 %, while the growth for business and management PGR students was close to 20 %. Growth in the number of home/EU and overseas PGR students studying business and management outpaced the growth of students studying other subjects. This is promising.

In conclusion, the growth in the number of first degree undergraduate students and PGR students on business and management courses has outpaced the growth in number of students in all other subjects. Business and management studies have seen steady and continuous

growth in the number of undergraduate students over the past 20 years. The economics of HE in the UK has changed with the introduction, in 2012, of the £9,000 undergraduate fee for home/EU students. The undergraduate revenue stream provides certainty for three years compared to annual PGT fees, thus offering a more secure planning platform. The decline in growth of PGTs is of concern and needs attention. The growth in PGRs is a positive development. Finally, the employment rates after graduation are high for business and management graduates.⁸

Regulatory Bodies

The 2011 white paper (section “The Supply Side of Business and Management Education and Training”) radically changed the HE environment and the 2016 white paper (section “The Supply Side of Business and Management Education and Training”) will inevitably result in more far-reaching change. Key among these changes are the introduction of the Teaching Excellence Framework and graduate employability linked to the fees that universities are allowed to charge, drive for value for money and changes to HEFCE’s role. It is too early to comment on what these changes will mean with regards to the regulatory environment. Currently HEFCE has the power to designate courses for support; hence if universities do not comply with HEFCE requirements their students will not be able to access student loans. The quality of education in the public sector is regulated by the QAA. Interested readers are referred to a report by the Higher Education Commission (2013) entitled “Regulating Higher Education”. Here, suffice to say that new courses are subject to a validation process and a key consideration is compliance with QAA benchmark guidelines. Existing courses are subject to quinquennial reviews. Professional organisations also play a role in regulating and shaping courses. For example, CIPD recognition for HR master’s courses is extremely important because it offers its students a route to the professional recognition that is a requirement for many HR positions.

In terms of international regulatory bodies, arguably the most important are AACSB, EQUIS and AMBA. The first two provide an external view

⁸www.graduates.co.uk/graduate-employment-rates

Table 7.11 List of UK schools accredited by AMBA, EQUIS and ACCSB

School	Accreditation		
	AMBA	EQUIS	ACCSB
Aberdeen Business School	X		
Aberystwyth Business School	X		
Ashridge Business School	X	X	X
Aston Business School	X	X	X
Birmingham Business School	X	X	X
Bradford University School of Management	X	X	X
Bristol Business School	X		
Brunel Business School	X		
Cardiff Business School			X
Cass Business School	X	X	X
Cranfield School of Management	X	X	X
Durham University Business School	X	X	X
Henley Business School	X	X	X
Hertfordshire Business School	X		
Hull University Business School	X		X
Imperial College Business School	X	X	X
Kent Business School	X		
Kingston Business School	X		
Lancaster University Management School	X	X	X
Leeds University Business School	X	X	X
London Business School	X	X	X
Loughborough University School of Business and Economics	X	X	X
Manchester Business School	X	X	X
Manchester Metropolitan University Business School	X		
Newcastle University Business School	X	X	X
Nottingham University Business School	X	X	
Northumbria University			X
Open University Business School	X	X	X
Oxford Brookes University Business School	X		
Portsmouth Business School	X		
Royal Holloway	X		
Saïd Business School	X	X	
Salford Business School	X		
Sheffield University Management School	X	X	X
Southampton Management School	X		
Strathclyde Business School	X	X	X
Surrey Business School	X		X
School of Management, University of Bath	X	X	

(continued)

Table 7.11 (continued)

School	Accreditation		
	AMBA	EQUIS	ACCSB
Judge Business School, University of Cambridge	X	X	
University of East Anglia, Norwich Business School	X		
University of Edinburgh Business School	X	X	X
University of Exeter Business School	X	X	
University of Glasgow Adam Smith Business School	X	X	X
University of Leicester School of Management	X		
University of Liverpool Management School			X
Warwick Business School	X	X	X
Westminster Business School	X		

of the quality of the business/management school as whole, while AMBA focuses predominately on the quality of MBA provisions. Accreditation agencies argue that their role is to help segment the market based on quality and they have a significant influence on the strategic choices that accredited schools make and their business models (Wilson and McKiernan 2011). This influence can potentially reduce diversity and encourage uniformity—at least among accredited schools. Lowrie and Willmott (2009) argued that accreditation stymies knowledge improvement and development in both elite schools and non-accredited schools because it serves to preserve and perpetuate the elite, thereby maintaining the status quo of what is considered to be “good”. Durand and McGuire (2005) argued that the AACSB is not interested in what is “taught and not taught” outside a strictly North American model at an elite business school. Accredited schools argue that intending students (and the wider society) can be assured that an independent agency has scrutinised the schools’ portfolio of activities and pronounced them to have passed rigorous quality standards; non-accredited business schools dismiss accreditation as primarily a marketing exercise, which excludes institutions that do not wish to conform to certain norms and practices advocated by the accrediting bodies (Wilson and McKiernan 2011).

Regardless of the arguments proffered, accreditation is here to stay and accredited schools do possess an independent quality kite mark. Table 7.11 shows UK business/management schools with one or more accreditation from AMBA, EQUIS and AACSB.

Forty-four business/management schools have AMBA accreditation, while 26 enjoy EQUIS and another 26 AACSB accreditation. Triple accreditation is considered an important landmark and 21 business/management schools in the UK do boast this accolade.

Conclusions

The UK business education/development market is complex, dynamic and competitive. It has many players and many new entrants. The focus of this chapter was predominately the public business/management schools. Business schools present themselves as academic institutions. At the same time, they are expected to demonstrate their abilities to manage themselves as businesses and conduct research and teaching that is considered “relevant” to practitioners and to funding bodies (Crainer and Dearlove 1998). This creates a series of tensions that have been increasing in recent years (Khurana 2007). The UK’s schools are not exempt from these demands. If anything, the demand on them is more intense because in most cases they are the host university’s cash cow.

The challenges faced by UK schools were fully discussed in section “Business Models of Business Schools and Their Sustainability”. Paramount among these are a possible shift from the current “push” system to a mixed “pull” and “push” system. The other challenges revolve around the distinctiveness of identity and business models. From outside in, there appears to be a convergence rather than divergence between schools. A number of factors contribute to this situation. Chief among them is a lack of clear articulation of an educational model and underlying pedagogic philosophy. This leads to lack of clarity in the direction of research travel and the scope of services offered. Recruitment and retention of faculty is problematic.

The UK’s schools, to a large extent, have addressed criticisms levelled at their not embracing the principles of purposeful management. However, there is no room for complacency and the need to continuously revise the content and align it with changes in the environment and societal culture is critical to the continuing success of the UK’s schools. UK schools have pioneered many interesting pedagogic innovations and these were

discussed in section “Current Development of Pedagogy”. Arguably, sponsored degrees and the Chartered Manager Degree Apprenticeship are among the most significant. There are also many examples of innovative teaching and learning aimed at giving students immersive learning opportunities.

Research, the REF and journal rankings were discussed at some length; here, suffice to say, that research produced by the UK’s academics is both domestically and internationally strong.

Business/management schools have led the internationalisation efforts of many of their host institutions. They host the largest concentration of overseas students and are active in all five facets of internationalisation.

The demand for “first degree” undergraduate studies is strong and increasing—as is the demand for PGR programmes. The demand for “other” undergraduate programmes has declined, as has the demand for PGT programmes. The “other” undergraduate programmes account for a small proportion of students. Moreover, this decline is not restricted to business and management but it is across the board. The decline in revenue due to a decline in PGT numbers is more than compensated for by the rise in undergraduate fees and the number of undergraduate students. Nevertheless, decline in the PGT student population is a cause for concern.

Business/management schools generated c. £2.8 billion in fees in 2013/2014 and contributed £3.1 billion to the local economy—the same as the private banking and wealth management sector. Each business/management academic generated £200,000—almost four times their average annual salary. Business and management has a significantly higher staff/student ratio compared to all other subjects. These facts are testament to the economic importance of business/management schools and their efficiency.

The UK’s schools do comparatively well in the FT rankings. It is important for UK schools to retain a greater proportion of the revenues they generate in order to compete effectively with well-funded new business schools. It is also important to enable them to maintain research improvements. The UK’s schools do well in the accreditation stakes—with 21 triple accredited schools.

The rise of the business school is a notable feature of the UK HE landscape (Ferlie et al. 2010; Williams 2010). A number of writers have predicted that business schools have reached a plateau in their remarkable growth trajectory and may be in danger of impending decline (Starkey and Tiratsoo 2007; Schoemaker 2008; Starkey and Tempest 2008). The current evidence suggests that, in the case of the UK schools, this prediction of demise might have been a tad premature.

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8

Higher Education in Management: The Case of South Africa

Millard W. Arnold

Dr Hendrik Verwoerd, then Minister of Native Affairs, later South African Prime Minister, and considered by many to be the architect of apartheid, argued in 1953 that “there is no place for [the Bantu] in the European community above the level of certain forms of labour ... What is the use of teaching the Bantu child mathematics when it cannot use it in practice? That is quite absurd. Education must train people in accordance with their opportunities in life, according to the sphere in which they live.”¹

¹Dr Hendrik Verwoerd, South African minister for native affairs (prime minister 1958–1966), speaking about his government’s education policies in the 1950s, quoted in Clark, Nancy L.; Worger, William H. (2004). *South Africa—The Rise and Fall of Apartheid*. Seminar Studies in History. Pearson Education Limited, pp. 48–52.

M.W. Arnold (✉)
South African Business Schools Association,
165 West Street, Sandton, 785812 Johannesburg, South Africa
e-mail: millard.arnold@bowmanslaw.com

Given the times and political circumstances, this may have been an honest, genuine and perhaps even sincere statement, but those words, and more importantly the series of legislation that Verwoerd authored or introduced, became the cornerstone of the apartheid philosophy and set in motion the politicisation that continues to fracture South Africa today. The notion of a separate and peripheral experience which black people were destined to have was anchored in the Bantu Authorities Act of 1951,² the Blacks (Abolition of Passes and Co-ordination of Documents) Act No 67 of 1952³ and most importantly—in the context of understanding the history of business education—the Bantu Education Act of 1953,⁴ all of which crippled the development of higher learning for black South Africans, not just for decades, but in ways that may have fundamentally handicapped the future development of the nation. As Verwoerd would go on to state in 1953, “Natives [blacks] must be taught from an early age that equality with Europeans [whites] is not for them.”⁵ Black people were not to receive an education that would lead them to aspire to positions they would not be allowed to hold in society.

With the passing of the Extension of University Education Act in 1959, universities were no longer free to determine who should be admitted to a degree course. The universities of Cape Town and the Witwatersrand had in fact been “open universities”, but the new act gave the ministers in charge of educational affairs the right to regulate the issuance or denial of permits for black students to enter white universities which may have offered them places. The act also created four ethnic university colleges in addition to Fort Hare, at Bellville, Ngoye, Durban and Turfloop, for coloured, Zulu, Indian and Sotho-Tswana students respectively. Despite

²The Bantu Authorities Act created tribal, regional and territorial authorities administered initially by the Department of Native Affairs. Verwoerd said of the Bantu Authorities Act, that the “fundamental idea is Bantu control over Bantu areas as and when it becomes possible for them to exercise control efficiently and properly for the benefit of their own people.”

³The Black Act oversaw “influx control” and introduced the infamous “pass book” so as to manage and limit the movement of black people into what were called “white areas”.

⁴The Bantu Education Act established a Black Education Department in the Department of Native Affairs. One of the many functions of the act was to compile a curriculum that, according to Verwoerd, suited the “nature and requirements of the black people”.

⁵Verwoerd speaking in the 1950s, quoted in Godfrey Mwakikagile, *South Africa in Contemporary Times*, New Africa Press, 2008, p. 82.

student protests, the legislation also guaranteed that no black students could study at white institutions, with the exception of the University of South Africa (UNISA).⁶

The period following the ascendancy of Verwoerd's Afrikaner Nationalist Party to power in 1948 saw a surge of industrialisation and economic development designed to advance the interests of the Afrikaner people. Given the buoyancy of the times, it is of little surprise that in 1949 the University of Pretoria established the Graduate School of Management, the first business school outside the USA to offer an MBA degree. Over the next 45 years, or until the elections of 1994 and the inauguration of a new majority-ruled government, South Africa would only produce six more business schools; all of them were situated at universities and, with the exception of the business school at the University of Durban-Westville, all were located at historically white institutions: four Afrikaans-medium, the other three English. It was only in the 1970s, when the resistance to apartheid was gaining momentum, that the University of Durban-Westville started offering the first MBA for black students.

In the wake of the profoundly significant political changes of 1994, the higher education market was soon flooded with a multitude of MBA offerings, from local technical schools in partnerships with universities from the United Kingdom and Australia, to private providers in joint ventures with the then British polytechnics.

The combination of global trends in management education, together with the introduction of legislation to dismantle the apartheid past provided fertile grounds for growth.

Public and private enterprises as well as the public service were obliged to develop work skills plans as part of a raft of labour legislation aimed at deracialised and skilled middle and top management, and this also had an

⁶The limited development of business education at historically black institutions under apartheid was consistent with the role allocated to black people in the employment structure of apartheid South Africa. The Industrial Conciliation Act No. 55 of 1956 and the Mines and Works Act No. 78 of 1973, together with supplementary legislation on training, created a legal framework that excluded Africans from the definition of employee as well as preventing them from having access to managerial, professional and skilled work outside the designated independent and non-independent homelands.

influence in the market for higher education. Not only was the government, through the Department of Education, asking for an increase in undergraduate students' enrolments in the field of business; the Minister of Public Service's directive about the need for public service employees at the medium and high management levels to take MBAs had an enormous impact on the proliferation of MBAs and also resulted in an increased interest in the degree.⁷

The propagation of institutions proffering degrees in the field of business and commerce was in great part a consequence of the rapid uptake of black students eager to take advantage of the greater opportunities and career possibilities that an MBA might offer.

However, other elements may have contributed to the rapid increase in enrolments of African students. In some cases, private providers of MBAs required comparatively lower fees, in other instances, many of the MBA programmes offered by private providers were of a distance learning variety which enabled many learners from rural areas to attend as full-time employed students, and lastly, in numerous instances, the entry level requirements of the private providers were lower, which played a significant role in attracting students with lower marks in their undergraduate degrees. In the latter case, low entrance requirements may well have compromised the quality of programmes.

It is important to note that before the 1990s, all MBA programmes were given on a residential basis and the material content was essentially the same regardless of the institution attended. After 1994, there was not only an explosion in the offering of MBA programmes in the country but also a substantial change in both the mode of delivery and the learning programme itself.

The rapid expansion of distance learning as a means of acquiring an MBA was a stark reminder of the inherent inequities in South Africa as many black students found themselves either unable to attend classes or were incapable of paying the price of a residential MBA.

Where it had once taken South Africa 45 years to produce seven business schools, the period between 1994 and 2004 saw a ballooning of

⁷“The State of the Provision of the MBA in South Africa”, a report of the Council On Higher Education, October 2004, p. 7.

institutions that reached 27 in number, raising concerns at numerous levels regarding the quality, cost, benefits and relevance of the programmes being offered. The concerns were such that by 2002, the Council on Higher Education (CHE) felt compelled to initiate a review of the various MBA platforms that had sprung up across the country.

In what still remains the most comprehensive analysis of South Africa's MBA programmes ever undertaken, in October 2004 the CHE produced its seminal report, "The State of the Provision of the MBA in South Africa". The report traces the history of the MBA in South Africa, its geographical distribution and the demographic profile of its student enrolments and academic staff, analysing the results of assessing the quality of the MBA programmes in three areas: governance, learning programme and context. The report offered a particularly detailed unpacking of the MBA learning programme, and moved finally to reflecting on the transformative potential of management education in South Africa, based on current teaching and learning practices at business schools.

The review took place between November 2002 and March 2004, and by the end of the process seven MBA programmes were granted full accreditation, 15 were given conditional accreditation and a further 15 were de-accredited. Today, the South African Business Schools Association is composed of 18 members, 13 universities and five private providers.⁸

Perhaps more importantly, as the first ever national review, and given that its fundamental goal was the overall improvement of the system, it was inevitable that the study would conclude with an analytical identification of trends in the various programmes which could serve as the basis for ongoing improvement of MBA education in the country.

⁸ Universities: Gordon Institute of Business Science, University of Pretoria; Graduate School of Business and Leadership, University of Kwa-Zulu Natal; Graduate School of Business & Leadership; North-West University Mafikeng Campus; Nelson Mandela Metropolitan University Business School; Potchefstroom Business School, North West University; Rhodes Business School, Rhodes University; Tshwane University of Technology Business School; Turfloop Graduate School of Leadership, University of Limpopo; UCT Graduate School of Business, University of Cape Town; UFS Business School, University of the Free State; UNISA Graduate School of Business Leadership, University of South Africa; University of Stellenbosch Business School; WITS Business School, University of the Witwatersrand. Private Providers: Henley Business School; Management College of Southern Africa (MANCOSA); Milpark Business School; Regenesys Business School; Regent Business School.

To develop a systematic understanding of the educational platform for the MBA, the Higher Education Quality Commission (HEQC)—a permanent structure of the CHE—developed three overarching imperatives embracing 13 essential criteria. In paraphrasing the introduction to the review, it was noted:

The first category of criteria focused on *governance* issues. These criteria were designed to assess: the extent to which business schools at public and private providers of higher education were inserted into the South African higher education system; how their missions and goals related to the broader developmental and societal objectives of the country; and how they interacted with the higher education institutions in which they were located. Four of the 13 criteria fall into this category.⁹

The second category consisted of criteria focusing on the *learning programme*. This includes the content of the programme, the way in which the programme was articulated, the pedagogy applied to teaching and learning, the place and manner of assessment and the weight of research in students' training and its role in curriculum renewal. Eight of the 13 criteria fall into this category.¹⁰

The third category in the criteria was *context*. It sought to focus on the relationship between the MBA programme, its stakeholders and its immediate external environment. This area was covered by one criterion.¹¹

In the end, the 13 criteria, and by implication the HEQC accreditation exercise as such, were focused on the conditions that are necessary for training and educating good managers.

Taking into consideration the myriad factors necessary to evaluate the content of the MBA programmes offered in South Africa, the review found that business schools were fairly responsive to the development agenda set by the government, as exemplified in the subjects offered such as globalisation, entrepreneurship, employment equity and business ethics. At the same time, the review speculated about the capacity of business schools, through their MBA programmes, to change the manner in which business articulates with society.¹²

⁹“The State of the Provision of the MBA in South Africa”, Introduction, p. 1.

¹⁰Ibid.

¹¹Ibid.

¹²Provocatively, the review wondered whether business schools were conservative or subversive. Were they simply a vehicle for changing the racial composition of business in South Africa, or

What emerged from the analysis conducted by the HEQC—and still relevant today, over a decade later—are the following salient points:

- MBA programmes in South Africa offered important examples of good practice in the structuring of the learning programme, the introduction of a range of pedagogic experiences and the renewal of content. There were also interesting examples of admissions being managed with the goals of equity, access and quality simultaneously in mind, and of strategic investment in academic infrastructure and resources.¹³
- Despite enormous progress in creating access for a new generation of black and women MBA graduates, the staff profile is largely white and male. At this level, schools are battling not only with entrenched institutional behaviours but also with enormous salary competition from both the public and private sectors.¹⁴
- Most programmes show weak research production at faculty level and an undervalued place for research in the education of managers. This undermines business schools' capacity for introducing innovative practices in management in South Africa and for renewing programme content.¹⁵
- Most schools show some form of curriculum responsiveness to society and business needs. Some schools show interesting examples of curriculum renewal and mainstreaming of non-traditional courses.¹⁶

The report also raised two additional points for further debate and research:

- The limits and possibilities of distance learning, especially in its electronic form, as a medium for the development of some of the soft and hard skills expected of MBA graduates.
- The optimal balance between full-time and part-time faculty, and especially between academic and non-academic faculty, to make the

could they redefine the relationship between business and society? "The State of the Provision of the MBA in South Africa, p. 124.

¹³Ibid., p. 125.

¹⁴Ibid., p. 125.

¹⁵Ibid., p. 125.

¹⁶Ibid., p. 125.

master's programmes innovative and relevant, and to provide a teaching and learning experience that produces the required learning outcomes.¹⁷

To fully illustrate the prescient nature of the HEQC's report, it is useful to quote extensively from its conclusion. The findings apply as much today as they did in 2004:

There is no South African MBA, just as there is no American MBA, French MBA or Mexican MBA. There is no doubt that the contents of the functional areas of management are more or less the same the world over and that most MBA programmes use the same type of pedagogy to teach their students. What distinguishes one MBA from another is the quality of the faculty, the integration of research into teaching, the resources relied on, the admission criteria used, the areas of specialisation focused on, the variety of elective courses offered, and the programme's relationships with the world of business and the public sector.

Yet there is something that can and should differentiate the MBA taught in South Africa from those taught in Western Europe or in North America. We have argued throughout this report that the opportunities for the South African MBA programme content and research outputs to be innovative could be found in the intersection between the global and the local. Chapter 5 in particular suggested a number of areas for research and teaching which do not deviate from the accepted (international) content of the MBA but that introduce problems which are relevant and specific to management education in a country like South Africa. If the MBA programmes offered in South Africa are serious in their stated purpose of preparing managers for the country, the region, and even the continent, much more of their content has to focus on the specific realities of business and management in the developing country context. This can only take place if business schools dedicate time and resources to the production of research for curriculum renewal and for challenging old or inadequate business practices.¹⁸

Whilst the issue of research and curriculum renewal remains a concern, one of the more important issues which the CHE addressed was

¹⁷ *Ibid.*, p. 126.

¹⁸ *Ibid.*, p. 126.

the question of blurring the distinction between business education and management education. The CHE noted that there was a growing conviction that

“the MBA prepares its graduates to tackle any kind of management problem. Since business efficiency is seen as a desirable and generalisable feature of all types of organisations, NGOs and governments, as well as the private sector, see in the MBA the training ground for new management cadres.”¹⁹

The difficulty the HEQC noted was that there were fundamental differences between what constitutes a business education and the goals and objectives of governments or non-governmental organisations:

“Even if certain business practices in regard to cost-effectiveness, reporting systems, organisational arrangements, etc. can be usefully incorporated into government department and NGOs, the philosophy that informs the running of state departments in developing countries is not the same as that which shapes business enterprises.”²⁰

Although the CHE accepted the notion that an MBA programme could be adapted to address the unique needs of the public sector, it warned that “confusing the two in the search for efficiency might distort the function of government and NGOs in relation to society”.²¹

What was a concern to the CHE then, and still remains so today, is whether adequate study and analysis has been completed that would determine whether the conversion of a business-oriented MBA programme was necessary or desirable, particularly given that there were schools of public administration whose sole purpose was precisely the development of managers for bureaucracies and governmental organisations.

In assessing the benefits of the MBA programme the CHE concluded its report with the insightful and astute observation that despite being operational for more than a half century, business schools “are being asked to redefine their identity”, noting that “business, government, and

¹⁹Ibid., p. 126.

²⁰Ibid., p. 126.

²¹Ibid., p. 126.

society are making demands on them at a time when they also have to revise their standing as postgraduate programmes. How to remain faithful to the contents of a postgraduate business management programme and yet become relevant for local society is probably the greatest challenge that lies ahead.”²²

Changes in the South African MBA Landscape

Sylvia Jones

Lodestar Marketing Research

14 The Curve Street, 2149, Sandton, Gauteng, South Africa

sylviaj@lodestar-research.co.za

All data presented in this section come from Financial Mail MBA Surveys 2003–2015.

MBA Student Age and Gender Trends

Looking at the demographics of MBA students, one is struck by how similar students from ten years ago were to those of today. For example, the motivation to study an MBA has not changed over the years with “personal skills advancement” being the most common motivator since 2003, and “business education” and “career progress” alternating in second and third place. Over the same period, the educational and work experience background of students has also remained the same, with a business/commerce degree being the most common area of previous study and financial services being the industry sector where students are most commonly employed.

What has changed is the age of students, which is showing a slow but steady increase. The following graph shows the average age of students on graduation: around 35 years old in 2003 compared to 38 in 2015 (Fig. 8.1).

²² Ibid., p. 126.

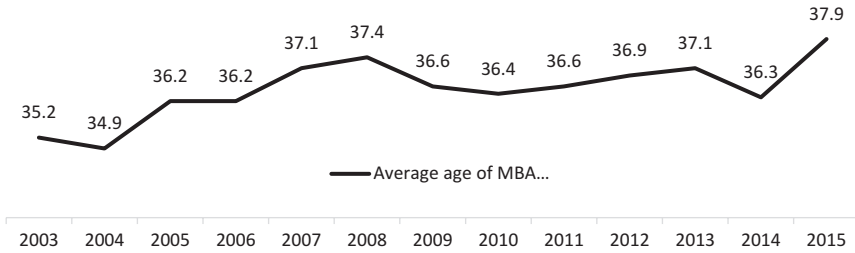


Fig. 8.1 Average age of MBA students on graduation 2003–2015

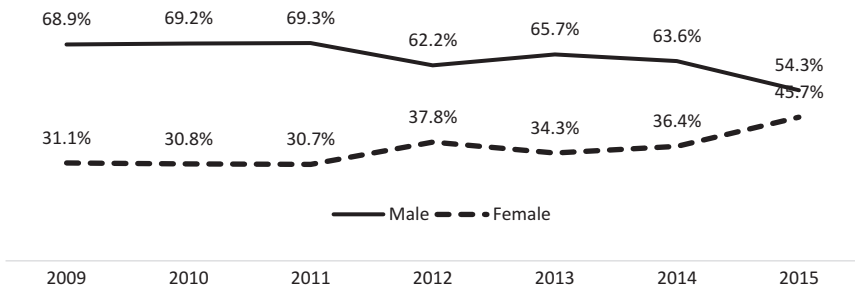


Fig. 8.2 Proportion of male and female MBA students 2009–2015

The increase in student age may be due to the relatively small number of current full-time students in the context of the total student body—3 % in 2015 compared to 13 % in 2011. In South Africa, students do not tend to do their MBA straight out of university: most are in full-time employment, and most business schools insist on three or more years of business experience, including two to three years of management experience, as an admission requirement.

Another demographic trend among students is the shift in gender proportion from 69 % male/31 % female in 2009 to 54 % male/46 % female in 2015 (Fig. 8.2).

The shift is happening in the context of increasing student numbers, from 5,194 in 2009 to 8,932 in 2015 (total MBA student body), which means that the actual number of females studying an MBA has seen a significant increase over the past six years (around 1,600 in 2009 to just over 4,000 in 2015).

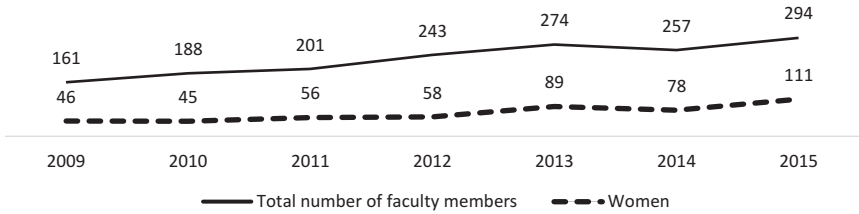


Fig. 8.3 Total number of faculty members and female faculty members teaching MBA students 2009–2015

The increase in females in the MBA landscape is not confined to students and there has been a parallel (although not as dramatic) shift on the delivery side, with the number of female faculty members teaching MBA students growing from just 46 in 2009 to 111 in 2015, or 29 % of faculty in 2009 compared to 38 % in 2015 (Fig. 8.3).

South African Business School Links with International and African Schools

Globalisation has had an impact over the past six years, as South African business schools have made formal agreements with an increasing number of business schools in other parts of the world. In 2009, South African business schools had agreements with 138 international schools, a figure that grew to 231 in 2015. Most of these business schools are situated in USA, France, Germany, UK, India, Canada and China. Formal agreements with business schools in Africa grew from just two in 2009 to 24 in 2015, with most of the schools situated in Kenya, Namibia, Ghana, Nigeria and Egypt (Fig. 8.4).

Most of these agreements are in the form of lecturer and student exchanges but other agreements have been reached, for example business schools may collaborate on research, offer external moderation, provide benchmarking services and co-host international study tours.

Unfortunately, the same period has not seen an increase in the number of either international or African students doing their MBA through a South African business school, which has remained a consistent 13 % for international students and 2 % for African students.

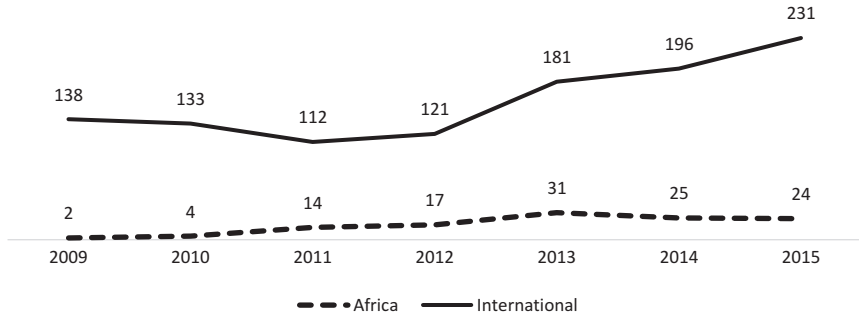


Fig. 8.4 Number of business schools outside of South Africa (SA) with whom SA business schools have a formal agreement 2009–2015

However, there are early indications of increased interest from African and international businesses for executive education. This has only been measured since 2014 but there are positive shifts for both open and closed programmes: the number of participants from Africa grew from 2,340 in 2014 to 3,528 in 2015, accounting for 5.9 % of total participant numbers in 2014 and 7.5 % in 2015; the number of international participants (excluding Africa) grew from 441 in 2014 to 1,182 in 2015, accounting for 1.1 % of total participant numbers in 2014 and 2.5 % in 2015.

Source

Financial Mail MBA Surveys 2003–2015

The South African Business School Environment

David Furlonger
 Financial Mail
 Times Media Group
 4 Biermann Avenue, Rosebank, 2196, Johannesburg,
 Gauteng, South Africa
furlongerd@fm.co.za

It is hard to believe of a country at the southern tip of what is generally considered the world's poorest and most under-developed continent—but the world's first MBA outside the United States of America was launched in South Africa in 1949.

Of course, those were different times. Apartheid—SA's official policy of racial separation—was one year old, and it was no accident that the MBA was taught at the University of Pretoria, where virtually all students were white and instruction was almost exclusively in Afrikaans, a language based on a vernacular spoken by early Dutch settlers in the seventeenth and eighteenth centuries.

These days, English is the overwhelming teaching medium at South Africa's growing number of business schools, even those that are part of universities retaining their Afrikaans heritage. In a country with 11 official languages, there is recognition that if you want to do business in the modern world, you had better prepare for it in the language in which it is mostly conducted.

South Africa is a case study mix of first and third world. Its infrastructure and industrial capability are decades ahead of most of Africa. It also boasts a sophisticated financial services sector. But at the same time, it faces the same challenges of inequality and mind-numbing poverty as the rest of the continent.

Education is another challenge—and one that directly affects business schools. Some of the people they seek to imbue with executive and management skills lack not only rudimentary business experience but also anything more than the most basic academic education.

Take the MBA. As a master's degree, it should be the preserve of students with an honours or equivalent qualification. However, schools are expected to hold up to 10 % of places for students with what is called RPL, or recognition of prior learning. This refers to people whose business and management experience compensates for lack of academic qualifications. The beneficiaries are almost all black—reflecting a national education system that still does not offer equal opportunity, 22 years after apartheid ended in 1994.

Racial inclusivity matters a lot in South Africa. Universities and colleges are anxious that their student bodies reflect the country's cultural make-up. To be fair, business schools have done a great deal to achieve this. Research shows that most MBA students are black.

Where there is still a shortfall is in faculty. Schools want to appoint many more black lecturers and professors but cannot match the salaries offered by private sector companies desperate to meet their own black management targets. There is a concerted drive to acquire more black faculty but it is a long-term process. In the short term, many of those currently employed at business schools are people from other African countries, who find South African pay scales attractive.

Inclusion of RPL students is made easier by the fact that South African education authorities have finally acknowledged that the MBA is a professional degree, rather than a strictly academic one. Students are learning to become hands-on business leaders and entrepreneurs, not theoretical academics. In practice, that has always been the case. Education authorities, however, have been loath to officially recognise the distinction.

A little background is necessary. Educational achievement in South Africa is graded at ten levels under a system called the National Qualifications Framework (NQF). The highest level, ten, is a doctoral degree, nine is a master's, eight an honours and so on downwards. Despite its master's label, the MBA (and its sibling, the master of business leadership, or MBL), has traditionally been deemed a level eight qualification—an honours.

This is no longer the case. Following requests from the sector's representative body, the SA Business Schools Association (SABSA), the government's Council on Higher Education (CHE) declared in 2015 that in future MBAs would be pegged as level nine, making them full master's.

As a result, schools spent much of 2015 redesigning their MBA curricula to the higher academic level. However, because the new qualification is a professional master's, the credits required to pass are a mix of academic and practical. For example, instead of a traditional master's thesis, students may submit a technical report or even a series of business-related projects.

The CHE reported that by the end of 2015, all schools had submitted MBA programmes which met the new NQF level nine standards. Most introduced them at the beginning of 2016 but some decided they were not ready to start and were given permission by the CHE to continue with their NQF level eight programmes. No official cut-off deadline has been given yet on when they must change but the CHE has recommended the end of 2019.

In the meantime, all schools—including those which have begun their level nine programmes—are simultaneously teaching “old” MBAs which began in 2015 or earlier. These level eight programmes (mostly part-time but including a handful of full-time courses) will continue to their conclusion—in some cases three or four years away.

In principle, students on these programmes will graduate with an academically inferior MBA, but the CHE and business schools have been at pains to stress that the change in no way devalues degrees awarded under the former system. Their argument is that “an MBA is an MBA is an MBA”.

So what does the new regime mean in practical terms? The most immediate impact is at entry level. In the past, the overwhelming majority of students entered MBA programmes with nothing more than a bachelor’s degree. Now they must have an honours or equivalent. In most cases, this means that before they start their MBA, they will have to complete a business-related, one-year postgraduate diploma (PGDip).

Some schools have softened the blow by reducing the minimum duration of their part-time MBAs so that the total study time—including both PGDip and MBA—remains the same. At schools unable to do this, students face extra commitment in time and money. When it comes to full-time MBAs, there are no shortcuts. For students without an honours degree, it is a one-year PGDip followed by the unabridged MBA.

Market research by the *Financial Mail*,²³ a weekly business magazine that publishes annual analyses of MBAs and executive education in South Africa, showed that of 5,824 students at various stages of MBA study in 2015, only 253 were full-time.

Predictably, MBA registrations have fallen in 2016 because many students have to study for a PGDip first. One school reported that its first intake for the year was down by 60 %. But numbers at all schools are expected to return to normal within three years, once the new qualification pipeline works its way through the system.

Despite the administrative inconvenience, most schools have welcomed the new accreditation process as an opportunity to take a step

²³“Ranking The MBAs”, Executive Education Annual Review, *Financial Mail*, Johannesburg, September 25, 2015.

back and reassess their MBAs. The last time the CHE completed a full-scale appraisal of the qualification was in 2004, since when the training needs of the business world have moved on considerably.

In 2004, several established schools lost the right to offer MBAs because their programmes did not match new criteria set by the CHE. Casualties included nearly all the foreign schools operating in SA; only one was prepared to localise its programme.

At the time, the intention was to repeat the accreditation process every five years. But the CHE, which is responsible for all higher education standards in SA, has lacked the capacity to do so until now. Indeed, last year's exercise was not MBA-specific but part of a broad re-examination of all South African higher education. No schools lost accreditation this time round.

Exercises like this are necessary in a market where understanding of the value of an MBA is sometimes murky. Market research in developed markets suggests that relatively few people today see the qualification as a surefire gateway to promotion and increased salaries. Rather, they consider it as a means of business education. The same trend is evident in South Africa but at a much slower rate. Particularly in the traditionally disadvantaged sectors of society, many people still see an MBA as a guarantee of personal success.

With such unbridled hope, it would be easy for dishonest institutions to relieve over-optimistic people of their hard-earned savings. By international standards, after converting the local rand into dollars, euros and pounds, the cost of an MBA in South Africa is laughably cheap. For South Africans, however, the fees are considerable. CHE accreditation ensures schools maintain standards and offer a degree of established quality.

Of course, it would be unrealistic to think that all MBAs are identical. One of the complaints about the SA accreditation system in the past is that it set minimum standards but did not encourage schools to rise above them.

As a result, say critics of the system, there is a huge variation in quality between programmes—the result of some schools continually challenging themselves to improve, and others being content to do no more than is necessary. Naturally, schools considered to be in the second camp, reject the idea.

However, a growing number of South African schools, anxious to differentiate themselves from the rest of the herd, have won international accreditation from the UK-based Association of MBAs (AMBA). By the end of 2015, six had succeeded and at least three more said they had begun the qualifying process.

It is particularly pertinent that these success stories are coming from outside the traditional “Big Four” South African business schools. The Graduate Business School of the University of Cape Town, Stellenbosch University Business School, Wits Business School (part of Johannesburg’s University of the Witwatersrand) and the Gordon Institute of Business Science (University of Pretoria), have history and resources on their side—though the last of these, GIBS, is officially only 16 years old, having been created in 2000 to take over from Pretoria’s dusty old business school.

The other two to gain AMBA accreditation are Rhodes, a tiny university school far from major towns in the Eastern Cape province, and Potchefstroom, part of an Afrikaans-speaking university in a farming and mining district about two hours’ drive from Johannesburg.

The MBA is the traditional core of South African schools’ existence. In some cases, executive education has been a secondary consideration. The Big Four all feature in international rankings but no other school looks like making a breakthrough in the near future. Indeed, even Wits Business School admits it has neglected its executive education development.

And yet executive education is arguably more important than MBAs in a South African context. Black economic empowerment and affirmative action, overturning decades of white-dominated business, have created a multitude of political challenges. But they have also brought plenty of practical business ones, too. At every level within organisations, from junior supervisors to the boardroom, there is a crying need for management training.

This does not just apply to the private sector. National government, local government, parastatals and public utilities all lack basic management expertise. Even political parties, including their youth wings, are in the market for education. Some schools operate almost exclusively in the public sector; at least two draw all their MBA students and more than 90 % of their executive education clients from government.

Such is the demand, from both the public and private sectors, that a number of foreign schools have entered the SA market. Several major SA organisations share their executive education business between local and foreign schools.

Local schools acknowledge that they have been slow in taking advantage of increased demand for executive education. Even some of the bigger schools admit they have had to turn away business because they lacked the teaching resources. Though they are ramping up capacity, there is a lot of untapped business out in the market. It is worth noting that in a country with an estimated population of about 60 million people, there are only about 20 business schools—a very low ratio by Western standards.

South Africa's particular circumstances bring extra responsibilities to business schools. In a country where there is deep mistrust between government and the private sector, some schools believe they have a responsibility to create opportunities for honest debate on matters of national interest—particularly if they can bring the two sides together in one forum. One school even draws schoolchildren into the debate, on the basis that one is never too young to inquire, learn and contribute.

There is also a growing realisation that since government clearly cannot solve many of the country's problems, schools can assist there as well. For example, South Africa has one of the worst failure rates in the world for start-up businesses. So schools and their students—many of them experienced businesspeople—mentor and train new companies and social cooperatives. On some MBA programmes it is a requirement for students to interact with and advise such companies.

Some schools operate alone, others establish fully staffed innovation hubs, often in concert with government development agencies, to get their experience out to as many individuals and companies as possible.

The challenge facing all these projects is that, because of the country's past, many people have no experience of, or access to, the information that is taken for granted in many other countries. Without knowledge of book-keeping, budgets, marketing, tax requirements or even ordering, starting a new business is a shot in the dark and probably doomed to failure.

Not everything is inward-looking, however. Besides the desire for international MBA accreditation mentioned earlier, South African schools are making more of an impact on international rankings, for both MBAs and executive education.

This quest for international approval, however, has led to debate about the responsibility of business schools in South Africa. Does the pursuit of international standards necessarily translate into what is best for South Africa? Some local academics argue that schools should be less concerned with overseas approval and more with domestic needs. Others argue that the two are not mutually exclusive. In fact, they say, a successful school must be both internationally aware and locally sensitive. It is all very well equipping students to succeed in South Africa but local business does not exist in a bubble: in an era of globalisation, even local teaching must be placed in an international context.

By the same measure, what is “local”? Assuming one is working in a formal business environment, the same basic business rules apply wherever you are.

South African business schools face an extra challenge in this regard. Not only must they offer local and international business education, but they must also cater to a broader African audience. Outside SA, Sub-Saharan Africa is not blessed with many business schools. Of those that exist, only a couple—in Nigeria and Kenya—have reputations beyond their national borders. SA schools see it as part of their responsibility to help fill the education gap.

They all have a significant number of MBA students from the rest of Africa but also believe they should help raise standards at schools across the region. Some do this individually, through direct relationships with other schools, and others through the Association of African Business Schools (AABS), which seeks to raise overall standards through cooperation. Officially a meeting of equals, the association gets most of its impetus from South Africa. International bodies like AMBA and the European Foundation for Management Development (EFMD) are also using South Africa and AABS as catalysts to improve business education and provide management skills in Africa.

However, South African schools must tread carefully in their relations with the rest of the continent. They want to avoid the accusations of

arrogance that have bedevilled South African companies doing business elsewhere in Africa. There is resentment at the paternalistic, “we-know-best” attitude of many executives and marketers from Johannesburg and Cape Town.

So while South African business school academics say they want to involve themselves more in uplifting standards of African business education and management skills, they feel that the invitation must come from partners in other countries.

This is not just the case for MBAs. There is a general lack of business education in Africa. Ahmed Shaikh, head of the privately-owned Regent Business School in South Africa’s port city of Durban, says: “Developing business leaders is crucial if Africa is to address big challenges such as poverty, economic volatility, poor infrastructure, corruption and weak public governance.”

But how should these issues be addressed? Certainly not by following established Western business principles that have little or no relevance to Africa. Coming back to the earlier argument that there needs to be a mixture of international and African context, there is a growing view that, like Africa’s claim that modern man originated there (an opinion challenged by China), the continent can also become the cradle of modern business thinking.

Education analyst Jim Playfoot, in a joint research paper for AMBA and AABS,²⁴ argues that Africa is not bound by generations-old, traditional thinking that hinders progressive business approaches in the Northern Hemisphere. He writes: “By developing new models of education ... business schools throughout Africa have the potential to stand at the very cusp of innovative practices in global management education. They have the potential to diverge from, or improve on, dominant and often ill-fitting Western business school methods and develop a new understanding of what management education should be.”

²⁴Jim Playfoot *Game-Changing, Trend-Setting: Collective voices on African education today and tomorrow* edited by George Mugatroyd, Association of MBAs (AMBA), 2015.

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9

Higher Education in Management: The Case of Poland

Dorota Dobija and Sylwia Hałas-Dej

Introduction

Higher education in Poland is one of the most dynamically developing areas of society in the country. Within 20 years it has undergone dramatic quantitative and institutional changes. Among major developments was the introduction of private academic institutions and continuing demand for management training. However, a grasp of contemporary management education would not be complete without understanding its roots

D. Dobija (✉)

Department of Accounting, Kozminski University,
ul. Jagiellonska, 59, 03-301 Warsaw, Poland
e-mail: sylwiah@kozminski.edu.pl

S. Hałas-Dej

Center of Excellence, Kozminski University,
ul. Jagiellonska, 59, 03-301 Warsaw, Poland
e-mail: dobija@kozminski.edu.pl

reaching back to 1918, when Poland regained its independence. At that time, the development and reconstruction of Polish industry became a priority.

Many indisputable achievements of Polish industrial development would not have been possible without the intellectual and methodological support of the country's management experts. Polish society at that time had at its disposal the professors of Lwów¹ and Warsaw Polytechnics, Edwin Hauswald and Professor Karol Adamiecki. The latter started to develop his ideas of scientific management independently while working in the Russian steel mills in the 1890s. In 1925 Adamiecki became a co-founder of the Institute of Scientific Organisations, a private organization involved in research, counselling and promoting scientific management. The other prominent founding fathers of the institute included Henri Fayol and Henri Le Chatelier, Piotr Drzewiecki, an industrialist, philosopher and politician, and Ignacy Mościcki, then President of the Polish Republic, who was also an industrialist and inventor.

The Stalinist period, between 1949 and 1956, probably inflicted more damage on management education than the Second World War,² as the state took complete control of all educational activities and copied the Soviet Union's educational programmes.

A new period of development of management science and education started in 1956, and was characterized by Kwiatkowski and Koźmiński (1992) "as remaining in somewhat of a schizophrenic state". The management faculty was still subject to communist indoctrination, but links with the West were being encouraged with the intention of transferring Western management techniques to socialist firms. At that time, a number of scholars were trained in the West, and access to foreign (Western) management literature was relatively easy. In 1958, with the assistance of the International Labor Organization and the Ford Foundation, the Central Management Development Center was created. Furthermore, in 1972 Warsaw University's Management Faculty was established. Those institutions, together with a number of others around Poland, contributed to the popularization of the Western approach to management.

¹ Lwów became a part of Ukraine after the Second World War.

² Some educational institutions were active underground during the Second World War.

When the free market economy was born in Poland in 1991, the country already had a number of management experts ready to work. However, at the same time, there was an increasing need for management education resulting from both management gaps and the challenges of economic, political and social transformation. In 1991 Warsaw University's international Postgraduate Management Center and International Business School³ awarded their joint MBA degree to 26 graduates of the first executive MBA programme in Poland (and the whole of "post-communist" Europe as well) (Kwiatkowski and Koźmiński 1992).

Today, Poland holds fourth place in Europe (after the UK, Germany and France) in terms of the number of people enrolled in higher education. The total student population of nearly two million attends more than 450 institutions of higher education. The Polish education system is part of the European Higher Education Area. Most schools offer courses in foreign languages. Polish higher education institutions (HEIs) offer management programmes that are taught in Polish and partially or entirely in English. These programmes range from BA and BSc degrees to MBA programmes, offered as stand-alone programmes or in cooperation or jointly with foreign universities (Odraszekiewicz 2013). Doctoral programmes are offered in Polish and English mostly in state-run higher academic institutions (with only a few PhD programmes offered by private institutions). There is also a growing need for the development of life-long learning institutions responsible for both postgraduate and executive education and short corporate programmes.

The Supply and Demand for Higher Education in Business

After the Bologna agreement, Poland introduced a three-cycle (bachelor's, master's, PhD) degree structure intended to gradually replace the preceding European-style single master's degree followed by a doctorate. The current model is presented in the illustration below (Fig. 9.1):

³The International Business School was a founding partner of Kozminski University, the first academic institution in Poland and the whole of Central Europe to hold the triple crown (EQUIS, AACSB and AMBA accreditations).

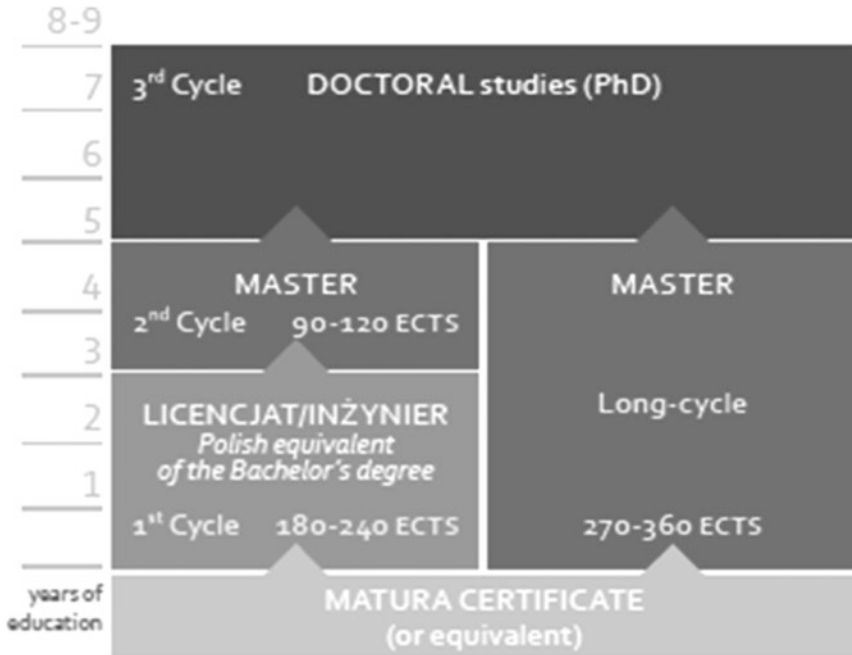


Fig. 9.1 Three-cycle degree structure

There were 434 HEIs in Poland in 2015, of which 69.6 % were non-public. The table below presents the main statistics related to the HEIs. A clear trend can be noticed: the number of HEI providers is declining as a result of a drastic decline in the number of students. This trend is expected to continue until 2025.

Table 9.1 provides information on the number of students at various types of HEIs. It is, however, worth noticing that the higher schools of economics (nowadays very often universities of economics) do not provide education in the field of economics only (please see subsection on faculty and doctoral education for further explanation on the fields of science). They were the traditional providers of education in the different disciplines of economic science, such as: economics, management (business administration), finance and accounting, Management Information Systems (MIS), marketing and so forth. It is also worth mentioning that management education (on a bachelor's and master's level) is provided by more than 75 % of HEIs, including state-owned HEIs (universities,

Table 9.1 Main statistics related to higher education in general and in business

	Schools			Students (in thousands)		
	2001/2012	2010/2011	2014/15	2001/2012	2010/2011	2014/15
Higher education institutions	310	445	438	1584.8	1841.3	1449.4
Non-public higher education schools	195	328	302	472.3	580.0	359.2
Higher schools of economics	94	79	70	369.5	278.4	187.1

Source: Central Statistics Office report on higher education institutions and their finances in 2014, Warsaw (released in November 2015)

polytechnics, universities of economics, agriculture universities and military universities). This dispersion of education in business administration is possible as the constitution of the Republic of Poland and the Law on Higher Education (ACT of 27 July 2005 Law on Higher Education) guarantee the autonomy of universities. The universities are free to create their programmes and cooperate with business, public administration and the third sector.⁴

According to the “Report on Higher Education Institutions and their Finances” in 2014, 23.4 % of the total population of students in Poland were studying economics and administration programs in the academic year 2013/2014 (Central Statistical Office 2015, p. 33).⁵ The same report also provides data as of November 30, 2014 (academic year 2014/2015) where 18.8 % of were studying programmes in business and administration (followed by 11.2 % studying engineering and 10,3 % social science) (Central Statistical Office 2015, p. 33).

With such a large saturation of business education, two main strategies can be observed in relation to business education providers. The first approach would be to compete by differentiation (superior quality,

⁴The only entry barrier for bachelor and master’s program is meeting requirements related to specific numbers of faculty allocated to a specific programme offered.

⁵In 2014 the name of the programme was changed to management and administration due to the new classification introduced by International Standard Classification of Education (ISCED-F 2013).

resources and accreditations); however, the majority of business management education competes on the basis of lower costs of education.

At the other end, doctoral education has higher entry barriers as it requires special rights to be granted to offer PhD programmes (see section “Faculty and Doctoral Programmes” for more details).

Undergraduate and Graduate Education in Business Administration

One of the features of the HEIs on the demand side are demographic changes. In 2014/2015 the number of students decreased by 5.2 %, which was less of a decrease than in the previous academic year. However, it was the seventh successive year in which the number of students declined (year by year the population aged 19–24 has been decreasing too). This has had a huge influence on the sustainability of institutions, particularly in the non-public sector. It also affects the current market and will influence the competitiveness of the market in the future. Another challenge is related to the development of new models of professional careers. HEIs will need to incorporate non-traditional methods of gaining knowledge and skills, including learning by professional experience, and become more flexible in the delivery of high-quality products.

The Polish higher education market is very price sensitive. With limited possibilities of raising prices and substantial fixed costs, Polish HEIs face challenges related to short-term financial planning and long-term investments. In the case of public HEIs, the state subsidy covers an average of 76 %, while 12 % of the budget comes from tuition-based activities. For non-public HEIs, on average 82 % of the budget comes from tuition-based didactic activity.⁶

The student/tutor ratio in the higher education sector in general is relatively high, and reached a level of 13.3 for public HEIs and 27.4 for non-public schools. Higher schools of economics have a higher ratio on average: 20.2 in public schools and 32.5 in non-public schools (Central Statistics Office 2015). In the case of higher education related

⁶Central Statistics Office report on higher education institutions and their finances in 2014, Warsaw, released in November 2015.

to business administration, the average cost of education per student was 8,700 PLN for public schools and 8,200 PLN for non-public schools (Central Statistics Office 2015). These costs are the estimated average costs of educating a single student as incurred by an HEI.

Postgraduate and Executive Education in Poland

The development of postgraduate education is related to the existing difference between market expectations and the current alumni. The existing undergraduate and graduate programmes very often miss the content related to soft skills development and advanced practical applications. Candidates apply to postgraduate and executive type of education because of their own strong motivation or as a necessary step in the development of their personal career paths, which will help them to build their advantages in the market.

As in many other countries, an MBA is not officially recognized as a degree in Poland. The demand for this type of education comes from the education market. Because MBA programmes are not recognized as a degree, they are run mainly at postgraduate level, and professional or managerial experience is required. Another feature of MBA education is that it is not only offered by HEIs, but also by training companies (local or international, jointly in consortium or separately). Currently, there are more than 60 MBA programmes in Poland (source: MBA portal, mbaportal.pl).

The executive education market is a real sea of possibilities, in which there are many institutional and individual providers. However, not many HEIs provide this type of education. The more advanced programmes (including executive MBAs, postgraduate programmes and short courses) require special resources, such as academic and business-oriented staff, special means of delivery and different infrastructure and services. To be an important player in the market, providers have to choose a strategy that gives them competitive advantage based on international and national recognition, quality of staff and carefully chosen teaching methods.

Quality HEIs providing education in the area of business administration are increasingly paying more attention to the use and development of

active teaching methods. To achieve planned learning outcomes, classes are held in the form of lectures, workshops and discussion seminars. All forms of classes incorporate methods that include projects, case studies, simulation games, tutorials, the development of alternative solutions, discussions, action research, analysis of examples of problem situations and attempts at decision-making, mini-simulations, interviews with entrepreneurs, behavioural modelling, debates, brainstorming, exposure methods and case solving.

The blended or distance method is also on a growth trajectory. Many suppliers start with the distance modules and incorporate them into the mainstream of programmes. Distance learning is growing fast, especially in terms of training.

Faculty and Doctoral Programmes

The higher education institutions in Poland are divided into state (public) and private (non-public) institutions. There are two main categories of higher education institutions: university type and non-university institutions. In the university-type HEIs, at least one unit (normally a faculty) is authorized to confer the academic degree of doctor (PhD), that is, such a unit offers at least one doctoral programme.

The structure of careers and academic qualifications in Poland is broadly similar to those obtained in Germany and some other European countries. Beyond the bachelor, master's and PhD qualifications ladder there is a further step of *habilitation*. Only those with a Dr habil. qualification may supervise and examine doctoral theses. This second research-based doctorate (Dr habil.) is a prerequisite for appointment to senior posts in the academic profession, although it is not the final step required.

Academic staff aspiring to the highest posts must also submit to a further assessment of their research, and, if successful, will then be awarded the "academic title" of professor. This assessment is different from appointment to a specific professorial post and can be regarded as a further prerequisite qualification (OECD 2007). It requires additional substantial research outputs and indicators going beyond those required when assessed for the Dr habil. Degree (including the ability to attract research grants from various sources), although a formal thesis is not required as is

the case of a PhD or Dr habil. Teaching quality is not a part of the evaluation. The applications are submitted to the Central Commission for Academic Degrees and Titles (CCADT) and once approved by CCADT the title is granted by the President of the Republic of Poland.

Academic staff are divided into a number of grades, and appointments are made by academic institutions, not by the ministry. The grades range from full professor, for which the professional title is a requirement, through associate professor (requiring the Dr habil.) to assistant professor (or tutor) (where a PhD is required) and (teaching) assistant, which requires a master's degree. There are also lecturer titles for teaching-only staff. In 2008 approximately 24 % of full-time staff in the Polish system were full professors or associate professors, 42 % were assistant professors, 14 % tutors and assistants and 20 % lecturers (KRASP 2015, p. 54). The average age for the position of full professor is 61, while the average age for associate professors is 56, and assistant professors 46 (KRASP 2015, p. 54). The mandatory retirement age for full professors is 70, and 65 for any other post.

Academic institutions enjoy considerable autonomy in terms of human resource management. These institutions have the freedom to appoint and promote staff, subject only to national restrictions on the qualifications for occupying specific academic grades. They also have the freedom to set salaries (within centrally fixed salary bands in the case of public HEIs). The Act on Higher Education stipulates the maximum number of hours of work per year to be 120–240 teaching hours for research-teaching positions, and 240–360 teaching hours for teaching only positions, but the institutions have the freedom to allocate teaching and research on a flexible basis.

The OECD (2007) report points out to two important weaknesses of the HEIs. Those weaknesses were also noted in a more recent document presenting the strategy for the development of higher education 2010–2020, promoted by the Conference of Rectors of Academic Schools in Poland (KRASP 2015). Both documents point to the long period of apprenticeship in research before a professorial title is awarded. The average age for a Dr habil. is around 45 and a full professorial title is around 60. At the same time, there are no well-developed programmes for staff development to improve teaching skills within a formal or informal qualification structure.

Another specific feature is multiple appointments, an endemic problem resulting from two factors. The first is related to the severe pressure on public expenditures and the considerable depression of salaries. For academics, taking a second job was considered a way to maintain a reasonable standard of living. This opportunity for double appointments facilitated the expansion of the mainly non-public higher education sector. Hiring already trained and experienced academics from the public sector was not only an opportunity to reduce fixed costs (recruitment, training and support costs) but also enabled access to already qualified staff. Otherwise, newly established institutions would have to seek faculty on the open market, which is characterized by a limited supply of qualified staff.

It is also noteworthy that the ministry made some attempt to restrict full-time employees of HEIs to just one other contract of employment. Furthermore, some institutions have put internal policies in place to reward those who do not take on additional appointments.

An additional feature of the Polish system is that PhD granting rights are awarded not to HEIs but their units (faculties, institutes) after a careful assessment conducted by CCADT (see the sub-chapter below for more details about the role of the CCADT).

There are 39 units of HEIs that have the right to award a PhD degree in economic science. The PhD in economic science is further divided into the area of economics, management and finance and commodity science.⁷ Some institutions have two or more units that have the right to award a PhD degree in the same area. A summary of the number of units with PhD granting rights is provided below (Table 9.2).

⁷The Ministry of Higher Education regulates the fields of science. The current structure has three levels: (1) area of knowledge, (2) field of science and (3) discipline. According to the Law on HE (2005) there are four disciplines in field of economics (economics, finance [from 2011], management science and commodity science), while the field of economic science is part of a broader area of social science. This classification is somewhat problematic as some well-established disciplines like marketing, or accounting, do not exist in the Polish classification system. This creates a growing problem and tension, especially for the representatives of those disciplines that are missing in the classification. Marketing would normally be considered as part of management science; accounting on the other hand could be classified either as management or finance. If research in accounting is concerned with the firm level (for instance studies of accounting systems in various organizations) it would be classified as management science, while studies in accounting related to the markets would be considered finance.

Table 9.2 Summary of number of units of HEIs with permission to grant a PhD degree

	Total units with granting rights in economic science (non-public institutions with granting rights)	In area of economics (non-public institutions with granting rights)	In area of management (non-public institutions with granting rights)	In area of finance (non-public institutions with granting rights)
PhD (doctor)	59 (6)	43 (3)	31 (4)	17 (1)
Dr habil. (doctor habilitowany)	41 (1)	33 (1)	17 (1)	5 (0)

Source: Based on data from Polon <https://polon.nauka.gov.pl/opi/aa/ck/stnauk/upr;jsessionid=1C128C697FD3455F5CA2F5A33528A3E8.NwsProdBNwsProdB?execution=e1s1>, downloaded November 5, 2015

Academic training can take two forms: through formal employment at an HEI as a teaching assistant or through participation in a doctoral program. The first option has been the traditional way of pursuing an academic career path, and is still practiced in most HEIs. The teaching assistant's average teaching load is 210 hours per year and the assistant is fully engaged in the various activities of the institution for which he/she works. The Act on Higher Educations stipulates that an employee can be hired in the position of teaching assistant for a period not longer than eight years; therefore, it is expected that the teaching assistant should obtain a PhD through a form of mentoring system within the same period (without a need to formally enrol in a PhD programme).

The alternative way of starting an academic career is to join one of the doctoral programmes implemented as a result of the introduction of the Bologna system. Third-cycle studies—doctoral degree programmes—normally last three to four years and are accessible for graduates of a master's degree programme leading to the PhD. The PhD programmes can be offered only by university-type schools as well as some research institutions (departments of the Polish Academy of Sciences, as well as research and development institutions). A PhD is awarded to candidates who submit and successfully defend a doctoral dissertation before the thesis committee and pass the doctoral examination.

In general, there are around 40,000 doctoral students (53 % are women), of which around 5,000 study doctoral programmes in economic sciences, with the majority working on PhDs in management (Leja and Kitowski 2013). The average success ratio for a PhD, is estimated to be 1:10. This unusually low success ratio could be associated with the fact that most of the students undertaking doctoral education are business professionals working and developing their careers outside of academia simultaneously to their efforts to get a PhD. It is also worth noting that only a limited number of PhD graduates from those programmes continue their academic careers thereafter.

Regulatory Bodies and Evaluation

Two parliamentary acts regulate Poland's higher education system. The Law on Higher Education of July 27, 2005 regulates the higher education system in Poland, while the Parliamentary Act of March 14, 2003 on academic degrees and academic titles in the area of arts regulates matters related to obtaining academic qualifications. The General Council of Higher Education (Rada Główna Szkolnictwa Wyższego) cooperates with the Minister of Science and Higher Education and with other governmental bodies in developing the state's educational policy in the area of higher education. The council is responsible for defining the fields of study and developing educational standards. These standards are then implemented in accordance with separate regulations from the Ministry of Science and Higher Education.

One of the features of the Polish higher education system is that responsibility for the quality and standards of the qualification structure is split between the Polish Accreditation Committee (PAC) and a national commission, CCADT, which takes responsibility for PhDs., Dr habils. and the academic title of professor. The PAC is the only statutory body in Poland responsible for assessment of the quality of education provided by HEIs through programmes and institutional evaluations. The PAC then advises the minister on institutional proposals to award bachelor's and master's degrees in new fields or at higher levels. The CCADT advises the minister on applications for the right to confer both levels of doctoral

degrees (PhD and Dr habil.), as well as to organizing fields of study and directly assessing applications for the Dr habil. Degree and professorial title through ad hoc committees it nominates for each case.

The scientific excellence of the scientific units of HEIs is monitored by the Committee for Evaluation of Scientific Units (KEJN), a consultative and advisory body to the minister. The committee's main task is to outline the project parameters and criteria for comprehensive evaluation of scientific units and to perform such evaluation at least every four years. The committee indicates to the minister the leading scientific units, taking into account the quality of their scientific activity in order to determine the level of financial support that should be granted to fund their research potential.

Additionally, the University Accreditation Committee (UKA) monitors the quality of higher education set up by the Conference of Rectors of Academic Schools in Poland (KRASP). Some indexes applied in various rankings can also be good indicators of quality. The most recognized ranking in Poland is one prepared on an annual basis by the educational foundation "Perspektywy" (FE). The ranking includes the HEIs specializing in economics science (where, traditionally, education in the area of business administration takes place), but also special rankings of the best MBA programmes as well as of master's programmes in management and economics (Table 9.3).

The Association of Management Education (SEM Forum) was officially registered in February 1993 in Warsaw on the initiative of 19 charter members interested in promoting management education in Poland.

Table 9.3 Elements of evaluation and accreditation of higher education in Poland

	Evaluation of specific programmes of study	Institutional evaluation
PAK	V	V
CCADT		V
UKA	V	
FE Perspektywy	V	V
KEJN		V

Based on: Górnjak (2015) Program rozwoju Szkolnictwa Wyższego do 2020 r. Część III. Diagnoza szkolnictwa Wyższego. Fundacja Rektorów Polskich, Warszawa.

The aim of the SEM Forum is to promote and implement the best solutions that serve this purpose. The SEM Forum also runs its own accreditation scheme, but is not very popular among business schools. The SEM Forum also organizes its own rating of MBA programmes run in Poland.

One of the features of the Polish higher education system is also the low level of internationalization. Polish institutions score very low in general rankings such as Academic Ranking of World Universities (ARWU), the World University Rankings or the QS World University. However, an increased interest in thematic international rankings and accreditations can be noticed among HEIs providing education in the area of board business administration. These include CEEMAN, EQUIS, EPAS, AACSB and AMBA accreditations, as well as FT rankings. Of almost 300 higher academic institutions providing education in business administration (public and non-publicly funded) only one Polish business school enjoys the triple crown. Kozminski University is not only the first in Poland, but also in Central and Eastern Europe, to hold EQUIS, AACSB and AMBA accreditations. Among other schools, Nicolaus Copernicus University holds the AACSB accreditation. AMBA has accredited five MBA programmes run in Poland (at four institutions). Three institutions enjoy EPAS accreditations awarded to four different programmes. There are also four institutions accredited by CEEMAN IQA (international accreditation awarded by Central and Eastern European Management Association).

In terms of international rankings, only two schools, Kozminski University and Warsaw School of Economics, are ranked by the FT.

Conclusions

Management education, which was originally conceived as an elite educational track dedicated exclusively to business, has been confronted by the high demands of individuals seduced by the promise of a better future, or forced into entrepreneurship and management by the evolution of the markets (Kozmiński 2011, p. 2). Today, management education is provided not only in big Polish cities, traditionally equipped with advanced academic institutions, but is mushrooming all over Poland in

approximately 300 institutions. The consequence is high market segmentation and a large range in the quality of education provided.

The demand for higher education on the undergraduate and graduate level is slowly declining as negative demographic trends become more persistent. This affects all higher education systems, including management and administration studies. However, this negative trend in business and administration programmes is largely mitigated by the increasing demand for specialized postgraduate and executive education, and it is expected that the needs for quality executive and postgraduate education will continue to grow in the future.

Regardless of the type of education (public, non-public, undergraduate, graduate, postgraduate or executive), the cost factor is becoming an important issue. The delivery costs of management education have become increasingly high. Some institutions, especially those not supported by public funds, have difficulty keeping pace. For that reason it is expected that the market for higher education will be subject to pivotal changes. It seems that in a longer perspective only those institutions focusing on a high quality of education, innovation and internationalization will have a chance to survive in the saturated Polish market.

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10

Higher Education in Management: The Case of Canada

Jean-François Chanlat and Allain Joly

Canada is a bi-cultural country and this has contributed to the development of a two-tier government system. As a result, education has been a provincial endeavour—even though the central government has found several ways to have its say in education, mostly through stipend programmes for students and academics.

A second determining contextual element is the colonial past of the country which nowadays brings influences from France and the Anglo-

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J.-F. Chanlat

Full Professor, Université Paris Dauphine, Research University Paris Sciences et lettres (PSL), CNRS, DRM (M&O), 75016, Paris, France

A. Joly (✉)

Associate Professor, HEC-Montréal, Québec, Canada

e-mail: allain.joly@hec.ca

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Saxon worlds. Even though the influence of the UK has waned, it has been replaced by strong American trends that most business schools have chosen to emulate for geoeconomical reasons.

This alignment with the US model has been a boon to some Canadian business schools that came to be considered as equal to some of the best US schools. This has produced two main effects: management as a profession has been raised to almost an equal status with liberal professions during the last half century while, at the same time, this perceived quality of Canadian business schools has attracted scores of foreign students, thus transforming the business school campuses and society in Canada.

In the following overview of the business education scene in Canada, we first present a general overview of the present situation and then, in the second section, try to understand the current dynamics at work. We close by questioning the future of this system.

The Supply Side of Management Education in Canada

This first section deals with the relative importance of business studies in the Canadian university setting by focusing on degrees granted, tuition fees, the drive to enroll foreign students and an overall view on the financial balance of the university system.

There are currently approximately 65 business schools in Canada and all of these are mostly financed through the respective provincial departments of education. None of these schools is a private establishment. As public funds are allocated on a per capita basis to universities, Canadian business schools, much like other social sciences departments, end up playing the role of “bankers” to more expensive departments in recipient universities.

According to North American views on pedagogical “best practices”, starting in the mid-1990s interactive approaches have been privileged in class along with the use of electronic devices to deliver course materials. The programmes are mostly developed around a functional view of organizations with a few experimentations based on more “hands-on” and experiential approaches like the so-called summer schools in which a small number of students participate in more focused apprenticeships

(organized for instance around “doing business in” foreign countries and a few others along thematic lines, like “managing the creative economy”).

Finally, tuition fees have experienced a sharp increase in throughout Canada (except Québec and Newfoundland) in the past 20 years as universities adjusted their own fees in order to make up for what was no longer provided by public funding. Because of the per capita approach used by governments, there has also been a sizeable increase in the number of admissions in order to compensate for the shortfall in public funds, especially in business programmes, as these are still believed to lead to better-paid positions upon graduation and to be among the less expensive courses for the universities to maintain.

As enrolment practices for undergraduates in business studies are starkly different in each province and institution, we have chosen rather to focus our analysis on the number of students who were ultimately granted university degrees in order to better illustrate the relative importance of business studies in the general setting of the Canadian universities.

As can readily be seen in the above Table 10.1, undergraduate business studies have slowly but steadily attracted more students in the last five years. It is at this level that preoccupations with finding a decent job once studies are over are the highest. Also worthy of note is the relative decline of the second cycle programmes. One could suspect that the decline of MBA programmes could be part of the explanation here, as they no longer guarantee access to the golden fleece for aspiring executives. And finally, the third cycle of business programmes are only a tiny portion of all those programmes available in Canadian universities. This is most probably because American doctoral programmes still exert a huge attraction on Canadian students, while at the same time Canadian universities continue to send out strong messages when they recruit most of their young tenure-track professors from among candidates with US degrees.

In many institutions, these programmes are offered both full- and part-time (mostly for adults retraining or students working in order to pay their tuition). To fulfil this regular offer, Canadian institutions will compete for the adult student population with shorter programmes, usually culminating in certificates (30 credits, first cycle) or diplomas (second cycle). These shorter programmes are also thought of as extension courses by professional boards, which are most probably increasingly going to use this approach to make sure that their members are up to date in their

respective fields (one may consider accounting, finance and several other professional fields that are increasingly organized by associations which act like certifying boards, even though they may not have any exclusivity privileges as, for example, medical boards do).

Another competitive arena for business schools and departments during at least the last 20 years has been the foreign student market. In Canada, foreign students pay much higher fees than native Canadians, and, due to a general ethos of public spending restrictions since the 1990s, universities have deployed more efforts and resources in order to court foreign markets, especially in the undergraduate programmes, as evidenced in the following Table 10.2.

But another question arises: have these recruiting efforts been fruitful for Canadian universities? In order to get an answer, one could look at the data provided by the Canadian Bureau for International Education, an organization that has kept on promoting the recruitment of foreign students for a long time (Fig. 10.1).

One cannot help but acknowledge the success of these enrolment efforts displayed by Canadian educational establishments, and the universities in particular. This discussion highlights of course the core importance of the financial means at their disposal in order to be able to maintain their attractiveness and their academic standing, while their main competitors are just a few dozen kilometres away, south of the border.

Table 10.1 Post-secondary graduates, business, management and public administration (as a percentage of each cycle total)

(PCSCCE), annual (number) (1,2,3,4,5)	2007	2008	2009	2010	2011	2012
<i>Business, management and public administration as a percentage of the UNDERGRADUATE total</i>	15.7 %	16.2 %	16.6 %	16.8 %	17.4 %	17.5 %
<i>The same as a percentage of the GRADUATE (2nd cycle) total</i>	28.8 %	28.2 %	28.0 %	28.5 %	27.9 %	27.6 %
<i>The same as a percentage of the GRADUATE (3rd cycle) total</i>	3.5 %	3.4 %	3.5 %	3.5 %	3.8 %	3.2 %

Source: Statistics Canada. CANSIM Table 477-0036—*Post-secondary graduates, by programme type, credential type and Pan-Canadian Standard Classification of Education (PCSCCE)*, (accessed: July 20, 2015); CANSIM Table 477-0030—*Post-secondary graduates, by programme type, credential type, classification of instructional programmes, primary grouping* (accessed: August 21, 2015)

We can now turn our attention to this question further by examining the revenues accruing to the universities and their greatest expenses. As there are no separate data for the business schools, we are using the higher education accounting system, positing that this is not much different from the business schools.

While revenues did experience a significant growth over the last five years (almost 10 %), the governmental funding declined by almost 3 %. Thanks to their entrepreneurial behaviour, higher tuition fees and aggressive recruitment of foreign students, universities (and business schools) still succeeded in growing their revenues.

At the same time, expenditures grew at a faster pace (nearly 14 %), mostly because of the growth of salaries on the one hand and more importantly (relatively speaking) because of scholarships, bursaries and prizes which grew at an even faster pace than salaries. This is very telling about the competition waged between universities (and business schools) in order to attract (and retain) what they deem to be the best candidates available on the market.

Summing up, one can see from the above Table 10.3 that the financial situation in Canadian universities is in a delicate equilibrium, although not critical by any means. But this conclusion does not take into account the accumulated debt being serviced by Canadian universities.

As noted in our comments on university expenditures on salaries and bursaries, it is easy to understand that education is a labour intensive undertaking, and this last consideration leads us to our second section—looking at Canadian business schools' faculty.

Table 10.2 Weighted average tuition fee for full-time Canadian and foreign undergraduate students, annual (Canadian dollars)

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Business management and public administration, natives	\$5.386	\$5.673	\$6.097	\$6.274	\$6.525
Same field, foreign	\$16.349	\$17.637	\$18.185	\$19.525	\$20.506

Sources: Statistics Canada. Table 477-0021 – *Weighted average tuition fees for full-time Canadian undergraduate students, by field of study, annual (dollars)*; Table 477-0023 – *Weighted average tuition fees for full-time foreign undergraduate students, by field of study, annual (dollars)*

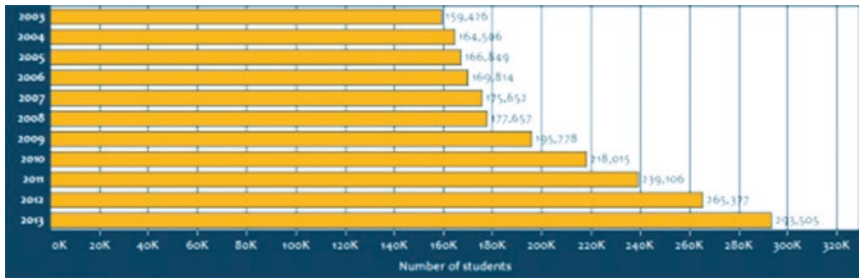


Fig. 10.1 Canada's performance on international markets for education, 2014

Canada ranks as the world's seventh most popular destination for international students

International students comprise 8 % of the post-secondary student population in Canada

Canada derives \$8B annually from international student expenditures including tuition and living expenses.

The presence of international students created over 83,000 jobs and generated over than \$291M in government revenue (2009)

Source: Canadian Bureau for International Education (CBIE) website, accessed on July 15, 2015. <http://cbie-bcei.ca/about-ie/facts-and-figures/>

Table 10.3 Balance of revenues and expenditures in Canadian universities, 2009–2015 (in thousands C\$)

	2009/2010	2010/2011	2011/2012	2012/2013	2014/2015
Total revenues	\$31.929.458	\$32.554.004	\$32.085.344	\$33.582.495	\$35.071.107
<i>Growth index</i>	100.0 %	102.0 %	100.5 %	105.2 %	109.8 %
Total expenditures	\$29.868.779	\$31.330.951	\$32.091.676	\$32.414.094	\$33.270.373
<i>Growth index</i>	100.0 %	104.9 %	107.4 %	108.5 %	113.9 %
Balance	\$2.060.679	\$1.223.053	(\$6.332)	\$1.168.401	\$1.800.734
Balance as % of revenues	6.45 %	3.76 %	-0.02 %	3.48 %	5.13 %

Source: As per statistics Canada CANSIM tables 477-0058 and 477-0059

The Faculty on the Canadian Management Education Scene

In this second section we will examine the relative importance of the professors developing a career in the business education system. We will then endeavour to identify the dynamics underlying the evolution of the rank and file of said faculty, and finally have a quick look at its median academic revenues.

Faculty is obviously the most important “asset” in any university, as professors attract students and contribute to the institution’s standing in the higher education market with their research, public outreach and teaching abilities.

As noted in the previous section, business studies have been “promoted” from a rather lowly academic status to one of the most sought-after degrees, in this following a general North American trend.¹ As of late, though, the proportion of business school professors in universities has stabilized at around 7,5 % of the total, as one can see in Table 10.4.²

Business studies have therefore been one of the strongest growth areas in the academic setting and, concomitant with this evolution, faculty qualification requirements have grown substantially. A PhD is now a bare minimum and as the career has attracted many aspiring candidates, universities increasingly require postdoctoral studies for their business school openings. As the market gets increasingly saturated with turn-key PhD graduates, a new level of requirement has been added and this is the number of papers published by the young PhDs looking for an academic job. The net result of this has been the growth of PhD dissertations based on published articles, as careers are increasingly gauged on this metric, even in the less prestigious business schools. Lately, business schools have been contemplating churning out PhDs for the open labour market, as academic recruitment growth has dwindled.

Before Canadian business schools came of age with their postgraduate programmes, young assistant professors were invited to undertake their doctoral studies in one of the Ivy League universities and come back to their institution in order to start their careers. As a result of this historical dependence on American universities, the Canadian business school programmes’ structure has taken a strong American bent.³ Variations from this model are very few, and the present drive for certification with international bodies (AACSB, EQUIS, AMBA) is another competing lever

¹Two reports were particularly influential in this evolution: the so-called Carnegie Report, coordinated by Pierson in 1959, and the other financed by the Ford Foundation and coordinated by Gordon and Howell, published in the same year.

²The discrepancy between the percentages of business professors and business degrees granted in Table 10.1 should be noted.

³See for instance Schneck (1978).

Table 10.4 Management professors as a percentage of the Canadian total (long-term trend)

	1970/1971	1980/1981	1990/1991	1995/1996	2000/2001	2006/2007	2010/2011
Total Canada	24.597	31.101	36.429	36.045	34.359	40.567	44.934
Commerce, management, marketing and related services as a percentage of the Canadian total	3.1 %	5.0 %	6.2 %	6.4 %	6.7 %	7.3 %	7.5 %

Source: UCASS (University and College Academic Staff System)

adopted by many of the Canadian business schools that reinforces this trend of standardization.

To sum up, the trend is towards postdoctoral studies for young aspiring professors, following PhD dissertations based on published papers, in order to make those candidates more desirable to the recruiting committees. This publication requirement varies considerably from one business school to another, the level of expectations being clearly stated by some of the more desirable business schools while it is left to the discretion of the promoting bodies in other institutions, which raises many questions as to the fairness of these opaque processes.⁴

At the time of writing and based on the most recent data available, the number of tenured professors (and tenure-track assistants) has been growing in spite of the restriction in the growth of public funding to the post-secondary education system.

There are at least two interesting things to point out in the above Table 10.5. On a global scale, the proportion of lecturers has declined in business schools, whereas the category of assistant professors and associate professors is slowly growing, indicating that, as a whole, Canadian business schools are recruiting more tenure-track professors than Canadian universities have been doing lately. This suggests that business schools feel that investing in their faculty gives them more competitive clout in their markets.

The above discussion leads us to examine the salaries paid by universities and business schools to their professors, as this is an important factor in the decision to join a given business school (Table 10.6).

One can readily acknowledge that business school professors enjoy a premium over average Canadian university professors, whatever their rank. This is a rather recent evolution, as one can see from the Table in Appendix 1, hinting at the very recent advancement in the academic status of business education and research to which we have alluded above. Looking at the above Table 10.6, one can note that the premium offered to management professors is higher for the younger professors (assistant professors and, to a lesser extent, associate professors), implying once again the investment by business schools in their faculty as a competitive tool.

⁴ See for instance Nathalie Dyke (2006).

Table 10.5 Number of full-time teaching staff at Canadian universities and percentage thereof in business schools, by Rank, Annual

	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
Total	40.567	41.306	41.954	44.423	44.934
Commerce, management, marketing and related services as a percentage of the total	7.1 %	7.1 %	7.3 %	7.1 %	7.6 %
Full professor	14.039	14.187	14.382	14.718	14.946
Full professors in this field as a Percentage of the total	5.7 %	5.8 %	5.9 %	5.5 %	6.4 %
Associate professor	13.195	13.618	14.208	14.941	15.473
Associate professors in this field as a percentage of the total	7.6 %	7.7 %	7.7 %	7.4 %	7.4 %
Assistant professor	10.910	10.986	10.824	10.591	10.161
Assistant professors in this field as a percentage of the total	7.4 %	7.9 %	8.1 %	8.0 %	8.4 %
Rank or level below assistant professor	2.181	2.203	2.196	3.402	3.487
Rank or level below assistant professor as a percentage of total in commerce, management, Marketing and related services	15 %	13.9 %	13.8 %	13 %	12.7 %
Total in this field, as a percentage of total Canada	7.3 %	7.4 %	7.5 %	7.4 %	7.6 %

Sources: Statistics Canada. Table 477-0017 – Number of full-time teaching staff at Canadian universities, by rank, sex, Canada and Provinces, annual (ended in 2012); for Commerce, Management, Marketing and Connex Services, UCASS (University and College Academic Staff System)

Notes: All counts with three observations or less are suppressed.

Rank or level below assistant professor includes lecturers, instructors and other teaching staff.

Table 10.6 Median gross salaries of full-time teaching staff at Canadian universities and business schools, by rank, annual (in %)

	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
<i>Full professor, commerce, management, marketing and related services as a percentage of university full professors</i>	106.0 %	106.2 %	106.6 %	106.4 %	106.3 %
<i>Associate professor, in the same field as a percentage of university associate professors</i>	111.5 %	114.6 %	114.3 %	113.2 %	112.4 %
<i>Assistant professor, in the same field as a percentage of university assistant professors</i>	118.5 %	117.9 %	120.3 %	122.0 %	121.4 %
<i>Lecturers, in the same field as a percentage of university lecturers</i>	108.9 %	108.7 %	107.4 %	100.0 %	100.4 %

Source: UCASS (University and College Academic Staff System); ended in 2012

But these numbers do not reveal much about the wide discrepancy that exists between the different universities and specific business schools in Canada. Those differences in salaries offered are based on the relative prestige of the different institutions, and on the provinces where those schools are located. For example, the highest salaries are found in some Ontarian and Albertan universities as these provinces are among the richest ones.

Another important dividing line for salaries is the language spoken. French-speaking business professors typically earn considerably less than their peers in the most prestigious English-speaking business schools. One can safely conclude that there is still clearly a language discount in Canada in the French-speaking universities and business schools.

This brief overview leads us to raise several questions about the Canadian scene.

Other Issues

Nearing our conclusion, one can state that this field has experienced a tremendous development during the last 50 years or so in North America as well as in Canada (ACSSB 2011). Business management and public administration are now fields where demand is among the highest. However, Canada has not grown that much wealthier with this glut of business graduates and one might suspect that there has been a lot of “job crowding out” occurring as business graduates became more readily available on the Canadian labour market. The following illustration seems to lend some credence to this thesis (Fig. 10.2).

With a decreasing young population, Canadian business schools will struggle to maintain demand at its present level. Several institutions have been developing their research activities, hoping that the resulting higher international rankings will attract more students.

As a consequence of this, another challenge will be to define what Canadian business schools intend to be in the future: communities dedicated to research, teaching, services to their communities, or else springboards for young and ambitious academics who will use these institutions as a step for self-aggrandizement.

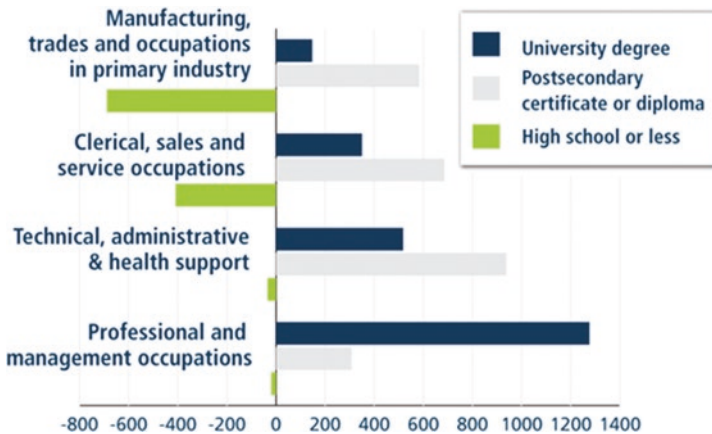


Fig. 10.2 Employment changes in thousands, Canada, 1990–2009 (Source: Universities Canada website, accessed on July 13, 2015. <http://www.univcan.ca/canadian-universities/facts-and-stats/shift-in-employment/>)

The shift in the Canadian demographic curve also means that recruiting foreign students will remain a top priority for most institutions that will have to make up for the financial shortfall. Another way out of the demographic dead end might be to attract young immigrants by courting them to graduate in a business school as a way to enable their smoother entry into the labour market.

Extension and executive education programmes will remain an important additional source of revenues for business schools, as they are among the most lucrative ones. Another challenge already being tackled is the provision of online courses. It seems that, as is the case with books, online education will not any time soon dispense with a demand for courses necessitating physical attendance.

Moving beyond mere marketing considerations, business management has been severely criticized of late as being amoral,⁵ as fostering social and environmental irresponsibility in the executive suite and, more fundamentally, as constituting an ineffective way of thinking, therefore impeding our capacity to solve contemporary problems.⁶ It seems to us that Canadian business schools, being very close to the American academic world held as the main source of these limitations, will have a tremendously hard time finding an original way to deal with these demands. This trend is particularly sensitive for the French-speaking business schools, notably in Québec, which have to be relevant to their own linguistic and sociocultural milieu (Lussier 2014; Lussier and Chanlat 2016).

Being among the most sought after degrees, business education programmes might get their most innovative approaches from the less prestigious institutions, which will thus seek to compete on different grounds than those defined by the dominant institutions, be it by producing more relevant research and/or by investing more heavily in teaching effectiveness, thus forcing a shift in the current supply.

⁵ See for example Sumantra Ghoshal (2005), Khurana (2007), Hopper and Hooper (2009).

⁶ Mintzberg (2015).

Concluding Notes

Even though business education in Canada has experienced tremendous development, like it has in many other countries (AACSB 2011; Durand and Dameron 2011), this fast development has turned fragile a field that has grown averse to questioning and/or has only paid lip service to coping with social challenges, like with the numerous courses in business ethics that popped up everywhere after the Enron scandals. This hubris, that has been reinforced by the international rankings game (Shin et al. 2011), has made several of our most prestigious institutions vulnerable to the Icarus paradox,⁷ some of them perhaps already being trapped in this quandary.

In our view, this is the most threatening self-deception that many Canadian business schools will have to confront.

Appendix 1: Historical Evolution of Median Academic Salaries in Universities and Business Schools in Canada, Selected Years 1970–2000

	1970–1971	1975–1976	1980–1981	1985–1986	1990–1991	1995–1996	2000–2001
All ranks in universities	\$14.225	\$22.575	\$35.500	\$50.075	\$66.200	\$72.950	\$79.675
All ranks in business schools	\$14.400	\$22.075	\$34.175	\$48.050	\$64.275	\$72.775	\$83.175
<i>Business as a percentage of university</i>	101.2 %	97.8 %	96.3 %	96.0 %	97.1 %	99.8 %	104.4 %

Source: UCASS (University and College Academic Staff System); ended in 2012

⁷ See Danny Miller (1990).

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11

Higher Education in Management: The Case of Portugal

João Carvalho das Neves and Vitor da Conceição
Gonçalves

Introduction

Formal management education started in Portugal by 1759 when the Board of Trade, with the support of the Prime Minister, Marquis of Pombal, founded the School of Commerce in Lisbon. ISEG Lisbon School of Economics and Management, Universidade de Lisboa (ISEG Lisbon University) actually integrated in the University of Lisbon, is the heir of this eighteenth-century venture.

The present structure of higher education (HE) in Portugal was revised and established in 1977. Two types of institutions offer management education—universities and polytechnics. There are four different legal statuses for those institutions—public, private institutions, cooperative institutions and the Catholic University. Until the 1980s, management

J.C. das Neves (✉) • V. da Conceição Gonçalves
ISEG Lisbon School of Economics and Management, Universidade de Lisboa,
Lisboa, Portugal
e-mail: jcneves@iseg.ulisboa.pt; vcg@iseg.ulisboa.pt

education had been confined to public Institutions and the Catholic University as a result of the concordat signed with the Holy See on the May 7, 1940 and revised on May 24, 2004.

During the 1980s, government policy on HE generated an expansion of public institutions in size and number, spreading institutions all over the country, and the private sector was also allowed to participate in this expansion.

The present situation is substantially different from that decade. The national demand for academic education is expected to decline, considering the ageing of the population, which has already been occurring during the last seven years (Table 11.1).

This is a threat for higher education institutions (HEI) that are less competitive. Some private universities have already been closed and several public institutions, in our view, need new business approaches and restructuring to positioning themselves differently and ensure their sustainability, attracting more national and international students and being more cost effective.

The market share for undergraduate management studies is 53 % for public universities, 20 % for public polytechnics, 24 % for private universities and 3 % for private polytechnics.

At the master's level, public institutions are even more prominent, with 76 % of market share, while the private sector account for 10 % and the Catholic University 14 %.

These market shares reflect the fact that public universities and the Catholic University have better reputations and perceived quality, which may also explain the lower percentage of management students doing master's degrees in the private sector. Reputation may also explain

Table 11.1 Evolution of the number of students in bachelor degree programmes in management and economics

	2006/2007	2013/2014	CAGR
Economics	6,827	4,646	-5 %
Management	11,566	9404	-3 %
Economics & management	18,393	14,050	-4 %

Source: <http://www.dges.mec.pt/>

the high ratio of demand to offers (95.8 %) ¹ at public universities in comparison to public polytechnics (65.4 %) or private universities (34.5 %) and private polytechnics (16.7 %), which may raise the issue of sustainability of some of the institutions with lower demand.

In 2009 there was an attempt to introduce public policy reform to public universities and polytechnics, giving them foundation status (equivalent to a private institution with a long-term contract with the state for providing public services) and an option to carry out voluntary mergers. However, so far only three institutions have adopted foundation status—University of Porto, University of Aveiro and the ISCTE-IUL (Superior Institute of Business and Labour Sciences)—and it was not until 2014 that the first merger occurred. The merger between the “Classic” University of Lisbon and the Technical University of Lisbon, adopting the name University of Lisbon (UL), had an immediate impact in the major international rankings (in Center for World University Rankings system the UL went from 278th to 257th position and in the Quacquarelli Symonds World University Ranking from 501st to 351st).

A recent movement of restructuring in the private sector is occurring with the entry of Laureate International Universities, a worldwide group of HEI based in USA, which is present in 28 countries that also offers online courses. After acquiring several small private HEI, this international group subsequently requested and obtained, in June 2013, university status, named as Universidade Europeia.

The Supply Side of Higher Education in Business

Universities are organized by various designations—faculties, schools or institutes. Management education is usually integrated within schools of economics and management that offer a range of academic management degrees, but polytechnics are not allowed to offer doctoral degrees. However, the present government has this issue under discussion. Besides

¹ Demand to offer ratio was calculated as the number of enrolments divided by number of “*numerus clausus*”.

After Bologna Agreement Implementation

Universities	Bachelor's degree	Master 90-120	Doctoral 180
	180		
Polytechnics	Bachelor's degree	Master 90-120	
	180		

Fig. 11.1 Structure of management degrees in Portugal

general degrees in economics and management (bachelor, master's and doctoral), business schools also offer specialized master's degrees, post-graduates and executive education on marketing management, banking and finance, strategic management, management information systems, human resources management, transport and logistics management, real estate management, sports management, actuarial sciences and others. Bachelor degrees offered by polytechnics related to management are more focused on commerce, accounting and taxation, hotel and restaurant management, marketing and advertising, transport and logistics management, and tourism and leisure.

In accordance with the Bologna convention, management education in Portugal has generally adopted the bachelor-master's-doctorate structure, as well as the corresponding number of ECTS per degree (30 ECTS is equivalent to a semester of study) (Fig. 11.1).

Main Suppliers of Management Education

The three major players in number of students in business education in Portugal are ISEG Lisbon School of Economics and Management (University of Lisbon), Nova School of Business and Economics (Nova University) and ISCTE-IUL. The second tier is formed by Porto University Faculty of Economics, Coimbra University—Faculty of Economics, Minho University—School of Economics and Management and Catholic University—School of Business and Economics (Lisbon).²

All of these schools are public, except the Catholic University.

²Catholic University has also a smaller business school in Porto.

Typical Programmes Offered

Undergraduate

The distribution of applicants to the various academic degrees has been more or less constant over the last few years. Management absorbs around 10 % of the total undergraduate students in the country and economics 5 %. The access to undergraduate studies is based on a national ranking of students. The average grade of candidates for management studies is quite good at 16 out of 20.

Each school has a *numerus clausus* for each undergraduate programme, and applications for the public system are run through a national competition. Foreign candidates are subject to similar requirements. Portugal has been very active in the European mobility programmes attracting students coming mainly from Spain, Italy, Switzerland, France, Belgium and UK.

While bachelor degree programmes are generally offered on a full-time basis, many of postgraduate and master's programmes are on a part-time basis in order to fit around professional duties. The distribution of students in management bachelors is as follows (Table 11.2).

It is worth noting that the majority of graduates in 2014 were women. The situation was the same with the number of enrolments (see Table 11.3).

Despite the number of schools and programmes, the largest eight schools attract 43 % of undergraduate students (Table 11.3). These seven schools and the Catholic University are known for their high standards of teaching, high quality of research, high marks in world rankings and are the most influential in economic and business activities in the country.

Table 11.2 Number of students in bachelor degree programmes in management in 2014

Management	Women %	Men %	Total
Polytechnics	58.2 %	41.8 %	2,121
Universities	53.3 %	46.7 %	7,283

Source: OCES- observatory of science and higher education, 2015

Table 11.3 Enrolment of undergraduate students in management by major players

Schools	Women	Men	Total	%
Nova School of Business and Economics	428	340	768	8.2 %
ISCTE-IUL	414	353	767	8.2 %
ISEG—Lisbon School of Economics & Management University of Lisbon	402	349	751	8.0 %
Porto University—Faculty of Economics	249	190	439	4.7 %
Coimbra University—Faculty of Economics	172	152	324	3.4 %
Minho University—School of Economics and Management	160	126	286	3.0 %
Sub-Total	1,825	1,510	3,335	35.5 %
Other schools	3,223	2,846	6,069	64.5 %
Total	5,048	4,356	9,404	100.0 %

Source: OCES—observatory of science and higher education, 2015

The three largest schools of economics and management are equivalent in number of management students. These figures evidence the level of concentration in Lisbon. Nova SBE, ISEG Lisbon University and ISCTE-IUL hold almost 25 % of the undergraduate management students.

Master's Programmes

There are 48 master's degree programmes in general management and specialized fields such as finance, marketing, information systems, human resources, operations and logistics, entrepreneurship, innovation and technology, health management, management of sports and international management.

In 2013–2014 there were 11,299 students in master's in management (9.6 % of total master's students). In comparison, in 2006/2007 there were approximately 2,000 master's students in management (8.5 % of total master's students). The reason for the increase of master's students was largely the Bologna process. From the perspective of students, the greater demand for master's degrees is seen as a response to the fact that the duration of the degree courses have been shortened from four or five years to 3 years due to the Bologna reforms.

Doctoral Programmes

According to the Directorate General of Education and Science Statistics (Direção Geral de Estatísticas da Educação e Ciência), the total number of students enrolled in doctoral programmes in management in 2014–2015 was 1,021. The market share of the public system in doctoral management programmes was 95 %. Management represents 5.3 % of all students in doctoral programmes. It is worth noting that universities are not compelled to offer formal courses in order to award a doctoral degree. Some schools award their doctoral degrees based exclusively on the discussion of a dissertation. In that case, a student may enrol in the degree as long as a qualified supervisor accepts his project and the school's scientific committee approves the research project.

The first formal doctoral programme in management was launched by ISEG Lisbon University in 2001, followed by ISCTE, and the Universities of Coimbra, Minho, Beira Interior and Lusíadas (this is a private university). Nova University has the ancient formal doctoral programme in economics. They subsequently launched a doctoral programme in finance and recently decided to merge both into a PhD in economics and finance.

Non-academic Courses and Executive Education

Three public universities (ISEG, ISCTE and Nova) and the Catholic University offer the majority of postgraduate programmes and executive training. Porto University has created the Porto Business School to offer executive education and an MBA, the latter of which is the most popular programme in the country. This segment of non-academic courses and executive education is very important for those five schools in terms of their revenue generation and reputations.

The other public higher education institutions (HEIs) have a very small market share in this segment and private HEIs have remained almost dedicated to academic studies, with very few exceptions. Private companies, including international consulting firms, also offer management training.

Tuition and Registration/Entry Fees

Portuguese law sets maximum tuition fees for undergraduate education and each school decides its own policy under these rules. In general, tuition fees of polytechnics are lower than those of universities (Table 11.4).

ISEG Lisbon University, Nova SBE, ISCTE-IUL and the universities of Coimbra and Aveiro are the most expensive, charging above €1,000 per year for their bachelor programme.

We did a survey on the pricing of MSc degrees from top business schools in Portugal ranging from €5,000 euros to €16,000. For the MBA, the Lisbon MBA is the most expensive programme (€36,000). According to the news, the class of 2016 is the most international ever with 45 % international students of 16 different nationalities. Other internationally accredited MBAs of equivalent quality in other prestigious business schools, but with lower levels of internationalization, are available from €17,000.

Top business schools price their doctoral programmes from €8,000 to €15,000.

Internationalization and Similar Trends

The previous analysis reveals that ISEG, ISCTE, NOVA SBE, Porto University, Catholica SBE and Minho University are the major players in management education. All these schools are implementing strategies for internationalization, attracting foreign students and contracting foreign professors. NOVA SBE adopted, English as the language for its academic programmes several years ago, while the other schools are delivering some programmes in English and others in Portuguese.

Table 11.4 Structure of fees in management higher education

Typical fees (€)	Bachelor (per year)	Master's (per programme)	PhD (per programme)
Min.	965	5,000	8,000
Max.	1,063	16,000	15,000

Current Development of Pedagogy

Most business schools offer generalist programmes in management (such as the MBA, the MSc or bachelor in management, PhD in management etc.) and also functional programmes (bachelor or MSc in finance, master's in marketing, PhD in economics and finance etc.) as well as industry-based programmes (master's in banking and insurance, master's in real estate etc.). They all offer open executive programmes as well as tailor-made ones.

Distance learning has not developed much yet. Universidade Aberta (Open University) is an exception, as this is a public university specialized in this segment. Some other universities have incipient experiences in blended learning.

Business Models of Business Schools and Their Sustainability

As previously mentioned, business schools are facing a potential reduction in the number of Portuguese applicants due to the ageing of the population. The largest and most competitive schools are looking to internationalization as they have the qualities required by international students. The Global Competitiveness Report 2015–2016 (World Economic Forum 2015), which provides an overview of the competitive performance of 140 economies, ranked Portugal 26th in the pillar of “higher education and training”.

Almost all universities and polytechnics have student residences, and others are investing in new ones. Between 1998 and 2013 the number of beds available increased by 48 %, however these beds cover only 4.8 % of students in public HEIs (Rodrigues and Heitor 2015). These beds are allotted to those students needing more financial support. There is a lucrative market in renting rooms and apartments for students. In Lisbon, Porto or Coimbra a room may cost €200–350 a month, while in Covilhã (Universidade da Beira Interior) or Braga (Minho University) the cost varies in the region of €120–150. It is easy to find a room through the internet or from advertisements published at the universities.

Public transport is quite good in most cities. Prices vary widely from city to city as does distance, but with less than €20 a month it is possible to get the appropriate transport to school.

In relation to meals, most schools report a monthly cost of €100–250, but it all depends on the student’s lifestyle. All HEIs have canteens and lunchrooms for students that serve meals at reduced prices (€2.0–2.5).

Management Research

ISEG Lisbon University is leading research in terms of number of publications and citations, followed by the faculties of economics of Porto University and Nova SBE (Figs. 11.2 and 11.3). The second cluster includes the Universities of Minho and Coimbra. ISCTE, and the universities of Évora, Aveiro, Católica (in Lisbon and Porto) and Algarve are in the third cluster.

All these schools are renowned not only for the quality of their research but also for the quality of their faculty in teaching, number of new applicants admitted as their first choice, top-class infrastructure, well known alumni in business and government, robust and rigorous curricula, executive programmes and for executing studies for industry and government.

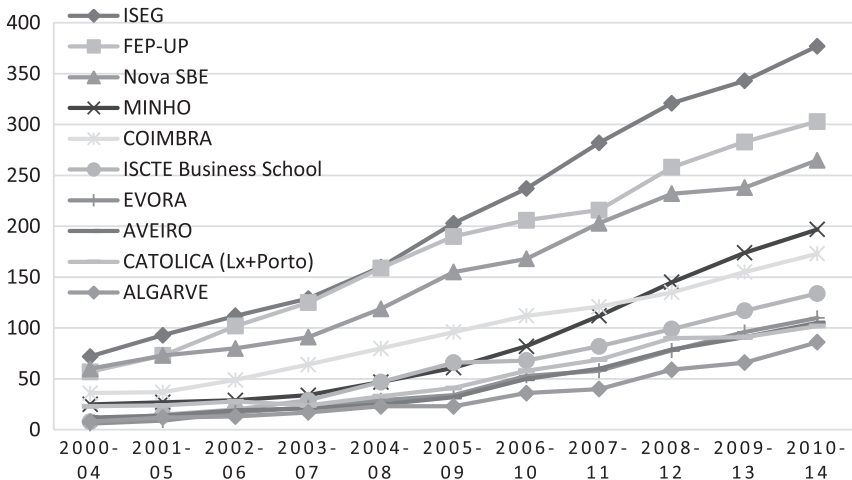


Fig. 11.2 Leading universities – number of publications

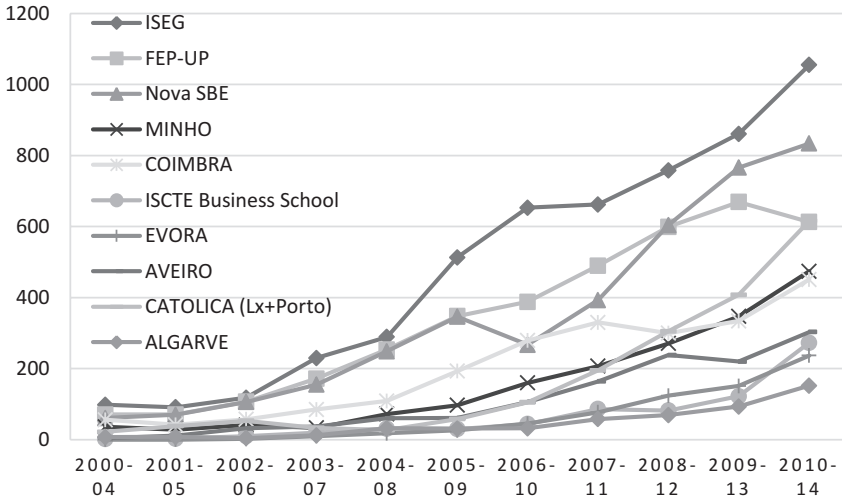


Fig. 11.3 Leading universities – number of citations

Faculty

PhD Requirements

PhD candidates need to hold a master's degree or equivalent. The selection process varies from school to school; schools with formal courses tend to require the presentation of a research project, evidence of research capabilities, an interest in academic life, recommendation letters and an interview. Formal courses usually occur during the first year, followed by two years of research and the writing of a dissertation.

The requirements for a PhD dissertation allow full dissertations or a dissertation in the form of three papers. Top business schools are encouraging students to follow the latter format.

The profile of candidates is typically split in two—students in full-time and professionals who are part-time.

Dissertations are subject to discussion by a panel appointed by the scientific council and the jury includes the rector (or someone delegated by him) and a minimum of four faculty members with doctoral degrees and a minimum of two people representing other business schools. The writing and the discussion of the thesis can be in Portuguese or English.

Faculty Career Development

The career of faculty members in universities has the following path and minimum requirements for entry:

- Trainee assistant—bachelor degree;
- Assistant—master's degree;
- Assistant professor—doctoral degree;
- Associate professor—doctoral degree and a minimum of five years' service in the area;
- Full Professor—aggregation and a minimum of three years' service in the category after the aggregation.

Aggregation is a special public assessment where a jury constituted by full professors from various universities evaluates the candidate based on his CV (publication is the most relevant criteria), a class session (written and a presentation) and the organization of a course (written and discussed).

It is possible to have permanent contracts at all levels of professorship depending on the CV evaluation, but it is only commonly occurs at the associate professor level.

Faculty careers in polytechnics follow a similar path, however with slightly less exigent requirements for progression.

Each school, depending on their needs and budget, may open vacancies for faculty placements. Career progression or recruitment in universities or polytechnics is decentralized to each school. They only have to comply with the law in the terms of announcements. One of the requirements is that all positions must be advertised publicly in Portuguese and English in order to give access to foreign professors.

There is still a slight gender inequality in the management faculties but it is approaching a 50/50 ratio:

	2001/2002	2006/2007	2013/2014
Women	40.8 %	43.2 %	44.4 %
Men	59.2 %	56.8 %	55.6 %

Source: <http://www.dgeec.mec.pt>

Most teachers are 40–49 years old.

Professors and associate professors represent, in 2014/2015, 70.4 % of the total faculty in the university sector, while coordinator professors and adjunct professors represent 65.5 % of the polytechnics' faculty. Of professors in public universities 69 % hold doctoral degrees while in private universities the figure is 54 %.

Evaluation of faculty members is mandatory and is considered *apropos* renewal of contracts or for career advancement. Each school must have an internal regulation approved by the scientific committee for this annual evaluation.

The gross annual salaries of teachers in the public system with exclusivity contracts are as follows, depending on their seniority in each level:

- Full professor: €60,085–69,572
- Associate professor: €46,761–60,085
- Assistant professor: €41,766–54,814

Professors wishing to do independent consulting or executive training may sign a non-exclusivity contract, with a reduction of one third of gross salary.

Remuneration in the polytechnics is almost equivalent to that in universities for most senior teachers in a given category. Those who have been in the category for less time may earn between 85 % and 90 % of those in the equivalent university category.

Personal tax rate varies from 10.5 % to 42 %, depending on annual gross salary, marital status, number of children and deductible expenses such as health, housing, education and so forth.

Executive training and applied research for the industry usually pay a fee to the professor according to his involvement in each course or project. These courses and projects pay commercial rates which are financially more attractive than research for publication in journals. However, some schools also pay a fee or attribute time for articles published in the best-ranked journals. These schools have their own lists of journals that publish internally.

The required teaching load is between a minimum of 156 hours to a maximum of 234 hours per year. In addition, it is common to see a policy

of teaching load reduction for faculty members with management positions in the school, late teaching or publication in high-ranked journals.

The best management schools have their management research centres financed by public funds (from FCT—Foundation for Science and Technology) under a multi-year programme. The amount depends on the centre's evaluation. FCT ranks research centres using international expert panels. The rank has a five-degree scale from excellent to poor. The panel also makes recommendations for strategic orientation, future investments and the centre's activity plans. Financing is discontinued if a centre is classified as poor quality.

The available annual funding by FCT is €77 million for the period 2015–2020. In recent years (2011–2014) the average annual funding paid to 319 units for research and development was €52 million.

Some schools also have centres dedicated to applied research and community service, developing projects for a fee, for enterprises, industry associations or the government.

The Demand for Higher Education in Business

The demand for undergraduate studies in management in major business schools has always exceeded the supply capacity (Table 11.5).

The demand for master's degrees in management also exceeds the number of vacancies available at the best business schools.

Table 11.5 Demand and supply in major business schools for bachelor degrees in 2014

Schools	Women	Men	Vacancies
ISEG—Lisbon School of Economics and Management	931	931	233
ISCTE	891	876	244
Nova School of Business and Economics	723	697	234
Porto University—Faculty of Economics	776	713	132
Minho University—School of Economics and Management	407	342	87
Coimbra University—Faculty of Economics	454	398	108

Source: <http://www.dges.mec.pt/guias/indcurso.asp?letra=G>

In terms of executive education, at least five business schools excel nationally and internationally, most often using a specialized institution for the delivery of such training: IDEFE from ISEG Lisbon University, INDEG from ISCTE-IUL, the Catholic SBE, Porto Business School from Porto University, and NOVA Forum from Nova SBE.

Regulatory Bodies

Accreditation

The Accreditation Agency for Higher Education (A3ES) is a private foundation created in 2009 and recognized by the government as doing a public service. A3ES ensures the quality of HEIs in Portugal through the evaluation and accreditation of study programmes. Schools that require accreditation must pay a fee for each programme under the accreditation process. A3ES publicizes the results of each accreditation process. The agency also plays an advisory role to the Ministry of Higher Education and Science to ensure high quality teaching standards and participates in the European system for quality of HEI—EQAR (European Quality Assurance Register) of which Portugal is a member through the Ministry of Higher Education and Science.

There are also several international accreditations pertaining to Portuguese business schools:

- Two business schools, Catholic SBE and Nova SBE, have had the triple-crown of accreditation (Association to Advance Collegiate Schools of Business (AACSB), European Quality Improvement System (EQUIS) and Association of MBAs (AMBA)) since 2009. Their first accreditation was in 2004.. ISEG Lisbon University is an associate member of AACSB in the process of accreditation and others are following the same path;
- Five MBA programmes are accredited by AMBA: Porto Business School, Nova SBE, ISCTE Business School, ISEG Lisbon University School of Economics and Management and Catholic SBE;

- Three executive MBAs are accredited by EPAS: AESE Business School, the Magellan MBA and Porto Business School.

Rankings of Business Schools

Rankings may influence the preferences of students in some considerable way. This is why schools are always looking for the best position. Fifty-two master's programmes at Portuguese business schools are listed in the top 50 of Eduniversal Best Masters ranking worldwide in 2014. Nova SBE and Catholic SBE are ranked by *Financial Times*, with their master's in management respectively at 48th and 59th. The international full-time Lisbon MBA is the 15th-best in Europe and the 40th best in the world according to the 2016 Financial Times Top 100 Global MBA Rankings.

Conclusion

The quality of management schools in Portugal is positively evaluated by the latest “Global Competitiveness Report” published by the World Economic Forum, ranking Portugal in 26th among 140 Organisation for Economic Co-operation and Development economies. Management education in general started within economics schools, following the same path as ISEG, the original Portuguese school of economics and management. Management departments within these schools have increased in terms of numbers of students, numbers of faculty members and volume of research in comparison with their economics departments. Nowadays, management courses generate the majority of revenues at the five major schools of economics and management. As a consequence of this growth, the management faculty profile has been changing towards more full-time members and graduates with PhDs.

Most career progression contests show a higher weight for research in comparison to teaching and management tasks, assuming that research-based universities have a better quality of teaching and better public image. Tenure is also more likely to be given to those faculty members that are more research oriented. Many schools have created financial

incentives for faculty members who produce high quality publications. This strategy has resulted in a higher quantity and quality of management research. The challenge management schools are facing is to maintain these aspects in tandem, keeping the same level of quality of teaching and attendance of students.

In the past, faculty career progression was mainly within the same school where the faculty member started studying and teaching. Today there is more mobility among faculty members; both senior and younger professors search for a chance to progress their careers when places open up at other schools.

Imbalances in the pyramid age structure, reflecting that there are fewer young people, tends to reduce demand for higher education especially in small towns, which is a challenge for the survival of universities and polytechnics in such places. The five major players in management education are minimizing this problem in some way with their internationalization strategies. It is, however, too early to analyze the success of these strategies.

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- <http://www.universia.pt/>
- http://www.fenprof.pt/download/fenprof/sm_doc/mid_132/doc_6444/anexos/sesp_parte_i.pdf
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12

Higher Education in Management: The Case of Sweden

Johan Berglund, Bengt Stymne, and Andreas Werr

History of Management Education in Sweden

Sweden has a rather long history of business education. The first chair in the economic sciences was created at Uppsala University in 1741 in spite of strong resistance from the professorial corps. The chair was inspired by Germany where similar positions had been established in Halle 1727 and in Rinteln in 1730. The first professor dealt already then, according to Engwall (2004), with issues that today would be labeled management. Academic business studies became more widespread with the founding of business schools during the twentieth century. While the early system of business studies in Sweden was originally modeled on the pattern of Germany, American influence became increasingly important in the years following World War II. Many professors spent study periods in the USA and American literature came to dominate the curriculum (Engwall 2004).

J. Berglund (✉) • B. Stymne • A. Werr
Stockholm School of Economics, Box 6501, SE-113 83 Stockholm, Sweden
e-mail: johan.berglund@hhs.se

The first Swedish business school was set up in 1909 following an initiative from the Wallenberg banking family, the city of Stockholm and the Swedish government. Handelshögskolan i Stockholm (Stockholm School of Economics,¹ referred to below as SSE) was founded with the expressed aim to advance the merchant's trade. The school was to make being a businessman into an occupation that the best and brightest of the country's youth should see as attractive. The teaching at SSE was to be built on a scientific base in order to distinguish it from the traditional European model of teaching trade practice. In 1928 a second business school was set up in the city of Gothenburg on the pattern established by SSE. The graduates' occupational title became *Civilekonom* (civil economist) which in this chapter will be referred to as business economist. The graduates are represented by an active occupational association. In the years following World War II the two schools were furnishing Swedish industry with about 200 accountants and general managers every year (Engwall 2009). An increasing number of the CEOs and leading officers of the large companies were drawn from these schools (Engwall et al. 1996). Still today, a large proportion of such posts are held by alumni of SSE.

In 1957, business studies at SSE were split up in four sub-areas, each headed by a chaired professor: administration, accounting, managerial economics and marketing. Students were expected to specialize in at least one of the areas. This led to competition over student time and eventually the required study time was increased first from two and a half to three years and later to four years, and from 2007, following the adoption of the Bologna protocol, to five years in order to obtain a master's in business studies.

It was not until 1958 that business studies were taken up by the Swedish state-owned universities and the duopoly of the private business schools was broken. The Gothenburg Business School was taken over by the state in 1961 and incorporated as a college at Gothenburg University in 1971. That year, two chairs in accounting were established at the universities of Uppsala and Lund. Additional chairs and the creation of

¹The Swedish language establishes business studies (*företagsekonomi*) and economics (*nationalekonomi*) as two aspects of a common field of knowledge, namely *ekonomi*. This may explain why the Stockholms Handelshögskola, which taught both economics and business studies, was called Stockholm School of Economics in English. In the same vein, not only economists but any person with some training or employment in the area of business administration is called *Ekonom*.

departments of business administration in other universities followed in the 1960s (Engwall 2004). Later, the engineering schools have also included business administration in their programs. Since about 1970, the university system expanded with a number of regional universities and university colleges with business studies as part of their curricula. The number of business graduates increased from 230 per year during the period 1956–1960 to over 8,000 per year in 2012–2014, a growth rate of 7 % per year (Engwall 2004; Högskoleverket). This rate is twice that of engineering graduates, which during the same period increased from 559 to 3,342 graduates per year. The demand and supply of business knowledge relative to engineering knowledge has evidently accompanied Sweden's transformation from an industrial to a service society.

Research in the business studies area has grown considerably in Sweden in the past 50 years. The development has followed two strands. A good deal of research in the area is based on a hermeneutical epistemology. It has been aimed at understanding how the firm and the rules that govern people's behavior are socially constructed rather than given by generally valid cause and effect relationships. It has often involved time consuming case studies, sometimes longitudinal, of organizations, enabled by close connections between academia and business. The PhD candidates who carry out the research gain valuable insights into management problems, which is useful in their future roles as teachers.

The second strand of research has been grounded on a positivist epistemology using advanced formal modeling and statistical analysis. In many respects it can be seen more akin to economics than to management and business administration. It has contributed greatly to capital market theory and the emergence of finance as a new subject in the schools of business and to the industries of investment banking and private equity. While the research from a hermeneutic perspective often needs to be presented in longer essays and monographs and in a literary form, the results from the positivist perspective are well suited to being presented as articles in scientific journals.

Each of the two research traditions has proven fruitful for business schools. But when it comes to educating future managers, it is a challenge to make them see both approaches as legitimate as well as understand their respective limitations.

The Supply Side

Structure of the Educational System

In 2007, the Swedish educational structure was adapted to the Bologna protocol. A rather confusing picture for students and employers alike emerged, with three new business degrees added. The bachelor requiring three years of study replaced the four-year business economist as the basic business degree. The five-year master's became an option for those who wanted to add two years of advanced business studies. Some establishments further chose to introduce a degree called magister, requiring a total of four years of study. In addition, some schools still offer the traditional integrated four-year degree of business economist (see Table 12.1).

To be eligible for academic studies a student needs to have high school competence in a number of subjects depending on the type of program aimed at. For applicants fulfilling the basic requirements, admission is based on competition. Most students are accepted based on their high school grades. A third of the applicants are admitted based on their ranking in an optional national test.

According to the current degree structure, students should first study for a bachelor in business administration and then add another year for a magister degree or two years for a master's degree, according to the Bologna system. They can also opt directly for the traditional professional

Table 12.1 Swedish academic degrees in business studies

Swedish term	English translation	Minimum length of study
	Basic degree	
Kandidat or Bachelor	Bachelor	3
	Advanced degrees	
Magister	Bachelor + 1 year	3+1=4
Master	Master	3+2=5
	Professional degree	
Civilekonom	Business Economist	4
	Research degrees	
Licentiat	3rd cycle	5+2=7
Doktor	PhD	5+4=9

degree Civilekonom (business economist) which is offered by a number of institutions.

If interested in research, students may enter a research program for another nominally 2–4 years. It is often possible to exchange the second year in the master's program for the first year in a research-oriented program. Two research degrees are awarded—the licentiate, which is expected to take about two years of research and studies, and the PhD which is expected to take four years. In practice the studies and the research they require often take longer, even if the time to completion has been decreasing since the introduction of the Bologna protocol. The licentiate thesis is sometimes used as a station on the way to the PhD, but often also used as a worthy exit option.

Main Suppliers of Business Education

In 2013/2014, 27 university level establishments offered business studies programs. Table 12.2 shows the number of different types of schools and the number of diplomas in business studies they issued 2013/2014.

Table 12.2 Degrees in business studies granted in 2013/2014 by different types of providers

Type of establishment	Nr	Bachelor	Bachelor+1 Magister	Business Economist Civilekonom	Master	PhD	Total
Autonomous business school	1	171	14	0	169	13	367
University Business School	6	1701	915	727	422	84	3849
University of Technology	5	330	96	231	622	14	1293
Regional University College	15	2137	739	229	54	9	3168
Total:	27	4339	1764	1187	1267	120	8677

Source: <http://www.ukambetet.se/statistikuppfoljning/statistikdatabasomhogskolan>

Typical Programs Offered

Bachelor-level education is provided by 26 institutions. The same number offers the magister degree. Sixteen schools offer a master's degree, and the professional degree of business economist is offered by 12 schools. Doctorial education is offered by 17 institutions. Most providers offer possibilities to specialize during both basic and advanced education. The number of available specializations ranges from two to 12 on the bachelor level and from two to ten on the master's level. Typical specializations are marketing, management, accounting and finance. Examples of more focused specializations include "music and event management" and "managing people, knowledge and change".

Business studies (Civilekonom) programs are offered by four kinds of schools—business schools, universities of technology, regional universities and university colleges.

Business Schools

The self-owned Stockholm School of Economics (SSE) is the country's only autonomous business school. The other six business schools belong to universities whose business studies programs have usually been housed in a separate building: Economicum (University of Uppsala), School of Economics and Management (University of Lund), Stockholm Business School (Stockholm University), Gothenburg School of Business, Economics and Law (Gothenburg University), Umeå School of Business and Economics (Umeå University) and Jönköping International Business School (Jönköping University). The concerned universities are owned by the state with the exception of Jönköping University which is owned by a foundation.

The business schools are well-anchored in their regional environment and supported by its industry and local authorities. They have a high faculty/student ratio and their faculty represent most different sub-areas of business studies. Many of the faculty members have a good academic standing with publications in renowned international scientific journals. In addition to basic government financing, they attract a good deal of research grants from public and private research foundations.

The business schools compete for the best high school graduates, in other words they require the highest scores for students to be accepted. Even if most of the students on the bachelor level come from each school's own region, the schools try to attract students from the rest of the country and internationally by having differentiated profiles.

The business schools are also suppliers of continued management education to industry and public administration. The universities of Gothenburg, Uppsala, Lund and Stockholm, as well as the SSE are, for example, the main providers of executive MBA programs. Several of them have separate executive education organizations, such as the Swedish Management Institute (IFL), which belongs to SSE. With a turnover of about €22 million in 2014, it is one of the largest players on the executive education market in management and leadership. For the players at the top end of the executive education market, international competition is increasingly fierce as the Nordic export-orientated corporations have come to see top European and US business schools as potential substitutes.

Technology Universities

In the category of technology universities, we have grouped the business studies programs from five universities with a technical profile: Swedish Agricultural University, headquartered in Uppsala, Royal Institute of Technology in Stockholm, Chalmers University of Technology in Gothenburg, University of Linköping and University of Luleå. Like the business schools, they have qualified faculties in business studies. Also their recruitment is increasingly international. They all run programs that combine business studies with engineering or agricultural science. The economic engineers graduating from the technology universities face a rather healthy labor market. In addition to granting degrees in business studies, these schools allow engineering students to include business studies in their diplomas so they become more attractive for management positions.

Regional University Colleges

The fifteen regional university colleges were created as part of the government's regional policy to strengthen the development of stagnating or resource-starved regions. The regional colleges did not originally have the status of universities and had to seek permission from the government to be allowed to issue PhDs. They are younger than the main universities and they usually have less resources. In recent years, several of these colleges have obtained full university status. Business studies may be organized as a special program or be one subject of many that is offered, for example, by the department of social sciences.

Often the university colleges specialize in areas that are linked to the regional economy. Mälardalen University, for example, specializes in robotics—for which ABB has a world-leading establishment in the region. Similarly, the University of Borås runs special programs related to the region's centuries-long history as a center of the textile and fashion industries. Another interesting move by the university of Borås is to position itself as complement rather than a competitor to the established universities in the partly overlapping metropolitan area of Gothenburg.

Other Education Suppliers

Continued education in management and business administration is provided also by a large number of non-academic organizations. Some of them, such as IHM Business School (turnover €16.6 million), MGruppen (turnover €5.6 million) and Företagsekonomiska Institutet (FEI) (turnover €4.4 million), focus mainly on providing shorter and longer education programs for managers and employees in organizations. In addition to these dedicated education providers, a number of consulting firms offer management and leadership training as part of their portfolio. These programs, however, do not result in any formal degrees. In recent years, some foreign universities have entered the Swedish market, particularly with MBA programs. These are provided in collaboration with local Swedish non-academic partners and represent an alternative to the MBA programs provided by Swedish universities and business schools. Their share of the market is, however, still small.

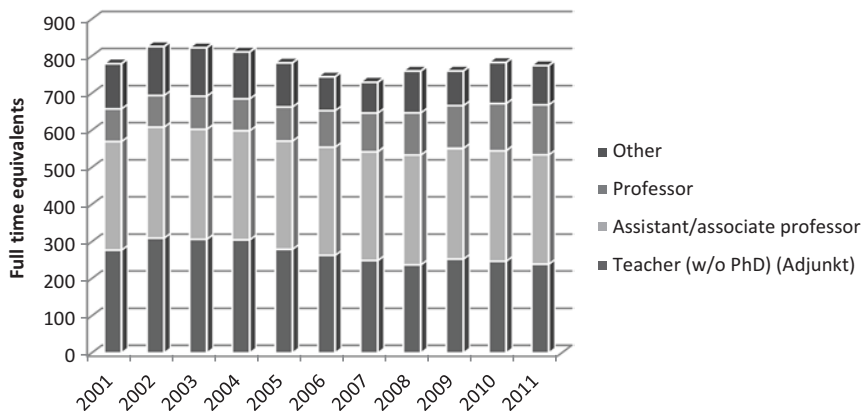


Fig. 12.1 Full-time equivalents (FTE) involved in teaching and research in business administration
(Source: Högskoleverkets statistiskdatabas)

Tuition Fees

Higher education in Sweden is free of charge for both Swedish and EU/EEA citizens. Since 2011, it has become possible to charge tuition fees to non EU/EEA citizens and most education providers have since introduced such fees. Tuition fees for a two-year master's program in business administration range from about €26,700 to €33,000 for the entire program.² The bachelor programs are often somewhat cheaper, so that the total cost of a three-year bachelor program equals that of a two-year master's program.

Faculty

The equivalent of around 800 full-time employees are involved in the production of academic business education in Sweden.³ As indicated by Fig. 12.1, this number has varied over the years with a high of 826 in 2002 and a low of 730 in 2007.

² Conversion rate 1€ = 9Sek.

³ Staff from universities of technology not included.

The teaching of business administration is performed by four kinds of personnel. Firstly, there are teachers, often without a PhD, who are 100 % engaged in teaching. Their share of the total staff has gradually decreased from 38 % in 2002 to 31 % in 2011 as universities and regional colleges have adopted a policy of increasing the proportion of teaching performed by PhDs.

The major part of the teaching load is borne by assistant or associate professors who have PhDs. The proportion of such staff has remained fairly stable just below 40 % of the total. The incumbents of these positions are usually expected to undertake research. However, the amount of research required varies widely between different positions and universities.

The third category of teaching staff consists of the full professors. Between 2001 and 2011 these have increased by over 50 % from 88 FTEs to 134 FTEs, representing about 17 % of the total staff. This growth may partly be explained by the possibility created in 1999 for lecturers and associate professors to be promoted to professor without having to compete for one of the limited number of chairs available. Formally, the requirements for promotion should be the same as for a chair. However, it is commonly claimed that the requirements for becoming a professor have been lowered in practice.

Finally, about 15 % of the teaching is provided by “other” staff, which includes administrative or technical personnel involved in teaching but also teachers that are paid by the hour for limited engagements.

PhD Requirements

Traditionally, the education of PhDs has followed an apprenticeship model where promising students were recruited by a professor to his group of researchers. In addition to their thesis, they worked as teaching instructors, research assistants and project leaders.

Following the introduction of the Bologna model, the PhD program has increasingly been integrated into the university’s portfolio of study programs on offer. For example, SSE lists its PhD program alongside the programs leading to bachelor, master’s and MBA degrees. From having historically been rather informal, the PhD program has become more

formalized and transparent. Pressure from unions and others has led the government to require formally that universities guarantee doctoral candidates full financing for their entire, minimum four-year, PhD program. That stipulation has added to a bureaucratization of the PhD process and a reduction of the number of PhD candidates accepted. Acceptance to PhD programs has become an increasingly formal and competitive process and the number of non-Swedish applicants has increased significantly. As a consequence, it has become more difficult to staff research programs that require command of the Swedish language and knowledge of the specific business context, for example interview and observation studies. PhD students have traditionally been the most important resource for such programs. Also, risky research projects may have to be abandoned or altered.

Entry requirements for the PhD program differ across universities. However, they typically include a university-level degree within management, English proficiency and research interests compatible with staff of the university. A typical PhD program in business administration, such as the one offered by the SSE, entails a total of 240 ECTS (European Credit Transfer System credits) of which 90 ECTS are courses and 150 comprise thesis work.⁴

Career Paths and the Emergence of a Tenure-Track System

Historically, it has been a euphemism to use the term *faculty* in reference to the assembly of doctoral students and associated researchers that have traditionally carried out the major part of teaching and research in departments of business studies in the Swedish university system. Only a few of them had regular employment and they lacked formal employment security. The permanent posts in a department of business administration typically included a full professor, often one or a few lecturers and some adjunct lecturers. There could also have been a number of formally non-salaried associate professors, who had been assigned the

⁴One full academic year of study corresponds to 60 ECTS credits.

honorary title of *Docent* in recognition of their outstanding research. The situation of these often 40–50-year-old academics was highly tenuous and was often described as being caught in the “Swamp of Docents”. In the hope of gaining a full professorship, they had to take part in tough public competitions while supporting themselves on research grants and temporary teaching assignments.

This situation is now changing. One reason for this is that unions no longer accept that a large group of highly skilled labor should be denied the security of work that the rest of the labor market is guaranteed by law. Another is that most promising graduates prefer careers other than research, such as finance or consulting. A third reason is that universities are moving from having been *professional* bureaucracies to becoming rule-based, *machine* bureaucracies (Mintzberg 1979). The increasing number of ambitious university administrators would like more order in their congregation so they can have a chance to govern it. A fourth is a growing popularity of the model of the American business school, which is being imitated often as a way to respond to the need to internationalize. The solution to these predicaments is called tenure track.

In recent years an increasing number of business schools in Sweden, Norway, Denmark and Finland seem to be in the process of adopting the tenure-track system. One often cited argument for the system is that it contributes to the internationalization of the schools by facilitating recruitment of international faculty.

An Example: The Tenure-Track System at Stockholm School of Economics

SSE began implementing a formal tenure track system in the early 2000s and although it is somewhat more elaborate and enforced than in some of the other Swedish business schools it can serve as an illustrative example.

At SSE, tenure-track positions are offered to promising, internal or external postdocs. These positions include about 50 % research, 40 % teaching and 10 % administration. If the candidate can attract external research funding, the teaching load can be reduced to a minimum of 20 %. Employment is regarded as provisional until the employee has passed

muster according a set of performance criteria which are to be reached during a six-year period. Researchers on the tenure track are evaluated after three years based on three predetermined criteria: research, teaching and citizenship. If the evaluation is satisfactory a second three-year tenure-track period is granted. At its end a final tenure decision is made. If the evaluation is positive, the employee gets tenure and permanent employment. In case of a negative evaluation the temporary employment is terminated.

Performance in teaching is assessed on type of courses, at which levels they are taught, variety of pedagogical methods employed and course evaluations. Citizenship is based on active participation in the academic environment at the school's different levels, seminars, administration, task forces, and in representing the school externally. Acceptable performance in research requires a minimum number of publications in a stipulated list of journals plus an assessment, typically by two external and one internal expert. In order to be granted tenure, candidates need to be assessed as at least basic in all three areas and excellent in one. Typically, the basic research requirements are the hardest to pass.

Tenure Track: Implications for Research and Teaching

The broad introduction of the tenure-track system represents a radical change. Although the level of implementation varies, this shift goes beyond a ritualized adherence to a set of desirable norms (Meyer and Rowan 1977). It is a new order that is implemented and embodied (Selznick 1957) on many levels of the system, affecting the behavior and sentiments of its participants. It emphasizes that research is the name of the game and that research performance can be measured, in the positivist tradition, as a quantity in terms of a number of publications in a set of predefined journals.

The tenure-track system has had both beneficial and problematic effects. On the positive side, it has increased productivity in terms of articles in ranked journals. The recruitment process has resulted in more diverse and more international faculty. The career system has become more transparent and reduced the uncertainty among PhD students and postdocs by making what is expected from them much clearer.

On the negative side, there is a risk that the teaching of a faculty socialized into the tenure-track system becomes less relevant for its audience of future and present managers. Like in many European business schools (Durand and Dameron 2008), management research in Sweden has been qualitative in nature (case studies, interviews). It has built on good relations with industry and public administration. Managers and employees of business firms and other organizations have often been willing to give researchers access and have been interested in participating in research and in taking on board the results and opinions of researchers. The emerging tenure-track system puts this competitive advantage of Swedish management research at risk. Researchers are tempted to shift their focus from the challenges faced by actors in the Swedish economy to issues that offer the best chances to be published in the stipulated academic journals. This is similar to the critique raised by Mintzberg (2004) against the North American tenure system and the business schools' usual form of education. There is a failure to understand that management is in equal parts a science, craft and art; too much focus on a narrower (positivist) view of management as a science runs the risk of producing results with little relevance for practicing managers.

Remuneration of Faculty

Like the rest of the Swedish labor market, the median salaries for social science staff have grown considerably in the past years. Since 2005, salaries for academics within the social sciences have increased between 9 and 27 % in real terms (Table 12.3). The take-home pay has increased even more, depending on substantially lower taxes. It is noteworthy that it is the doctoral candidates that have benefited from the largest improvement. The best-paid lecturers and professors on the other hand have seen their salaries stagnate or decrease. This may imply that it becomes more difficult for universities to keep the best members of their staff, who can get better income by choosing other employers. The main way for universities to cope with this challenge is to permit faculty to earn extra income, for instance from consulting and teaching for other training providers. These income sources can provide a significant addition to the university salaries listed in Table 12.3.

Table 12.3 Monthly salaries of social science staff 2013 and their change from 2005 (fixed prices in value of the euro in 2013)

	1st percentile	Median	10th percentile
Doctorial candidate	2667 (+27 %)	3500 (+27 %)	4233 (+79 %)
Assistant researcher (postdoc)	3389 (+8 %)	3878 (+9 %)	4500 (+7 %)
Lecturer	4122 (+37 %)	4578 (+15 %)	5300 (−10 %)
Professor	5578 (+42 %)	6256 (+16 %)	7544 (0 %)

Source: SACO Lönedatabas

The Demand Side

In the historical review at the beginning of the chapter we pointed out a yearly output growth of 6 % in the number of business studies graduates from c. 1960–2014. This impressive growth can be said to be driven by the introduction of business studies in the old universities and by the addition of quite a number of regional university colleges. Below, we will look into the development of the current demand for business studies.

Students Taking Courses in Business Administration

Business administration is a popular course among students in Sweden. Figure 12.2, however, shows that after having peaked in 2009 with 9.6 % of the total student body taking a course in business administration, demand steadily decreased to 7.8 % in 2013.

Demand for business studies does not only show a negative quantitative development but also a qualitative change. Figure 12.3 shows a steady and substantial increase of bachelor degrees taken. Their number has increased by over 60 %, from 2,297 in 2007/2008 to 3,831 in 2012/2013. The number of “four-year” business degrees taken has remained stable around 2,500 per year. The introduction of the two-year master’s degree according to the Bologna structure resulted in only 425 graduates in 2012/2013 (down from 514 in 2011/2012). The main decline in the demand for business studies shown in Fig. 12.2, however, seems to be explained by a reduced demand among students studying business administration as a part of other degree programs (e.g. arts, engineering). Also, when it comes to research degrees, the development shows a slight decline. In 2008, 89 research degrees (licentiate + PhD) were awarded, whereas 70 were awarded in 2013.

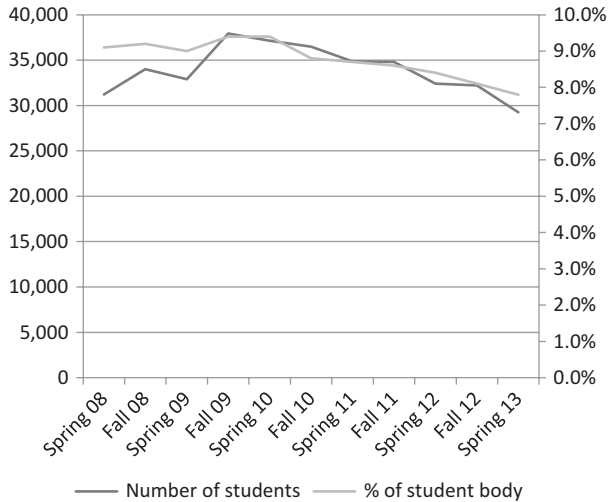


Fig. 12.2 Students enrolled in courses in business administration
(Source: Högskoleverkets statistikdatabas)

Of course, it is too early to say if the long-term trend of increasing demand for academic business studies has broken down. The figures, however, give a clear signal that students prefer a shorter study time to a longer one. Thus, it seems that students deem a three- or four-year education sufficient. Bachelor degrees may also be preferred by the labor market. Since bachelors have invested less money than they would have done for a master's, they can be expected to demand lower entry salaries. Also, large consulting firms and banks with their own resources for training may prefer to train bachelors themselves instead of hiring masters who have already achieved something of an expert status. On the other hand, smaller firms and those without their own training programs may be willing to pay a slight premium for graduates with a four- or five-year education (Civilekonomerna 2013).

Competition for Degree Programs in Business Administration

The increasing popularity of the bachelor degree in business administration is reflected in a doubling of the number of applicants per available place from 1.7 in 2007 to about three in 2013. However, the different

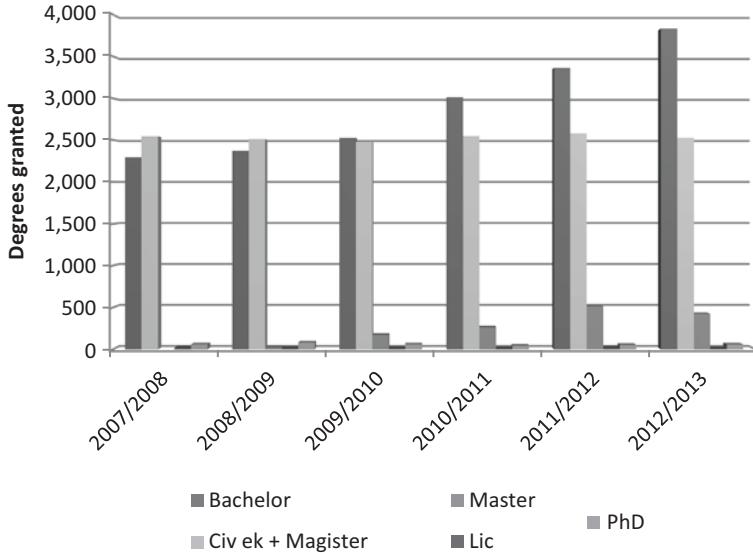


Fig. 12.3 Number of degrees granted in business administration on different levels
(Source: Högskoleverkets statistiskdatabas)

schools vary considerably in popularity. For the bachelor program, the number of applicants per place varies from around two for the regional university colleges to over six for SSE.

Labor Market for Business Administration Graduates

The number of active employees having a degree in business administration has skyrocketed from 46,000 in the year 2000 to around 81,000 in 2013. In spite of this, business administration students have traditionally faced a very favorable labor market with an unemployment rate of only about 1.9 %.

Work opportunities for graduates of business studies programs are broad. A study of the careers of business graduates in 2009 (Civilekonomerna 2013), identified the most common job choices to be accounting and budgeting (29 %), finance, funds and brokering (10 %), auditing (9 %) marketing, advertising and PR (7 %) and sales (7 %). Figures on bachelors graduating from SSE in 2012 indicate a somewhat different pattern, with 32 % going into consulting and 19 % into investment banking.

Business administration graduates typically work for rather large organizations. Of those graduating in 2009 to 2013, 59 % worked in organizations with over 1,000 employees. Only 23 % worked in small organizations with less than 100 employees. Since small companies and ventures as a group at present grow faster than larger firms, their demand for business graduates can be expected to grow. Traditionally, the academic business studies programs were geared toward producing graduates that can work in larger companies or professional service organizations. In the past decade, however, entrepreneurship has emerged as an increasingly prevalent topic in business schools. Several universities have taken the initiative of setting up courses in entrepreneurship and creating specific activities such as incubators for student start-ups.

In spite of all the talk about globalization and internationalization, the labor market for graduates in business administration still seems to be a largely national one. The large majority (93 %) of those graduating was still working in Sweden three years after graduation. However, the degree of internationalization measured in this way depends on what institution you look at. Among bachelors having graduated from SSE, 30 % began their careers in other countries. The corresponding figure for those with a master's degree was 40 % (Stockholm School of Economics 2013a, b).

Employers' Investments in Continued Management Education

In addition to students, employers in industry and the public sector demand continued education and training for their employees. This demand constitutes an additional source of income for universities since education providers can charge corporations for degree-granting educations but are prohibited to charge individuals. During 2010 about 54 % of the total workforce participated in personnel training activities for an average of about six days, which means a total of about 15 million days of training, representing about 1.6 % of working time (Almega 2013). Of the employers' labor costs, about 1.3 % was spent on training. This figure is a rather low in comparison with other Organisation for Economic Co-operation and Development (OECD) countries, where the average is about 2.4 % (Almega 2013).

Participation in employee development showed an upward trend during a period. In 1986, 28 % were involved in such training, to be compared with 54 % in 2010. However, investment in training reached a peak in 2001–2002 and has since been declining slowly, which may be explained by the rather tough business climate in recent years (Almega 2013).

In terms of content, demand varies across organizations and type of participant. In a recent, unpublished interview study focusing on large Swedish organizations by one of the authors, two main themes were emphasized as key issues to be addressed in management training. The first concerned how to train managers for working in an increasingly global context. The second concerned the ability to lead and manage change in a complex environment which is moving ever faster.

Regulatory Bodies

All university-level education in Sweden, including from the three non-state providers, has to comply with laws enacted by the parliament. Up to 2013 the universities were part of the Swedish government and managed by a powerful government agency. That year, the extra hierarchical level in between the universities and the government was removed and nowadays the universities and colleges are public authorities in their own right and each negotiates its budget with the Department of Education. This empowerment of the universities had already been prepared by providing them with a new governance structure. Each university or university college is now governed by a governing board with a majority of external directors. The directors are typically representatives of central (chair) and local government, industry, public administration and the communities of science and culture.

Bureaucratic Regulation

Two agencies help the government to exercise control. The University and College Council (Universitets- och Högskolerådet) designs and runs the admission process for all university-level training. Its function is to make sure that an applicant to a certain study program who has a lower ranking is not chosen before a student with better qualifications.

The University Chancellor (Universitetskanslersämbetet) monitors the efficiency of the different institutions and evaluates the quality of the programs they offer. The chancellery also assesses whether an institution is qualified to offer doctoral education.

In 2012, the Chancellor's Agency evaluated 67 programs in business studies. Almost half of them were found wanting in quality. The other half were seen as of satisfactory quality. Twelve of the schools evaluated, mostly those that we have classified as business schools, were judged as providing excellent quality. The schools that were deemed unsatisfactory were revisited after some time and were then assessed as up to par. Three of the schools chose to discontinue their business studies programs.

Market Regulation

The radical new governance structure and decentralization of the Swedish university system from 2013 has opened the field for strategic competition between universities. Each establishment has to struggle to develop resources and competencies that match—or even dominate—a niche in the labor market of its graduates. In particular, the regional university colleges can be expected to develop programs of research and education in collaboration with local industry and public administration.

The degree of market regulation is limited, as students may not be charged for their studies. For a long time, the government has, however, created a link between the supply and demand for educational services by paying each university a sum based on the number of credits its students have obtained. However, the income from a credit in business studies is much lower than for students in, for example, engineering. Meanwhile, universities can charge firms and other judicial persons, which opens a market for continued management training.

The labor market for business graduates from the six business schools is different from that of the regional colleges. The business schools and other providers of business studies in the economically highly active regions may opt to serve a labor market consisting of large companies listed on the stock market, government agencies and headquarters of organizations representing various interests in society. Such employers have an interest

in recruiting graduates for a career leading to top management positions. Since this kind of labor market will need continuous development of their managers and specialists, the providers of management training will find it worthwhile also to offer executive training programs. In order to attract the best students and to gain the confidence of the employers, the business schools aiming at this labor market need to develop and recruit faculty with a high international academic standing.

For the regional universities and colleges, the labor market consists of administrative service jobs in smaller firms, roles in local branches of banks and retail chains, or in the offices of plant subsidiaries of large firms. In many municipalities and regions, health, schools and other public services constitute the largest economic sector. To compete successfully for the training of particularly bachelors but also master's in this type of labor market, a regional college may need reliable and experienced teachers rather than internationally renowned scholars.

Ranking and Accreditation

To a large extent driven by the internationalization of recruitment of students and faculty, but also by demands from potential employers, rankings have become increasingly important, especially to the business schools that want to offer their students an international study atmosphere. A ranking by the *Financial Times*, *Business Week* or *The Economist* is seen as mediating information about a school's quality in the absence of a strong internationally renowned brand. In this vein, the SSE, as an example, has put large efforts into gaining a favorable position in the *Financial Times's* ranking. Other leading schools think that it is a drawback not having been ranked.

Accreditation is another way of gaining the confidence of students, employers and faculty. However, accreditations still have a limited spread among Swedish business schools and have only been sought by some. Sweden has no Association to Advance Collegiate Schools of Business (AACSB)-accredited institution, one Association of MBAs (AMBA)-accredited institution (Gothenburg School of Business, Economics and Law at the Gothenburg University) and three European Quality Improvement System (EQUIS)-accredited institutions (SSE and the business schools of the universities of Gothenburg and Lund).

Concluding Reflection on Internationalization of the Business School

One of the key changes in the past decade has been a constant and increasing internationalization of Swedish education. In 2003/2004 about 5 % of the student body consisted of foreign students. In 2010/2011 this share had increased to 11 %. Some of these students came from outside the EU. They had been offered a free education of decent quality but many experienced problems in adapting. When tuition fees for non-EU citizens were introduced in 2011, some of university colleges suddenly lost a substantial amount of their student body and at least one was close to bankruptcy. The share of foreign students fell the following year to 9 % but seems to be on the rise again in 2014.

Although internationalization is on the agenda of most providers of higher education in Sweden today, it is a highly ambiguous concept. Internationalization of business studies could involve more foreign students, researchers and teachers. It could mean more foreign literature and case material from different countries and cultures. It could consist of exchange programs with schools abroad. It could mean that the faculty publishes in international journals and with international publishers, work as visiting professors abroad or take on various international assignments.

Like SSE, many of the providers of business studies engage in some or most of these activities. As emphasized by the leaders of SSE, the aim is not to improve the finances of the business school by attracting international master's students or executives for studies and management training. The goal is instead to create an international environment that is perceived as attractive by top students living in Sweden and by present and future managers of the highly internationalized Swedish industry. An international environment has to be created within the school so that not too many prospective students and managers choose to go abroad for their business education. In order to succeed, the reputation of the school is the main asset.

In order to build a reputation in this new context, rankings have become a key tool, for instance for attracting good foreign students and

faculty that are not familiar with the local reputation of the institution concerned. The introduction of the tenure-track system is another instrument for advancing a school's reputation through papers published in international scientific journals. We have warned that the tenure system risks making research of high relevance for management education and practice more difficult to carry out. The tenure system has many beneficial effects but it should not only take the quantity of research into account but also its quality and relevance for the art of management.

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13

Higher Education in Management: The Case of Italy

Donatella Depperu

Introduction

Business studies in Italy are relatively new, dating back to the beginning of the twentieth century. The birth of business studies is often related to Gino Zappa's famous speech on new trends in accounting studies, which was delivered in Venice (1926). At that time, Zappa was a professor of accounting at the Bocconi University (after teaching in Genoa and Venice), and he is now regarded as a key player in shaping business studies in Italy.

A key feature of business studies in Italy is, therefore, its strong relationship with accounting, which dates back to medieval times. This relationship is also evident from the history of the AIDEA (Accademia Italiana di Economia Aziendale), which is the Italian academy for scholars in business administration and management. In fact, AIDEA is derived from an association of accountants that has existed since 1813.

D. Depperu (✉)

Università Cattolica del Sacro Cuore, Milano, Italy

During the last century, business studies in Italy have developed and changed considerably. For many years, business studies were domestic-oriented and based mainly on qualitative approaches. They were also characterized by the production of books, compared to scientific papers, and by the use of the Italian language. Currently, there is a strong trend toward internationalization, the use of quantitative methods and the production of papers for publication primarily in international journals.

As we will see in the following pages, these factors must be carefully considered to understand the Italian education system in the field of business administration and to make comparisons with studies in economics. Scholars in economics, in fact, have traditionally been international, accustomed to publishing in international journals and oriented toward a quantitative approach. Since the early development of economics and business administration studies, substantial differences have existed between the two fields, although the latter has not been considered a science for very long.

Although business administration (called “Economia aziendale”) came into existence as an independent field beginning at the end of the 1920s, the first truly business administration-oriented curricula were developed much later. Bocconi University in Milan (1970) and the Ca’ Foscari University in Venice (1971) were among the first universities to develop business administration courses. Both universities launched a curriculum in business administration at that time and remained among the very few to offer such courses for a number of years. In fact, most Italian universities only offered economics and commerce curricula.

Since the 1990s, the number of both the business administration curricula in Italy and the students in this field has continued to increase. Currently, many more students have chosen a curriculum in business administration than in economics, which is the opposite trend from the 1980s.

The Supply Side of Higher Education in Business Administration

Suppliers of higher education in business administration in Italy can be classified according to two features: whether they are privately or publicly owned, on the one hand, and whether they are universities (or units of

universities), on the other. Figure 13.1 shows the different players in the field according to these two characteristics.

The main suppliers of business administration higher education in Italy are universities. In Italy, universities are the only players as far as undergraduate, graduate and postgraduate (PhD programs) education is concerned. In fact, to obtain a *laurea triennale* (bachelor degree), a *laurea magistrale* (MSc) or a *dottorato* (PhD) in Italy, it is necessary to attend a university. No other institution or school is allowed to award such degrees. All universities offer undergraduate programs and most also offer graduate programs, but they do not all offer doctoral programs. All of the universities are expected to conduct research.

Italian universities are mostly public. In the business administration field, however, some private universities have established a strong reputation and are relevant players. Bocconi University, for example, enjoys the highest ranking abroad, and Università Cattolica del Sacro Cuore is well known for its three faculties in the field of economics and business.

To draw a complete picture of business administration education in Italy, we also need to consider executive education. In executive education, there is competition among business schools (or schools of management), the most important of which belong to universities; universities themselves (which can offer executive programs directly, without having a separate unit); corporate universities; schools related to chambers of commerce or other public and private bodies; and consultants.

		Suppliers of business education	
		Universities	Other institutions
Ownership	Public	STATE-OWNED UNIVERSITIES	CHAMBERS OF COMMERCE SCHOOLS
	Private	PRIVATELY OWNED UNIVERSITIES AND BUSINESS SCHOOLS BELONGING TO PRIVATE UNIVERSITIES	CORPORATE UNIVERSITIES AND CONSULTANTS

Fig. 13.1 Different players in business administration higher education in Italy

The ways in which these different players compete are rather different, and the overall picture can be quite complex.

Differences among the players in this field can be quite large, which can have impacts on multiple issues: fees, the types of programs offered, the lengths of the programs, the faculty and the selection of students. The financing for these different players comes from different sources, and the amount of financial resources that the sources can invest is rather unequally distributed.

In the following paragraphs, the main players in business administration education in Italy are described, and the main trends that affect them are discussed. In this discussion, we must highlight that business administration studies cannot always be considered independently from economics, as they are often embedded in “economics and commerce” programs and degrees.

Universities

In 2014, there were 95 universities in Italy, 11 of which were distance learning universities. Nearly 70 % of the Italian universities award bachelor degrees in economics or business, as opposed to 67 % in 2005. Tables 13.1 and 13.2 show how many degrees in business and economics are earned in Italy and the number of universities that offer such degrees.

As far as the business administration field is concerned, the number of both the degree-granting universities and the degrees conferred increased significantly during the last two decades of the twentieth century and continued to grow until 2007. This growth was mainly caused by students' increasing interest in business-related topics and by increased employment and career opportunities. In recent years, the number of universities that offer programs in the business administration field has remained stable, while the number of business administration-oriented degrees earned has decreased. This decrease is mainly the result of the rationalization and revision of the programs caused by the most recent university reforms.

The total number of university students in business administration and/ or economics was approximately 220,000 in the 2013–2014 academic year. According to D'Aprile (1998), in the period from 1956–1957 through 1995–1996, this number increased, as shown in Table 13.3 and in Fig. 13.2:

Table 13.1 Number of degrees in business administration conferred by Italian universities and number of awarding universities

Years	Number of universities that offer degrees in business administration	Number of degrees in business administration
2012	66	117
2011	65	126
2010	65	135
2009	66	139
2008	66	161
2007	65	184
2006	64	181
2005	59	165
2004	57	175
2003	57	179
2002	57	180
2001	56	185

Source: MIUR—Banca dati offerta formativa

Table 13.2 Number of degrees in economics awarded by Italian universities and number of awarding universities

Years	Number of universities that offer degrees in economics	Number of degrees in economics
2012	46	59
2011	46	60
2010	47	63
2009	47	72
2008	47	79
2007	48	96
2006	47	94
2005	46	95
2004	45	98
2003	45	99
2002	45	105
2001	46	117

Source: MIUR—Banca dati offerta formativa

The evidence shows that the rapid growth in the number of economics and/or business administration students started in the 1980s, when the number more than doubled vis-à-vis the previous ten years. Recently, the number of students enrolled in business administration/economics studies has decreased.

Table 13.3 Number of students attending an economics faculty

Years	1956–1957	1966–1967	1976–1977	1986–1987	1995–1996
Number of students	31,541	85,993	72,490	161,673	265,577

Source: D'Aprile (1998)

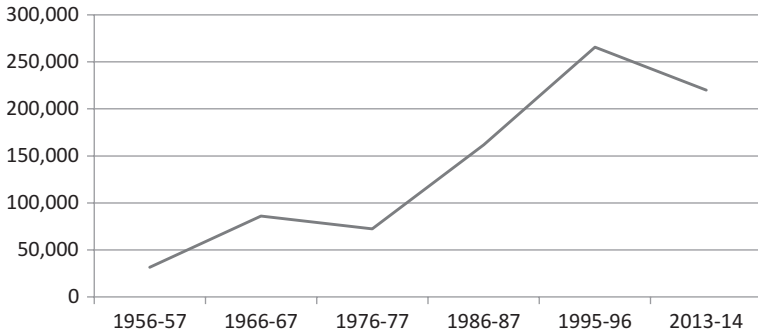


Fig. 13.2 Number of students attending an economics and/or business program

Since 1969, it has been possible to access economics and business administration programs after completing any type of secondary school. Universities are free to decide whether to require students to take a test before enrolling. Some universities require it, rank prospective students according to their secondary school performance and select those with higher rankings for admission. Other schools simply enroll students based on the order of their applications.

In 2013, more than 36,000 students attended a program in economics or business administration, but the data show a decrease in the number of students who have recently enrolled in such programs. In fact, the total number of students in business administration and economics was approximately 44,000 in 2003, 2005 and 2008. This trend is shown in Table 13.4. The evidence reveals that beginning in 2011, there was a slowdown in enrollment due to a decrease in the birth rate and the negative effects of the financial crisis, which reduced family budgets for education. Students who enrolled in business administration-, economics- or statistics-oriented three-year programs in the 2012–2013 academic year accounted for nearly 15 % of all students.

To draw a complete picture, we should also consider that business administration courses exist within curricula in law, medicine, foreign languages and so on.

Table 13.5 provides a list of the 95 Italian universities (both state-owned and private) that offer degrees in economics and business administration. Approximately 15 % of them are private (15).

State-Owned Universities

Italian state-owned universities are quite diverse: some of them are rather small, local and concentrate on only a few fields, while others are rather large, have many departments and schools, and are located in the largest towns in the country. In addition, some have very long traditions, while others are quite new. Figure 13.3 shows the geographic distribution of universities in Italy as of a few years ago.

Rome has the largest number of universities, with 17 (six of which are distance learning universities), and many of these universities offer programs in business administration and economics. Some of these universities are among the largest in Italy.

Table 13.4 Total number of students attending a program in business administration and number of students enrolled per year

Years	Total number of students attending a business program (includes students in year 1)	Number of students who enrolled in a business program in the selected year
2013	25,919	10,107
2012	27,603	9,911
2011	29,407	10,695
2010	30,688	11,256
2009	31,911	11,524
2008	33,326	11,068
2007	32,892	11,163
2006	31,473	10,469
2005	33,268	11,253
2004	32,111	10,750
2003	34,116	9,880

Source: MIUR, <http://www.statistica.miur.it>

Table 13.5 Italian universities that offer degrees in economics and business administration

Universities	Bachelor's (business administration)	Bachelor's (economics)	MSc (economics, management, economic statistics)	First level master's	Second level master's
Politecnica delle Marche	2	2	4	0	1
Università degli Studi di Bari	4	1	7	2	0
Libera Università Mediterranea Jean Monnet	1	0	1	2	0
Università degli Studi della Basilicata	1	0	0	0	0
Università degli Studi di Bergamo	1	1	3	2	0
Università degli Studi di Bologna	6	3	13	14	1
Libera Università degli Studi di Bolzano	2	1	2	0	0
Università degli Studi di Brescia	2	1	3	0	0
Università degli Studi di Cagliari	2	1	2	0	1
Università della Calabria	2	2	5	1	1
Università degli Studi di Cassino	2	0	4	1	1
Libero Istituto Universitario "Carlo Cattaneo" di Castellanza	1	0	1	3	4
Università degli Studi di Catania	1	1	3	2	0
Università degli Studi "G. D'Annunzio" di Chieti-Pescara	1	2	2	1	2

Libera Università della Sicilia	0	0	0	1	1	1
Centrale "Kore" (ENNA)						
Università degli Studi di Ferrara	1	1	2	2	0	0
Università degli Studi di Firenze	1	1	7	1	0	0
Università degli Studi di Foggia	1	1	3	1	0	0
Università degli studi di Genova	2	1	4	3	0	0
Università degli Studi dell'Insubria	1	0	2	0	0	0
Università degli Studi dell'Aquila	1	0	1	0	1	1
Università degli Studi di Lecce	1	1	4	0	0	0
Università degli Studi di Macerata	1	0	2	1	0	0
Università degli Studi di Messina	1	1	3	0	1	1
Università degli Studi di Milano—Bicocca	3	1	5	1	0	0
Università Commerciale "Luigi Bocconi" di Milano	4	2	10	8	5	5
Università Cattolica del "Sacro Cuore" di Milano	5	1	7	9	3	3
Università degli Studi di Modena e Reggio Emilia	2	1	6	2	1	1
Università degli Studi del Molise	1	0	3	0	0	0
Università degli Studi di Napoli	2	1	4	1	2	2
Seconda Università degli Studi di Napoli	1	1	2	0	0	0
Università degli Studi di NAPOLI Parthenope	3	1	5	0	0	0

(continued)

Table 13.5 (continued)

Universities	Bachelor's (business administration)	Bachelor's (economics)	MSc (economics, management, economic statistics)	First level master's	Second level master's
Università degli Studi di Padova	1	0	3	0	0
Università degli Studi di Palermo	1	1	3	1	2
Università degli Studi di Parma	1	0	4	0	0
Università degli Studi di Pavia	2	1	4	0	0
Università degli Studi di Perugia	3	0	5	0	0
Università degli Studi del Piemonte Orientale "A. Avogadro"	2	0	2	1	0
Università degli Studi di Pisa	3	1	5	1	3
Università degli Studi di Roma "La Sapienza"	2	1	7	2	6
Università degli Studi di Roma "Tor Vergata"	2	3	7	7	8
Università degli Studi ROMA TRE	1	1	7	1	4
Libera Università Internazionale di Studi Sociali "Guido Carli"—(LUISS) di Roma	1	0	1	2	1
Libera Università degli Studi "S. Pio V" Roma (UNINT)	1	0	1	6	0
Università Telematica Guglielmo Marconi	1	0	1	0	0
Università Telematica TEL. M.A.	1	0	1	0	0
Università degli Studi di Salerno	3	1	3	0	2

Università degli Studi del Sannio	0	0	0	0	0	0	0	0
Università degli Studi di Sassari	2	1	2	2	1	0	0	0
Università degli Studi di Siena	1	3	5	5	0	0	0	0
Università degli studi di Torino	3	1	7	7	13	3	0	0
Università degli Studi di Trento	3	1	7	7	0	0	0	0
Università degli Studi di Trieste	1	1	3	3	0	0	0	0
Università degli Studi della Toscana	1	0	2	2	0	1	0	0
Università degli Studi di Udine	1	1	3	3	0	0	0	0
Università telematica internazionale UNINETTUNO	1	0	0	0	1	0	0	0
Università degli Studi di Urbino	1	0	2	2	0	0	0	0
Università degli Studi "Ca' Foscari" di Venezia	1	2	8	8	5	3	0	0
Università degli Studi di Verona	1	1	6	6	4	0	0	0
Università Telematica Niccolò Cusano	1	0	1	1	0	2	0	0
Università Telematica e-Campus Telematica Universitas Mercatorum	0	1	0	0	2	3	0	0
Università non statale Europea di Roma	0	0	1	1	0	0	0	0

Source: MIUR, <http://www.statistica.miur.it>

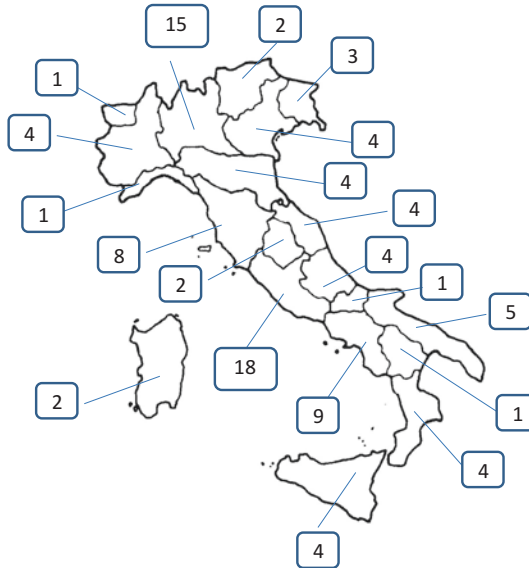


Fig. 13.3 Geographic distribution of universities in Italy

Some very large universities are located in the south of the country: in the 2012–2013 academic year, the University of Bari had nearly 33,000 students, and the University of Naples Federico II (one of the five universities of Naples) had more than 46,000 students.

Other very large universities are located in Padua (more than 32,000 students), Torino (more than 40,000) and Bologna (nearly 44,000). Bologna and Padua have a long tradition in education and are home to some of the oldest universities in Italy. The University of Bologna is considered the oldest university in the world (it is presumed to have been founded in 1088), and the University of Padua is believed to have been founded in 1222. In addition, some smaller universities are quite old and were established in the thirteenth or fourteenth century (e.g. the University of Pisa, University of Pavia, University of Arezzo and University of Modena and Reggio Emilia).

As the picture shows, there is a high concentration of universities (both state-owned and private) in northern Italy. This concentration is relevant for business administration studies. In Milan, for example,

there are three private universities in the field of business administration and economics—Bocconi University, Università Cattolica del Sacro Cuore and IULM—in addition to a state-owned university (Università Bicocca) that offers degrees in business and economics, a state-owned university (Università Statale) that offers a degree in political science with a strong focus on business and economics, and an engineering university (Politecnico di Milano) that offers an engineering and business curriculum. However, there are also many other universities (both private and public) with curricula in business administration that are located within a one-hour drive of Milan. Because of this high concentration, competition is quite strong in the area.

The cost to attend state-owned universities is cheaper than that to attend private universities. The fees typically relate to the students' personal or family income; for state-owned universities in 2012, the fees ranged from an average of €527 to €2104 per year (<http://www.federconsumatori.it> 2013). Students whose income is very low and who earn very good grades can obtain financial support through fellowships.

The large number of economics and business administration programs in Italy has led students to choose schools that are close to home for their first level, or bachelor degree (*laurea triennale*). This trend is likely due to the fact that, on the one hand, the job market for business administration degrees is rather dynamic, and on the other hand, a typical business administration program needs less funding than other programs such as medicine, biology and engineering (whose technology and equipment are much more expensive). Hence, it is quite feasible for many different universities to support business administration and economics programs. We must note, however, that this proliferation of programs does not help schools reach a large size, to gain international visibility for example, but it provides some capacity to bring business education closer to students' homes.

State-owned universities sometimes select candidates and enroll only the number of students that they want to accept. This process is not compulsory. Selections are made in a variety of ways: in some cases, students have to pass a test on specific subjects; in other cases, they need to earn a minimum grade from their secondary schools; and in some other cases, students are ranked according to a combination of tests and previous grades. Not all of the universities use a selection system.

For many years, universities in Italy were allowed to enroll as many students as they wanted. A few years ago, however, the Ministry of Education, University and Research introduced a new procedure whereby each year universities are asked to establish a maximum number of students for enrollment in the following year given the numbers in their faculties. If the number of enrolled students exceeds the limit that was defined in the previous year, the faculty must be enlarged. However, it may not be possible to increase the number of faculty members because of limited available financial resources. Consequently, for some universities, the maximum enrollment number represents a constraint, but for others it is only a soft limit.

Each year, universities must define the following:

- the maximum number of students that they will enroll,
- their curricula,
- the size of the faculty.

In contrast to past practices, universities are responsible for covering their costs, even though some of their costs are not under their control. The most important cost is that of their faculty members, whose wages are the same throughout the country and are regulated by the Ministry of Education, University and Research.

Due to the persistent reductions in funding from the state in recent years, some universities are in serious financial trouble. The main problem that they face is related to the hiring of new faculty, which in many cases is impossible because of high costs.

Private Universities

In Italy, there are 30 universities that are not state-owned, and half of them have curricula in economics or business administration. Some of these are distance-learning universities.

On average, the fees to attend private universities are much higher than those to attend state-owned ones. In some cases, the fees depend on the student's or his/her family's income, but some universities apply

a fixed fee for enrollment. However, the fees can range from €3,000 to €11,000 per year and represent an important financial source for the private universities. Financial aid from the state is continually decreasing.

Of the traditional private universities, two are particularly large: Bocconi University and the Università Cattolica del Sacro Cuore. Bocconi University has traditionally focused on business administration studies and economics (although a law program was launched in 1999) and is located in Milan. It includes five schools:

- Undergraduate school;
- Graduate school;
- School of law;
- PhD School.

The School of Management (SDA Bocconi) was founded in 1971 and includes three types of postgraduate program: MBA programs, executive programs and short programs. It was the first school of management to be started in Italy, and it is still considered the most important in terms of size and reputation. SDA Bocconi recently entered the Indian market by establishing a subsidiary there. It competes in the international arena, and its MBA programs are ranked internationally. SDA Bocconi is accredited by the Association to Advance Collegiate Schools of Business (AACSB) and by European Quality Improvement System (EQUIS). Due to its accreditations and MBA programs, Bocconi University is known abroad and is well recognized for its programs. The fees to enroll in Bocconi University range from €5,000 to €11,000 per year; the tuition fees for the full-time MBA program are €47,000.

Università Cattolica del Sacro Cuore is the largest private Catholic university in Europe. It is quite different from Bocconi University because it is highly diversified, with 12 different schools (law; political and social sciences; economics, arts and philosophy; education; agriculture, food and environmental sciences; medicine and surgery; mathematical, physical and natural Sciences; banking, finance and insurance Sciences; linguistic sciences and foreign literature; economics and law; and psychology). Three of the 12 schools are business-oriented. The Università Cattolica has four campuses and seven schools of higher education (schools of management), three of which are business-oriented. The Università

Cattolica awards degrees at all levels, and some of its programs are taught in English. It is included in the QS ranking (a ranking of top universities in the world).

There are approximately 40,000 students studying at the Università Cattolica, and business programs play a key role. The fees to attend the university range from €3,000 to 11,000 per year and are mainly based on personal or family income.

The other private universities are much smaller and are often closely related to enterprise associations (national or local). Some are also involved in executive education. One example is LUISS (Libera Università Internazionale degli Studi Sociali), which is located in Rome. In 2013, LUISS offered undergraduate and graduate programs but not postgraduate programs. In the same year, there were approximately 3,500 students at LUISS. The fees to enroll in this university range from €8,000 to €10,000 per year, depending on the program level.

Private universities tend to have a good reputation in the business community. The reasons for a good reputation are different for each university, but the main factors can be listed as follows:

- good organization;
- close relationship with the business community;
- range of programs offered;
- facilities.

In some cases, private universities' reputations are enhanced because the top managers of certain important firms are alumni. In contrast to universities in other countries, Italian universities have not traditionally developed strong, formal relationships with their alumni. In most cases, any strong relationships with alumni are mainly based on personal links with faculty members. However, due to the reduction in financial support from the state, private universities are now attempting to raise funds from their alumni and launch activities that aim to keep them connected.

Distance-learning universities are a special group within the non-state-owned universities. They were established quite recently, and they typically give students the opportunity to either study from a distance or attend classes on a regular campus (or a combination of the

two). After an initial period of rather rapid growth, they have recently experienced a significant slowdown. As reported by the Ministry of Education, University and Research, in the period of 2009–2012, the number of students enrolled in year 1 at distance learning universities decreased by 50 %. In the same period, the decrease in the number of students at state-owned universities was 7 % and that of private universities was 1 %. The reasons for this sharp decrease, as reported by Intravaia (2013), are students' decreasing interest in a degree that does not guarantee the possibility of obtaining a job (as was previously the case) and the high fees of distance-learning universities. The evidence shows that students and their families prefer traditional private universities that, although characterized by high fees, have a track record and seem to be more reliable than distance-learning universities. An additional reason for the trend in enrollment in distance-learning universities is their reputation of not being very demanding. However, if we consider all of the traditional and distance-learning private universities, we see that they attract a relatively small number of students. In fact, approximately 40 % of all students are enrolled in ten of the large state-owned universities (Turri 2014).

Other Competitors in the Business Education Arena

To identify the players in the business education arena other than the university programs in business administration or economics, we must consider the programs that are offered by technical universities, business schools, corporate universities and consultants.

Technical universities (*politecnici*) are competitors in the business education arena because some of them offer engineering degrees with a focus on managerial topics. Currently, in Italy, there are more than 20 universities that offer a degree in business-oriented engineering (called “management and production engineering”). Technical universities are known for their high academic standards, and in some cases, their business-oriented programs are quite competitive. Nevertheless, as a whole, they are not particularly significant because the number of students enrolled in business-oriented engineering programs is rather low. Some technical universities are

very strong competitors in executive education. For example, Politecnico of Milano developed a school of management 30 years ago that is currently a major competitor in the business education arena. The business school (called MIP) offers MBA programs, executive MBA programs and a wide range of executive programs abroad (a local unit in China was recently established).

In Italy, the words “business school” are used to refer to an institution that offers executive programs or MBA programs, in other words programs that do not award an official degree that is recognized by the Ministry of Education, University and Research. Business schools can, in fact, offer degrees whose value is determined by the market. In addition, some of these business schools have developed as independent units of universities, while others have been established by entrepreneurial associations (an example is Centro Universitario di Organizzazione Aziendale (CUOA), which is located in northeast Italy) or chambers of commerce. In the latter case, chambers of commerce often offer short and affordable executive courses.

In executive education (and only for top students), the competition comes from foreign business *schools* in Europe and the USA. Unlike in other countries, there are no subsidiaries in Italy, but Italian students are interested in attending business schools in the USA or in the schools’ home countries in Europe. Examples of such schools are INSEAD (European Institute of Business Administration) and the London Business School. In some cases, foreign business schools have agreements with Italian institutions (for example, for an exchange of MBA students).

In the future, some foreign universities may attempt to enter the Italian market directly, although the many constraints and regulations, together with the language barrier, make it difficult for a foreign player to compete directly against the local schools. However, there is a trend of alliances between foreign universities and Italian universities, leading to “double-degrees” or at least exchange programs for undergraduate, graduate and postgraduate students.

In executive education, we must also consider the role played by corporate universities. In Italy, there are only a few corporate universities, and they often direct their programs to only their own employees. One of the reasons why there are so few corporate universities in the structure of the Italian economic system is that approximately 98 % of the firms in

Italy are small- or medium-sized enterprises. However, some subsidiaries of large international companies that offer executive programs do compete in Italy. The presence of many SMEs has a large impact on the Italian business education arena. In fact, many entrepreneurs and managers of SMEs seem to feel “afraid” to approach universities or business schools, which leaves room for entrepreneurial associations and consultants to offer executive programs.

While the executives of large companies often attend customized programs offered by large consulting firms, SMEs tend to buy consultancy services that include managerial education. These programs are often run by small consultancy firms or by individual, local consultants. It is rather difficult to determine if the fees that these competitors charge are high or low because there is such a wide range of prices and quality of services offered. In the last 30 years, however, executive education has developed extensively, and Italy is now rather similar to other European countries in this area.

Typical Programs Offered

In the last 20 years, the Italian university system has been restructured multiple times. The most recent reforms changed the system considerably. In the past, most universities had four-year programs, at the end of which students could obtain a degree (called *laurea*). Currently, according to the Bologna process, the following alternatives exist:

- three-year programs to earn a first-level degree (the equivalent of a bachelor degree), called *laurea* or *laurea triennale*;
- two-year programs to obtain a second-level degree (called *laurea magistrale*), which is equivalent to an MSc;
- PhD programs (*corsi di dottorato*), which are open to those who have already earned a second level degree (*laurea magistrale*). PhD programs in Italy are three-year programs.

Universities also offer other one-year programs (called master's). There are first-level master's programs (*master universitari di primo livello*) and

second-level master's programs (*master universitari di secondo livello*). First level master's programs can be taken after a bachelor degree; second-level master's programs can be taken after students have already obtained a *laurea magistrale*. Masters are presumed to be more practically oriented than other programs and are focused on specific topics and issues. Therefore, they can be considered an alternative to the *laurea magistrale* for students who wish to enter the job market by joining a private firm. Conversely, a *laurea magistrale* is necessary to obtain a civil servant position (i.e. as a teacher or a judge) or to enroll in a PhD program and pursue an academic career. Table 13.6 shows the structure of the education system in Italy before and after the 1999 reform.

All of the above degrees are recognized by the Ministry of Education, University and Research

Lauree Triennali

Bachelor degrees (*lauree triennali*) in business administration or in subjects related to the business and management field are numerous. Due to the presence of many universities in Italy, many students attend these programs in a university that is close to their home. At the end of the program, to obtain their degree, students are asked to write a "final work", which is typically a 30–40 page document in which they address a specific subject. The university determines whether there must be an oral defense of this work. To obtain their degree, students need to have passed all of their exams for a total of 180 credits *Crediti Formativi Universitari* (CFUs).

Lauree Magistrali

For the *laurea magistrale*, many students attend a university that is different from the one where they obtained their bachelor degree. Many students from southern Italy enroll in universities that are located in northern Italy, and many move from smaller towns to large cities. At the end of these programs, the students are required to write and defend a thesis. A typical *laurea magistrale* thesis is 150 pages. To earn the *laurea*

Table 13.6 Structure of the education system in Italy before and after 1999

Admission into higher education—before 1999	+3	+4	+5	+6
Maturità (secondary school degree)	Diploma universitario	Laurea (economics, management, Italian literature, foreign languages, law, etc.)	Laurea (architecture, engineering)	Laurea (medicine) Dottorato di ricerca (from 1980)
Admission into higher education—after 1999	+3	+4	+5	+6
Maturità (secondary school degree)	Laurea	Master universitario di primo livello	Laurea magistrale (all fields except medicine, which is a six-year program)	Master universitario di secondo livello Dottorato di ricerca
				+8

magistrale degree, students need to have passed all of their exams and defended their thesis for a total of 120 credits (CFUs).

First-Level Master's

First-level master's programs are chosen by students according to prestige, job opportunities and specialization offered by the awarding universities. In addition, enrollment fees play a role, as prices can largely vary. Some master's programs are open to students from different fields (for example, foreign languages, political science, engineering), while others are accessible only to students who already have a *laurea triennale* degree in business administration. Table 13.7 shows how many students were enrolled in first-level master's programs offered in Italy during the period between the 2001–2002 and 2011–2012 academic years.

As Table 13.7 shows, while the number of male students remained rather stable over time, the number of female students enrolled in first-level master's programs rose and fell, which perhaps shows a heavier influence of the financial crisis on these students.

Second-Level Master's

Second-level master's programs can be attended by students who already have a *laurea magistrale* degree. Those in business administration are not as popular in Italy as are such programs in other fields, as shown in Table 13.8.

PhD Programs

PhD programs were introduced in 1980. Previously (and for many researchers until the mid-1980s), an academic career began after earning the *laurea*, when outstanding graduates were coopted by the scholars who mentored them. Currently, PhD students are selected through an exam that consists of questions in the specific field covered by the program or through the development of a research project.

Table 13.7 Number of students enrolled in first-level master's programs in business administration offered in Italy

Academic year	Program	Number of students enrolled		Total number	Foreign students (already included in the total number of students enrolled)		Total number
		Male students	Female students		Male students	Female students	
2001–2002	Economics	224	122	346	0	0	0
2002–2003	Economics	519	432	951	16	19	35
2003–2004	Economics	623	513	1,136	18	16	34
2004–2005	Economics	573	530	1,103	28	35	63
2005–2006	Economics	1,382	1,685	3,067	35	38	73
2006–2007	Economics	1,294	1,486	2,780	46	69	115
2007–2008	Economics	1,163	1,185	2,348	35	48	83
2008–2009	Economics	1,805	4,258	6,063	37	69	106
2009–2010	Economics	1,428	1,896	3,324	42	67	109
2010–2011	Economics	1,980	4,627	6,607	44	70	114
2011–2012	Economics	1,298	1,846	3,144	42	54	96

Source: MIUR, Ufficio di Statistica, <http://www.statistica.miur.it>

Table 13.8 Number of students enrolled in second-level master's programs in business administration offered in Italy

Academic year	Faculty	Number of students enrolled			Foreign students (already included in the total number of students enrolled)		
		Male students	Female students	Total number	Male students	Female students	Total number
2001–2002	Economics	224	122	346			
2002–2003	Economics	519	432	951	16	19	35
2003–2004	Economics	623	513	1,136	18	16	34
2004–2005	Economics	573	530	1,103	28	35	63
2005–2006	Economics	629	491	1,120	35	38	73
2006–2007	Economics	647	528	1,175	46	69	115
2007–2008	Economics	471	431	902	35	48	83
2008–2009	Economics	609	704	1,313	37	69	106
2009–2010	Economics	721	821	1,542	42	67	109
2010–2011	Economics	773	844	1,617	44	70	114
2011–2012	Economics	786	679	1,465	42	54	96

Source: MIUR, Ufficio di Statistica, <http://www.statistica.miur.it>

Some PhD programs in Italy are taught in English. As previously mentioned, not all universities offer a PhD program, while some offer more than one PhD program in the business and management field.

Tables 13.9 and 13.10 show the number of places available for PhD students, the number of available fellowships, the number of application submissions and the actual number of students enrolled in PhD programs in the fields of business administration and management (Table 13.9) and economics (Table 13.10).

Table 13.11 and Fig. 13.4 show the trend in the number of PhD students who earned a degree in business administration and management and in economics.

To enter a PhD program, a student needs to have a second level degree (*laurea magistrale*).

PhD programs in Italy are three-year programs and are funded by the state, by the universities, by student fees (from students who do not obtain a fellowship) and by firms and institutions that support them. The fees to attend PhD programs are rather low and are similar to the fees required to enroll in a bachelor or graduate program. According to the

Table 13.9 PhD students in business administration and management

Year	Cycle	Places available	Number of fellowships	Submissions	Enrolled students			Foreign students (already included in the total number of enrolled students)		
					Male students	Female students	Total number	Male students	Female students	Total number
2002	17th	344	210	486	156	148	304	7	4	11
2003	18th	379	203	635	172	148	320	5	4	9
2004	19th	458	246	904	205	209	414	17	7	24
2005	20th	507	272	958	188	236	424	14	10	24
2006	21st	498	265	713	213	184	397	14	16	30
2007	22nd	356	167	529	152	162	314	10	6	16
2008	23rd	359	177	539	158	160	318	19	12	31
2009	24th	352	179	613	137	187	324	19	16	35
2010	25th	377	194	905	161	192	353	31	37	68
2011	26th	384	194	1,200	149	178	327	35	26	61
2012	27th	n.a.	n.a.	n.a.	165	170	335	41	29	70

Source: MIUR, Ufficio di Statistica, <http://www.statistica.miur.it>

Table 13.10 PhD students in economics

Year	Cycle	Places available	Number of fellowships	Submissions	Enrolled students			Foreign students (already included in the total number of enrolled students)		
					Male students	Female students	Total number	Male students	Female students	Total number
2002	17th	319	183	376	130	114	244	10	5	15
2003	18th	348	188	569	156	133	289	8	8	16
2004	19th	477	265	1,160	246	162	408	17	13	30
2005	20th	466	248	940	220	176	396	21	22	43
2006	21st	412	232	684	175	152	327	29	18	47
2007	22nd	289	149	375	103	93	196	17	12	29
2008	23rd	306	170	498	131	99	230	37	30	67
2009	24th	288	175	552	161	113	274	51	26	77
2010	25th	336	183	816	158	130	288	35	24	59
2011	26th	374	208	1,079	175	162	337	36	30	66
2012	27th	n.a.	n.a.	n.a.	97	92	189	20	13	33

Source: MIUR, Ufficio di Statistica, <http://www.statistica.miur.it>

Table 13.11 Trend in the number of PhD students who earned their degree

Field	17th cycle			18th cycle			19th cycle		
	Male PhD	Female PhD	% success	Male PhD	Female PhD	% success	Male PhD	Female PhD	% success
Management	107	103	69.1%	138	130	83.8%	117	137	61.4%
Economics	116	116	95.1%	138	114	87.2%	115	90	50.2%
Field	20th cycle			21st cycle			22nd cycle		
Management	124	139	62.0%	148	176	81.6%	123	144	85.0%
Economics	99	85	46.5%	104	85	57.8%	85	61	74.5%
Field	23rd cycle			24th cycle			25th cycle		
Management	111	155	83.6%	113	136	n.a.	83	96	n.a.
Economics	172	144	93.3%	73	76	n.a.	52	49	n.a.

Source: MIUR, Ufficio di Statistica, <http://www.statistica.miur.it>

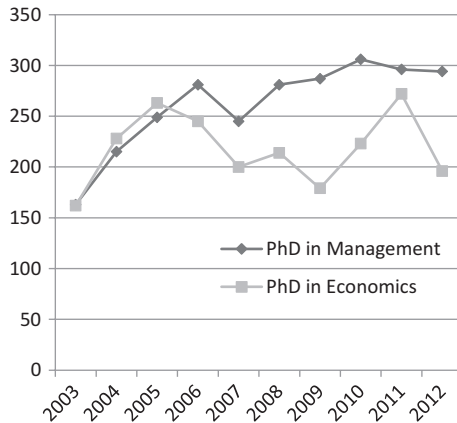


Fig. 13.4 Number of PhDs who earned their degree during the period of 2003–2012

(Source: MIUR, Ufficio di Statistica, <http://www.statistica.miur.it>)

new rules introduced by the ministry, to start or continue offering a PhD program, a school must be able to award at least six fellowships.

PhD students typically attend classes in their first year and often spend a period abroad during their second or third year (the target is 18 months). Supervisors are chosen among PhD faculty members. The specific requirements have been established by the Ministry of Education, University and Research for PhD programs. These requirements relate to publications. To offer a PhD program that is accredited by the ministry, a university must achieve a certain “grade” according to the number and level of publications of the faculty members involved in the PhD program. Recently, the Ministry of Education, University and Research introduced a new rule that states that PhD programs will also be assessed and accredited on the basis of the publications of their PhD students during the period between when the students attended the PhD program and a few years after completing it. For state-owned universities, approximately 60 % of the funding for PhD programs comes from the state, while the remaining 40 % is from the university. According to a recent law (2014), at least 75 % of the places available must be associated with a fellowship. Because funding from the state has not increased, some universities were forced to reduce the number of PhD programs that they

offered. Between 2013 and 2014, these constraints led to a reduction in places (in all fields) from 12,338 to 9,189 (more than 25 %).¹

Until recently, PhD students in the business administration field were expected to write a full dissertation, but it is becoming increasingly common for them to be required to write three papers instead. The university determines whether the three papers have to be published or only presented at a conference. The defense committees are typically composed of three members (only one of whom can belong to the same university that offers the PhD program). Traditionally, the thesis and defense are conducted in Italian when the program is taught in Italian, but English is also accepted.

In general, PhD programs in Italy are much more academically oriented than business oriented. For this reason, younger students, rather than businesspeople, attend these programs. This difference has become an issue because with the reduction in funding to universities, there are fewer financial resources to hire young academics, which has led to a slowdown in application submissions to PhD programs in recent years. Nevertheless, Tables 13.9 and 13.10 show a recent increase since 2010, when the deteriorating unemployment situation created new appeal for PhD positions.

The Demand Side: Students

In the 2012–2013 academic year, approximately 45,300 students were enrolled in business and economics (or statistics) programs vis-à-vis the 52,700 enrolled in such programs in 1994–1995, as shown in Fig. 13.5.

Tables 13.12 and 13.13 show the same trend for all fields.

Table 13.14 and Table 13.15 show the number of economics and business programs and the number of students enrolled in Italian universities in the 2003–2004 and 2005–2006 academic years and in the 2011–2012 and 2012–2013 academic years, respectively.

¹ Source: <http://www.roars.it/online/a-chi-conviene-ancora-il-dottorato-senza-borsa/>.

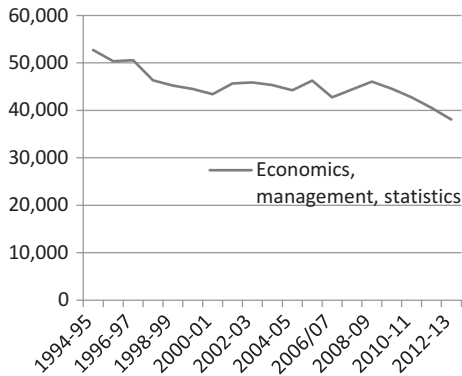


Fig. 13.5 Trend in the number of students enrolled
(Source: MIUR, Ufficio di Statistica, <http://www.statistica.miur.it>)

As shown in Table 13.15, for many universities, there has been a reduction in the number of students in the field of economics and business, which has led to an increase in competition.

One of the problems that continues to affect Italian universities is the number of students who leave the universities after the first year. The average percentage of students who leave universities after the first year was approximately 18 % for business and economics programs in the 2008–2009 academic year. In part, these exits occur because some students enter universities while they are waiting for a job. When they get the job, they leave the university. Other students enroll when they are already working, and they leave the university because they find it overly difficult to work and study at the same time.

The number of students who earn their degree on time has increased to 41 % (Almalaurea 2014), whereas it was only 17 % in 2000, nearly 27 % in 2003 and 38 % in 2008. The university reform that introduced the 3+2 system (*laurea triennale* and *laurea magistrale*) appears to be one of the reasons why more students earn their degree on time: the duration of the *laurea triennale* is one year shorter than it was in the past, and there is no need to write a dissertation to obtain the degree, which makes it easier for students to reach the goal within the deadline.

However, because the Ministry of Education, University and Research assesses universities based on the percentage of students who obtain their

Table 13.12 Students enrolled by field—academic years from 1994–1995 through 2003–2004

Fields	1994–1995	1995–1996	1996–1997	1997–1998	1998–1999	1999–2000	2000–2001	2001–2002	2002–2003	2003–2004
Scientific	11,903	11,690	10,696	9,637	9,574	9,341	10,846	12,611	12,415	12,088
Chemical/ pharmaceutical	10,020	10,162	11,277	10,936	10,708	9,538	9,130	9,796	11,350	13,044
Biological	17,116	17,040	15,029	14,963	14,792	13,266	12,914	16,097	17,914	19,585
Medical	13,167	13,336	15,624	15,909	15,984	17,687	19,558	21,696	24,516	25,514
Engineering	39,688	38,363	39,155	37,863	35,381	35,439	37,061	37,178	37,193	36,864
Architecture	8,257	7,883	8,498	8,745	8,496	8,534	8,774	12,976	15,924	17,238
Agricultural	8,116	8,490	9,839	8,774	7,904	6,922	6,364	7,035	7,901	8,131
Economics, management, statistics	52,749	50,369	50,562	46,323	45,211	44,534	43,405	45,665	45,886	45,332
Political-social	34,827	35,707	35,425	32,295	32,386	30,416	31,933	46,731	47,245	45,676
Law	66,505	62,029	57,399	50,689	45,158	42,099	38,874	38,105	39,627	40,965
Literature	33,275	34,851	31,593	33,072	31,219	27,690	26,200	29,105	32,232	32,224
Languages	17,965	17,767	17,779	18,135	18,187	16,907	17,622	18,882	20,572	20,139
Teaching	14,064	15,890	17,843	18,324	19,791	17,348	16,649	15,970	17,763	18,758
Psychology	8,420	8,105	7,776	10,723	11,285	11,636	12,119	1,547	11,218	11,832
Sports	3,497	3,666	3,723	4,028	3,951	4,475	4,077	4,511	5,071	5,513
Defense	–	–	–	–	–	–	–	383	333	216
Total	339,569	335,348	332,218	320,416	310,027	295,832	295,526	331,288	347,160	353,119

For the 2000–2001 academic year, the data refer to students who entered a university for the first time. The previous data include students who were enrolled in their first year but were previously university students in a different field.

Source: Istat, Rilevazione dell'istruzione universitaria fino all'a.a. 1995/96, MIUR-URST per gli a.a. 1996/97 e successivi; MIUR, Ufficio di Statistica, <http://www.statistica.miur.it>

Table 13.13 Students enrolled by field—academic years from 2004–2005 through 2012–2013

Fields	2004–2005	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	2010–2011	2011–2012	2012–2013
Scientific	30,836	31,339	33,901	30,790	28,564	30,425	30,033	28,690	30,342
Chemical/ pharmaceutical	12,839	10,001	10,164	11,611	10,773	11,891	11,181	104,98	9,768
Biological	1,242	719	731	1,552	799	801	652	619	574
Medical	30,778	32,207	29,984	29,013	27,280	28,350	27,665	25,447	25,513
Engineering	39,831	36,861	37,110	37,452	39,149	40,764	39,997	40,927	40,004
Architecture	11,726	10,484	10,819	10,951	9,913	9,530	9,128	7,900	7,660
Agricultural	6,212	5,376	4,915	5,850	5,652	5,799	6,557	7,098	7,188
Economics, management, statistics	44,259	46,268	42,730	44,404	46,030	44,581	42,756	40,560	38,087
Political-social	31,185	28,974	25,306	23,386	18,819	19,538	19,811	18,753	15,019
Law	39,533	36,778	35,547	33,985	31,854	34,090	32,648	31,795	27,226
Literature	41,620	39,379	36,879	34,693	34,130	31,719	28,655	28,695	27,976
Languages	11,869	12,362	11,243	11,252	11,413	11,159	11,451	12,522	12,088
Teaching	21,908	18,932	17,742	19,053	17,587	16,889	17,235	16,146	16,318
Psychology	6,829	6,955	6,444	6,545	6,258	5,955	6,012	5,497	5,021
Sports	1,813	1,799	1,860	2,608	2,369	2,133	2,460	2,730	2,872
Total	332,480	318,434	305,375	303,145	290,590	293,624	286,241	277,877	265,656

Source: MIUR, Ufficio di Statistica, <http://www.statistica.miur.it>

Table 13.14 Number of economics and business schools and number of students enrolled by university in 2003–2004 and 2004–2005

University	Number of economics and business schools	Number of students enrolled in academic year 2004–2005	Number of students enrolled in academic year 2003–2004
Politecnica delle Marche	1	832	0
Università degli Studi di Bari	1	1,997	2,085
Libera Università Mediterranea Jean Monnet	1	324	32
Università degli Studi di Bergamo	1	834	493
Università degli Studi di Bologna	3	2,318	1,868
Libera Università degli Studi di Bolzano	1	165	64
Università degli Studi di Brescia	1	910	444
Università degli Studi di Cagliari	1	670	558
Università della Calabria	1	1,599	1,488
Università degli Studi di Cassino	1	531	550
Libero Istituto Universitario "Carlo Cattaneo" di Castellanza	1	289	255
Università degli Studi di Catania	1	1,952	1,893
Università degli Studi "G. D'Annunzio" di Chieti-Pescara	1	486	733
Libera Università della Sicilia Centrale "Kore" (ENNA)	1	np	np
Università degli Studi di Ferrara	1	346	262
Università degli Studi di Firenze	1	1,431	1,435
Università degli Studi di Foggia	1	500	455
Università degli studi di Genova	1	827	524
Università degli Studi dell'Insubria	1	450	506
Università degli Studi dell'Aquila	1	323	382

(continued)

Table 13.14 (continued)

University	Number of economics and business schools	Number of students enrolled in academic year 2004–2005	Number of students enrolled in academic year 2003–2004
Università degli Studi di Lecce	1	771	758
Università degli Studi di Macerata	1	209	231
Università degli Studi di Messina	1	896	868
Università degli Studi di Milano—Bicocca	1	1,744	1,330
Università Commerciale “Luigi Bocconi” di Milano	1	4,339	2,525
Università Cattolica del “Sacro Cuore” di Milano	3	1,954	1,471
Università degli Studi di Modena e Reggio Emilia	1	847	718
Università degli Studi del Molise	1	688	754
Università degli Studi di Napoli	1	1,383	1,235
Seconda Università degli Studi di Napoli	1	605	529
Università degli Studi di NAPOLI Parthenope	1	1,703	1,777
Università degli Studi di Padova	1	262	256
Università degli Studi di Palermo	1	1,331	853
Università degli Studi di Parma	1	1,180	1,024
Università degli Studi di Pavia	1	535	444
Università degli Studi di Perugia	1	1,060	980
Università degli Studi del Piemonte Orientale “A. Avogadro”	1	629	563
Università degli Studi di Pisa	1	995	802
Università degli Studi di Roma “La Sapienza”	1	2,156	2,031

Università degli Studi di Roma "Tor Vergata"	1	1,202	943
Università degli Studi ROMA TRE	1	950	816
Libera Università Internazionale di Studi Sociali "Guido Carli"—(LUISS) di Roma	1	242	465
Libera Università degli Studi "S. Pio V" Roma	1	63	63
Università Telematica Guglielmo Marconi	1	np	np
Università Telematica TEL. M.A.	1	np	np
Università degli Studi di Salerno	1	1,124	914
Università degli Studi del Sannio	1*	705	851
Università degli Studi di Sassari	1	429	457
Università degli Studi di Siena	1	760	675
Università degli studi di Torino	1	2,522	2,005
Università degli Studi di Trento	1	618	440
Università degli Studi di Trieste	1	422	321
Università degli Studi della Tuscia	1	300	361
Università degli Studi di Udine	1	661	443
Università telematica internazionale UNINETTUNO	1	np	np
Università degli Studi di Urbino	1	359	250
Università degli Studi "Ca' Foscari" di Venezia	1	2,094	1,534
Università degli Studi di Verona	1	609	855

Source: Miur—Database Offerta Formativa. Il dato sul numero di studenti iscritti alle facoltà di economia deriva invece dal database "Anagrafe Nazionale Studenti".

degree on time, the universities have good reason to better organize their courses to reduce the number of students who do not manage it.

The Role of Other Players

In the Italian university system, the state plays an important role, as the system is highly regulated and most Italian universities are state-owned. The faculty members consist of civil servants who are selected based on national and local public examinations, through which the state establishes the most relevant “rules of the game”. Universities are also evaluated by an independent agency, the National Agency for University System and Research Evaluation (ANVUR), that was established in 2011. The above-mentioned players are described in the following sections.

The State

The state plays an important role in the business education sector, not only because of the financial support it provides to universities but also because of the constraints that it imposes on university decisions. We analyze the state’s role by examining two factors: university reforms and the financial support provided to universities.

Italian University Reforms

In 1999, the Italian Parliament passed a reform that changed the university system according to the Bologna process. Additional changes were subsequently implemented because of other reforms, with impacts that were mainly related to the funding of programs and university assessments.

The 1999 reform introduced the following reforms:

- the 3+2+3 system (according to the Bologna process);
- the financial independence of universities.

The introduction of the 3+2+3 system caused many changes in universities. First, universities had to revise their curricula and reorganize their activities. Universities had to determine how many students would stop their studies after earning their bachelor degree and how many would continue their studies. Then, the universities had to decide what to offer and how to differentiate themselves from their competitors.

After several years, it can now be said that one result of this change was a significant increase in the number of programs offered at the national level. Some second-level degrees were so specialized that some programs were not able to obtain the minimum number of students needed in order to continue them, and the universities were forced to cancel these courses.

Other reforms were introduced in 2005 and 2010 and affected various factors.² The most relevant factors include a change in university organization (from faculties and departments to departments only, with departments now responsible for both teaching and research); a more relevant role attributed to the university board (30 % of the board members are external members); the introduction of an assessment system according to which universities are accredited by the Ministry of Education, University and Research; a national examination (followed by a local examination) to hire faculty members; and changes to the accounting system.

Financial Support to Universities

Most of the budget of state-owned universities is covered by the state (approximately 60 %), and approximately 13 % is covered by student fees, with the remainder covered either by other public financing (from the Ministry of Education, University and Research or other public bodies) or by private support.

Private universities are in the opposite situation. In fact, less than 10 % of their budget comes from the state. State transfers to both state-owned and private universities have decreased over the last 20 years. Some of the

² For a detailed analysis of university reforms in Italy, see Turri (2014).

Table 13.15 Number of economics and business schools and number of students enrolled by university in 2011–2012 and 2012–2013

<i>University</i>	Number of economics and business schools	Number of students enrolled in academic year 2012–2013	Number of students enrolled in academic year 2011–2012
Politecnica delle Marche	1	578	636
Università degli Studi di Bari	1	1,470	1,618
Libera Università Mediterranea Jean Monnet	1	92	95
Università degli Studi di Bergamo	1	168	182
Università degli Studi di Bologna	3	625	627
Libera Università degli Studi di Bolzano	1	1,140	1,351
Università degli Studi di Brescia	1	184	141
Università degli Studi di Cagliari	1	628	665
Università della Calabria	1	662	611
Università degli Studi di Cassino	1	885	927
Libero Istituto Universitario "Carlo Cattaneo" di Castellanza	1	298	258
Università degli Studi di Catania	1	167	162
Università degli Studi "G. D'Annunzio" di Chieti-Pescara	1	697	690
Libera Università della Sicilia Centrale "Kore" (ENNA)	1	640	734
Università degli Studi di Ferrara	1	400	411
Università degli Studi di Firenze	1	975	1,118
Università degli Studi di Foggia	1	449	443
Università degli studi di Genova	1	763	954
Università degli Studi dell'Insubria	1	306	309
Università degli Studi dell'Aquila	1	371	314
Università degli Studi di Lecce	1	365	398
Università degli Studi di Macerata	1	136	156

(continued)

Table 13.15 (continued)

<i>University</i>	Number of economics and business schools	Number of students enrolled in academic year 2012–2013	Number of students enrolled in academic year 2011–2012
Università degli Studi di Messina	1	543	639
Università degli Studi di Milano—Bicocca	1	1,243	1,608
Università Commerciale “Luigi Bocconi” di Milano	1	1,957	1,935
Università Cattolica del “Sacro Cuore” di Milano	3	2,391	2,206
Università degli Studi di Modena e Reggio Emilia	1	526	578
Università degli Studi del Molise	1	300	329
Università degli Studi di Napoli	1	1,136	2,049
Seconda Università degli Studi di Napoli	1	586	565
Università degli Studi di NAPOLI Parthenope	1	1,319	1,406
Università degli Studi di Padova	1	223	203
Università degli Studi di Palermo	1	779	769
Università degli Studi di Parma	1	435	496
Università degli Studi di Pavia	1	606	417
Università degli Studi di Perugia	1	511	579
Università degli Studi del Piemonte Orientale “A Avogadro”	1	534	535
Università degli Studi di Pisa	1	969	970
Università degli Studi di Roma “La Sapienza”	1	1,146	1,701
Università degli Studi di Roma “Tor Vergata”	1	836	985
Università degli Studi ROMA TRE	1	665	694
Università non statale Europea di Roma	1	58	53

(continued)

Table 13.15 (continued)

<i>University</i>	Number of economics and business schools	Number of students enrolled in academic year 2012–2013	Number of students enrolled in academic year 2011–2012
Libera Università Internazionale di Studi Sociali "Guido Carli"—(LUISS) di Roma	1	619	609
Libera Università degli Studi "S. Pio V" Roma	1	34	29
Università Telematica Guglielmo Marconi	1	84	77
Università' Telematica TEL. M.A.	1	32	50
Università degli Studi di Salerno	1	647	637
Università degli Studi di Sassari	1	343	276
Università degli Studi di Siena	1	580	601
Università degli studi di Torino	1	1,523	1,364
Università degli Studi di Trento	1	453	455
Università degli Studi di Trieste	1	443	457
Università degli Studi della Tuscia	1	278	215
Università degli Studi di Udine	1	400	434
Università telematica internazionale UNINETTUNO	1	65	206
Università degli Studi di Urbino	1	153	162
Università degli Studi "Ca' Foscari" di Venezia	1	1,367	1,204
Università degli Studi di Verona	1	729	585
Università Telematica Niccolò Cusano	1	218	212
Università Telematica e-Campus	1	123	143
Telematica Universitas Mercatorum	1	24	36

Source: Miur—Database Offerta Formativa. Il dato sul numero di studenti iscritti alle facoltà di economia deriva invece dal database "Anagrafe Nazionale Studenti"

state transfers to universities are related to what the universities received in the past (approximately 80 %), while a growing percentage of funding from the state is related to the results of university assessments.

The objective is to distribute 30 % of the total funds from the ministry according to the results of this assessment. However, problems exist for

some universities because more than 70 % of the state funds are used to pay faculty wages. For this reason, a reduction in funding has not yet taken place because it would force some universities to close.

Rankings

Until recently, Italian universities were not concerned about quality, which ensured that they would not compete in the international arena. However, some schools of management were much more sensitive about this issue because their programs (namely, MBA programs) were offered in the international market and were compared with those supplied by foreign competitors.

As far as domestic rankings are concerned, some Italian newspapers rank the universities based on their own variables. Only a few Italian universities are ranked in international journals because they compete in the international arena by offering MBAs.

The Ministry of Education, University and Research, however, has recently started to rank universities according to their research output, and since 2014, they have also been ranked based on their teaching quality and infrastructure. A key player in university assessments is ANVUR, and its role is described in the next section.

Role of the National Agency for University System and Research Evaluation (ANVUR)

Research assessment has become increasingly relevant in recent years. Departments and universities are evaluated on their faculty members' research output. A national independent agency (ANVUR) was established in 2011 to evaluate the Italian university system and the research conducted at the universities. In the first research assessment exercise (related to the period of 2004–2010), each faculty member had to choose his/her three best research products of the period. Based on evaluations of each faculty member, all of the departments in all of the Italian universities were assessed and ranked.

To evaluate research outputs, ANVUR classified each field as bibliometric or non-bibliometric. However, business studies have been considered a field that is between bibliometric and non-bibliometric. Thus, some publications in business administration (such as papers) were assessed according to a bibliometric criterion, while others (books) underwent the peer review process.

Most business departments had poor assessment results, which created significant problems because the departments lost resources vis-à-vis other departments (such as economics) as a result of the evaluation. One of the worst aspects of these evaluations is that some of the research output was evaluated both through peer review and in a bibliometric manner, and the result was that the bibliometric score was higher than the score given by peer reviewers in most cases. This result led ANVUR to state that the scholars in the business field had obtained bad results because their research output was poor, as their peers had clearly stated. However, many scholars in the field believe that their output was assessed by people who were perhaps very internationally oriented and driven by criteria that are not shared by the Italian community of business scholars; that domestic publications were considered to be of low quality vis-à-vis international publications, without considering the history of business studies in Italy; and that books were systematically considered to be poor quality products. A new research assessment will be focused on the period of 2011–2014, and it is not yet clear whether there will be any changes in its implementation.

In 2013, ANVUR started a program of teaching assessments that will end with the accreditation of universities that are compliant with minimum quality requirements defined by ANVUR. Based on this new method of assessing universities, 18 % of universities' total funding will be based on the universities' research, teaching and hiring policies; this amount was 13.5 % in the previous year.³

ANVUR has also been involved in the establishment of minimum requirements for faculty recruitment and career progression. For this purpose, ANVUR developed some requirements for both candidates and the members of the evaluation commissions that select candidates at the national level.

³Source: <http://www.hubmiur.pubblica.istruzione.it/web/ministero/cs171214>.

Faculty

The academic profession, which was previously held in very high esteem in Italy, has partially lost its capacity to attract the best students in recent times. Part of the reason for this difficulty is the increased duties that are associated with the academic profession, the idea that universities are not very efficient and the low pay that academics receive. Because of these factors, the profession is less attractive than it was in the past. Additionally, the number of women in academia is increasing, while in the past to be an academic professor was considered a profession for men.

In Italy, there are nearly 55,000 faculty members, as shown in Table 13.16. Of this total, 4,507 are faculty members in economics and business programs. In 2005, approximately 33 % of them were in the field of business administration.⁴

As Table 13.16 and Fig. 13.6 show, in the period of 1997–2012, the number of researchers increased by much less than that of associate professors and full professors. In fact, researchers increased by 18 %, associate professors by 48 % and full professors by 51 %.

Because of this different rate of increase, the average age of faculty members is rather high and is increasing; thus, in some universities, there is an upside-down pyramid as far as faculty members are concerned. The main reason for this change is that the state has progressively reduced the funding of universities; therefore, constraints on hiring have become increasingly relevant. Now, many professors are retiring, and some business schools and departments do not have a sufficient number of faculty members to teach their courses. Thus, a hiring trend has started again. Another reason for this trend is that, to offer a program, universities must demonstrate that they have a sufficient number of faculty members (according to ratios that are centrally defined by the Ministry of Education, University and Research). However, problems related to the level of costs for faculty members slow the increase in hiring, which, in turn, reduces the number of students that the universities can enroll.

⁴Source: SIDREA—data from MIUR, November 2005.

Table 13.16 Faculty members in economics and business schools

Year	Full professors	Associate professors	Assistant professors	Total
1997	973	890	1,458	3,321
1998	972	887	1,463	3,322
1999	970	1,247	1,328	3,545
2000	1,155	1,176	1,376	3,707
2001	1,322	1,281	1,317	3,920
2002	1,464	1,343	1,337	4,144
2003	1,470	1,325	1,290	4,085
2004	1,495	1,321	1,359	4,175
2005	1,723	1,327	1,356	4,406
2006	1,821	1,374	1,439	4,634
2007	1,841	1,358	1,493	4,692
2008	1,808	1,341	1,761	4,910
2009	1,737	1,316	1,784	4,837
2010	1,574	1,310	1,763	4,647
2011	1,533	1,339	1,719	4,591
2012	1,465	1,317	1,725	4,507
Increase %	51 %	48 %	18 %	36 %

Source: MIUR—Banca dati docenti di ruolo

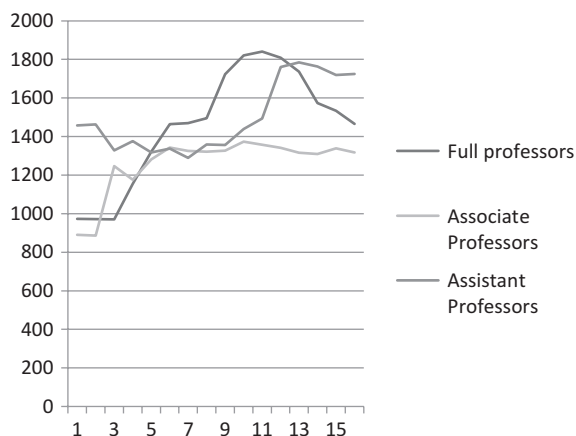


Fig. 13.6 Number of faculty members in economics and business
(Source: MIUR—Banca dati docenti di ruolo)

The Career Path

One can enter into an academic career through a postdoc fellowship (typically a one-year contract that can be renewed for a total period of four years). After a postdoc fellowship, the traditional career path is assistant professor, associate professor and then full professor.

In Italy, many reforms have been implemented to change the way in which one accesses an academic career. Until 1999, a public examination took place at the local level for assistant professors and at the national level for associate and full professors. A commission was elected (on average, every 1–2 years) for each field, and it selected as many professors as necessary to fill the gaps at the national level (i.e. in all of the universities in Italy).

Due to the reforms that were implemented in 1999, the system changed, and all public examinations took place locally. For each position, a commission was appointed, and a shortlist of two selected candidates was provided to the university. The person who the university did not select could be hired (within a two-year period) by the same or a different university, as he or she was considered to have already taken (and passed) the next public examination. The 2005 reform changed the system again. Since 2006, assistant professors have been selected locally, and national public examinations are only held to determine associate and full professors.

In the past, assistant professors were hired and if they were considered to be compliant with the required research standards after three years, they obtained tenure. Now, universities can hire assistant professors on three-year contracts (with the opportunity to extend it to six years). After this period, the assistant professors must pass a public examination to obtain the position of associate professor, and then they must obtain tenure from their university. If they do not receive tenure, they can be fired.

In the great majority of cases, the faculty members of private universities follow the same career path as teachers in state-owned universities, and the public examination is the same. Some universities, however, hire faculty members who have not taken a public examination. Private universities must follow the same rules as state-owned universities regarding hiring because they still offer degrees that are officially recognized by the state.

In addition, the wages of faculty members at private and state-owned universities are similar, although private universities have the opportunity to offer increased wages. Until now, this option has not been widely used (thus, faculty members at private universities are often paid the same amounts as their colleagues in state-owned universities). However, private universities can sign contracts with teachers from other institutions and even pay them much more than their regular faculty members. This exception is an advantage of the internationalization process because private universities have the ability to attract foreign teachers who would not be willing to work for state-owned universities because of the low wages.

Wages

Tables 13.17 shows the amount of money that assistant professors, associate professors and full professors earn from their universities (average wages of faculty members who have been in service for nine years). Faculty members have to pay taxes on what they earn. The costs that the university bears are approximately 40 % higher than the gross wages because they also include social costs.

Private universities can pay their faculty members a higher wage than state-owned universities. Some private universities have exploited this possibility and given faculty members more money based on their own rules (for example, based on the teaching workload in terms of hours and/or the number of students taking courses). According to the 2005 reform, state-owned universities also have the ability to increase faculty members' wages based on specific activities performed.

By law, associate and full professors must teach 120 hours per year (contact hours) if they are full-time faculty members and 80 hours per year if they are part-time faculty. Some, however, have even more teaching hours. Assistant professors must perform activities that are related to teaching (tutoring, exams, seminars) for at least 60 hours per year.

Faculty members' workload is measured in terms of total hours devoted to student-related activities (not only teaching but also exams, tutoring, etc.): the minimum required by law is 350 hours per year for full-time associate and full professors and 250 hours per year for part-time professors.

Table 13.17 Wages for assistant professors, associate professors and full professors

	Average gross wage (after nine years of service)
Part-time assistant professor	€28,903
Full-time assistant professor	€41,077
Full-time associate professor	€41,490
Full-time associate professor	€62,722
Part-time full professor	€56,523
Full-time full professor	€91,836

Source: MIUR

Faculty Evaluation

In the past, evaluations of faculty members were only performed by their mentors and bosses. Because professors recruited new faculty members from among the most brilliant graduates, the evaluations of the graduates' performance were often informal and personal.

Recently, the Ministry of Education, University and Research introduced an evaluation system that is mainly based on the evaluation of publications. Each faculty member is evaluated during an "assessment exercise". The last evaluation, which covered the period from 2004–2010, required that each faculty member choose his or her best three publications from the period. A "grade" was then given to each faculty member based on the type and quality of the selected publications. Business administration studies are considered a field that is between bibliometric and non-bibliometric fields. Thus, business administration papers were evaluated according to bibliometric logic, while books were evaluated through a peer review process, as discussed above. The result, as a whole, was largely unsatisfactory, as scholars in business administration received low grades (*vis-à-vis* their colleagues in other fields such as economics) when they were evaluated according to bibliometric methods, but they received even lower grades when they were assessed by their peers. As a result, they lost the power and capacity to attract resources.

For many years, a lot of universities have used questionnaires to ask students to evaluate the courses and the faculty members' teaching performance. However, teaching performance is often not considered in rewarding or punishing faculty members; rather, it is simply used as one

of the elements of their evaluations. Institutional engagement is not considered for rewarding faculty members or reducing their teaching loads unless for deans or department directors.

As state funding decreases, the ability to attract funding becomes increasingly important, and it has recently been introduced as another factor that is considered for career advancement purposes.

Trends

In this section, the main trends that affect higher education in the business administration field are summarized.

Internationalization

Although not yet fully supported by some professors, internationalization is a clear trend for Italian universities. The internationalization process can take place through various methods:

- agreements with foreign universities to engage in student exchanges and offer double degrees;
- PhD students must spend periods of time abroad;
- extra weight is given to international publications, which have become increasingly relevant over time;
- an increased presence of visiting professors from other countries;
- courses and programs taught in English.

This trend toward internationalization has caused a certain divide among Italian scholars in the business field. Young scholars are internationally oriented and are similar to their foreign colleagues in terms of background, reference points in the literature, methodological approach and use of English. Most older scholars, conversely, do not feel comfortable with the new international focus because they are not accustomed to teaching in English, they have domestic references, they are more accustomed to writing books than papers and they are more oriented toward

qualitative rather than to quantitative research. Thus, the “old” business scholar community is attempting to support the idea that they should not abandon the Italian language and research traditions, while most young researchers do not share the same ideas and preferences.

One of the consequences of the internationalization trend is that domestic journals are facing major problems, and some of them are disappearing, while there is increased competition to publish in international journals. This trend has also led to a sharp reduction in the production of books vis-à-vis the past, when books were considered to be the typical research output of young scholars because they provided the opportunity to address a subject in depth and from different perspectives.

Concentration

In the recent past, there has been a trend toward the fragmentation of universities. The result was a rather large number of universities and programs, which led to inefficiencies in some cases.

Because of the most recent reforms, however, universities have needed to change their orientation. In fact, on the one hand, they are responsible for their economic results and must reduce their costs; on the other hand, the ministry has implemented minimum requirements that oblige the universities to reduce the number of programs offered if they do not have a sufficient number of faculty members. The result of these factors could be a trend toward concentration that could eventually lead to a reduction in the total number of programs and universities in Italy.

Market Shrinking

The population of young people in Italy is decreasing. Although people are increasingly continuing their studies after secondary schooling, the decrease in birth rate is causing a shrinking market that has not yet been counterbalanced by an increase in foreign students (Fig. 13.7).

The number of foreign students attending Italian universities has increased but not by the number necessary to retain a stable student

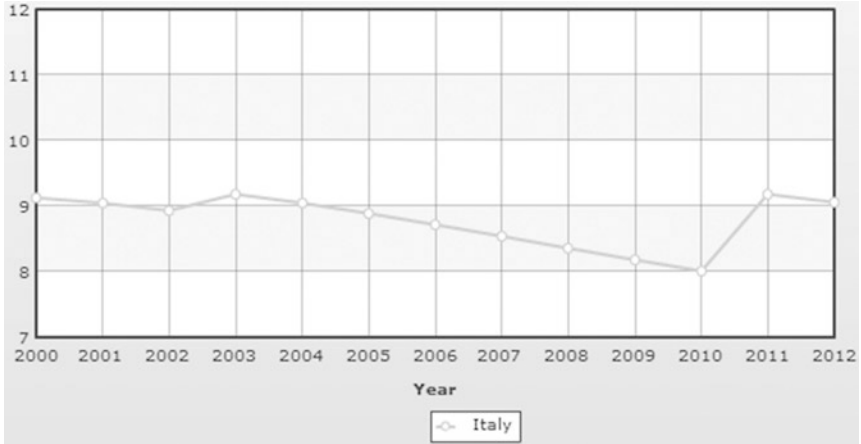


Fig. 13.7 Birth rate 2000–2012 (Source: ISTAT)

population. To counterbalance the decrease in the number of native students, it may be necessary to launch new courses that are taught in English; some universities have already started this process, but the language barrier remains a serious obstacle. Moreover, some Italian students have begun to study abroad after they receive their first-level degree. They are increasingly attracted by foreign programs that are run by American and European business schools.

The number of foreign students enrolled in economics and business programs in Italy is approximately 4,000, which represents 1.7 % of all students. However, if we consider all fields, foreign students in Italy account for only approximately 14 % of all students (approximately 24,000).

Competition and Cooperation

Competition has grown increasingly intense, and universities are spending increasing amounts on marketing, public relations and advertising to attract students. The result could be a divergence between small and large universities, where the small universities only have the resources to

attract local students, while the large universities compete nationally (and in some cases, even internationally).

As described in previous sections, in many cases, schools or universities cooperate with local or national industrial associations to offer business education. This leads business and economics faculty members to specialize in research: small, local universities are more concerned with local economic issues, study local districts, and conduct research on small-sized companies, while faculty members who are located in large towns have stronger links with large firms.

Cooperation with foreign institutions is also becoming increasingly relevant. Exchange programs and double degrees have increased substantially in recent years (not only within Europe but also in US institutions); some institutions have even established programs in the Far East or entered into joint ventures with foreign business schools. In a few cases, Italian universities have opened their own subsidiaries in developing or emerging countries.

Conclusions

Business administration studies are quite important in Italy, and executive education is becoming increasingly widespread, often including involvement with SMEs.

Universities and business schools, however, are struggling with financial issues and the requirements established by the Ministry of Education, University and Research regarding the number of faculty members, the number and quality of programs offered, the number and content of PhD programs and the amount of required research activities. These factors are all considered to be vital for accreditation by the ministry and will ultimately determine the positioning of each Italian university in the national rankings.

The internationalization of Italian universities is a clear trend that means Italian universities will continue to attempt to attract foreign students and faculty members and will seek increased involvement in international research projects. However, language remains an issue for the older faculty members.

An issue that is related to the internationalization of business administration studies and business education is the risk of losing traditions and theoretical references that are dependent on the Italian language. Young scholars in Italy are quite similar to those in other countries in that they have an international perspective, and they are much more quantitatively oriented than older Italian scholars. This trend can be viewed as a successful outcome of the internationalization process, it could allow Italian universities to compete in an international context, where they currently suffer because of their different origin and language.

Similar to other countries, Italy must consider the future because most of the promising graduates prefer careers other than research. When they choose to conduct research, they consider careers in other countries because of the many constraints that characterize the Italian system, including long career paths and comparatively low wages.

Another relevant trend is the feminization of business education. Currently, female students are increasingly numerous, and in many programs, they constitute more than 50 % of the total students. In the past, business faculties were mostly “male faculties”. However, many women are now establishing careers in academia, although still mainly at lower levels. This factor could change business education in both the immediate and distant future more than any of the other trends.

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