1 Why Are Business Schools Generally So Static, and Why Is New Knowledge Needed?

> Adapt or perish, now as ever, is nature's inexorable imperative.
>
> H. G. Wells

> The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn and relearn.
>
> Alvin Toffer

Business schools are increasingly seen as being of key importance for the dynamic development of nations' economies. Educating new generations of strong leaders is key! Still, many business schools are relatively slow when it comes to embracing the necessary changes to deliver the types of qualities required today. It is, of course, far from easy to be effective when it comes to pulling off innovation. And, perhaps surprisingly for many business schools, it is particularly difficult to achieve. Why is this? This book is intended to shed light on this dilemma. My postulate is that the business school of the future must be particularly effective when it comes to self-transformation. In the course of the book, I will suggest a number of ways in which this ability to innovate might be strengthened in the majority of business schools.

A recent article in the *Economist* highlights some of the typical dilemmas experienced by those seeking a university education these days (*Economist*, 2018). While taking a university degree is more important than ever (social prestige; "sorting" requirement for getting jobs, in the private as well as public sector), the actual returns diminish (economic returns; oversupply of degree-holding candidates). This lends credence to one of the main propositions set forward in this book, namely, that the way in which students approach higher education might be changing, suggesting that they will be prepared for the emerging new technology-driven reality. Advances in web-based technology allow students to internalize many of the materials that were traditionally taught in institutions of higher education, either remotely or from home. Thus, studying at home, combined with, say, shorter, intensive workshops at school, might increasingly be the way to study, to synthetize, to focus on cutting-edge dilemmas, and to get the perspectives of other students.

This transformation in education is reinforced by the fact that labor markets are getting tighter, meaning that few individuals will be prepared

to give up their professional careers to go back to full-time study. So, in sum, we may see a growth in shorter courses of study that might lead to diplomas of proficiency of various sorts, rather than the more traditional degree studies. Certainly, institutions of higher education might not only adopt distance learning technology but also have to make their curricula more flexible, to allow for the practicalities of distance learning. The governmental sector, which has traditionally funded much of the higher education sector, might also have more of its allocated resources earmarked for this purpose.

It is critical, then, that there should be a relatively high degree of consistency when it comes to the various types of learning being offered in the business school of the future, so that it might be better able to fulfill its mission.

Institutional changes are typically relatively incremental and almost always insignificant when seen in isolation. But, taken together, and if coordinated, these might then indeed have a similar effect to so-called disruptive innovations (Christensen, 2008). I feel that this is perhaps what we achieved at the Lorange Institute using a model that included small classes; no permanent faculty; a modularized, flexible curriculum; and short, intensive workshops with an emphasis on interaction. It may be seen as a sign of success that during my six and a half years as owner, not only were we able to attract high-quality students and client companies but we also managed to run the Institute with a small financial surplus, even producing a small profit at the end!

When setting out to consider what a strong business school of the future might look like, it is important to recognize that there are no absolute "rights" or "wrongs," but rather we should see this as a series of cutting-edge dilemmas. There is clearly not one particular set of prescriptions for what might constitute a good business school or academic institution, but several. There are many roads to Rome, as one might say! Accordingly, we will, in all likelihood, continue to see some of today's leading business schools retaining their prominent positions in the future, based on a well-developed campus, with dynamic faculty members, and distinguished research capabilities. However, many other business schools may have to undergo significant change to survive. Also, as previously noted, while the primary focus of this book is business schools, there are clear implications for other types of academic institutions too, not only for other types of professional schools but probably also for many modern universities.

It should be noted that there is an ongoing and intense debate about how to bring more innovation into higher education. A key starting point was perhaps Henry Eyring's book *The Innovative University*, which was published in 2011 (Eyring and Christensen, 2011). Eyring used to work

at Monitor, a consulting firm cofounded by Michael Porter of Harvard Business School, and also worked with Clayton Christensen, another prominent Harvard professor. A key argument in his work is that it may now be time for a more blended pedagogical approach, consisting of a mix of actual in-residence university lectures, together with online individual learning at home. This combination is labeled "blended learning." Christensen and Horn, in their 2008 book, argue that universities and business schools run on more classical lines may also need to cope with such disruptive innovations (Horn and Staker, 2015). This view, however, has been challenged by a Harvard history professor, Jill Lepore, who argued that classical institutions of higher learning were generally not under threat (Lepore, 2014).

This book clearly sides with Christensen et al. It is clear to me that blended learning is here to stay. We will, however, discuss in detail how other key innovations might take place to enhance new pedagogy. This development has been labeled the "Campus Tsunami" by David Brooks of *Time* magazine (Brooks, 2012). Things are moving fast, and that disruption is taking place is beyond doubt. For instance, in 2012, MIT and Harvard opened up their lectures to distance learning through so-called massive online open courses (MOOCs) (Bisoux, 2017). By far the largest college in the US today is the University of Phoenix, three times bigger than Penn State (the present number two), for instance. The University of Phoenix is a big exponent of MOOCs, and of computer-based learning in general.

We cannot, of course, afford to ignore developments in China and India, which might provide us with a good example of where the future expansion of higher education might be expected primarily to occur. With their large and young populations, China and India, rather than the more traditional geographies of Europe or the Americas, might increasingly be expected to lead the way. According to Van der Zwaan, "[China] faces the mammoth task of expanding [its] number of universities and colleges of professional education by what may be a factor of 100, to meet the demand" (Van der Zwaan, 2017, p. 27).

Economic Growth and the Tightness of Labor Markets

Throughout this book, we will consider how the successful business school of the future is likely to be shaped by innovation. A primary focus will, therefore, be on an individual schools' willingness and ability to innovate, which will most often depend upon having a person at the top who treats this as their top priority, as well as being a function of the overall culture of a given school. Should we expect leading schools to be

inherently innovative and open? We will discuss this in more detail later in the book, most especially in Chapters 6 and 10.

There are, of course, several more fundamental macropremises when it comes to business schools pursuing innovation. Let's look at two of these, namely the degree of basic economic growth in the particular national context of the school, and the degree of tightness of the labor market facing graduates from any given business school.

When it comes to the impact of the relatively high level of growth in an economy, as in the case of the US (Gordon, 2016; North, 1961), we find a generally high correlation with innovations in the business school sector. Examples of these include MOOCs (Wilson, 2013), "teaching naked" (Bowen, 2012), as well as a large number of new business entrepreneurial incubation centers. In China, on the other hand, where there has been a formidable macroeconomic rate of growth, there are relatively fewer innovations up to now, perhaps with the exception of the pioneering development of a multicontinental business school campus structure, such as the one implemented by Shanghai-based CEIBS (China, Africa, Europe). There have, however, been several notable innovations in many of the rapidly growing parts of Asia, such as, for instance, the SMU-X innovation incubator in Singapore.

While macroeconomic growth has been weak in Europe for a long time period, thus dampening the rate of innovation in schools there, another factor may be playing a role, namely a very tight labor market. This implies that students may hold on to jobs they already have, rather than going back to school to further their studies. Thus, they may be looking for ways to combine their full-time careers with future studies. This has given rise to innovative modular curriculum development, the adaptation of self-study based on modern technology combined with shorter cutting-edge workshops, i.e., blended learning, and an array of innovative EMBA programs.

In this chapter, we will make some preliminary observations regarding the success of innovative business schools, or the lack of it. Arguably, there are at least four sets of factors that might slow down a business school's ability to change and innovate fast:

1. Regulations. There is often a whole swathe of rules and regulations, set by several entities, such as the government or the leaders of a university of which a business school might be part, and/or by the business school itself. Rules of any sort tend to specify what might or might not be permissible, and which thus might have a potentially negative effect on a business school's ability to innovate. "Free space" is restricted. Experimentation may thus be harder or perhaps not allowed at all.

Free-standing business schools – those not controlled by a parent university, or by governmental entities, or by, say, chambers of commerce, as in France – will typically have more freedom to make changes and to innovate. But even within the relatively few business schools that fall into this category, there will, of course, be governance control processes in place, which might easily slow down change processes.

2. The status quo. The staff who work in most business schools, faculty as well as administrators, are typically rather conservative and quite content with maintaining the status quo. Why is this? Partly, since many faculty members may have been trained in certain axiomatic fields, they might not see much need for change to the curriculum. Partly also, many alumni-structures may be custodians of existing routines, which may be seen as "good enough." All in all, they may see little requirement for change.

How might the business school's customers act as a force to accelerate innovation? Regrettably, most students and executives do not tend to have much interest in this either. A major reason is the relatively short time period during which a typical customer interacts with faculty at any given business school, when they are actually enrolled in a program or course. At other times, most candidates would not bother to involve themselves with questions relating to the workings of their course of study. Typically, therefore, pressures from customers (students, participants) to innovate will be relatively light, or nonexistent! Unsurprisingly, therefore, many business schools are relatively slow to embrace student-led change.

There are two groups of stakeholders who might play particularly important roles in ameliorating this: progressive alumni organizations and advisory boards. Let us consider dynamic alumni organizations first. At best, they represent links between a school's graduates, who may now be executives in business, and the business school itself. Emerging educational needs may be funneled from leading alumni and back to the business school. Unfortunately, however, this link may often be weak or even nonexistent. At the business school, there will typically be an alumni office that would be the custodian of much of the interaction with the alumni. Useful feedback can end up here, and go no further! To make matters even more difficult, many alumni offices tend to embrace a more social/activist/political/gender role rather than a professional one.

Advisory boards may have some impact on the business schools that they serve, particularly when the bulk of their members come from the business sector, which is sometimes the case. Here too, however, the various inputs might end up with "intermediaries," such as the dean/

president, and not necessarily "reach" the faculty members. Professors typically do not attend advisory board meetings!

3. Complexity. A third factor that could weaken a school's ability to realistically pull off innovation would be a relatively complex operating context. This may partly relate to the fact that many business schools develop excessively complex formal structures, sometimes with multiple campuses, cooperation with other schools and/or jointly owned centers. The international dimension is often a main driver for this. Cultural differences and challenges caused by large distances between sites may add to the complexity. The management of all of this can easily require a lot of additional attention from a school's leadership team and there might simply not be sufficient energy left to pursue changes and innovations. But it should be kept in mind that major innovations typically require work today, with a payoff that will only take place sometime in the future. The overall managerial principle, when it comes to spending organizational energy on change and innovation, should be : "Today for today, and today for tomorrow"! But, in the case of an excessively complex and formal context, the short-term coordinating processes of a school's top management can become too intense. As noted, there might simply not be sufficient energy and time left to pursue essential changes and innovations (Lorange, 2019b).

A similar set of issues can arise when a business school faces some sort of a crisis. Such crises tend to be largely internally generated, and typically manifest themselves in excessive internal debates. This might lead to a de-emphasis on change and innovation – there would simply be insufficient time and energy left for this – as the focus shifts to clearing up current problems. Externally generated crises, say, from a loss of program income, may similarly lead to a heavy short-term bias. Innovation may suffer!

Naturally, it is always important to focus squarely on these types of short-term issues, when they occur. It may not be realistic for us to expect such business schools, having had to spend so much of their managerial energy and attention on ameliorating these issues, to be able to pursue effective change and innovation. Preserving managerial energy to be able to innovate would thus become a key leadership issue. Excessive firefighting will generally not lead to effective innovation!

4. Lack of vision. A fourth impediment to change and innovation concerns lack of vision at the top. The dean/president may simply not see the need for change! They may indeed find themselves very busy, but typically with relatively less important tasks. It is key for the person at the top to be able to resist being dragged into too much firefighting, and to avoid dealing with too many operational issues.

The dean/president may also not have much of a clear vision regarding the direction in which to steer a school. They might simply not possess a strategic outlook. It should be borne in mind that the dean/president is elected by the faculty at many business schools. The staff and even the students might be involved in this election process. For many of those voting, it may not necessarily be a high priority to elect someone who will introduce a lot of change and innovation. This might actually be seen as too risky, and just too uncomfortable, by many. So, electing someone who might not have much of a change vision might generally be seen as acceptable.

It is also true to say that many business school leaders have so far failed to predict the significant consequences arising from fundamental advances in the ICT sector. While most business schools have their own ICT departments, very few have incorporated key changes in curricula as well as in learning pedagogy. There may be failure at the top here! We will look at this extensively later in the book. The new generation of students is, however, here today! They typically prefer to make use of ICT-based learning to the full, by studying the basics on their own PCs at home, only coming to the business school for group discussions of key dilemmas. These so-called Generation Y (or even Generation Z) students tend to prefer a different pedagogical mode from that followed by traditional Generation X students at most business schools in the past (Stieger, 2015).

Rankings

First of all, it's important to state that there might well be several potentially positive effects that derive from rankings. But there are certainly some potentially negative impacts too. On the positive side, rankings may impact the change processes at schools. Rankings may support schools' strategic processes, above all when it comes to concentrating their resources where they believe these may be of most use. Accreditation processes – the leading ones being offered by EFMD (Brussels), AACSB (Tampa, Florida), and AMBA (London) – may seemingly also lead to these types of benefits when it comes to innovation, but they have, regrettably, in the end a negative impact. In the first instance, the accreditation (or reaccreditation) process involves a lengthy and expensive preparation of materials. It is possible that the subsequent feedback provided to the schools, based on written reports, as well as information that might have been gathered during the visits that constitute an integral part of such accreditation processes, might lead to improvements when it comes to how a given school might want to evolve its strategy. However, this is

simply not worth the great expense and effort that is expended by the school. Thus, although the process of ranking and the inherent accreditation processes might have positive effects in relation to quality improvements, these will be limited, at best.

School rankings are, of course, important when it comes to a student's choice of schools and are particularly helpful for those choosing to study overseas. Students may not have access to much other specific information about particular foreign schools. Of course, when it comes to those relatively few international schools that already have a stellar reputation (e.g., the leading US schools, such as Harvard Business School or Wharton, or the European schools IMD, INSEAD, London Business School), published rankings might perhaps not be needed. However, there are now specialized firms that provide prospective students with background information on a wide range of schools (e.g., Keystone).

Changing Strategic Capabilities

When it comes to strategic direction, business schools face the challenge of coping with three key stakeholder groups – each in essence faced with their own trade-offs – in addition to an overall trade-off regarding the relative importance of each of these stakeholder groups. The priorities of these three groups are:

- The business school itself: relevance – rigor – enrollment
- The faculty: research – teaching – consulting
- The students: rigor – salaries – networking (McMillan, 2016).

Over time, a relatively greater emphasis on the priorities of the student stakeholder group has evolved, at the expense of the faculty stakeholder group. And, within the emerging reality, the newly dominant student stakeholder group has developed a greater preference for networking, moving somewhat away from rigor.

These changes suggest that the business school of the future might be developing an emerging strategic structure that focuses on areas such as communication, two-way pedagogical approaches (take+give; listen+feedback), cross-disciplinary project implementations, effective use of web-based technologies, and so on, and at the expense of more traditional capabilities to deliver when it comes to axiomatic disciplines. Perhaps this shift in strategic capabilities might also impact trade-offs when it comes to the other two stakeholder categories, with relatively more focus on teaching by faculty, and relatively more concern paid to relevance when it comes to the priorities of funding institutions.

So, a focus on the management of competing demands will increasingly be key, especially when it comes to the teaching that is delivered on

campus. But we shall also see that the successful management of the business school itself will be based on the successful handling of at least three other key dilemmas. Success will depend upon maintaining a balance in how these dilemmas are dealt with. Here they are:

- Research and teaching (pedagogy); "two sides of the same coin." They are equally important for a school's success.
- Innovation and focus on existing school strengths. New cutting-edge capabilities must be developed all the time, while continuing to focus on the utilization of existing strengths, developed in earlier times. So, it is a matter of a dual focus; "today for today and today for tomorrow."
- Web-based (ICT-based) learning at home and discussion sessions on leading-edge dilemmas at school; i.e., "blended" learning. This implies individual home-based study, typically when it comes to more basic materials, and learning in groups at school, typically when it comes to discussing key dilemmas.

According to a recently retired senior McKinsey consultant, Mr. Trond Riiber Knudsen, formerly head of this company's global marketing practice, a lot changed in the world of business in 2009. The predominant business model, which had been in vogue up until then, came under severe criticism, triggered by the severe world economic crisis that started in 2008. This led to a search for new ways of managing. There was a strong feeling that the major mistakes of the past should not be repeated (high levels of unsecured debt primarily linked to real estate; a senseless focus on growth without proper links to customers' values; the emergence of fundamental shifts in consumer values, away from a more traditional post–World War II value set dominated by banking and finance, and so on) (O'Sullivan, 2015; Gilder, 2016).

So, what else supports the claim that 2008 or 2009 might represent a distinct turning point? There are two fundamental reasons, as we see it:

- The demise of the classical economic model, and the dramatic world crisis that came about not least due to deficiencies in this classical model
- A period of acute underachievement in business and social progress in the first two decades of this century, with the old operating system not working as well as it had worked previously. This has the potential to create additional bureaucracy, which may slow us down and make systems more rigid, rather than giving us more speed and flexibility.

Let us now briefly discuss each of these in turn:

The failing economic model. As Alan Greenspan observed, "almost every industrial country found it difficult to overcome the financial crisis in 2007–2008 . . . why did money and banking, the alchemists of a market economy turn into its Achilles heel?" (King, 2016). The central players in industrial economics, above all corporations, led the search for alternative

ways to stimulate growth when more traditional monetary measures no longer worked. Of central importance here was the drive toward more innovation and entrepreneurship. And, gradually, many governments and policy-makers followed, offering tax incentives and other stimuli to encourage innovation. In time, an added focus on the so-called network economy emerged, together with new corporate success stores: Google, Facebook, Amazon, and the like. Legislative measures were relaxed or, in several instances, simply not put in place, to stimulate this trend. Hence, the new economy has gradually been able to "take off." Clearly, we have not seen the end of this trend. The emerging business school of the future is clearly part of this.

The need to keep things simple. Confucius once said: "Life is really simple, but we insist on making it complicated." Most of us, as individuals as well as in our organizational roles, tend to complicate things, often unnecessarily so. And this seems to apply to many business schools too. Many of us, including business school leaders, may actually experience a degree of comfort with this level of complexity. Is this OK? My sense is that there are at least two dysfunctional effects resulting from this, which are perhaps interrelated. The first is that excessive complexity can hamper speed. In today's context, with ultra-rapid technological and communication developments, slowing down might definitely hamper a business school's ability to adapt. Also, excessive complexity tends to be synonymous with excessive bureaucracy, another factor that tends to slow down business development and can curtail faculty and staff initiatives and motivation levels.

Morieux and Tollman have discussed this issue in the context of business organizations, but their findings apply to business schools as well. According to their argument, the problem may not be complexity as such, but too much "complicatedness." In today's competitive world, the winners may be those business schools that are able to exploit complexity to create competitive advantage. Excessive complicatedness, on the other hand, is bad. The proliferation of over-complicated organizational structures, procedures, and rules put in place by many schools to deal with the increased complexity of their contexts today proves the point. Such complicatedness tends to be dysfunctional, and impedes schools' performances (Morieux and Tollman, 2014).

To "frame" the phenomenon of complexity, Morieux and Tollman list six simple rules for managing this dilemma:

- Understand what your people do.
- Reinforce integrators.
- Increase the total quantity of power.
- Increase reciprocity.

- Extend the shadow of the future.
- Reward those who cooperate.

The first three address how individuals in a school might apply their intelligence and energy to fight dysfunctional complicatedness; the last three address ways in which groups of faculty and/or staff might be mobilized to battle excessive complicatedness through cooperation. Teamwork is particularly key to enhancing an organization's performance. Different viewpoints may thus complement each other, to ameliorate "getting stuck" in the same old ways of doing things.

This brings us to the speed of decision-making processes. Kahneman, and several others, have addressed this. The so-called System 1 implies fast, intuitive thinking, while System 2 implies slow thinking, in essence a "monitoring" of System 1, i.e., attempting to maintain some control. It follows that relying as far as possible on System 1 in decision-making processes tends to enhance speed, while System 2 might slow things down. But the two systems are, of course, complementary when it comes to ensuring solid performance. While relatively simple strategies should be given preference, since these might lend themselves better to more intuitive decision-making (System 1), it is also necessary to "turn all stones," i.e., engage in proper analysis (System 2) (Kahneman, 2011).

Let us now move to another phenomenon that might lead to unnecessary complexity, namely the use of difficult language and jargon, a central problem in much of academia. The famous British physicist James Gingell, for example, stresses the importance of translating scientific jargon into understandable English (Gingell, 2015). There is certainly an unfortunate tendency for many academic writers to "invent" their own language, terms, definitions, etc. Business schools might have an important task here in working toward a more widely shared, relatively straightforward use of language, given that complexity bias due to jargon is a serious issue in many business schools. Snyder (2012) deals with this by setting out a series of lessons that complicate societal matters, others that may complicate life for individuals, and a final set that might unnecessarily complicate the world order. The level of complexity created by specialized language and jargon may indeed constitute a threat to the effectiveness of business schools.

In sum, we have seen that there are a number of ways to confront excessive complexity in business schools:

- To apply the simple rules of Morieux and Tollman when it comes to the workings of school organizations. Above all, this implies new organizational forms, such as networks, and fewer formal rules and controls. And there would be fewer departments and hierarchies.

- To strive for relatively more of System 1 – fast, intuitive decision-making, as discussed by Kahneman – but with a balancing of this with System 2 decision-making, for quality and control.
- To embrace teams, for enhancing the quality of outputs, by also allowing for relatively more intuitive decision-making, as proposed by Kahneman, and Morieux and Tollman.
- Finally, we saw that specialized language and jargon can lead to unnecessary complexity, and also to dysfunctional complications (Snyder, 2012).

So, we have considered four different ways of coping with excessive complexity in schools, with the intention of restoring more performance-enhancing simplicity. There are undeniably other ways to achieve this. While certainly not simple, we should remain optimistic, and can definitely agree with Ernst F. Schumacher (2010, p. 12) when he states: "Any intelligent fool can make things bigger, more complex, and more violent. It takes a touch of genius – and a lot of courage – to move in the opposite direction."

A New Context for Today's Leading Businesses

Many business school organizations are indeed radically different now when compared with the pre-2008 era, both in terms of their design and in terms of how they operate. Still, there is no doubt that "new" knowledge is needed to cope with these new realities, both at the macrolevel (e.g., emerging economies, such as the rise of the intangible economy; Haskel and Westlake, 2018) and at the business level (networks and learning processes).

So, a new reality for business schools has emerged, founded on a more robust, solid business model. What is the evidence for this? While not totally clear, there seems to be a political shift toward "the right" in many societies, and also an increased societal focus on issues such as those mentioned above. These broad societal macroshifts thus seem to be impacting how business schools are changing their focus. Cost efficiency has become particularly key. And new offerings are emerging, for example, with a focus on health and safety. To stimulate these shifts, fundamental advances also have emerged in the ICT sector, and developments in ICT have, in turn, stimulated such shifts. A new area of interconnectedness and worldwide communication has come about. We might say that our world has become "more compact"! Clearly the impacts of all of this on business schools of the future may be significant.

Given the context of this book, it is significant to observe that the post-2008 economic realities have led to a set of newly emerging educational

needs for many companies. We will consider ten of these here. It should be noted that our reference group will be senior management in corporations. Clearly, many of the more basic educational needs that businesses have grappled with in the past are still there. We shall not discuss these needs here. But, the new context and the emerging educational needs that are coming up will be particularly relevant for the new cadre of senior managers.

A caveat should be provided before we proceed further with our discussion. The ten emerging factors that we shall discuss all seem to be critical, and they do not appear in any particular order; the sequencing that I have chosen does not signify a hierarchy of importance. Rather, what might be relatively more important for one type of business school may turn out to be less so for others. Furthermore, there might possibly be additional relevant factors, although it is impractical to expand further on such a list here.

1 *A Need for More Fundamental, Discipline-Based "Trend" Analytics*

We might to some extent be going back to basics when it comes to this, in the sense that a renewed emphasis on mathematics and statistics could become ever more significant. The discipline-based application of large-scale data analysis (big data) is now becoming possible, given the tools on offer through a more powerful ICT, and the skills to manage this will be increasingly in demand in today's complex world. But there are also other emerging analytical approaches stemming from the new digital reality. Relatively straightforward tools for finite problem analysis and for finding solutions are now more common, for instance. But this could generate a need for more basic programming skills, so that the senior executive might be able to actually do things, and be more involved. There would, in contrast, be relatively less need to develop "softer" skills within, say, the leadership area. What is emerging is more of a quest for being able to do things, to be involved, in contrast to simply discussing things. The course offerings in today's leading business schools will need to reflect this. The curriculum would look quite different!

The analysis of big data and so-called cloud computing have created a fundamentally new field, opening up opportunities for the analysis of truly huge data sets! While the relevant algorithms for analyzing particular emerging problems already exist, the capacity to analyze the data to "solve" such problems has only recently become available. The new CEO of Microsoft, Satya Nadella, described this shift better than many others in his 2017 book *Hit Refresh*, in which he stresses how new technology is likely to lead to more attractive offerings to consumers. But this, in turn, would call

for revised marketing approaches and new modes of distribution. Thus, what we have come to define as marketing is likely to take on entirely new forms, according to Nadella. There is the potential for particularly significant new avenues to relevant new knowledge to be found when it comes to more dynamic pricing approaches (different prices to be applied to different contexts, and also changing over time), as well as new routes to markets (different outlets or routes for various types of customers, each with their different needs). The field of marketing is definitely experiencing a renaissance due to this data "revolution" (Marmara, 2017). What is particularly important, however, is that senior management better understand the ramifications of cloud computing. A sufficient depth of knowledge will be required at the top of the organization to integrate new findings arising from this "revolution" into their business strategies. All of this would, of course, have implications for leading business schools, in terms of both what might now be taught and faculty competences.

2 *Avoid Excessive "Complicatedness" to Gain Speed*

As already touched upon, the issue is, of course, not to try to avoid complex business settings: the schools that are able to successfully tackle high complexity might be those which become truly profitable. The issue is, however, to avoid excessive "complicatedness." Morieux and Tollman offer several simple values for managing without getting complicated – understand what your people do; reinforce integrators (teams); increase the total quantity of power (empowerment); increase reciprocity (again, teams); extend the shadow of the future ("today for today and today for tomorrow"); and reward those who cooperate (Morieux and Tollman, 2014). Kahneman has come up with an analysis of how executives think – fast when it comes to merely routine issues, and slow when it comes to addressing unstructured issues (Kahneman, 2011). This too might help us to focus on speed, in the sense that "slow thinking" should only be applied when appropriate. What definitely seem to be on their way out are excessively complex organizational structures as well as overelaborate control procedures. New learning will be called for here: revised approaches to organizational decision-making, as well as to the delineation of "lean" control approaches. The modern business school should be able to squarely address these issues.

3 *Focus More on Projects: "Do It" Rather than "Talk about It"!*

It is more important than ever for business people to develop the appropriate project skills, such as working effectively with others, perhaps

specialists in other fields, as well as being able to work virtually in an effective way. How might one become better at hands-on problem solving, for example, by obtaining greater exposure to nonconventional settings to build up one's capabilities for facing the relevant new realities? One way to do this is to engage in "consulting" projects in entirely new areas, shedding light on how to become more effective when it comes to handling emerging and complex projects. For instance, a recent MBA class at IMD spent one week working in a leading hospital, tackling capacity bottleneck issues, so typical in this type of organizational setting, and another week working with start-ups at the Technical University of Lausanne (EPFL) to gain insights into entrepreneurial projects, learning how to scale up new businesses quickly and well. The need to learn more about ways to run complex projects effectively is, of course, key for most people working in corporations today, and should be reflected in what business schools are now offering. Projects to introduce new products or services – quickly – might be particularly key. How to work effectively in "flat," often temporary teams might be critical here. And, how does one develop the skills to bond teams more effectively, for example, through the development of trust, or by communicating more effectively? Coming up with effective ways of addressing these types of issues is key for today's leading business schools.

4 Innovation

Innovation is, of course, even more key when it comes to growth (Gilder, 2016). For a successful economy, a strong focus on innovation is essential. This might be manifested in a business school's teaching by a focus on a rich set of examples of start-ups and new ventures. However, established companies might also provide examples of this strong drive for innovation. Here, we focus in particular on how capabilities to innovate in larger established companies might be improved. Specifically, how can large companies become more like new ventures in their drive to innovate? And how might this be done at a relatively early stage? Given the high pricing that is typical for successful ventures at a later stage, it might be particularly critical for a large firm to get in early, to thus avoid paying too high a price. But, how can this be achieved?

We will now turn to the emerging issues which will drive the key educational needs of established companies as they look to become more successful in venturing. An entirely new set of teaching and research agenda items is opening up for the business school of the future:

- How might one develop a better capability to seek out "disruptive" forces, so that a more realistic foundation for an innovation might be established? Accurately identifying disruptive forces will be key, and such disruptive forces might be emerging technologies, new consumer groups, emerging legislation, etc.
- How might the large firm become better equipped to conduct a "lean" analysis of early movers, i.e., early start-ups? Clearly, most large firms "analyze to paralyze"! And, the conventional wisdom is that early stage start-ups tend to be associated with relatively more failures, which is not particularly welcomed in most large firms. When a start-up has evolved further, however, it might then have proven itself to a greater extent. It may now have evolved to become something beyond simply a good idea, and there might also now be some actual business revenue associated with this venture. This may be a more comfortable situation for many large firms. But the cost of acquiring the venture at this later stage may now have gone up dramatically. How does one develop the relevant analytical know-how to make a judgment call in this instance? An ability to analyze the power of disruptive technologies, to assess potential competitors, and to appreciate potential customers might be key.
- The classic established firm tends to be rather hierarchically organized, largely focused around various aspects of the established business(es). New ventures might be seen as rather peripheral, often perhaps as a counterpoint to internal R&D. However, coming up with new internal R&D successes is becoming increasingly difficult – both costlier and perhaps based on relatively too little creativity in the R&D teams of most large, established firms. Creative minds may hence be attracted to independent start-up settings, rather than to what they might see as excessively bureaucratic larger organizations. So, how can the larger firm improve its capabilities to become more like these new ventures? How might the organizational culture be changed, to perhaps become one that considers the total business engagements of the firm as a portfolio, no longer allowing the firm's dominant business activity to take the lead? How might new ventures be seen within the organization as relatively more important? Often the initial founders might be given a continuing stake in a venture, to signal this. But how then might a culture based on less than 100 percent ownership in all of a firm's businesses be established legally as well as work-wise? Finally, how might proper financial analysis be conducted to assess the alternatives of investing in a venture versus in an internal R&D project, and how might future follow-on financing needs be assessed?

5 *More on Venturing: The People*

As discussed above, new competences will be needed when it comes to assessing a new venture, particularly when it is at an early stage. Also, there will be a need for new know-how in the field of finance, in particular, to assess the dynamic finance needs of ventures, and relative to internal R&D projects. The modern business school might be expected to be able to "deliver" on these issues.

We will now take a look at what might be seen as the key characteristics of the people who typically drive new ventures, and how we might develop our ability to assess the strengths and weaknesses of a potential entrepreneur Do they sufficiently understand the technology, for instance? Are they properly motivated, i.e., sufficiently passionate about an idea? And, what is the track record of this entrepreneur? They might have experienced previous failures. Would this be an alarm signal, in that the entrepreneur might be seen to lack essential abilities, say, regarding marketing or finance? And, perhaps particularly hard to assess, is the prospective entrepreneur potentially too greedy? Are they being entirely honest about the prospects for the venture, in that they might arrive at a stage when they primarily emphasize a project's upside, minimizing the significance of key risks? How can these types of assessment skills be developed, especially in large firms? A school's organizational behavior offerings should clearly make room for this.

6 *Management of the Balance between New Business and Established Business*

Managers need to carefully coordinate the flow of projects and/or revenue-generating business to ensure a healthy balance sheet. To illustrate this, let us consider a consulting firm, for example, one operating within the field of management consulting. This firm might perhaps have a backlog of business projects. When the firm's consultants work on these projects, then the backlog tends to go down. Only if explicit efforts are made via marketing to bring in new projects will the backlog remain. But these marketing efforts do not necessarily result in immediate income; this is only forthcoming at some later stage. In contrast, work on specific projects today will result in immediate income. Thus, for a healthy consulting firm it is essential to establish a balance between project execution, to bring in revenue today, and marketing to secure future business success. There must be a balance between "today for today and today for tomorrow."

Research done by the consulting firm Boston Consulting Group (BCG) has established that most corporations, to remain successful over time, should also maintain a balance between new business and established business, i.e., a balanced portfolio of businesses (Haanaes, 2018). Paradoxically, relatively too much new business might lead to financial problems. Similarly, this would also be the case for a firm that had relatively too much established business, namely, financial problems at a later date.

So how do we manage to balance a portfolio of new and established businesses? Perhaps the body of knowledge required to succeed here might be quite similar to that needed to achieve successful corporate venturing within an established business, otherwise known as "intrapreneuring," as discussed in Section 4 of this chapter.

It is also worthwhile considering the implications of this balancing of new and established business activities within a portfolio when it comes to executives' career development. Young talent might, for instance, be given the key task of running new businesses, while more experienced managers might focus on the running of the more established businesses. Perhaps a similar agreement might be made when it comes to the distribution of management tasks in family-owned firms. Members of the family's younger generation might run new business activities, while the older generation might run the more conventional businesses (Lorange, 2019a). We shall discuss this process in more detail in Section 7. For now, suffice to say that new knowledge might be needed to run businesses with different degrees of maturity in a single balanced corporate portfolio. There are obvious implications for business schools' strategy when it comes to the teaching of these topics, as well as teaching on the topic of family business, which we shall turn to next.

7 *Family-Owned Firms*

It has been established that family-owned businesses often lead to more sustainable societal and national economic success (Kammerlander, 2016). Such firms might be characterized by a longer time horizon, stronger management commitment, and a more harmonious profile of coexistence within societies within a country. However, a lot of new knowledge might be needed by its managers to ensure that a family-owned firm is managed professionally. Let us consider four such factors, all hopefully to be addressed in emerging courses on the management of family-owned firms:

- Management transition between family members. We have already touched upon this indirectly in the previous section, with the suggestion

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that the next generation initially focuses on new business, which might lead to them gradually taking over the running of the entire firm. It is as if establishing a harmonious transition process might be both important but also difficult. How might a family's pool of complementary capabilities and skills be put to work?

- This brings us to the domain of governance in family firms. How might this be more effectively organized? Should the family firm, for instance, have a board? Or should it have a family council? Should family members receive compensation, not only as executives or board members, but also as owning family members (e.g., dividends)? How might various family members be able to pay their income tax, if they "only" receive dividends?
- A family office. When a family's financial holdings grow above a certain minimum size and diversity, then it may make sense to bring in professional managers to run the bulk of a family's activities, and to establish a so-called family office. How might the establishing of this be done? And how should such an office be run? What might the role of the family then be, if any? Should the manager of the family office receive a bonus? There are clearly many issues here, all requiring new knowledge.
- Social investing/"active" philanthropy. Many families typically have particular social interests, and they may also be inclined to provide financial support to particular social causes. Such activities may contribute to the building up of goodwill for the rest of the family business, and thereby be of potentially high value to the family. Selectively done, such social investing might also turn out to be financially rewarding. But how? More knowledge is clearly needed regarding the development of such "for profits" philanthropic activities.

The implications of all this are clear. A radically different set of teaching and research offerings will be called for, and the modern business school should meet these demands.

8 *Cyclical Businesses*

Let us consider first what might perhaps be the most well known of all cyclical businesses, ocean shipping. The phenomenon of freight level cycles in various segments of ocean shipping is well known, and amply researched (Tinbergen, 1934; Lorange, 2020). There are, of course, cycles in many other industries too, such as in stock markets, in real estate, in banking, in various types of commodities, and in most capital-intensive businesses (e.g., steel, oil, paper). There are two simple rules for making money in such businesses:

- In/out. This means that one might attempt to get in at the low end of a cycle, to buy cheap. One would then attempt to get out toward the top of the cycle, to sell at a profit. Thus, it is important to recognize that a trading activity is key here, i.e., the buying and then selling of assets in such a way that it creates value. The timing must be right!
- Long/short. This implies that one might attempt to enter into a long-term time charter when a market cycle is near the top or, in the case of other types of cyclical business, to secure a future high price/cash flow. In contrast, when the market is low, one would tend to go short, i.e., be ready to reap an advantage when the market turns up again later.

There is a fundamental body of knowledge that involves developing a better understanding of specific market cycles. In the case of shipping, it is important to be able to cope with supply/capacity changes, say, due to the lay-up of ships, new building orders, shifts in forecasted economic trade patterns, etc. Lead indicators are also applicable when it comes to other cyclical businesses. Thus, it is becoming increasingly important to take onboard new knowledge regarding expected relevant cyclical movements.

It goes without saying that for most so-called asset-light businesses there is typically relatively less cyclicality, i.e., less of an opportunity to apply an "asset-play" strategy, based on "in/out" or "long/short" actions. For such businesses, revenue streams are developed through the development of networks. Typically, there is often a large number of members in such networks, who, as a group, contribute to a (usually) predictable cash flow. Companies such as Google or Amazon come to mind. How such networks can be effectively managed is still relatively unknown, but it will be increasingly key. We will go on to discuss this in the next section. For now, the emphasis needs to be placed on a better understanding of key business cycles becoming part of the modern business school's agenda, in both teaching and as a research topic.

9 *Asset-Light Growth and Political Factors*

We have already seen (in Section 4) how successful innovations drive this type of corporate growth, and also that growth may be particularly accentuated in family firms (see Section 7). When considering the world's most valuable firms, measured by asset value, we see that high growth is perhaps the key determinant to value creation. Companies such as Amazon, Facebook, Google, Uber, and Microsoft top this list. And, it is interesting to observe that, while growth is the key driver for value creation, profitability as such does not seem to be as important. Companies

such as Amazon, Tesla, or Uber have yet to turn a profit (Haskell and Westlake, 2018)!

Another key characteristic of these firms is that they be asset-light, as discussed above. Many of the classic asset-heavy firms, such as the major automobile companies or the major oil companies, are no longer on the list of the world's most valuable firms. This issue has been discussed by Libert, Beck, and Wind (2016) as well as Haskel and Westlake (2018). A better understanding of how to operate in this emerging asset-light business domain will definitely become key. We shall return to this in Chapter 10.

Let us now turn to the question of how to more accurately integrate key insights regarding the economy, competition, and governments. There are, of course, well-known bodies of knowledge here, relating to the analysis of macroeconomic growth trends among nations, trade development, competitive analysis, and political governance. Competitive analysis has long been a central part of the knowledge domain of senior executives. Macroeconomic growth trends and trade development, on the other hand, have tended to fall within the domain of a corporate economist, or perhaps some macroeconomic consultants, and, unfortunately, top management have often operated in a void when it comes to these issues. A closer link to economics and political sciences may be called for. When it comes to understanding governments politically, there is often a more or less total lack of top level executive understanding. Rather, top level executives often follow conservative dogmatic doctrines.

Perhaps a better understanding when it comes to some of these factors might be gained through some relevant heuristics:

- The Greek historian Thucydides hypothesized that when a new power emerges and is challenging an established power, then war tends to result (and it is assumed, of course, that the economic strength of such an emerging power is real!) (Allison, 2017).
- In his book *The Rise and Fall of the Great Powers*, Kennedy postulates that a nation's economic growth cycle tends to precede the same nation's pattern of military spending. This might allow for a better understanding of "winners" and "losers" (Kennedy, 1987).
- Chua makes the point that the strengths of various tribes in given countries tend to indicate the degree of political stability within a country. With unrealistic alignment among tribes then there might be political disruption, particularly if a strong tribe is left out (Chua, 2018).

In general, these types of heuristics might assist senior leaders to better understand key sociopolitical factors which would normally be outside

their domain. We would expect that such issues might now be covered in the business school of the future.

10 Coaching

The Olympic Museum in Lausanne contains a large and impressive display of past Olympic gold medal winners. It is interesting to note that most of these high performers have been working closely with a designated coach, so as to receive advice regarding how "good might become even better."

How might such effective coaching be further developed in the context of modern corporations? New knowledge is needed here too. We will now look at a few suggestions:

- The coach. How might one be able to "teach" without being considered an imposter, i.e., without being rejected? To be able to draw on a broad body of knowledge is key: reputation and experience definitely matter! Perhaps the military might provide us with relevant insights here. The armed forces are built on teaching new managers about war. Teaching and coaching is key for readiness, since actual wars seldom happen! Senior officers thus tend to be good at coaching their more junior counterparts. In companies such as Nestlé, for instance, older managers are good at coaching their younger counterparts. To be able to teach with speed is key.
- The person that is being coached. Here, open-mindedness is particularly key, with a strong skillset built on an ability to listen, to be non-dogmatic, and to be enthusiastic. Again, such an ability to receive information would be a key element of an effective coaching process.

This entire area has not received much attention in most leading business schools so far. An exception might be the pioneering work carried out at INSEAD by Kets de Vries and Rook (see Kets de Vries and Rook, 2018). We anticipate that there will be a growing demand for more effective ways to address the issue of coaching. It may well be that the development of a more clinical teaching capability will emerge!

Conclusion

There is a broad set of emerging knowledge that is becoming key for the business schools of the future. Leading today's emerging corporations requires that senior management take action to acquire this knowledge, and business schools must be ready to support them. This may be particularly challenging, given the fact that the bulk of these new competences will need to be obtained from sources typically outside the domains of

classical senior management practice, as taught today. And, there is substantial new learning that will need to take place. This also implies that a corresponding "unlearning" (including within business schools) will need to have to happen – to free up cognitive space! Much of what might now become less important includes so-called softer skills, with a focus on "talking about" particular phenomena (sociological). Today, more actionable know-how is called for (anthropological)!

We have pointed out several fundamental reasons why so many business schools struggle to implement what would be necessary changes, and why they may be skirting around much-needed innovation:

- an overabundance of rules and regulations, which may make it difficult to introduce change; to innovate may even be seen as illegitimate in some schools!
- too much complacency, among professors as well as staff, with too little willingness to "see" and react to impacts arising from change signals from the market
- too much structural complexity, often as a result of an overambitious international strategy.
- too weak a vision at the top, in respect of the changes needed and the necessary drive for innovation; rather, day-to-day firefighting may be the chief occupation of schools' leadership teams!

In the last part of this chapter, we highlighted a set of at least ten complementary bodies of knowledge that might be expected to be needed in business schools over the coming years. Most of this increasingly fundamental knowledge is new to the business school of today, even though it typically might be found elsewhere, in full or at least in part, in practice and/or in other parts of the curricula in many universities. We have identified the emerging educational needs of companies, calling for considerable change in business schools' offerings.

In the following chapters, we will look in more detail at these issues. The aim is to come up with a set of prescriptions for the leaders of the business school of the future on how to address the changing requirements of the business world.