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A dual strategy for European business schools

Stéphanie Dameron and Thomas Durand suggest European business schools rethink their strategies to compete with their American counterparts, recommending a dual strategy of catching up with the leaders and differentiating
According to our estimate, business schools train around four to five million students in the world every year. The total turnover of this activity represents between $10 billion and $12 billion.

Business schools, be they private or public, are not actually seeking profits but they are looking for additional resources to strengthen their reputation, visibility and influence. Even so, business schools now constitute a real business sector in its own right. And this business is internationalising and becoming increasingly competitive.

Business schools such as Harvard, Wharton or Stanford are maintaining their leading position in the field of management. Behind these prestigious institutions, a myriad of other schools ensure North American leadership over the whole field.

Concepts, theories and renowned authors come from America. So do most management models, handbooks and case studies. A simple number signals this American leadership: America now represents only about 22.5% of the world’s economy but it produces over 60% of published articles on management.

In addition, and even more concerning, this leadership is now reinforced by mechanisms of normalisation in management: the most quoted journals, the ranking systems for institutions and MBA programmes (with the exception of EQUIS) and the criteria that are used are also imported and imposed on us, for better or worse.

As a result, our managerial elites are permanently looking towards America as if it were the management Mecca. And this position has obvious consequences on the way our companies are managed.
Yet, if the world of geopolitics is really leaning towards a multi-polar composition one may legitimately ask whether this could have an influence on the variety of models for management and management education that may co-exist in such a new international setting. We argue that Europe is an obvious candidate to offer something different from the American model of business schools. We further argue that BRICS (Brazil, Russia, India, China and South Africa) and other countries in the world may find differentiated “offers” attractive and may well develop offers of their own.

The best business schools fiercely compete to attract the best talents. The increasing mobility of their main targets (both students and faculty) forces them to rethink the way they generate their resources. This is what we may call their “business model”. Indeed, in order to construct their reputation and enable them to attract the best faculty and offer high-quality infrastructures and efficient administration, business schools need a sound business model. These institutions may seem to have the same activity portfolio but they do not all draw on the same amount of resources.

Comparing the business models of American schools with that of those in Europe sheds light on something specific to American culture: donation. A significant part of American business schools’ budgets relies on donations from alumni. American fiscal policy offers incentives to do so (though the same can be said of Europe).

The explanation for the absence in Europe of donations from individuals to the school to which they went is rather to be found in cultural differences. Apart from a few particular examples such as Sweden and, in some respects, Britain, donations that take place in Europe are closer to charity than gratitude (the idea that “I wanted to give back what I received”).

European business schools might want to develop and maintain a new kind of relationship with their alumni and encourage them to contribute through donation as a way of recognising the quality of the training that they received. Indeed, some European schools have started to do so. However, the earnings remain ridiculously small compared to that of the best American business schools. Changing behaviours will take time; and the sooner one starts the better.

Tuition and fees represent another significant difference between the US and the EU but things are slowly evolving on this matter. As higher education is mainly public in most European Union member states, recruitment and career paths for university faculty tend to be national and may even show some form of local preference. This does not help the mobility of talent within the EU.

University faculty mobility in Europe is in fact very low. Mobility is also hindered by regulations and administrative complexities specific to each country. In the two EU countries that chose to open their market for higher-education faculty, Britain and the Netherlands, wages have significantly increased and are now well above that of “Latin” EU countries. Still, they remain greatly inferior to the average wages of management or finance professors at a similar level in America.

Thanks to the Bologna agreements in 1999 Europe managed to harmonise the structure of its academic programmes (undergraduate – masters – doctoral) in a very short time. We suggest a “Bologna for faculty” in Europe; that is to say, an agreement between EU member states to facilitate university faculty mobility throughout the Union. It would involve creating a job market for researchers and professors in the EU, which would also be open to non-European faculty.

Creating a Bologna agreement for faculty in the EU is no small task. However, in Europe the public system prevails widely, even in business education. But, paradoxically, when it comes to higher education strong centralised powers can turn out to be a very effective tool for action. Once an agreement is reached between governments, necessary changes initiated by a central power can be quickly undertaken. Europe has managed to harmonise and encourage student mobility. It is time to set free and develop the careers of researchers and faculty as well.

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Is the American model of business management really relevant to meeting the needs of tomorrow’s corporations in the diversity of different countries’ social and cultural contexts?

The current situation of management education in Europe is that of a juxtaposition of national systems largely concerned with imitating American business schools in a catch-up strategy. Some institutions are champions at this catching up game. But is it enough? Are we not reinforcing American leadership by agreeing to compete following the rules they impose on us while having, relatively speaking, less resources? More importantly, is the American model of business management really relevant to meeting the needs of tomorrow’s corporations in the diversity of different countries’ social and cultural contexts? At a time when American business schools question their own model and emerging countries play an important part in the global economy, Europe has the opportunity to differentiate itself and come up with alternative management models.

We suggest four ways to develop a differentiation strategy for European business schools:

– Europe has produced great philosophers and succeeded in developing excellent schools of thought in sociology. The best American management researchers envy this legacy in human sciences and they look for inspiration to authors such as Michel Foucault or Pierre Bourdieu via the few books that have been translated into English. As Europeans, we have a unique access to the works of such philosophers and sociologists; this heritage could be better leveraged.

– Europe also has a tradition in “systemic” thinking, looking at systems in their full complexity rather than analysing their different parts. In the management field, this systemic approach would permit a move away from functional silos such as marketing, finance, human resources and so on, thus offering a more transversal perspective on organisations. Paris Dauphine University was created to develop a transversal view of firms and organisations, involving jurists, sociologists, mathematicians, economists and, of course, managers. This transversal and systemic intellectual heritage encourages qualitative and in-depth clinical case studies.

– As Europeans, we live in a multicultural context. We have the opportunity to permanently face other cultures. There is, similarly, a European tradition of studies in intercultural management and the contextualisation of tools and models for management depending on cultural and socio-political environments. This skill is often less developed, when it is not completely absent, in North American education. European business schools have the capacity to train managers how to evolve in a multicultural environment. This corresponds to an increasing need in industry.

– North America business schools teach business based on an economic paradigm relying on market governance with the large multinational corporation playing a key role. Entrepreneurship entered the picture only recently. In contrast, Europe has a tradition of combining large firms, SMEs, the public sector and non-profit organisations. Another path towards differentiation for European business schools could be to study all forms of organisations, including the public sector, associations or NGOs. In this sense, management is a broader world than business studies.

In essence, we suggest that European business schools consider revisiting their strategies so that they combine the current race to catch up, playing the competitive game by the rules of the rankings, with a differentiation mode that offers the world, and more specifically the fast-emerging economies of the BRICS, differentiated models of management.

This article is based on Thomas Durand and Stéphanie Dameron’s book *The future of business schools, scenarios and strategies for 2020*, published by Palgrave McMillan, 2008

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