

Interviews with leading minds

Prof. Derek Abell on the future of business education

Prof. Derek Abell, founding president of esmt, the European School of Management and Technology in Berlin, is a highly regarded authority in the field of business education, and a long-time champion of the IEDC-Bled School of Management. In this interview he reflects on where business education is going and where it should be going. The interview is by Mark Vanderbeeken.

You have been professionally involved with a large number of management schools and you have been observing many more. What fundamental changes have you noticed in management education?

I think there has always been a tension between theory, particularly generic theory, and practice. This tension runs through not only the teaching, but also the research which business schools engage in. The world forms into two camps: there is an academic camp who deeply believes that what you have to do is to teach more generic, theoretical ideas to students and even the business people, and after that they have to find ways to put that into practice themselves. The other, smaller camp starts off from the position that you have to translate these generic concepts into practice – it is not enough to give executives and students the concepts; you have to actually help them to use them – so application of the concepts becomes very important. The founder of Dublin University said, “education is something to improve the minds of people and to increase the public good”. Francis Bacon said that education is not a courtesan, just to enjoy, but it has to

About Derek Abell

Professor Derek Abell is founding president of esmt the European school of management and technology. His primary teaching and research interests are in strategic marketing, general management, leadership in technology-based industry and the broader responsibilities of the executive “beyond the bottom line”.

From 1981-2003 he was professor of strategy and marketing at IMD, Lausanne, and parallel to that, from 1994-2003, professor of technology and management at the two Swiss Federal Institutes of Technology (ETH Zurich and EPF Lausanne). He was dean of IMEDE (the institutional predecessor of IMD) from 1981-1989, and from 1969-1981 a full-time faculty member at the Harvard Business School.

He originally graduated as an aeronautical engineer from the University of Southampton. He has a master’s degree from the Sloan School of Management at MIT and his doctorate from Harvard Business School. He has served as a consultant to governments in eastern and central Europe, as well as to many multinational corporations around the world. He has also served as a board member of a number of European-based public and private organizations.

He has published five books and numerous articles; among them is *Managing with Dual Strategies: Mastering the Present; Preempting the Future*, published by Free Press, New York.

be put to use. This argument between theory and practice is not new of course.

And where do you stand?

I am coming from the camp that neither is the right way, but theory and practice have to be combined. Most of the schools and in fact most of the professors in the world are in one camp or the other: they are either at the camp of theory, so if they would teaching

business, they would start with economics and social sciences, mathematics and quantitative methods, and then they would move to functional skills, marketing and finance. If they come from the practice end, they try to put it all together using case material which focuses on real problems that tend to be more integrated, not compartmentalized. They come up as problems and touch many disciplines, areas and functions and you can seldom partition them. So the people who start from the practice end, unless they have some deep understanding of theoretical concepts behind, also have problems. So I started to call this T&A: teaching and application is what is really needed. Notice the "and" in the middle, it's not just teaching generic concepts and leaving application to the side, or teaching application and leaving theory to the side.

You mentioned research before.

Well, the same is absolutely true in the field of research; the camps are even more clearly defined and apart in the field of research in business school. The upper hand at the moment is in the hands of those who believe in more academic, rigorous research, and publishing in A-class journals. But most of the journals tend to be in silos, in economics or finance or marketing, rather than integrated. There are very few journals in the A-class which deal with integrated issues. If we do practice research, it is often journalistic in nature, and not very thorough, so it has been pilloried a little bit – and rightly so. In research in the future we need to bring these two things much more closely together and this is extremely difficult; to do rigorous research on practice is very difficult, because it is an integrated, holistic thing you are studying and you need to have a large understanding to do it. You need good research design and there are not many people who can do this well.

This discussion is also going on in other fields, such as the design world.

Design is a good metaphor. If you are thinking about the future of business

education and business research, you probably would want to look at the fields beyond business to see what they are doing, and I chose two: design and architecture and I used the Bauhaus as a kind of a metaphor and a model, because the Bauhaus did exactly what I am talking about – it combined strong theoretical concepts with practice; they even had a pairing up of craftsmen with great artists and designers, like Klee and Kandinsky who were working with craftsmen. So you brought practice and theory in the Bauhaus together and you had a kind of seamless process between practice and theory where at the same time you were teaching students, at the same time you were doing research and at the same time you were designing new things – it was all one process. If you go to a typical business school, they teach Monday and Tuesday, they do research on Wednesday and Thursday and go consulting on Friday, and this is not an integrated process, it is a separated process. So, the Bauhaus is a pretty good example, both in the way they brought the people together – practitioners with absolutely world class geniuses. Klee was a theoretician above all. It was a seamless process of bringing together practice, development, teaching and research, all under one roof.



Another good example which I could see as a good metaphor for thinking about

the future of business education would be a great teaching hospital. In the teaching hospitals of the world, doctors treat patients and these same doctors, the ones who are usually on the leading edge of research in their field, are at the same time doing clinical work with students standing by, and the teaching process goes on in the process of practice and working with complex cases.

Bringing these approaches into the business school...

Yes, why don't we have an equivalent of the Bauhaus or the great teaching hospital in the field of business education, where currently the classroom is one thing, research is done almost separately and often theoretically does not have a relationship to what gets taught in the classroom and practice is even somewhere else again? We could look at these two examples to see the future of business education, which has been pretty much partitioned so far between the theoreticians and practice.

Are there other changes you have been noticing or advocating?

There is a steady drift from functional management activity to general management activity, especially by people further down the line and younger people, and a greater interest in leadership. As you make the progression from, say, expertise in finance, to how to run a small business, and to lead something, these points we have been making are even more important. It is not a question of management OR leadership training; we need both management AND leadership development in business schools. Management is the building block: you do have to understand underlying disciplines, and you do have to master functional skills. But leadership is much more generic and much more holistic. As you move to leadership, the need for application as well as theory is greater, and this is accelerating. I would say that what most of the business schools are teaching, 80 per cent is analysis, maybe 10-15 per cent is execution and maybe 1-5 per cent has something to do with

the way people are, the 'being' part. Leadership education needs much more attention to "doing" and "being" than is currently the case.

If you are really thinking about leadership development, maybe then you need about a third of each: you need strong analytical skills, but you also need a lot of skills in moving the organization and in the political understanding of the way people work and how to mobilize them. You need a strong sense of self, and you have to know why. You have to think of things like purpose and your own character and have a strong self-awareness.

What I am talking about means a shift in curriculum, from the more analytical learning more to the doing of things, and a lot more concern about what people are and who they are and why they do what they do. In summary, it is all AND. It's teaching AND application (T&A), research AND development. Most of the debate at the moment has been on the OR side – should it be practice or theory.

A third issue is the shift from management to leadership. I am convinced that leadership is being pushed down the line further and that more young people need to take leadership responsibility. Recently, I asked the president of a big telecom, "what is your biggest problem", and his answer was "getting people to stand up and take responsibility". So if you teach them marketing, you have not solved that problem. You have only given them the tools to do the job. How do you actually get them to stand up and be counted?

So these are the broad themes for you?

There is one more AND, and that is internationalization. Here there is a lack of localization. Everybody is talking about internationalization and globalization, but most of the business schools of the world are working too often on a generic, not even international, sense of global business. It is a kind of American version of internationalization. There is not enough about local companies and their local

problems. If you are at A, you have to get to B next, you don't have to get Z on the other end of the alphabet. You have to have an eye on the best global practices, but most of the problems are moving from where companies are today to the next step. And we have precious little case material, precious little research, precious little teaching on this. Danica Purg has been trying this by having people like myself come many times and get to know Slovenia and this part of the world intimately. So this is another AND: local AND international. This does not mean only a US version of international. It means truly what is going on in the global world. It means understanding Brazil and China and Russia, but at the same time understanding the problems of your company in your local backyard, which is about 90 per cent of the clientele of most of the business schools. And we are very far from this.

Are we?

Yes, and the reason we are very far from this is the kind of faculty you need to be as comfortable in academia as they are in the President's office. So we have got a kind of schizophrenia in the sense that most of the faculty even at the leading schools of the world, are either on one side of the bridge or on the other and very few can walk across the bridge. So it is fundamentally a faculty problem and the unfortunate state of affairs in our industry is that we do not have enough people who can walk across the bridge easily from one side to the other.

By the way, there are some reactions from the business community, so we have corporate universities popping up. According to them business schools are becoming irrelevant since their research and their teaching is too academic and generic, so they say that they have to deal with their own problems. But this does not solve the problem at all, because all they often do is land on their own problems and they do not really understand the generic ideas behind them and are not very much up-to-date on some of the broad ideas of research or teaching. The corporate universities have been formed out of a vacuum created by not relevant enough business

schools. But the net result is not better, because they tend to fall back on the practice end of the spectrum only.

You told me before the interview that there are some good examples of business schools that take a different approach to this.

There are few. When I started, with Dean Wulff Plinke, our school in Berlin, ESMT, we thought a lot about this and we tried to create a Bauhaus of management education. We even built workshop-type spaces, where practitioners can work together with faculty members, just like Klee and Kandinsky worked with craftsmen. There was the idea of working on real things, but where the faculty can feed in a deep knowledge and understanding of theory as well as practice. We have gone far with this; we created a hybrid faculty with many ex-consultants on one side, and on the other side we had academic faculty, but nevertheless with strong practice instincts. The Berlin school was formed with some of these new ideas, because we were very aware of a huge hole in the market. But it is a long building process. You can't expect to get these results overnight. But if it comes out the way we had hoped, it would look more like a great teaching hospital at the end of the day, more like a teaching clinic, than it would like a typical business school.

Other examples?

In the US there are some of the old standards, like Harvard Business School, the University of Virginia at Darden, the Ivey School of Western Ontario, that have tended to be strong practice oriented schools – case method, project work – with strong conceptual underpinnings. These are schools that teach conceptual underpinnings with a great strength and a great commitment and they are super teaching institutions. There are some doubts creeping up about whether the research they have done is solid enough conceptually, even in these great schools. There is a drift, and it is not a healthy drift now, with some of these great schools rethinking themselves, and asking whether they shouldn't be playing the more academic

game a bit more. There is some dilution, but you can be sure that Harvard Business School and Western Ontario and Virginia are still great schools, because they do combine strong conceptual theory with practice. I think IMD in Lausanne is in the same camp; they have a faculty that is very strong and can cross the bridge easily. But after this I run out of names pretty quickly.

There are also some new ones popping up that are not part of the old league.

Some of these schools come out of another tradition and have a good chance of succeeding. I use the word reinventing, because the field is at a crossroads, and new institutions pop up and stake out positions, doing some good things, whereas some of the older institutions are more flat-footed: they have a lot of momentum, they are very hard to change and some of these things are self-reinforcing. When you have got one group of faculty that has been promoted on the basis of purely academic research and A-class publications, but never went inside of a business, they tend to encourage the same kind of systems to the ones coming out of the ranks. So there's a self-perpetuation. But, frankly, while there are a few new things on the horizon, the weight is not there at the moment. There is a big, big hole.

IEDC-Bled might also be a good example.

I think Bled is good because we started off here with the idea of creating a practice-oriented school with some of the best traditions of good academic work behind them. The kind of people that Danica Purg has brought in — I should probably put myself aside, but there are others are just like me — are in this camp of trying to combine things. I am a strong conceptual person and I know how to teach executives, I know something about the kinds of problems executives have. I think she has tended to shape the school by the choices of faculty she has brought in. Not purely practice, not just the consultants. There have been a few who are coming out of the practice more than out of the

theoretical end. Peter Kraljič would be a leading example of that. And not just the academic faculty who, you know, master the disciplines and the functions and so. Danica Purg has tended to bring people from Harvard, IMD, INSEAD or other of the best schools, who really do have a foot in both camps. Therefore Bled is in this camp of trying to combine theory and practice together, mainly through the faculty that has been there. But it's pretty thin pickings. There are thousands of schools, and I think there are probably 600 to 700 hundred schools offering MBA in the United States alone. I think you could probably find only a handful that truly do a super job in combining theory and practice, usually they have a strong leg in executive education also. Otherwise it is only theoretical. So there are not that many. In Europe there are not so many either. There is a lot of management education but when you think of the research going on which is really dealing with the challenges of the everyday managers leading their companies in the field, this is also thin pickings.

You are also active with CEEMAN. Are you bringing some of this new thinking into this management development association?

I am trying, with the other Board members to do a number of things in CEEMAN. I am the President now of the Accreditation Committee, in charge of the accreditation of all business schools in Eastern Europe and Russia, as well as some others in emerging markets. One of the things we have done there is to make sure that these schools, if they do a first class job for their local community, can be accredited for this. They don't have to only be performing on an international level. They also have to have demonstrated that they are doing a good job locally.

Then I am also trying to spearhead — together with IEDC — an effort to write new cases that deal with some of these practice-oriented issues in Eastern Europe and Russia. We have chosen three themes where we would like to make a major effort to get case writing off the ground. These are innovation, internationalization, and responsible

leadership. The idea would be to write five to ten cases in each of these three thematic areas — in fact, not only written text cases, but also video and computer material. The first theme is innovation, because we do not know enough about radical innovation in Central and Eastern Europe and Russia. Many companies have not managed to get away from their domestic base because they do not have enough value added. The second field is internationalization of local companies, mainly small and medium-sized ones. And the third is the field that I am working on in particular and that is responsible leadership, which is a big issue now in Eastern and Central Europe and in Russia particularly. The case writing has a double intent: to provide teaching material, and to provide research, conceptual learning, publications dealing with real practice issues in Eastern and Central Europe and Russia. If we are going to spend some money on case writing, it should not just be cases for teaching, it should have a double effect: a teaching and a research output. We are looking for people to connect to these three labels. There would be a group of faculty from different countries coming together with coaches and they would be responsible for learning something about each of these three themes. There is nothing like this at the moment.

How would you distribute that case study material? Would you do it through CEEMAN?

Through CEEMAN, yes. We have a plan to write between five and ten cases in each area in about a two-year period. These five to ten cases would be like data points in research projects. If we have five to ten cases spread across the area of innovation practices then we would have some clinical research basis for writing something good about innovation. So the teams of people — there will be three teams, maybe with six to ten faculty members in each team with a coach — have to write the cases and draw some of the research conclusions in each of these three areas out of the cases. The coach is responsible for creating a research design, so we don't have a line of similar

cases, but we have contrasts and comparisons, high on this and low on something else. Good research is often done by comparing and contrasting things.

You mentioned responsible leadership as one of the three pillars of these cases studies? You have been doing quite some thought work on leadership and on the responsibilities that it entails.

I would say that leaders have to satisfy three broad challenges:

One is to run a good business today and tomorrow — and this is around the theme of the book that I wrote some years ago called *Managing with Dual Strategies*. You need to run a good business today to be profitable in order to invest for the future. And until you do that — it is a bit like Maslow's hierarchy — until you run a good, profitable, growing and sustainable business, it is very hard to look around and do things that are good for society at the same time. That is just dreaming.

So the second agenda requires accomplishing the first and then starting to worry about whether you are doing the right kind of things for the world in which the company lives. If you don't do the right kind of things, with respect to employment, environment, ethics and a number of social issues, eventually the society will come back, hit you on the head and penalize you. Public opinion and government find many ways to penalize companies who don't conform. This is not just in social interest, it is in business interest to take a broader view of what you are trying to do. You have to balance these things with the business objectives.

And the third, of course, is the leader as the person him- or herself. This leader has a set of purposes, values and visions for themselves and their own careers.

Good leaders hitch-hike these three things together. They hitch-hike their personal purpose and visions onto those of enterprises with the idea that at the same time society can be a beneficiary. So it is a three-in-one process. This is

easier to do in some sectors, locations and time periods than others. If you take, for example, the health care industry, this is a socially responsible industry in general, because helping people to live more healthy lives is itself responsible, so they start off in a good direction. It is also profitable. So there is enough spare cash to invest in some of these things. So it is easier there. If it is a polluting industry in a country in an emerging economy where people are in a rat race and cutting corners, it is inherently more difficult to bring these three things together.

So I have been looking at the difficulty of getting alignment between personal purpose, vision and values, social purpose, vision and values, and corporate purpose, vision and values. The difference in difficulty of doing that in different settings, ranging from Silicon Valley, to emerging Russia, to a chemical polluting industry, versus healthcare is critical. You start to understand this if you understand the context.

Having said that, you have to think of the fault lines, because when there is a tension, there is a fault line between business vision and values, and social vision and values, or personal vision and values. And when these fault lines are present, which they inherently are, then you have to bring mechanisms to bear to compensate for these tensions, and some of the key mechanisms would be: stronger leadership and governance systems up and down the line. When there are all kinds of temptations to cut corners, you need to compensate; more business social responsibility, and leaders should be more aware of that when consumers are not themselves acting responsibly, because as often happens they don't give a damn, they go on consuming. Then business leadership have to take some initiative, try to reform some of these things and lobby the government much more strenuously for the right kind of actions. So here you have a business-government compensating mechanism.

You need an integrated view of leadership, which in the best case allows leaders to stitch the business, personal

and social visions together, and in the worst case allows for certain compensating mechanisms that do not lead companies off the rails.

Who would manage these compensating mechanisms? The leaders themselves?

Yes, the leaders themselves, not people on their staff, like the Head of Corporate Social Responsibility. This has to be undertaken by leaders in the course of leading their companies, and this is a big change, because it has so far been regarded as something to attend to after hours or by someone in the company who is responsible for it. I know several of these people who have been appointed to this task. But in fact it has to be done by the CEO himself, and by the division heads and zone heads and country heads and even further down the line — the people responsible for a business unit — they are the ones who have to take initiative. There is a big change needed and I am trying to launch now with IEDC in April a three-day program aimed at these kinds of things: a more integrated view of leadership which brings together business success, social progress and personal ambition.

Will it take place in Bled?

Yes, it will take place in Bled. It will be aimed at a European-wide audience, so it is not only for Central and Eastern Europe. It is Europe-wide. There is nothing like this at the moment and the idea would be to bring together, with the faculty, some executives who are on the leading edge of some of these things. We have a very clear target audience — those who are responsible for a business — to see if we can learn something as well as teaching something.