

GLOBALIZATION OF MANAGEMENT EDUCATION

CHANGING INTERNATIONAL
STRUCTURES, ADAPTIVE STRATEGIES,
AND THE IMPACT ON INSTITUTIONS

REPORT OF THE AACSB INTERNATIONAL

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Foreword

A common question frequently posed to those of us who have been dean for as long as I have is, “How have business schools changed over the past two decades?” My response is simple: the difference is night and day. Today, business schools are expected to be much more customer-focused, entrepreneurial, and self-reliant. And perhaps most important, today business schools need to be more global. They depend on “selling their products” to an increasingly global market that demands students who are prepared to implement global strategy and who possess international experience, cultural awareness, and the ability to work in cross-cultural environments. Through significant curricular change and the development of collaborations that cross the globe, business schools must create an educational experience that develops global leaders who can react swiftly and effectively to far-reaching shifts in international economic dynamics.

Two decades ago, over half of today’s staff positions likely did not even exist in many business schools. Our staff members in career services, student recruitment processes, exchange programs, advertising and branding initiatives, and international alumni and corporate relations, to name a few areas, have taken on added complexity and responsibilities as the global nature of the business school operation has expanded. The faculty are called upon both in their research and teaching environments to focus on the issues that confront organizations that are expanding their global footprint. Globalization has been moving all of us in management education to do almost everything differently. Strategically, the implications of globalization continue to reveal themselves; a new and fundamentally different global landscape continues to emerge. An endless stream of new opportunities is available for us to rethink the scope of our missions, join forces with other institutions, finance our activities, and strengthen the quality and scope of our business schools.

Recognizing the significance of the global dynamic that faced our members, three years ago the AACSB Board Directors appointed the Globalization of Management Education Task Force to study the globalization of management education and to consider what it means to business schools. To say the least,

it was a broadly defined charge but, not surprisingly, Bob Bruner and the Task Force did not shrink from the charge or try to minimize the breadth and depth of research it demanded. They embraced its enormous scope, and the result is nothing less than what we believe is the most definitive report on globalization in our field.

The report is written for anyone who works in or has an interest in business schools or higher education. The report helps leadership to strategically position and prioritize the globalization of management education; at the same time, the report serves, at an operational level, as a reference guide for faculty and administrative staff. It describes macro-level trends, clearly articulates why the globalization of management education is important, and explores ongoing debates about its benefits and costs. The report describes current business school activity and offers suggestions for how they can respond to change more effectively. It considers how management educators can work together and coordinate efforts to accelerate and improve the globalization of management education.

The globalization of management education can bring enormous benefit to society. But change does not happen because of words on a page—the report is a call to action. The Task Force urges all management educators to lead within their institutions to instill in future managers a global mindset, generate more international research into the theory, practice, and teaching of management, and to leverage the global environment to create new value in our society. To think that each business school acting alone is sufficient, however, would overlook the enormous potential for industry-wide leadership to guide and coordinate change. Organizations like AACSB can and will play an important role in shaping the future of management education.

On behalf of AACSB, I commend and thank the Task Force for the very significant time commitment that went into creating this provocative report that is both visionary and useful. This report will stand the test of time and will help all of us navigate the challenges brought on by globalization. In the future, we will all look back and certainly agree that this report had a powerful and constructive impact on the direction of management of management education.

A handwritten signature in black ink, reading "Andrew J. Policano". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

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Chapter 1

Introduction

Globalization is one of the most significant forces of change for business. Our children and grandchildren will likely feel the effects of a wave of globalization that seems yet in its infancy. Appropriately, globalization has commanded the attention of legions of writers, consultants, and advisers, who have stepped forward to assist managers as they wrestle with globalization. Governments have also increased their attention in an effort to create “national champions” and to advance the growth of their economies. To date, the accumulated books, articles, proceedings, and speeches published on the globalization of business rise to a mountain of material.

Yet comparatively little is known about the globalization of management education.¹ At no other point in history have business schools invested so much energy into seeking new means of expanding their international networks, incorporating international perspectives into learning experiences and faculty research, and establishing (or maintaining) a globally recognized brand. The motives for this heightened initiative are numerous and include the pursuit of revenue, reputation, access, impact, and influence. A report published in 2007 by the Global Foundation for Management Education details some of the emerging challenges (growth, localization, quality assurance, scholarship, and resources)—clearly, the costs and risks to schools are numerous. The complexities of globalization were amplified by the financial crisis that began in early 2007, the aftershocks of which will be felt for years to come. Large gaps remain in our knowledge about the globalization of management education: scale, scope, curriculum, modes of collaboration, and impact.

¹In this report, we use “management education” to reflect an awareness that the need for effective managerial talent extends beyond the for-profit business environment to not-for-profits and government agencies—essentially to any organizational form that requires the effective management of resources in order to achieve a desired objective.

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Globalization seems likely to transform management education at least on par with major inflection points in the past, such as the turn from application to research in the 1950s as advocated by the report of Gordon and Howell² and the turn toward humanism in 1988 as advocated by the report of Porter and McKibbin.³ It is likely to overshadow more recent developments such as the rise of rankings beginning in 1988; the turn toward leadership development in the 1990s;⁴ and the debates over the profession of management in the 2000s.⁵ Globalization of management education re-opens decades-old debates and layers upon them new complexity, broader scope, and greater scale. Given the pace and direction of change, it seems inevitable that the future global field of management education will differ vastly from what it is today. Leaders in academia, business, and government need to understand the consequences of these imminent changes.

This report aims to complement and extend the stream of critical reflection on management education by illuminating the opportunities and challenges presented by globalization. The spirit of the report is to both encourage and support business schools' globalization efforts. In some respects, the report raises caution and points of concern; in other respects, the report calls for action by academic leaders and organizations that support management education. In all respects, this volume seeks to fill a gap in research and knowledge about higher education in management around the world. Clearly, in a rapidly evolving field such as this, more research is needed. Serving the aims identified by the Task Force is made daunting by the scarcity of data, the accelerating pace of change, and the sheer scope of activity in the global field of management education. But the original research presented in this volume, supplemented with numerous secondary sources and authorities consulted, pioneers a range of insights about a field in rapid transformation. Already, the insights presented here are sufficient to motivate reviews of curricula, global outreach strategies, accreditation policies, and government regulations. Overall, the Task Force

²Gordon, Robert Aaron, and James Edwin Howell, *Higher Education for Business*, Columbia University Press, New York, 1959.

³Porter, Lyman W., Lawrence E. McKibbin, and the American Assembly of Collegiate Schools of Business, *Management Education and Development: Drift or Thrust into the 21st Century?* McGraw-Hill Book Company, New York, 1988, ch. 1, pp. 12–14.

⁴See, for instance Pfeffer, Jeffrey, and Christina R. Fong, "The Business School 'Business': Some Lessons from the U.S. Experience," *Journal of Management Studies*, Vol. 41, No. 8 (2004), pp. 1501–20.

⁵See, for instance Khurana, Rakesh, *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession*, Princeton University Press, Princeton, NJ, 2007.

aspires to accelerate innovation and adoption of mechanisms that support the *effective* globalization of management education.

In general, this report is an industry study that looks at recent trends from both a macroscopic perspective of supply and demand and a more microscopic perspective that considers the responses of schools. In the following chapters, we aim to accomplish the following goals:

- **Macro: Large trends in supply and demand.** We seek to explore the demographics of the field, the trends of change, and its drivers. This “industry” is characterized by a very large number of players, most of whom are local in reach and orientation. Entry is relatively easy. But the field of management education is highly segmented along many dimensions including mission, size, financial resources, and reputation. Mobility across borders is relatively high for students, and low but growing for faculty and institutions. Institutions confront geographic mobility barriers from regulation, reputation, culture, and capital.
- **Micro: Conduct of players.** We seek to explore the behavior that globalization elicits. Institutions respond to globalization as a threat and as an opportunity. Globalization may summon new competitors for students, faculty, or capital. At the same time, globalization may open opportunities to expand programs, increase revenues, and build brands. As a result, globalization has stimulated a new wave of competition among institutions as they jockey for position; of particular interest are curriculum strategies and the use of strategic alliances, joint ventures, exchange programs, and operating agreements to leverage the reach of schools across borders.
- **Implications.** We seek to explore the consequences of the emerging supply and demand, the trends, and the behavior of players. By connecting the points raised in earlier chapters, we call management educators to collective action aimed at elevating the achievement of business school globalization efforts, and in turn the ability of business schools to support positive economic and social change. The call to action includes roles for individuals within the bounds of their respective schools, as well as in concert with others across the industry. The organizations—governmental and supranational—that influence and support higher education, or management education specifically, also have significant roles to play. Ultimately, this chapter aims to serve as a launch pad for additional attention and action.

1.1. Importance and Urgency of the Subject

Our view is that globalization is a driver of change that cannot be ignored. It is a trajectory that inextricably links both the business

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community and business schools. The course of globalization will continue as long as people are driven to look across borders for resources, ideas, efficiencies, and services. Business schools that fail to adapt to that reality do so at their own peril. A review of the status and trends of globalization of management education is important and timely, for several reasons:

The profession we serve. The general mission of business schools is to educate and prepare talent to serve customers, firms, and markets. As the field of business administration evolves, the academy must evolve as well. In Section 1.3, we detail some of the evidence of globalization by business; the reality is that this change is not evolutionary, of a slow and silent nature. In some respects it is discontinuous, fast, and prominent. Such change has called for nimble response by firms and their leaders. The same response is required of the academy. Business schools mirror the profession they serve. The spectacular globalization of business since World War II has created a significant demand for administrative talent educated in the challenges and opportunities of globalization.

Globalization is a disruptive force of change in management education. Our research suggests that globalization is changing former assumptions, practices, and strategies. Among the schools we studied, globalization was motivated by strategic objectives related to many trends within the global business and economic environment as well as those related to globalization trends within higher education. We find that business schools globalize for many reasons: a sense of mission or professional obligation, networking (to build connectivity with other schools), signaling and brand-building, satisfying demand, generating revenues, and, ultimately, self-transformation. At the same time, globalization requires resources that elude many schools.

Quality of the learning experience for students. Unfortunately, present efforts by business schools to globalize typically include a series of independent and fragmented activities. These activities are mostly focused on student and/or faculty diversity and the establishment of cross-border partnerships for student exchange. The Task Force is concerned that business schools are not responding to globalization in a coherent way, i.e., they tend to focus on collecting an array of activities (e.g., exchange programs) with insufficient emphasis on learning experiences and intended outcomes. Accreditors of academic institutions should set standards of excellence consistent with this new world. By these

standards, business schools hold one another accountable for practices and policies that best serve their constituents. Expectations for the incorporation of global perspectives into the curriculum, for the intellectual capital of faculty to keep pace with the evolution of business practices in a global business environment, and for schools to ensure consistent quality across all programs and locations can provide a framework for this quality assurance, yet the methods through which schools meet these expectations are likely to evolve substantially in the years to come.

The impact that business schools have on globalization itself. Business schools' responses to globalization are only half of the story. We are also interested in the role of business schools as drivers of globalization, which we believe is a central enabler of increased prosperity around the world. During times when public sentiment leans toward protectionism, business schools and their alumni must advocate the benefits of a globalization effort fueled by lower barriers to trade. These benefits extend to trade in higher education, which has the potential to increase access to and the quality of education received by the world's labor force. Economic growth in regions currently underserved by management education depends on sufficient investment in management education to satisfy the regions' talent needs.

Furthermore, globalization of management education is a key enabler of globalization in many other fields. Increased connectivity across countries has facilitated the transfer of ideas and collaborative development of innovations in fields as diverse as archaeology, engineering, and medicine. These discoveries are fueled by the fact that the same laws of physics, mathematical principles, and biological systems that underlie basic research and innovation within the hard sciences are constant across every country and world region. The same cannot be said for management, the application of which is heavily influenced by contextual factors such as culture, social norms, and national regulations or policy. Business leaders are called on to create the organizational processes and settings that enable innovations in the hard sciences to be developed and implemented in a contextually complex society. In short, managers who can lead in a global context are a critical resource for innovation and economic development.

Challenges to globalization. In the eyes of most knowledgeable analysts, globalization has delivered vast benefits to society. Free trade and the gains from comparative advantage—understood since David Ricardo's seminal work in 1817—have offered incentives for integration of

business across countries and markets. Undeniably, the train has left the station: we now are well down the track toward a truly global business economy.

Yet, a succession of economic crises over the past two decades spawned a small but headline-grabbing chorus of criticism.⁶ Some critics blamed the onset and spread of the financial crisis on the wave of globalization over the past generation. That business schools have a hand in globalization is a popular charge. The financial crisis spawned some op-ed columns alleging that the crisis was due to MBA graduates of leading schools.^{7,8} Management educators and their institutions should respond—but after research and reflective consideration. For business schools, globalization presents both a challenge and an opportunity. The events of this past decade warrant careful research and adjustment of curricula in an effort to convey a richer understanding of the evidence and impact of globalization.

⁶The Tequila Crisis (Mexico, 1995), the Asian Flu Crisis (1997), the Russian Bond Default (1998), the Argentine crisis (2001), and the Subprime Crisis (2007–09) challenged the notion that the capitalist model would deliver widespread prosperity. Stormy protests threatened meetings of the World Trade Organization, G8, G20, and other groups in venues as diverse as Geneva, Davos, Prague, Genoa, Quebec City, Seattle, Heilingendamm, and London. After a 50-year process of trade liberalization, the Doha Round of negotiations collapsed in 2006 as developed and developing countries resisted abandoning protections for favored industries.

⁷See, for instance, Holland, Kelley, “Is it time to retrain business schools?” *New York Times*, March 14, 2009, electronic document, <http://www.nytimes.com/2009/03/15/business/15school.html>, accessed January 31, 2010; Stewart, Matthew, “RIP, MBA.” *The Big Money*, March 25, 2009 electronic document, <http://www.thebigmoney.com/articles/judgments/2009/03/25/rip-mba>, accessed January 31, 2010; Plumer, Bradford, “The MBA Frayed,” *The New Republic*, April 1, 2009, electronic document, <http://www.tnr.com/article/politics/mba-frayed>, accessed January 31, 2010; Green, Charles H., “Wall Street Run Amok, Why Harvard’s to Blame,” *BusinessWeek*, October 5, 2009, electronic document, http://www.businessweek.com/bschools/content/oct2009/bs2009105_376904.htm, accessed January 31, 2010; *Harvard Business Review*, “How to Fix Business Schools,” compendium of commentaries, electronic documents, <http://blogs.hbr.org/how-to-fix-business-schools/>, accessed January 31, 2010; Broughton, Philip D., “Harvard’s Masters of the Apocalypse,” *The Times of London*, March 1, 2009, electronic document, <http://www.timesonline.co.uk/tol/news/uk/education/article5821706.ece>, accessed January 31, 2010; and Alvarez, Paz, “Las Escuelas de Negocios, Contra las Cuerdas,” *CincoDias.com*, April 4, 2009, electronic document, http://www.cincodias.com/articulo/Directivos/escuelas-negocios-cuerdas/20090404cdscddir_1/cdspdor/, accessed January 31, 2010.

⁸George Soros argued that academics and economists had to pay the price for optimistic convictions about markets and institutions. “Economists have to accept a reduction of their status,” *New Paradigm for Financial Markets: The Credit Crisis of 2008 and What it Means*, PublicAffairs, New York, 2008, p. 75.

1.2. What is “Globalization”? What Does It Mean to Be “Global”?

Globalization is a process of change. We use “globalization” to refer to a *process*⁹ of change within educational institutions extending the reach of educational engagement beyond one’s home borders and deepening the richness of understanding about the increasingly global foundation of business. The end results of the globalization of management education process should be 1) greater competence and confidence of graduates for doing business with global impact; 2) more research insights into the global complexity of the managers, enterprises, and markets studied; and 3) ultimately better service of the global management profession.

Defining a “global” business school. We think that whether a school is “global” is determined first by the outcomes it achieves, second by the processes it engages, and last by the places it inhabits. Actions and locations are useful means toward the end goal of globalization, but ultimately schools are judged by the outcomes they achieve. A global school of management:

- prepares students to perform competently and confidently in a world of global business competition and inherently global issues.
- generates research insights about trends and best practices in global management.
- leverages diverse cultures and practices in pursuit of innovation and continuous improvement.

⁹Conventional definitions suggest that globalization pushes an enterprise, its products, and its services across national borders; it promotes interaction and engagement on a global scale; it advances networking, communication, and execution of transactions; it spreads trade, investment, capital, and technology; and it integrates nations politically, economically, and culturally. Many writers use “internationalization” almost interchangeably with “globalization,” though some definitions have gained traction within the international higher education literature. Knight, for example, argues that “globalisation can be thought of as the catalyst while internationalisation is the response, albeit a response in a proactive way.” Knight, J., “Internationalisation of higher education,” in J. Knight (ed.), *Quality and Internationalisation in Higher Education*, OECD, Paris, France, 1999, p. 14. Naidoo writes that internationalization of education consists of “policy-based responses that education institutions adopt as a result of the impact of globalization.” Naidoo, Vikash, “International Education: A Tertiary-level Industry Update,” *Journal of Research in International Education*, Vol. 5, No. 3 (2006), p. 324. Beamish defined internationalization as “the evolving awareness and acknowledgement by the manager/organization/country of the impact of non-domestic forces on its economic future and the translation of the latter into new attitudes and behavior regarding the establishment and conduct of transactions with those in, and from other countries.” Beamish, P.W., “Internationalization as strategic change at the Western business school,” in S. Tamer Cavusgil (ed.), *Internationalizing Business Education: Meeting the Challenge*, International Business Series, Michigan State University Press, East Lansing, MI, 1993.

There is no tipping point at which a school becomes “global.” Today’s commonly used indicators, which tend to center on international diversity and the number of international partnerships, can be misleading. The above framework allows for schools to prepare students to be globally competent without necessarily having an internationally diverse student body. Similarly, it is possible for a school with an internationally diverse student body to fail to achieve these outcomes. World literature contains prominent examples of cosmopolitan travelers who remain quite provincial in attitude and outlook, of professionals who cease to be effective when they cross borders, and of colossal cultural clashes within multinational organizations.

Getting to “global.” Is globalization an end in itself or simply a means to an end? Our analysis has led us to believe that when a school’s underlying objective is to be perceived as “global,” the school is more likely to engage in a fragmented and disjointed set of activities or costly operations that bring little to no real added value to the stakeholders being served.

In fact, a claim of being “global” is relatively easy for a school to make. A school that simply rents space on several continents, recruits a handful of students from different countries, or inserts modules into its curriculum that cover the cultures of different nations can likely state, accurately, that its educational delivery, student profile, or pedagogy is “global.” But is this really the goal that business schools are trying to achieve? For some of the world’s business schools, it seems so.

Our definition, however, takes the perspective that business schools globalize as a means of achieving other objectives, which differ significantly among schools. Business schools educate young adults, mid-career professionals, and seasoned executives. They serve, through the students they educate and other forms of outreach, community-serving family businesses, small and medium enterprises, and multinational corporations. Each school’s mission and environment provide a unique set of circumstances that require a customized approach to globalization.

In this sense, successful globalization does not necessarily require a global “footprint” of facilities or a network of alliances outside of the home country. As our findings reveal, facilities and networks can help immensely toward achieving the learning, research, and innovation-related aspects of our above framework—but only if they exist as infrastructure to support a broader focus on students, research, and culture. In legitimizing a wide range of strategies for schools, however, we acknowledge the difficulty of measuring or ranking how “global” a business school is. Measures that focus on inputs/activities will inevitably ignore highly responsive and substantive approaches taken by schools that do not align well with those measures. Decision-makers must measure outcomes, though this process is not easily accomplished.

1.3. Globalization of Business and Business Schools

The relationship between the business profession and the business academy is largely symbiotic: they support each other in various ways that advance the welfare of society. When one gets materially ahead of the other, it is a moment for reflection, action, and realignment. The Task Force judges that globalization has created such a moment in the relationship between business and business schools.

Thus, as context for this report's focus on globalization within the business academy, some acknowledgement of the globalization trends within the business profession are important. We begin by presenting some indicators of economic globalization by focusing on indicators of cross-border trade, and corresponding shifts in the global economic landscape. These trends are widely documented and analyzed in other texts, and thus are presented only briefly in order to frame later discussions of the impact on derived demand for global management education.

We also are interested in the trends of firms that, like many business schools, are seeking to operate effectively in this globalizing business environment. Some academics discount comparisons of academic institutions to firms or suggestions that the strategies and actions of the two should parallel one another.¹⁰ While we do not deny that significant differences exist between the two environments, we also point to many similarities shared in the globalization efforts of each establishment. Both of these dimensions must be explored and should not be underestimated.

1.3.1. *Globalization Indicators*

Business has been, arguably, the visible hand of globalization over the past several decades. Thus, evidence of globalization in business provides insights into the dramatic impact of globalization on the business profession, and the subsequent impact on demand for global management education. Business schools, after all, are driven by their missions to meet the needs of this market.

We can get a rough indication of the advance of globalization since World War II by tracing the growth of total world exports. From 1960 to 2007,

¹⁰Only 7 percent of AACSB member business school deans were corporate executives in their most recent position. Perhaps this low number is a testament to the differences between the two establishments.

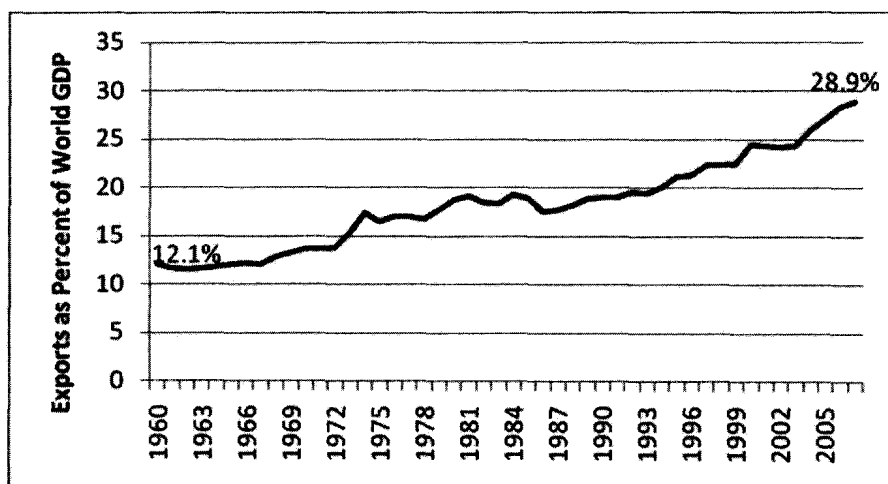


Figure 1.1: Ratio of World Exports of Goods and Commercial Services to GDP, 1960–2007.

Source: World Bank WDI & Global Development Finance Database.¹¹

total world exports as a percentage of global gross domestic product (GDP) more than doubled, from 12.1 percent to 28.9 percent (as shown in Figure 1.1). In fact, by this measure, we can discern that the pace of globalization has been accelerating.¹¹

Another clear trend related to globalization is the growing contribution to global GDP that has come from emerging markets. The International Monetary Fund (IMF) reports that Europe and the U.S. have steadily lost significant shares of global GDP to developing regions such as Asia and will continue to do so into the foreseeable future.¹² All signs point to a world economy with falling U.S. and European shares of world GDP, incremental demand, and sales to global firms. Companies must cultivate executives and managers skilled in overcoming distribution and service challenges to reach new markets and shift research and development (R&D), innovation, and

¹¹World Bank, World Development Indicators and Global Development Finance online database, 2010, electronic document, <http://databank.worldbank.org/ddp/home.do?Step=1&id=4>, accessed August 26, 2010.

¹²Beinhocker, Eric, Ian Davis, and Lenny Mendonca, "The 10 Trends You Have to Watch," *Harvard Business Review*, Vol. 87, No. 7/8 (2009), pp. 55–60.