Ashridge’s Kai Peters is worried about where business schools are going. Interview by George Bickerstaffe

Kai Peters

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Kai Peters, chief executive of Ashridge Business School in the UK, is in serious mode. Not that it dents his natural ebullience. In the short time between bidding farewell to a previous visitor and walking to his office he is a fount of stories, opinions, facts and jokes. Ashridge is doing very well, thank you, he says, detouring to a notice board full of present and future courses and programmes.

So why the seriousness? Two reasons. One is the changing nature of executive education, a top earner for Ashridge compared to the relative “loss leader” of its MBA. The second is what he believes is the parlous state of business schools themselves as “businesses”.

What are your concerns about the state of executive education?

Executive Education is transforming. The question is whether this is permanent or driven by the current economy. I think it’s permanent.
Historically there has been a trend for companies not to send people on open programmes but to do them in-company. That has led to another trend, which is to drop knowledge transfer programmes within a company in favour of doing organisational development with real goals and real targets.

This is interesting because research indicates that 10% of leadership development comes in the classroom, 20% comes from coaching and mentoring, and 70% comes from on-the-job learning and projects.

So the logic is that the more we can integrate coaching, real projects and real strategic challenges into our development activity the more impact we are going to have institutionally and organisationally.

This is difficult. We have executive education being taken over by the corporate universities, the low-hanging fruit being taken by the for-profits and the Bologna newcomers, and a lot of the market by e-learning. It’s a very messy competitive business right now. And while we in business schools might
say, “well those aren’t the quality markets we are in” every individual lost to them is one not coming to us.

But these types of custom programmes are notoriously difficult and expensive to design and deliver aren’t they?

You need a different sort of faculty. You need faculty that can pretty much stand on their feet for a whole day and have a plan but also be one step ahead because they are really a facilitator of a conversation. You are really saying “today let’s talk about international operations in Latin America in the morning and leadership development in the afternoon”. Not that X will lecture for an hour on the macroeconomic context of Latin America and Y will go on about marketing in Latin America. You are really just asking participants about their experiences.

The idea that “I am a master of my knowledge domain, which I will transfer to the participants” just doesn’t wash in a corporate executive education setting at all.

I suppose we are reasonably lucky at Ashridge in that we have had our organisational development consultancy for 20 or 25 years now. But looking at other schools I can see that they are trying to attract associates who can do the coaching and the facilitation because that is not going to happen with a professor from your economics department; that’s just not realistic.

Clients are also not only looking to business schools but are cherry picking quite a lot, working with consultancies, independents and others. They are much more sophisticated in their range of sources and the design of their own interventions than ever before.

I did a CLIP visit with EFMD recently and it was very interesting to see what the organisation did in house, how they brought in external faculty primarily as facilitators. They brought in some as experts, almost as gurus, but mainly to provide some impact and entertainment (I think sometimes just entertainment) for the participants. They didn’t structurally work with business schools at all; they worked with individuals from business schools.

Is this affecting degree programmes as well or just executive education?

A good question. In our case here it definitely affects the part-time masters programmes and to an extent the EMBA, which are all more or less behavioural and very much for working professionals. I’m not sure how it will affect the full-time programmes because they are not in a work situation. There’s still a tradition of such programmes being mainly about the transfer of a body of knowledge, certainly at the undergraduate and pre-experience masters level.
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And the MBA?

I don’t know that we will ever solve the problem of the debate around the positioning of a full time MBA. Should it be more in the behavioural leadership space? Well, yes, except that that doesn’t work that well with a mid-20s audience. They are still more into “I want to acquire the body of knowledge”.

So for me you do undergraduate and the MBA to get the subject areas and the knowledge base. And you certainly don’t stop your education there. You carry on to do an executive programme later on or something that really works on the behavioural aspects of your managerial capability.

To say that the MBA will solve all your problems for your entire life at once is just not realistic. The challenges are not there. You’re not responsible for the sort of things you will be responsible for 20 years later. The best I can come up with is to flag that this will be really important for you in the future, introduce it and to get people to think about it and their own behaviour.

But I don’t think it’s realistic to introduce things like organisational development and leadership because you’re really not applying it, certainly not on a full-time programme.

Is this a challenge to business schools, even a threat?

Yes, I think it is. Part of it is a flight to size and brand. There’s also a lot of competition right through from Duke in America to Peter Lorange and what he’s trying to do in Zurich [see Global Focus Vol 04 Issue 2 2010] through to the consultancies.

There are quite significant changes afoot that won’t be put back in their box.

What can the schools do?

We need to think about disaggregating the various elements that we have in business schools rather than pretending that they are all easily integrated. By that I mean you cannot have faculty who spend 99% of their time researching and then, depending on the school you talk to, be in the classroom for between 60 to 200 hours a year.

Look at some of the salaries that are being paid by the big American business schools and some of the European schools. If you are paying
£150,000 a year and you are getting ten days in the classroom out of it then at some point that doesn’t work.

So how does one fund the research? Well, I think you could fund the research only if you are a very large school with lots of undergraduates or if you have tremendous endowments. But as a business model what we are doing right now is, for me, not sustainable.

Do you think this is connected or driving the rather rapid turnover in business school deans we have seen recently?

I think some deans are trying to tackle the problem but unfortunately in some cases are not succeeding very well because attitudes are pretty ingrained. Academics don’t particularly like to be told what to do. We have half a dozen examples of individuals who have come from the consultancy world trying to run business schools as professional service firms and it hasn’t worked.

I think what they are trying to do is a little misguided because I feel there is a fundamental difference in the philosophy in a business school and in a consultancy. Business schools promote individualism. I am my research with my own personal reputation as X who happens right now to be at Y business school but could just as easily be at Z’s school tomorrow. At a consultancy they centrally produce knowledge and then diffuse it as a methodology that is shared by a thousand change management professionals. When you try to impose that model of centralised knowledge development into a business school, which is used to a high degree of autonomy and individualism, it doesn’t work. Making faculty teach the same thing or getting them to support an institutional approach is just not a realistic proposition.

It might make sense as a business model but it doesn’t make sense as a business model within the context of a business school.

I think the debate that has to happen in business schools is really around how much teaching is realistic from faculty — and it surely has to be more than we are doing now because it’s just not financeable. You can’t run a business school without a business model but we seem to be trying.

The only way you could tackle it is to have 70 or 80 people in a classroom in an MBA or open programme — and you can debate whether that’s the best learning model for participants. I would say that is large batch processing. So we really have to think about what we are doing.