

From ‘Teaching’ Schools to ‘Knowledge’ Schools: The peculiar dilemma of Business Schools in emerging Economies

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Abstract: The reason for the existence of business schools has been a debated one. Many fingers too have been pointed to the problems that ail business schools. In fact, business schools have been accused of turning into academic institutions far disconnected from business reality. There are also those who claim that the study of management has been turned into an academic discipline, thus shifting away from what they were set up in the first place for, which is improving management competence (Griffiths & Murray, 1985) (Brown, McCartney, & Clowes, 1996). Moreover in the developed world it has been seen that there is a gap between what gets espoused as business theory and what gets practiced in the world of business. This particular imbalance isn't restricted to business teaching but also extends to business research. Business schools have thus been prompted to consider escaping the confines of their ivory towers (Crainer & Dearlove, 1998) without in any way taking away from what is standard academic rigor as practiced in other professional schools. There has been a general agreement that business school research operates in a sphere of isolation that reduces its industrial relevance. There have been many prescriptions on how this anomaly can be addressed including, regaining management as a profession (Bennis & O'Toole, 2005) (Khurana, 2007), developing a critical lens for conceptualizing managerial problems (Grey, 2004), and recommending evidence based approaches (Pfeffer & Sutton, 2006b) (Rousseau & McCarthy, 2007) (Rousseau, D. M., 2006). As much as there have been studies on what ails business education in developed economies, there have almost been none in the developing world. The developing world is where businesses and industries are on the growth path. The proliferation of commercial business concerns has been matched pace for pace by Business Schools. Yet this parallel proliferation has brought with it peculiar problems that are also unique. Business Schools, having adopted the 'outside-in' approach have been forced to toe the 'skill-requirement' line from industrial firms. In terms of immediacy, addressing this 'skill- gap' has found paramount importance among business schools. This is in effect have turned them into teaching schools that spend all their resources and energies on placement readiness. It is well known that Business Schools in developing economies have turned into teaching schools that spend all their resources and energies on placement readiness. This research paper focuses on understanding this peculiar phenomenon and proposes on how the dilemma of having to produce industry ready graduates can be managed, so business schools can turn in business ready research high in their potential for industrial application.

Keyword: Business, Schools, Research, Teaching, Value Chain, Practice-oriented.

1 Introduction

The Oxford English dictionary states the meaning of the word 'dilemma' as a '*situation in which a difficult choice has to be made between two or more alternatives*'. A dilemma is what faces Indian Business schools today. Trying to manage this dilemma hasn't been easy for business schools in India. In fact, what has ensued as part of what business schools are prompting themselves on is a two-fold engagement within, namely, the need to teach and the need to publish. But the larger question that begs asking is whether what is taught and what is researched has delivered on industrial expectations. That is, have B-School graduates been able to take their 'learned' understanding of business and translate that as value within the Industrial process, and whether faculty research has been able to bridge the knowledge gap so as to aid better business performance. Sadly, we find the answer to both these questions as being in the negative from a real business activity standpoint. Meaning B-School graduates haven't been able to convert learning into Industrial Value, and neither has business school research aided business performance.

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2 Literature Review

There have been many research studies conducted to evaluate the effectiveness of business management programs in the U.S. with relevance to their curriculum, especially within a changed business environment. Researchers have opined that the business schools should realize that business management can not be treated as a scientific discipline, but should be embraced as a profession (Bennis & O'Toole, 2005). Also, research studies conducted by business schools need to be more of application oriented ones that which have practical business relevance.

Another study found that business schools in the United States were in the race of competing for media ranking, instead of utilizing their institutional resources for long-term knowledge creation. The study authors cautioned U.S. business schools of the risk of pursuing dysfunctional rankings competition, which they opined would result in institutional mediocrity (DeAngelo, DeAngelo, & Zimmerman, 2005).

Sumantra Ghoshal has argued that the impact of research works of business schools in the area of business and management approach, has had major and adverse effect on the management practice. Ghoshal has expressed his concerns thus *"by propagating ideologically inspired amoral theories, business schools have actively freed their students from any sense of moral responsibility"* (Ghoshal, 2005)."

Few researchers have also established that management as science could not solve the uncertain, situation specific problems encountered by managers in industry. They have suggested replacing the existing conventional management curriculum to business management as *craft rooted in action* (Bailey & Ford, 1996). Other researches suggests business schools to impart "people skills" to MBA students, which is very essential to excel in their endeavors (Doria, Rozanski, & Cohen, 2003). After their extensive survey The Doctoral Faculty commission (DFC) of AACSB International had suggested to promote business PhD's by extending the program to executives and increasing the incentives to business PhD. This will help business schools to get qualified faculty with industry background (AACSB, 2003).

Holstein has expressed that the American business schools are not doing enough good job. He has suggested business schools to produce leaders who can think holistically & contribute greatly to the entire community (HOLSTEIN, 2005). Researchers have advocated The Integrated Business Curriculum which emphasizes both on conventional focus on gaining knowledge and developing skills that are important to a flourishing career (Athavale, Myring, Davis, & Truell, 2010). Business schools have been advised to recruit faculty from industry who are business management practitioners. These executive professors can bring in real world experience (Clinebell & Clinebell, 2008). The researchers have also expressed one most important concern of having executive professors, is that they will have tendency to quote anecdotes or cases, pre-dominantly from their organization or sector rather than teaching concepts that apply to variety of sectors and organizations. Research has also *recommended B-Schools to embrace Knowledge management tool to compete in the changed global knowledge economy. This tool can create sustainable competitive advantage for Business schools by taking advantage of emerging opportunities* (Pillania, 2007).

3 The Twin Pronged Pulls

Again, if we were to approach this from a strategic perspective the looming question for business schools is whether they should turn into teaching schools or enhance their reputation as knowledge schools that focus on research. It's a well known fact that in the West faculty priority has always been research because of its immediate personal benefits that include tenureship. Of course, the apt scenario is one that balances the two and delivers on real industrial value.

To illustrate the dilemma that faces Indian business schools, and the contrasting pull of choices available, it's important to start with understanding the Industrial Value chain and how it prompted the rise of business schools. It's important to also note that we don't believe this dilemma is restricted to Indian Business schools, though we find it to be acute in the Indian B-School landscape.

The West may have ushered in the era of Industrialization a few centuries ago, yet the applications of an industrial economy were only felt at the consumer level when India underwent the process of liberalization as an economy. Liberalization is what ushered in the industrial act in its entirety into the country. This industrial awakening brought with an ever increasing need for greater resources needed for the value-creation process. A best practice industrial process within a firm is comprehensively captured in the Intra-Firm value chain (Porter, 1985). The activities in the value chain are segregated into primary and support activities. This segregation is based on whether an activity directly or indirectly contributes to the creation of a final product for the end consumer (*refer Fig. 1*). The primary activities include – inbound logistics, operations, outbound logistics, marketing 7 sales and services. The secondary activities are support activities but no way lesser in importance to primary activities, and they include – infrastructure, human resources, technology and procurement. It is important to note that human resource form a part of the value chain. Together these 5 primary and 4

secondary activities create and maximize the value that the firm passes to the customer. A firm that is able create consistently high value for the customer sustains the competition, while rest lag behind or fail.

Human Resource being the only animate component out of all the activities in the values chain, not only manages the entire value chain but itself contributes in a huge way in creation and maximization of this value. Hence to manage the value chain well it is pertinent to manage human resource really efficiently.

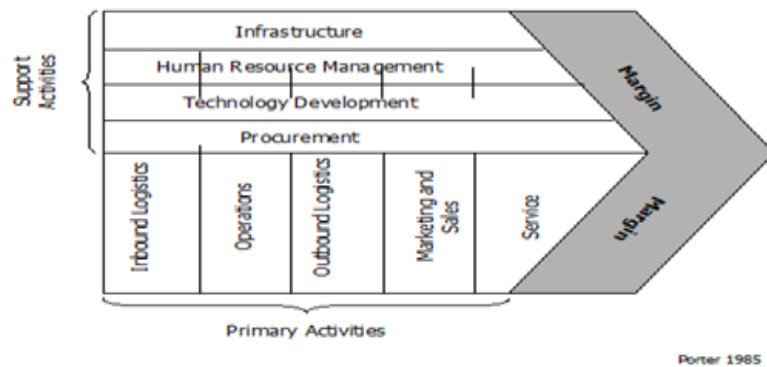


Fig. 1: Value Chain

4 Need for Intellectual Capital input in the Value Chain Process

There is a critical need for intellectual capital across the Value chain processes in India. The growth in industries in India has been stupendous since the liberalization process was effected. A value chain delivers on value to consumers is via the creation of a product or service that they are willing to pay. The key facilitators to the creation of an industrial output valued by consumers are men and machines. The requirement for such men and machinery is upped during times of industrial growth. Post liberalization, India has had a golden run when it comes to industrial growth. Almost every sector and industry grew at a steady rate. In fact the Indian economy is set to double and grow to approximately \$2.4 trillion in the next seven years. The inevitable result of such growth will be pent up consumption desires of consumer needing to be satisfied. Armed with greater disposable incomes consumer in India are on a buying spree. It important to note there were times when industrial output could not keep up with consumer demand. This is well illustrated in case of passenger cars where quite a few brands of cars had waiting periods of up to three months or more.

An enhanced consumption rate meant Industry had to put in greater resources to up output. Inevitably this meant that more human resource would be needed. Typically for such industrial acts, human resource would be drawn from institutions educating people for the Industrial world. The two sets of institutions that found most favor in such a scenario were trade and business schools. This is because there would be both need for a trained workforce and managers. The requirement for Human Resource in a Knowledge schools value chain process is illustrated in (*refer fig. 2*). Among the primary activities, the trade schools contribute to inbound logistics and operations, while business schools cater to outbound logistics, marketing & sales and services. When it comes to secondary activities, while trade schools cater to firm infrastructure, procurement and technology development, business schools deals with the human resource management.

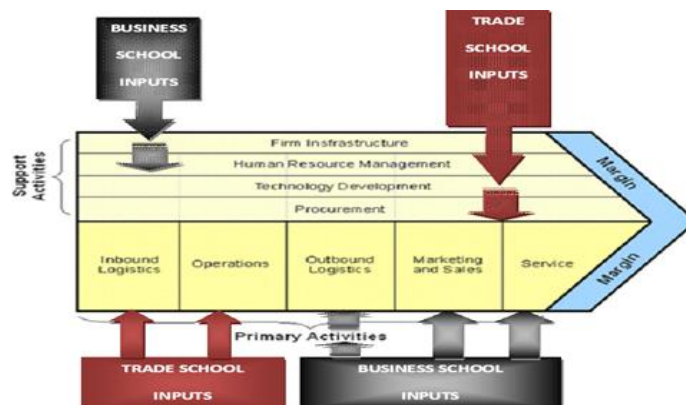


Fig. 2: Knowledge Schools Value Chain

The need for human resource from business schools meant that the schools themselves had to focus on supplying skilled human resource to Industrial firms. Ironically on their part, Indian Industry weren't fully satisfied with the b-school output pointing to a glaring disconnect between the skill sets the graduates learned as compared to skill sets required on the job. Another 'gap' that the Industry points to is the lack of skilled B School graduates in the new technology areas. The HR Director at Bharti Airtel, a telecom major states that "*Business schools are not addressing new verticals like mobile commerce and entertainment* (ET, 2011)." This lack of expertise he says is made up for by the company via in-house training investment. Yet despite this skill gap business schools in India are coming up thick and fast. This only points to the urgency in filling up a fast rising demand for professionally trained managers needed by business firms across India.

The need for a trained workforce and skilled manpower is best demonstrated by the growth seen in business sectors and industries in India. Companies across the public-private spectrum have grown in their operational activities (IndiaStat). The annual growth rate of industrial production for two digit industry groups too in India have been impressive (*refer Fig. 3*). On the economic front too India has been logging in strong growth numbers. The GDP real growth rate has hovered between 6-9 percent for the past two years (*refer Fig. 4*).

For business firms the competition game is about bettering on their value propositions for consumers so they can have a superior proposition for their target consumer segment. This need for superior value propositions is an unending one. Sustained competitive advantage for business firms accrues only when they can consistently and continually outsmart their competitors at the value creation process.

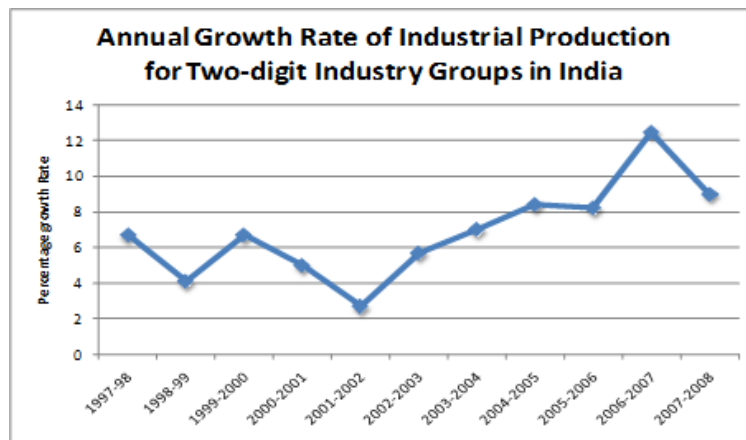


Fig. 3: Annual Growth Rate of Industrial Production in India



Fig. 4: GDP (real growth rate) of India

5 Need for Research Knowledge input in the Value chain process

From a generic business strategy perspective every business firm is either trying to be cost leader or a differentiator. They also have to choice of being both, or being focused on a single consumer segment while being a cost leader or a differentiator.

There is today a widespread acceptance innovation as a competency is critical to successful strategic pursuits. In effect this means business firms are trying leverage innovation to be better cost leaders or differentiators. New knowledge that allows for a firm to better its offering to consumers is becoming the need of the hour. This new knowledge accrues to any business firm via research. Traditionally the function of research within business firms has always been localized at the Research & Development department. Yet knowing well that external environmental information that is critical to internal research and development is not easy to access, business firms have been quick o engage external specialist to attain the same. These external agencies include research and consulting firms. It is precisely for the same reason practitioners within companies may look to academic research too.

There is now a growing need for research driven knowledge that's high in its industrial application value. The need for research knowledge inputs in illustrated is figure below (*refer Fig. 5*).

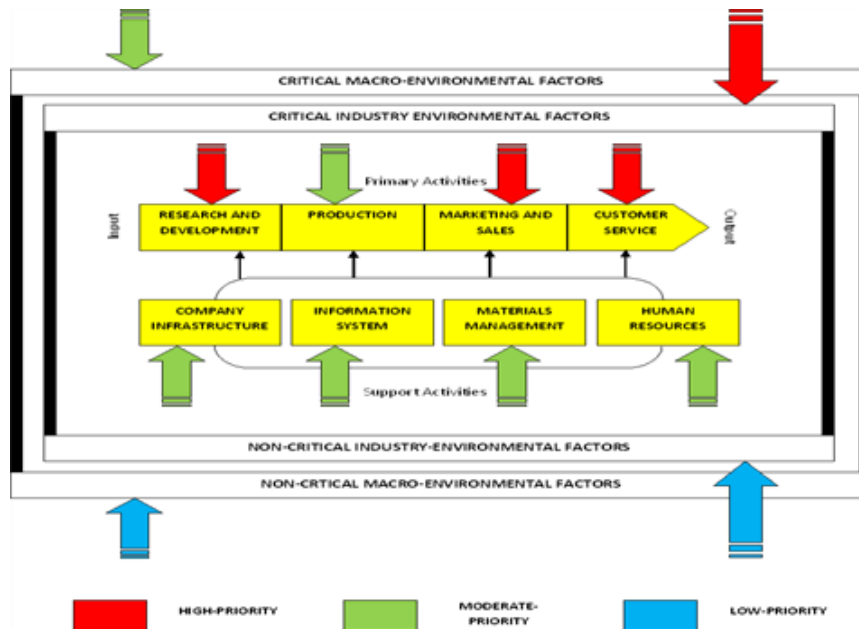


Fig. 5: Need for research Knowledge Inputs Ideal Research Output Scenario

What is illustrated is the ideal research input scenario. This ideal is based on the prioritization of research inputs within the industrial scene. Note the Business environment as being segregated into the External and Internal environment. The internal value chain activities are tagged as needing high priority research inputs especially in the two critical line functions namely, Research and Development, and Sales, Marketing and service. All other internal functions need moderate-priority research inputs. The Industry environment and extended macro-environment too are fertile ground for critical research inputs. Yet it must also be noted these environment could also generate research knowledge that may not have a bearing on the working of a business firm.

6 The value of academic research

If academic research doesn't carry as much industrial value, why is publishing becoming important? It's been found that publishing in journals brings with it monetary value for the academic behind the publication. In a study to determine if individuals receive differential returns to publishing articles of varying quality and to coauthored versus single-authored articles its been found that returns to quality exist and that an individual's return from a coauthored paper with n authors is approximately $1/n$ times that of a single-authored paper (Sauer, 1988). The author finds that *"The full return to a 10-AEQ-page article in the top journal is thus estimated to be a 3.8 percent increase in salary."* (AEQ means the article is adjusted for page size to correspond to AER page length.)

7 Practice relevant research

To undertake practice relevant research it's important for academicians to understand the structure on an industrial environment, and its constituent firms.

8 Practical Applications

The paper is intended to create a understanding amongst academic researchers in business schools and also trade schools as to how to make their research relevant. The research becomes relevant only when academic researchers understand the industry environment, various critical environmental factors and direct their research to add value by plugging a real research gap. The **Knowledge Schools Value Chain** discussed in this paper and need for research knowledge inputs illustrate how we can have ideal research output scenario. Only then the research will contribute to the business value chain and help a firm in maximizing their value proposition to the customer.

9 Scope for Future Research

The future research can look at specific industry verticals or various functions and sub-functions within a business organization and attempt to establish a relevant research link with academic research. While this paper broadly establishes how academic research can be more relevant to the industry, the future research could look at this relevance from a more vertical or functional perspective.

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