

Intellectual Entrepreneurship in Management Education. *Transforming a knowledge disseminator into an institutional entrepreneur*

Abstract

This article describes how a management institute was transformed from a knowledge disseminator into an institutional entrepreneur. For the first 20 years of its existence the Institute, based in Geneva, offered a one-year management development program for groups of 25 to 30 participants at early post-experience level. The Institute was subsidized for about 80% of its budget. Given the small number and junior level of participants, the impact of the Institute on the companies employing its graduates was limited. In the next twenty years thanks to 'fortunate discoveries' the Institute was transformed into an institutional intellectual entrepreneur. It had some 1200 people going through various programs per year, had a visible impact on some of its 50 Business Associate companies in all continents.

The second part describes how, using the experience of Geneva Institute, a concept was developed on how a country in transition could complete its economic transformation through management education. This would be done by educating, for a critical number of companies, board members, chief executives plus selected upper level executives, to create a critical mass of people within each company with common management language, shared concepts, purposes and complementary knowledge. This would enhance greatly the effectiveness of selected corporations, which would also act as role models and create a pull effect on many other enterprises.

Part 1

From Knowledge disseminator to an Institutional Entrepreneur

An Unorthodox Birth of an Institution

During the Second World War the National Recourses Commission of China had a plan to build an aluminum complex on the Yangtze River, because of the rivers' great hydroelectric potential, which is being tapped now through the 'pharaonic' Three Gorge dam. Aluminum is a commercially attractive way of 'packaging' cheap hydropower. In preparation for the project, the Commission sent a group of Chinese engineers and economists to the USA in 1944 with a request to the State Department to arrange for them training in an aluminum sector. They ended up with Alcan, a Canadian based multinational, exporting metal to all continents, thus presumed capable of dealing with people of different cultures. The group was entrusted to a Swiss (the late Dr. Haenni) director of research laboratories, who had worked in several countries and had a reputation of a person with a breadth of experience and knowledge. He kept sending the Chinese group to different plants to see various phases of aluminum production process, but periodically invited them to his home, where, with his wife, they discussed different philosophies (Confucian, Hindu, Hellenic, Renaissance), political and economic systems, trends in art, evolution of human thought.

The Chinese, in writing reports to their liaison man, had stated: "We are learning some things about aluminum, but we are also getting the keys to understanding the world". The liaison man, struck by the formulation, sent a copy of the report in question to the President of Alcan (an American), who called Dr. Haenni immediately and asked him to create an international school for young managers, by saying: "They know aluminum, but they don't know the world, I would like you to teach them, what apparently you were teaching the group of Chinese".

Dr. Haenni spent a number of weeks at Harvard Business School, but concluded that he did not want to be an 'intellectual satellite' of the school, which was excellent and world-known, but which, at that time, viewed the world through the optics of American experience. In early 1945 he visited the London School of Economics. He was impressed, but concluded that if he were to set up his school in London, he might be teaching his students how the world was, rather on how it will be. The next pilgrimage was to Ecole Nationale d'Administration in Paris. He borrowed from it a number of ideas, but was concerned that the preoccupation of the French with their cultural mission would polarize the vision of his future students if he were to set up the school in Paris. He finally ended up in Geneva, secure in the

knowledge that there the school could be intellectually extraterritorial, that the Swiss way would not be a yardstick by which different value systems, behaviour, approaches to management would be measured. The school was thus born in 1946 with the name of Centre d'Etudes Industrielles (CEI), starting with one Norwegian participant. By the end of the year there were 15 participants, and the school took off with an International Development Program lasting 10 months and, an exceptionally stimulating experience, as the author of this article can testify, having participated in it ten years later. A small, permanent faculty consisted not of business school professors, but practitioners converted to education. There was, however, an extraordinary selection of guest speakers such as William Roepke, the man behind the German economic miracle, Maurice Allais, who decades later was the first Frenchman to get the Nobel prize in economics, Lady Jackson, the author of "Five Ideas that Won the World" and others. There were also some special speakers from the business world, such as the chairman of French company St. Gobain, who is a renowned poet. He explained in one session that only five important decisions were made by the company in its 300 years of existence.

The program had other original features. There were visits by the whole group to selected companies for discussions with top executives. The companies were analyzed beforehand and subsequently, under the leadership of selected students, reports were prepared and sent to respective chief executives with critical comments, observations, recommendations. The program ended with field studies, which took the participants in groups of three to 10-12 European countries, doing comparative studies on selected management topics.

For the participants, returning after few years work to a school of this kind was an intellectual luxury of the first order. The experience was unforgettable, so much so that some of the classes still meet annually, even fifty years later, coming from different continents to share their joys and sorrows and keep warm the friendships, created decades earlier. While the impact on individual participants was very important, the overall impact of the institute on the corporate world was insignificant, because of the small number of participants, their junior level and the fact that the school was not publishing anything.

Start of a Transformation Process

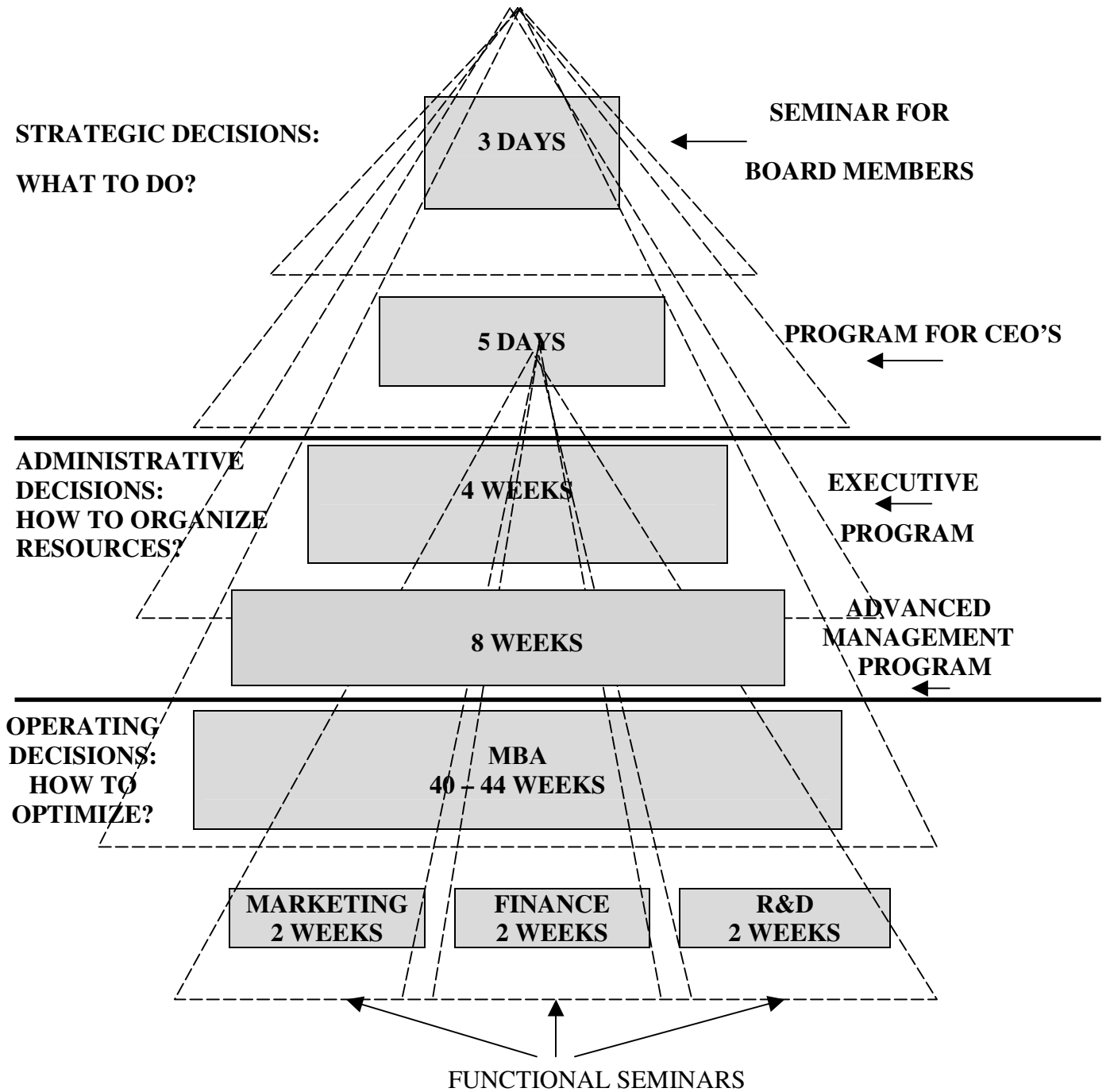
On the 20th anniversary of the school, the first director, a scientist, philosopher and an intellectual was succeeded by a seasoned international executive, whose self-assigned mission was to inject some new energy into the institution and leave as soon as it would have the

capacity to change and grow. He decided to expand, build a new building and start a two-month Advanced Management Program, without defining the development strategy of the institution. During the program in question one of these ‘fortunate discoveries’ occurred. The author, as a newly appointed third director, was lecturing on corporate strategy having read the book of Ihor Ansoff. He was interrupted almost in mid-sentence by an ‘impertinent’, but charming, 33 years old Swede, the executive vice-president of Scandia, the biggest Swedish-based insurance company, who asked: “What is the Institute’s strategy?” This was a crushing question. The Institute existed for over 20 years without defining its strategy. The meek answer was: “We have a mission of broadening and internationalizing our participants” to which the Swede retorted: “But you are teaching us that strategy, in addition to statement of the mission, should have the definition of product/service/market choices, a set of measurable objectives and policies on what the corporation and its employees should and should not do”.

The questions he raised were threatening, and required an immediate response. The director-lecturer said: “I stop lecturing right now, I split you into groups of five and you have a whole day to come up with a proposed strategy for the institute”. At the end of the day the class came back with proposals for the strategy of the institute. It was summed up as follows: “To improve your financial position and have a greater impact on how corporations function, you should have a matrix of programs for people at different levels of hierarchy/decision-making and in different functions. The following day, in a discussion with the four-person faculty the suggested strategy was elaborated as shown on diagram 1, a matrix of programs with language and concept compatibility and knowledge complementarity.

Diagram I

**MANAGEMENT EDUCATION PROGRAMS:
CONCEPT AND LANGUAGE COMPATIBILITY
CONTENT COMPLEMENTARITY**



Each of the faculty members had a dual role: to teach a course on different programs, and to manage one program closest to his/her teaching area. They became managers of business units, responsible for design of the program, for selection from among their colleagues and guest speakers of the program faculty, recruiting participants, for quality of the program and financial results. Each faculty member thus became an intellectual entrepreneur.

Begging for Money or Earning it?

While the financial position of the institute improved greatly, because one could charge a chief executive ten times as much per day of program as an MBA participant, the school still needed some subsidies. With recent satisfied alumni of chief executive programs, it seemed natural to elicit some donations from them. The director, on the way to Sweden to elicit grants, was troubled by a moral dilemma. Unlike secondary schools and universities, which educate young people for a general good of the society and have the right for public and private support, why should an institution educating managers from profit-making firms be asking for donations? Why should it not earn its keep? The answer came at the Copenhagen airport in a debate with a colleague in the form of a novel concept: creation of a network of companies, from different countries and sectors, as a partnership with the institute for management development. Within two days five major Swedish companies and one Belgian joined the network, called Business Associate Program, which in a few years grew to fifty companies from all continents. Companies paid an annual fee of which one-third was used for the organization of special events for the network, one-third for research, and one-third for development of new programs. The special events were:

- An annual get-together of chief executives for sharing their experiences, based on background papers, prepared by the faculty.
- Seminars/workshops for heads of corporate planning to compare different ways of monitoring the environment, building scenarios, formulation of strategy.
- Special sessions for managers of management development.

Managers of management development became natural partners of the Institute. With their help the school shifted its recruiting methods from 'retail' to at least partly 'wholesale'. The decisions on selection of managers to send from Business Associates to educational programs were made jointly. In one-day discussions decisions were made by companies to send twenty or more people on various programs of CEI within one year. CEI in turn often recommended to Business Associates to send people to other institutions, which had programs responding better to their executives' needs.

There were other lessons learned from Business Associates. IBM company suggested that it was better to send several employees, from their different operations on the same programs. This facilitated networking and horizontal communication within their company. While the Institute thought it natural that only chief executives could attend the program intended for them, chief executive of a German pharmaceutical company persuasively argued that CEI should accept his executive vice-president along with himself. He said: "What will I do with what I will learn during the week. Will I gather my senior people and try to repeat what I heard in Geneva? If I come with my executive vice-president then at the end of each day we will select from what we heard things relevant for and implementable within our company. At the end of the week we will have an action plan of what changes/innovations to make in the corporation. The executive vice-president will be responsible for implementation and I will monitor the process". The Institute learned from this how to improve transfer from learning to doing.

There was yet another example how a good question can provide a trigger, which leads to intellectual entrepreneurship. The chairman of a Belgian Business Associate company raised the concern: "In a number of European countries the legislation is being prepared to make the inclusion of labor representatives on the boards of directors mandatory. What do you think will be the impact on the functioning of the boards with worker or union representatives on them?" The faculty member, to whom the question was addressed, replied: "If you are really interested, willing to provide some funding and help raise the rest, we will organize a research project to study the consequences for the boards of forthcoming legislation." Comparative research was then organized in seven European countries in groups consisting of legal and organizational experts. As the research progressed, some companies' chairmen began to get feedback from their people, involved in this research. They then approached the Institute with the request to organize a special seminar for chairmen and board members, in which they would get the comprehensive results of the research and discuss how the boards of directors could improve their functioning.

It was a big challenge for the Institute to organize the first program of its kind for chairmen and boards members of some of the biggest enterprises in the world. The faculty could not pretend to match the experience of participants of the board seminar. They could, however, provide an analytical instrument for participants to review the functioning of the boards. This was in the form of a table, which showed that as the environment changes, responsibilities of board members change, and so should their roles, the composition, the structure, internal organization and functioning. Other things also coming from outside the

institute assured the success of the program. The Swede, mentioned earlier in the article, by then President of Volvo, insisted to bring along with him a union representative on his board, by saying “If we are to work well together, we should learn together, rather than me learning in a management school and him learning on a program organized by unions”. This was a shock to North-American participants, but helped change their attitudes as to how to work with labor representatives. What also helped was that a Dutch guest speaker served on three boards: on one as the representative of owners, on another – of a labor union, and on the third – of government. Yet another speaker, a union representative on important boards in Germany, such as Volkswagen and Siemens with a PhD in economics, when challenged, answered that he was in favor of paying salaries as high as necessary to the top executives, in order to attract the most competent ones, for the ultimate good of workers.

Within five years of the start of the transformation process, the institute multiplied its earnings tenfold, reduced the subsidy dramatically and began to have a visible impact on how the corporations were managed. Running of the board seminar was particularly helpful in improving the transfer from learning to doing. In a number of cases, seminar participants asked the author to come and spend a day with their board in the role of a consultant-moderator in order to discuss how their board should be reorganized, how it could improve its effectiveness. Some results were almost dramatic. In a one-day session with a Belgian based company, the decision was made that the chairman, who initiated the meeting, should be divested of his responsibility as Chief Executive Officer and retain only that of the chairman of the board. In a British based company, the special session with the board was used to ease the succession from one chairman to another and for a discussion of how the composition and the methods of work should be changed with the change of personalities.

The school had thus completed the transformation from a knowledge disseminator on a single program for junior executives, to the knowledge producer, packager and disseminator, creating commercial value for itself and its client organizations, converting human capital to intellectual capital and in the process becoming an institutional intellectual entrepreneur.

On the 40th anniversary of CEI (earlier renamed to IMI – International Management Institute) the author took his early retirement in anticipation of being able to go back to his native country Ukraine, which was likely to become independent and would have to go through profound transformation of its political, economic and social systems and where some intellectual entrepreneurship would be needed. A few years later, IMI merged with a neighboring institution IMDE in Lausanne to form IMD. The main reasons for the merger

were complementary of the two institutions with IMI being stronger in understanding the international environment and with a Business Associate network, and IMDE being better in teaching North American know-how, and a stronger local political support. Another reason for the merger was to achieve the necessary size for functioning in a truly global manner. After the inevitable initial problems, the merger succeeded. IMD expanded and developed the Business Associate network into a global learning network and, while maintaining high quality of its program offerings, is run as a business enterprise and generating profits. It is thus justifying the motion that the institute offering post-experience management education should not live off public or private subsidies.¹

Some Conclusions From the Case History

The key lessons learned from the experience of CEI/IMI Geneva, which the author headed during its transformations, were the following:

- Just as the business enterprise, an independent post experience management institute needs a clearly defined strategy, and a portfolio of program offerings to serve the fullest possible range of educational needs of its client enterprises.
- The impact on organization of an institute increases as a function of the level in the organization structure, from which people participate in its learning programs. A chairman of a board or a chief executive can obviously introduce important changes, more readily than junior managers.
- The impact increases significantly when a number of people from different levels and functions of a corporation attend the institute's programs, particularly if all the programs use similar language and interlinking concepts.
- The assessment of learning needs of managers can best be done in cooperation with client organizations, as can be the ways of transforming into practice what has been learned on educational programs.
- To get helpful, responsible suggestions as to what research to do and what programs to offer, an institute needs a network of business partners, called Business Associates or a learning network, so that main user organizations become real stockholders of the institute.
- The cooperation becomes even more mutually beneficial when it covers pre-program work, such as joint selection of people to be sent to the institute and post-program

¹ Lorange P. *New Visions for Management Education: Leadership Challenges*. Pergamon, 2002.

follow-up, such as in-company sessions to better disseminate knowledge and skills, acquired at institute's programs.

- An intellectual becomes an entrepreneur when he becomes energized by 'fortunate discoveries', commercial logic, action and concrete result, rather than just by expansion of knowledge, deepening of understanding, and on discovery of new insights.
- An individual academic can sometimes convert into an intellectual entrepreneur almost spontaneously. To transform an academic establishment into an institutional intellectual entrepreneur takes a lot of energy and time. It follows that to transform a country's economic system one can use above concepts, but it requires an effort of a different order of magnitude.

Part II

Management Education for Transformation Economy.

Pains of a Country in Transition

Successful transition from a command state economy to an effective free enterprise economic system requires sound legislation, competent and honest administration and professional management of enterprises.

The specific measures for changing the economic system are:

- monetary stabilization – to give confidence in the currency and avoid transactions based on barter;
- liberalization, i. e. creation of free markets, in which prices are formed essentially by supply and demand;
- privatization, so that individual or shareholder owners would exert pressure for effective management of enterprises.

Ukraine, as other countries in transition, has received a lot of advice, and some financial assistance, not always effectively utilized, for the creation and improvement of the legislative framework, judicial structure, administrative reforms and education for public administration. Assistance has been received for monetary reform, which was relatively successful, for liberalization, which has progressed but is not yet completed, and for privatization of enterprises, which has been moving, albeit too slowly.

Most of the assistance has been based on an implied assumption that privatization bestows automatically on the owners of enterprises the required know-how to manage them effectively. This assumption is *not* valid. The results of privatization have, therefore, been mixed. Some privatized enterprises, whose top managers had entrepreneurial drive and in-born ability to manage, combined with honesty, have flourished. This is not the case of the majority of enterprises, in which the mentality and the methods used by managers have not changed or where managers were either more interested in personal enrichment through asset stripping, falsified transactions, or simply lacked the necessary know-how. The end result was declining Gross Domestic Product and standards of living of the vast majority of the population during the first eight years of independence.

In the last couple of years further reforms at macro level have been made, some administrative barriers removed, some new Direct Foreign Investments came in, new managers appeared and a number of enterprises began to function normally, to grow and to make profits. As a result, GDP began to grow. The idea that enterprises can function according to market rules for the benefit of owners, managers, and employees is gaining credibility. The time is ripe for the movement to be accelerated and spread throughout the economy. Special kind of management education can play a role. Lessons learned from the case history can be used to generate a new concept and a plan how to accomplish the task.

What Is Required?

A critical mass of shared knowledge, competence and determination to manage enterprises effectively is required.

It can take decades to impart the required knowledge, skills, and attitudes to all managers of all enterprises from the Board level down to the first-line supervisors. The experience of some big multinationals in Western countries shows, however, that it suffices to have some people scattered through several levels of organization structures, with shared concepts, language and purpose to make a difference in how an enterprise is managed. What is required, are some Board members who understand the responsibilities and the role of the Board, chief executives who know how to formulate an appropriate strategy, some senior management people who know how to organize financial, physical and human resources to implement the strategy, and some at upper *and* mid-management level with all the analytical techniques of contemporary management to optimize current operations. Let us elaborate:

Board members need to learn:

- Their responsibilities, to whom, for what, how to fulfill them, how to reconcile their responsibilities towards various stakeholders, such as the owners, workers, community in which the enterprise operates, society at large, while ascertaining good economic performance of the enterprise.
- The specific roles of Board members: should they give advice, provide contacts, make decisions, ratify decisions, appoint top executives, control their performance or all of the above?
- What should be the structure of the Board: unitary, as prevails in the Anglo-Saxon world, with internal, mixed or mostly external members? Should it be a two-tier structure, with Supervisory and Management Boards, as in Germany? The latter may be more suitable for Ukraine, particularly for state- or partly state-owned enterprises, where Supervisory Board members can represent different interests with their main role being to appoint on contract professional managers to the Management Board and control their performance.
- What should be the internal organization and procedures of the Board: should it work as a whole, in committees, with what frequency of meetings? Should it have its own staff?

The above elements of know-how can be imparted, reviewed or improved in a four to five day seminar. Two or three board members participating in such a seminar would subsequently need to be helped by a consultant/moderator to spread the know-how gained in a one to two day special learning session for their Board within the corporation to share and implement the knowledge thus gained.

The Chief Executive Officers and their deputies need to know how to shape appropriate corporate strategy, i.e. to define:

- the mission, the purpose, la raison d'être of the corporation;
- the objectives regarding growth, profitability, market shares;
- strategy proper, i.e. what to produce (products, services), for what markets and therefore investments/disinvestments to make, technologies to adopt;
- to formulate policies, i.e. certain rules on what people in the corporation should do and should not do.

Naturally, suggestions for strategy formulation can be made anywhere within the organization and the key strategic decisions must be approved by the Board, but the main architects and its final shapers have to be the top executives. As with Board members, experience shows that in a one-week to 10 days seminar top executives can acquire the contemporary know-how on strategy making, through improved understanding of the legal, political, local and international market environments in which the corporation operates or wishes to operate and learn how to define the mission, objectives, strategies, policies and mechanisms for their *implementation*.

At the upper management level, heads of different functions, of research and development, production, marketing, human resources need to learn:

- how to design and implement good organization structures, with proper allocation of authorities and responsibilities, methods of coordination between different functions.
- what to centralize and what to decentralize, how to structure a good information system.

These above-mentioned things can be learned in executive programs, varying in duration from four to six weeks. In addition, people working in different functions and at different levels of organization need to learn more about methods/techniques used in the management of the respective functions. These, again, can be learned in special functional seminars, lasting from two to three weeks.

We have examined above how executives can learn to make decisions about what to do, how to organize financial, physical *and* human resources, how to manage different functions, in relatively short educational programs. It requires, however, a longer period of learning, to acquire the necessary attitudes, knowledge and skills in the use of all the analytical methods/techniques, to be able to optimize current operating results. This is best done on a one-year full time or two year part-time MBA program for people with some management experience or on a two-year full time program for graduates, aiming at careers in management. The MBA programs have been pioneered in the United States, but in recent decades they have spread to Europe and other continents and have been almost universally accepted as the best model for professional education in the field of management. There are over 1,500 MBA alumni of Ukrainian institutes and several hundreds of foreign, mainly US universities. Many of them could be introduced to work for companies, in which senior executives have been re-educated.

Two key observations must be made at this stage:

- Management is doing, not just knowing. Much of what managers have to learn must be learned through practice. Management education, however, is required to help those with experience to structure learning properly in order to derive valid lessons and generalizations from their experience, and to develop frameworks and ways for subsequent learning from experience.
- Management education can lead to change and improvement in the management of enterprises/companies if there are managers in different levels in the organization structure and functions who share the same concepts of management, speak the same management language, but have special knowledge and skills required at their level or in their function.

The guiding principle for the design of the educational programs for improvement of effectiveness of enterprises is, therefore, concept and language compatibility, and content complementarity.

It may suffice for a company to have two or three of its Board members follow a Board seminar, the President or Managing Director plus two vice-presidents to follow a Top Executive Seminar, four to six people from upper management on Executive Programs, five to eight people on an MBA program or similar number of MBA graduates hired, and two or three people on each of the functional programs. A firm, employing approximately ten or twenty thousand people can change and improve by having fifteen to thirty of its managers participate in parallel, or in quick succession, in the programs described above, therefore creating a critical mass of people, with shared vision, concepts, language and determination to transform the enterprise. It goes without saying that subsequent learning events within the enterprise to build around people exposed to external management education, will accelerate the process of change and improvement, as will proper use of consultants, particularly those who taught on the educational programs.

Challenge for Intellectual Entrepreneurship

In order to achieve a real breakthrough in the management of a sufficient number of enterprises through management education, a number of things *are* required:

- Emergence of a “champion and intellectual entrepreneur”.

- Creation of a network of management institutes/business schools, with both competitive and cooperative relationship between them. Competitive for each to strive to excel, and cooperative to share knowledge, didactic material, for some to specialize and be complimentary to each other, since not all can span the whole spectrum of educational programs required.
- Development of additional research and teaching staff for above institutes through learning events, both within the country and abroad.
- Proper physical facilities, teaching materials, educational equipment.
- The above institutes should create a learning partnerships with a number of enterprises/organizations, which can suggest to institutes what research needs to be done, what learning needs are perceived, to decide jointly with the institutes what people to select for the educational programs, how best to use them subsequently. Such institutes should organize periodic short learning events for senior executives of their partner firms to share experiences and therefore spread through the country know-how on best practices. It should be a similar international partnership, to the ones, which existed at CEI/IMI Geneva and now at IMD-Lausanne as described in the first part of this paper.

Where Do We Stand in Ukraine? Are There Necessary Preconditions?

There are management institutes in Ukraine, departments and faculties of management in some universities and polytechnic institutes focusing mainly on MBA type of programs. The leader is the International Management Institute, created in 1989, which started a one-year MBA program in 1990. Now it runs simultaneously several two-year evening and modular Executive MBA type of programs, plus shorter executive seminars and custom made in-company programs.

There is enough of a foundation on which to build a proper institutional infrastructure for management education in Ukraine. For implementation following actions are required:

- Selecting three or four institutions with one assigned a leading role.
- Helping develop learning partnerships for those institutions with some of the leading international management schools in the Western world and foreign companies with operations in Ukraine in order to have some seasoned faculty and senior executives teach on various programs.

- Designing of the matrix of programs described above with learning objectives, content methods and decisions on which programs will be run, by whom, how.
- Developing action plans, budget.
- Generating start-up funding.
- Securing the cooperation of the government to help with physical facilities and some funding.

The estimated cost of the project would be of the order of USD 3 to 4 million per year for three-four years. The program should be supervised by a special Board, consisting of people with a proven record from Ukraine, and from abroad with knowledge of and interest in Ukraine.

The expected result

Around fifteen to twenty thousand people will have gone through all the educational programs described above. Through them there will be a breakthrough in effective management of several hundred of key enterprises in Ukraine, and then, through diffusion and imitation, in much of the economy. Management institutes would be transformed from knowledge disseminators to institutional intellectual entrepreneurs, generating new knowledge, increasing their intellectual capital and creating significant economic value.

The concept and plan have been discussed with the head of government, some institutes, some foreign aid agencies. The excitement has been penetrating. Will the plan be implemented? That would be the acid test of this particular type of intellectual entrepreneurship.