

DYNAMIC MARKET-ORIENTED STRATEGIC TRANSFORMATION OF UNIVERSITY BUSINESS SCHOOL IN TRANSITION COUNTRIES AS INSTITUTIONAL RESPONSE TO INCREASED INTERNATIONALISATION OF BUSINESS EDUCATION

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Abstract: With the transition from industrial to a knowledge society our view of knowledge has shifted to treating knowledge as a marketable goods and the key source of firms' competitive advantages. In the process of dynamic transformation of European higher education, university business schools in Central and Eastern European Countries (CEEC) are recently confronted with the variety of new strategic challenges characterized by increased competition of new knowledge providers in the market, constant pressures posed by the emerging globalisation of higher education, decreasing budgetary financial support and induced privatisation of higher education and government policy of economic liberalisation. In the article, we elaborate a market-oriented academic management concept as a key tool for successful transformation of traditional university business school into a modern academic business knowledge provider. After analysing key challenges in changing European higher education context we present a holistic strategic framework for strategic business school management that is based on understanding of complexities of dynamic business education environment and the need for holistic and integrative strategic school response. It is featured by the holistic strategic and creative integration of market and academic sides of strategy into a consistent strategic tool for business schools' academic services and processes management in aligning them with the requirements of key external stakeholder in a dynamic business education context.

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DINAMIČNA TRŽNO NARAVNANA STRATEŠKA PREOBRAZBA UNIVERZITETNIH POSLOVNIH ŠOL V TRANZICIJSKIH DRŽAVAH KOT INSTITUCIONALNI ODZIV POVEČANI INTERNACIONALIZACIJI POSLOVNEGA IZOBRAŽEVANJA

Povzetek: S prehajanjem družbe iz industrijske v družbo znanja se naše razumevanje znanja pomika k obravnavanju znanja kot tržnega blaga in ključnega vira konkurenčne prednosti podjetij. V procesu dinamične preobrazbe evropskega visokega šolstva se danes srečujejo univerzitetne poslovne šole v državah Centralne in Vzhodne Evrope s paleto novih strateških izzivov, ki jim dajejo pečat vse večja konkurenca novih ponudnikov izobraževalnih storitev na trgu, stalen pritisk porajajoče se globalizacije visokošolskega izobraževanja, krčenje proračunskega financiranja in privatizacija visokega šolstva kot del politike ekonomske liberalizacije. V članku preučujemo koncept tržno usmerjenega akademskega menedžmenta kot ključnega orodja za uspešno transformacijo tradicionalne univerzitetne poslovne šole v sodobnega akademskega ponudnika poslovnega znanja. Na osnovi analize ključnih izzivov v spreminjajočem se evropskem visokošolskem kontekstu predstavimo holističen strateški okvir za strateški menedžment poslovne šole. Model je oprt na razumevanje kompleksnosti dinamičnega okolja poslovnega izobraževanja in na potrebo po celovitem in integriranem strateškem odzivu poslovne šole. Njegova značilnost je holistična in kreativna integracija tržnega in akademskega vidika strategije kot orodja za menedžment akademskih storitev in procesov univerzitetne poslovne šole v njenem prilagajanju zahtevam ključnih zunanjih deležnikov v dinamičnem okolju poslovnega izobraževanja.

Ključne besede: *poslovno izobraževanje, globalizacija izobraževalnega trga, poslovna šola, poslovno znanje, transformacija poslovne šole.*

1. INTRODUCTION

Today, university business schools in CEEC operate in a dynamic academic *and* business environment. Due to a variety of external pressures their operating framework has become more volatile and unpredictable. They are faced with changing attitudes of the critical public concerning the role of business school in a society and management education as the profession. At the same time, they are also exposed to manifold pressures from local and international education policy institutions (e. g. European Commission, local governing and regulatory bodies) and faced with increased dynamics of the business world. Competitive pressure spreads in business education market through privatisation of business education in CEEC and proliferation of new local private business schools and from emerging globalisation of higher education (transnational education).

Additional pressure is posed by new requirements concerning a sustainable and socially more responsible development of businesses and world economy, and claims of managers and academics for a more responsible stance of business schools in their research and business education. To be more responsive to the business world requirements, they should be listening more carefully to the development needs of businesses and society. In face of actual world economic crisis and recent fraudulent and unethical business practices of managers in many companies in different parts of the world business schools are exposed to severe criticism concerning their pervading management paradigm development and too academically oriented approach in their management education. It is not surprising, therefore, that several prominent researchers voiced their critical views about business school functioning and practice (Podolny, 2009, Acito, McDougall, and Smith, 2008, McGrath, 2007, Starkey and Tiratsoo, 2007, Ghoshal, 2005, Bennis and Tool, 2005, Mintzberg, 2004, Kirp, 2003, Bok, 2003, Pfeffer and Fong, 2002, Crainer, Dearlove, 1999), especially in the sense of being too detached from the true needs of businesses in their research and education processes. On the other hand, they also criticised business schools' exaggerated pragmatism in their aggressive marketing practices that are focused more on making profit with mass education in their educational programmes than on providing a relevant contribution to the society by offering more useful knowledge to the business community. Concern was also raised for the

development of more relevant student skills and competencies that they will need after graduation in their professional career in a more dynamic and complex business world. However, many stakeholders, especially those from the business community, fear that business schools are too academically oriented in their research and teaching *because of* losing the contact with the reality of the business world and, therefore, failing to produce more useful knowledge for solving relevant problems with which managers cope daily in their business practice.

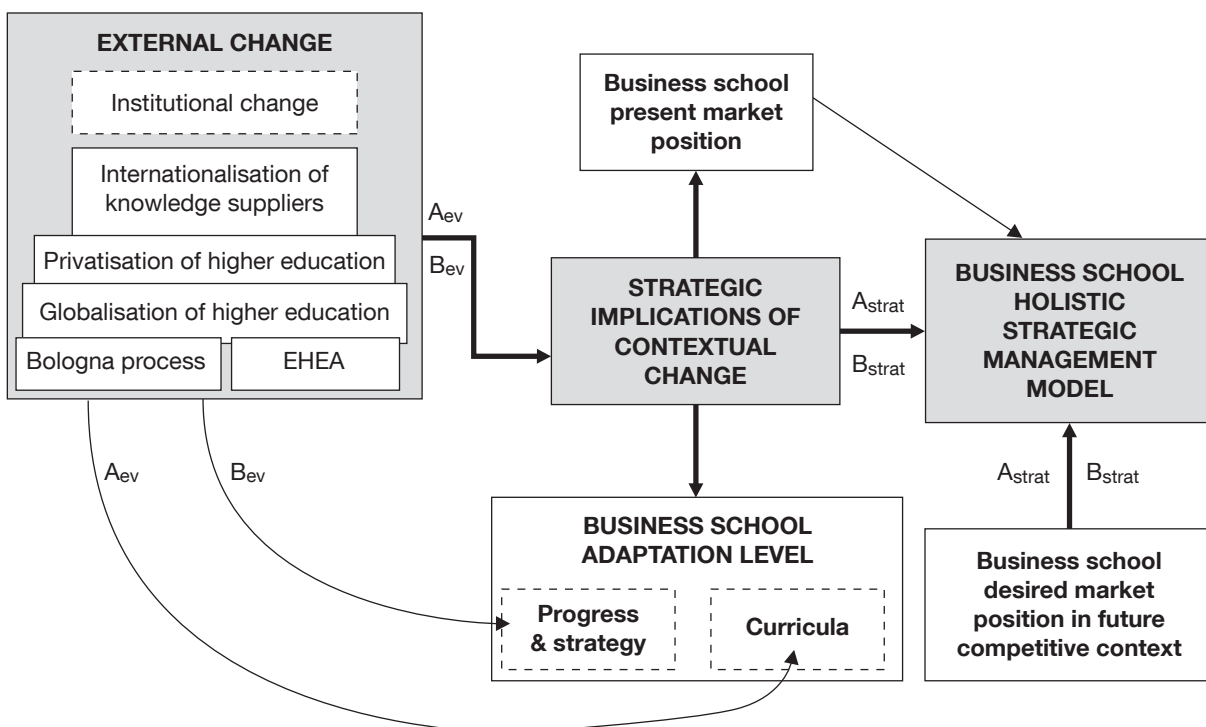
We hypothesize that university business schools should, in order to develop the competency for more market and socially responsive behaviour in a more dynamic and competitive higher education market, first, critically evaluate their functioning and present market positions at the academic (A_{ev}) and business processes (B_{ev}) level (see Figure 1) in view of profound external changes and more demanded stakeholder requirements and expectations, and then, focus on improving their capability for a more timely responsiveness and adaptation to the relevant contextual change.

University business schools in CEEC have been exposed to the influences of politically adopted liberal economy paradigm advocated by many local governmental bodies and politicians that

view the public sector privatisation as a key instrument for forcing players in public domain (e. g., health care, higher education) to behave more rationally and earn more money through *sales* of their services through market mechanism and not anymore on the basis of traditionally dominant paradigm of public servants widely offering education services as a public good financed from the national budget and thus affordable to masses of students. Also due to broader European institutional changes, especially the emerging EHEA, realization of the Bologna process and Lisbon strategy, the EU research and project financing initiatives, simplification of professional qualification recognition procedures, emerging unification of national framework of qualifications, and influences of emerging globalisation in higher education, the dynamism and volatility of the European academic context have increased and, accordingly, strengthened the pressures for change in the academic community.

In face of the aggressive international expansion of many elite business schools, especially those from the USA, UK, and Australia, the use of Internet as knowledge dissemination channel, and various strategic initiatives of national government bodies in Western Europe (e. g., Ministry of Education, 2009) a traditional position of the *university business school* as an exclusive

Figure 1: Strategic framework for business school strategic adaptation to change



knowledge provider in local marketplace has started to erode. We assume that the implications of extensive exposure of business schools to changing external context should be properly considered not only in the curricular reform (level (A_{strat}) of *each* individual business school, but at the same time also in its processes (level (B_{strat}) *and* in the development of its overall strategic adaptation framework at both levels. We present our basic model in Figure 1.

The rest of the article is divided in two parts. First, we will examine key implications of the emerging globalisation of business education market, the Bologna process and other key contextual changes (A_{ev} and B_{ev} , Figure 1) for international business education and strategic management of a university business school. On the basis of better understanding of key external challenges for a business school we will, then, integrate this external contextual knowledge framework with a holistic model of a business school market- and stakeholder-oriented strategic management that should enable managers to better align their business school with the needs of its key stakeholders in a society (levels A_{strat} and B_{strat} , Figure 1).

2. COMPLEXITIES OF ACADEMIC AND MARKET CONTEXT IN UNIVERSITY BUSINESS EDUCATION

Business corporations are fundamental cells of modern economic life and wealth creation and have shaped the physical and social world in which we live (Dumphy *et al.*, 2003, p. 3). The key part of a profound economic transformation in CEEC is based on the governmental policy of open economy and market deregulation accompanied by the privatisation of companies in transition countries. In the process, they will be increasingly exposed to dynamic international competition, which will force their managers to align firms' business models and managerial approaches with new realities and base future operations on more internationally comparable market performance measures. In this respect, an adequate management and managerial knowledge of managers have become *the* key firms' competitive competences. Due to their more aggressive business activities in the marketplace the by-product of firms' results and their managers' decisions are also visible in negative effects (environmental pollution and deterioration, fraudulent business practices, etc.). That has not remained unnoticed by critics of such behaviour of business organisations. The requirements for preserving social wealth, healthy

living conditions and sustainable development in the world economy have been stressed as key paradigm for a desired future social development. Therefore, the present business model should be replaced by a new one, leaning on explicit sustainable development and embedded in ethically and socially responsible behaviour of firms *and* their managers. Such understanding of business corporations also broadens the management paradigm upon which business firms should not be viewed only as market players directed to short-term profit maximisation, but, first of all, as responsible social institutions in which their leaders (managers) navigate their business activities at the intersection of the following key mutually interwoven forces in a today's complex social context: the global economy, natural environment and social and political system (Tomorrow's Global Talent). Thus a new business context with a different management paradigm is emerging and as a consequence of this change in strategic firm orientation a much broader set of managerial competencies and management knowledge will be required. Along with emerging *globally responsible leadership* paradigm (EFMD & gfme 2006, p. 3) business schools should change their curricula, mindset of their faculty members and delivery modes in teaching processes in order to develop a more relevant response to challenges of the business world and better comply with new social needs and business requirements.

Due to increased globalisation of markets, accelerated knowledge proliferation and obsolescence and other relevant pressures in global social context Europe is in active search for more innovative and proactive competitive responses to this reality that emerged from the increased competitive pressures on the European businesses. Knowledge and innovations are viewed as key pillars for increasing the knowledge base (value-adding) components of firms' products and services in an emerging global competition. In the process of transforming Europe into a knowledge society the role of higher education will be strengthened. As knowledge has become a key pillar of emerging knowledge society and of the competitiveness of businesses, besides the innovative fundamental research, knowledge transfer in the form of *useful knowledge* is also increasingly seen as the key source of added value of business firms and managerial effort to improve their competitiveness.

It is obvious, however, that a more volatile and unpredictable business and social context will not

leave higher education untouched. University business schools in transition countries have traditionally thrived in a highly regulated local academic landscape that was efficiently isolated from international competitive pressures. Stable budgetary financing of higher education and additional streams of revenues from school market activities have enabled them to prosper for years in a rather calm local academic context. With emerging globalisation of business education market that also touched the CEEC region the operational reality for business schools has started to change. The academic landscape has become more unpredictable and competitive in its nature and deans of business schools have been forced to thoroughly rethink the school strategy in an effort to align its strategic response with changing and more competitive academic context for business education. Due to comprehensive and complex changes in external context, a more strategic and proactive response from university business schools will be required in future.

In their effort to properly respond to new external challenges posed by the emerging *globalisation* of higher education and fragmentation of market demand, aligning actual strategies for defending an achieved presence in the marketplace and market share will not suffice. Rather, business school managers should start the process of strategic business transformation of their schools that should strengthen their proactive capability and professional (*academic and business*) competencies in order to achieve a more proactive stance in their activities that are required as a proper strategic response to a more dynamic business education landscape. It is also important that deans start looking at the changing situation in business education landscape with a global perspective in their mind (LeClair, 2008, p. 31) and view curricula innovation as *one* of strategic instruments (of the school's strategic competency profile) for developing a differentiated position for their school in a dynamic competitive business education context (Durkin and Kamm, 2008, p. 58).

From the above discussion on key challenges of contextual changes it can be summarised that business schools in transition countries, as well as those in countries with traditional market economies, are exposed to a broad variety of external challenges that should be considered in their strategic alignment process with more complex academic and competitive reality. The following pressures from the changing academic

landscape should be explicitly considered in their strategy development process:

- increasingly restrictive government budgetary policy in financing public higher education;
- unreflective and inconsistent government policy regarding higher education privatisation;
- international harmonisation of higher education structures defined by the Bologna process;
- spread of unfavourable demographic trends in Europe that affect the enrolment dynamics;
- more aggressive competition among European universities and business schools for students in face of emerging EHEA and increased student mobility;
- proliferation of non-traditional business knowledge providers in the marketplace;
- aggravating competition due to extensive market entry of new private business schools with more pragmatic marketing strategies;
- the need to adopt more market-oriented and economically efficient practices and strategies;
- Internet as a platform for developing international distant e-learning programmes and an efficient channel for knowledge dissemination;
- business school rankings and positioning as a strategic tool for school market recognition and reputation development.

As a result of Bologna process, media rankings, and market oriented tuition payment practices that will spread over the European higher education landscape in not so distant future, the competition of European university business schools for international students will increase. That will force them to spend more time and their valuable effort for the academic entrepreneurship than to putting great deal of their energy and time into securing governmental subsidies for education and research (Jacobs and van den Ploeg, 2006, p. 289). However, increased marketization of knowledge and education drives that market toward a kind of *generic marketable service* business, which urges suppliers of business education to strengthen their efforts for improving their visibility in the marketplace and better aligning their educational offering and services with the needs and expectations of their key customer groups.

On the other hand, Doria et al. (2003) note the effort of business school deans to tailor their programmes to the media ranking criteria in order to move higher on their ranking lists. In addition, a greater unification of study programmes is noticeable, which leads to an increase in generic and less distinctive features of business school education offerings. Leading business schools as

prestige institutions have become role models for other knowledge providers that offer similar programmes and courses developed on the basis of benchmarking market leaders and their approaches and concepts and thus imitating their educational offering. With the proliferation of market offering of basically similar educational programmes and curricula in terms of their content, structure, and modes of delivering knowledge, business education institutions are pushing business education toward the market commoditisation of education. One consequence of this process is already visible in strong convergence of programmes that is additionally strengthened by pressures from various external players (governments, media, professional associations, accreditation bodies, etc.) displayed in their evaluations, rankings, and requests of 'successful' models and 'best practice' (Engwall, 2007, pp. 17-18).

With more and more players in the business education market it is not easy for any business school to build up a sustainable competitive advantage in the market. As the international higher education market is evolving toward a commoditized model of education, embracing a business model of competition and aggressive marketing of knowledge providers, many researchers have expressed serious concerns regarding the marketization of higher education and in doing this comparing it with traditional business world where consumer goods are sold (Gibbs, 2002). The key question for university business school managers is then, how should they develop their schools' offering in order to attain a differentiated position in the marketplace *and* at the same time preserve the academic value. Due to the globalisation and increased market transparency of business education it has become evident that many players are offering the same kind of programmes and content. As noted by Jordi Canals, IESE dean (Bicherstaffe, 2007), business education is becoming a commodity as everybody teaches the same marketing, operations courses, all with similar content, concepts, using same text books, cases and so on. The only facet of management education that has not become a commodity yet and is still not standardized is *the process*, the way the school delivers the content of courses. The content is becoming more standardized than the process. Besides the course content, especially the school's capability to place *the formation* of key students' professional skills in the wider context of problems that companies are going to be facing over the next few years will become an important competitively differentiated

feature of the business school that tries to offer students not only professional content, but also practical knowledge for solving problems in today's complex business world.

As private business schools operate in the business education market with more pragmatic strategies and vie for students with more aggressive marketing approaches, university business schools are usually in a disadvantageous position vis-à-vis such nimble independent knowledge providers. In their daily (business and academic) operation, as member institutions of universities, university business schools are exposed to various rigidities and limitations set by the university management and its governing bodies. Due to rigid university decision structures and mechanisms, explicit limitations of dean management competencies, rigid view of academic freedom, bureaucratic rules of academic operation etc., the university business schools usually display much slower responsiveness to market change in comparison to private business schools that act more flexibly and as pragmatic competitors in the business education marketplace. As university decision-making processes are also often more cumbersome and more political in their nature, the speed and flexibility, so critical for success in the modern business school, can be lost (Lorange, 2008, p. 189). Their curricula are mostly based on academic research; therefore, such academically designed study programmes are not always accepted in the marketplace as equally attractive offering in comparison to more pragmatically designed programmes of private business schools.

All these streams of pressures on university business schools are additionally strengthened by the Bologna process focused on the harmonisation of higher education in Europe and, last but not least, promoting increased competition between universities for student enrolment. However, McKelley and Holmèn (2009, pp. 1-3) note that '...regardless of whether we believe that the increasing competition has positive or negative effects, the transformation will affect academics and students, as well as the ability of firms and nations to compete in global knowledge society'. Faced with a shrinking segment of young generations due to negative demographic trend in Europe and elsewhere, business schools will be forced to strengthen their marketing efforts, broaden their geographic scope of academic activities, improve their admission processes and make studying at their schools look more attractive in order to attract a

sufficient number of *international* candidates for enrolment into their study programmes.

University business school deans should also bear in mind that in their transformation process of aligning school with new market and context reality they should also listen to the critical views of their key stakeholders that usually view business schools as too academically oriented institutions and detached from the real business world in their research and teaching. The structure of their curricula was also criticised (Atwater, Kannan, and Stephens, 2008) as being too fragmented and functionally isolated and thus failing to provide students with a more holistic picture of understanding the complexity of business problems in a real business world. Critical stakeholders fear that with such approach business schools are not preparing students well enough for challenges they will face in their business career after the graduation. Therefore, strategic market-oriented transformation of a traditional university business school in CEEC into a modern market-oriented knowledge provider is not possible without *prior* deep understanding of changing external context and key expectations and needs of school stakeholders. However, it is important that university business school leaders *and* faculty understand changes in a larger (academic, business and market, institutional, social etc.) context and *not only* their narrow academic research and teaching framework. Especially understanding of the social and institutional context and influences on managers in the business world and on individual person in their various roles in the society is vital in order to focus the research and educational effort of the school on relevant questions of the society and its key institutions and to offer appropriate education content and ways of delivering knowledge to interested external stakeholders.

3. HOLISTIC MARKET-ORIENTED BUSINESS SCHOOL MANAGEMENT IN CHANGING BUSINESS EDUCATION CONTEXT

We may conclude from the above discussion that business schools in transition countries are faced with a variety of forces that are fundamentally reshaping their traditional academic context and pose new, not only academic, but also competitive *and* managerial challenges to *all* knowledge providers. In future, obviously, traditional university business schools will have to become more market responsive, innovative, entrepreneurial and internationally oriented

academic institutions that should behave more proactively in their operation in order to defend their position in a more competitively oriented business education context.

As the key notions for competition are *differentiation* and *performance* (McKelley Holmèn, 2009, p. 6),¹ each university business school should develop its competency based, consistent and differentiated strategy for its position development in the business education market. In such operational context, university business schools will be forced to behave in future not only as *traditional* public academic institutions, but also as *market-oriented players* in business education market, complemented with high responsibility and sensitivity for key development priorities of a society. Each school should carefully develop and dynamically consolidate its *competency profile* in order to improve its performance capability in the academic field *and* preserve required adaptive capability in international competitive higher education market. As noted by the above authors, those higher education institutions that have decided to compete globally or at least in a broader regional educational setting should develop a *different set of competencies*² and strategies than purely locally oriented knowledge providers that limit their operation on their local or regional markets. But in the process of developing a strong academic value not all business schools will be capable to compete for new students from the worldwide talent pool for which they should develop necessary global brand recognition (Lorange, 2008, p.47).

It is expected that in future not only competition between European university business schools and whole universities will increase, but at the same time, the competition between countries as attractive providers of higher education will also be strengthened. Besides traditional countries as international academic knowledge providers, e. g. the USA, the UK, Australia, Canada, other European countries should also make necessary effort to improve their position in exporting knowledge to international customers. For example, Finland has recently changed its university regulation in order to enable public universities to behave as key national academic institutions more explicitly as market (business) entities with the ability to provide additional streams of revenues with marketing knowledge and implement other business activities that can

¹ Italic added by the author of this paper.

² Italic added by the author of this paper.

increase their required financial resources. At the same time, the Ministry of Education has prepared a comprehensive strategic framework for the internationalisation of higher education institutions. It is based on the vision to increase the strengths, quality and attractiveness of Finnish higher education system by supporting the internationalisation of higher education institutions and thus to promote diversity in the society and business community, international networking, competitiveness and innovativeness with a key objective to improve the overall competence and education of the citizens. The final objective of the strategy is to create Finland as an internationally strong and attractive higher education institution and research community in order to support the balanced development of multicultural society and increase active participation in solving global problems. Higher education and expertise are seen as nationally significant exports (Ministry of Education, 2009, pp. 3-5). Appropriate forms and means of internationalisation, however, vary according to the fields of education and research. For small economies, like Slovenia with highly internationalised business enterprises, it is vitally important that business schools as educating institutions of future managers more substantially internationalise their research and educational activities, staff and key processes in order to enable students to develop cross cultural awareness and adequate professional competencies. As internationality of knowledge and business management has been taken for granted, it is important that managers develop an international business mindset as one of their key professional competencies. But intensive professional ties of a business schools with local *and* international business community are also vital for their professional profile and recognition development among managers. At the same time, business school mission to create, renew and transfer knowledge has become more explicitly pronounced expectation of the society and its stakeholders, and, at the same time, also a prized asset and commodity in the modern economy (Delaco, Holmèn, and McKelvey, 2008).

In their more market-oriented behaviour, business schools have also started to systematically manage and cultivate their portrayed brand image in order to increase the positive public attitudes with various stakeholders (Hemsley-Brown and Goonawardana, 2007, p. 943). Attitudes about the reputation of university business school are additionally strengthened by various media rankings. It is true, that business schools have always competed against each

other to a certain extent, but the situation today is forcing them to relate all their activities with commercial values, expressed as maximising revenues and cutting costs, expanding internationally to exploit new market opportunities and to do all that, usually also put their prime academic values behind their *business interest*. At the end of the day, however, business school deans would like to see their institutions as 'brands' (Starkey and Tiratsoo, 2007, pp. 63 and 70). As external stakeholder perceptions of business school value propositions affect their understanding of schools' reputation in the business education marketplace, various media rankings of business schools represent an important channel of influence on business school prospective customers.

In the competitive context of academic business education sector, business school reputation has become a kind of 'unique selling proposition' in the eyes of school key target groups as it influences their perceptions about a business school ability to create value for its services relative to competitors (Rindova *et al.*, 2005, p. 1033). In order to maximise its return from branding and marketing strategy, each individual business school should develop a more clear understanding of how students perceive a business school and what motivates them to enrol in its study programmes. Recent business school image studies (EFMD surveys, 2006 and 2007) have shown that business school brand and reputation affect its recognition in a broader community. They also serve as important inputs to prospective students' perception of school overall attractiveness in their selection procedure when they try to identify the business school that offers best study and learning experience.

Business school rankings act as a kind of public pressure on business school deans that are responsible for developing a proper position and standing of their school in a business education marketplace. That is also the key reason for a hefty criticism of media that prepare and publish business school rankings, because, according to observations of many concerned academics (Khurana & Gintis, 2008, Khurana, 2007, Starkey and Tiratsoo, 2007, Mintzberg, 2004, Ghoshal, 2005, Pfeffer and Fong, 2002 etc.), many business school deans put high on the priority lists of their strategic decisions mostly those activities that are in line with the ranking criteria expecting that with such measures they will be able to demonstrate the improved position of their school in the ranking. However, it is true that

through a well conceived communication strategy and good position in business school rankings individual business school can improve its visibility in its relevant environment. By sending positive messages to its key stakeholders a school tries to shape stakeholders' desired perceptions about the school's standing in the marketplace. Obviously, the key point is how to balance the school's marketing actions that promote its business activities with the vision of the school academic competency and its social responsibility.

Business school reputation management has thus become a key part of deans' overall strategic managerial responsibilities and is carefully embedded in the school strategy covering the positioning of its academic, administrative, and marketing (business) processes. However, for the university business school it is important to set a proper limit to the process and draw a clear line between its positioning in the marketplace and explicit efforts for realising its broader mission in the society. Due to their basic educational mission in the society, university business schools should transcend a short-term, customer-led philosophy. Rather, they should provide useful and relevant solutions for future development challenges of businesses *and* other stakeholders in a society. To be capable of transforming themselves in this direction, university business schools in the CEEC should also base their functioning on *relevant* academic research and foresight in a sense to spot very early key future challenges in the market and in their broader social context in order to act proactively by offering appropriate solutions to its key stakeholders and thus supporting their proper response to those challenges. To develop the capability for a proactive understanding and responding to future needs of a society, university business schools should be *'market-oriented'* in displaying their long-term commitment to understanding true needs of their key stakeholders in a society. Such approach should, therefore, be complemented by deeper understanding of changes in a larger business school context and transcending thus a too narrow market view of their knowledge provision of market position management purposes.

Students are only one of business school's key stakeholder groups that should not be treated as a totally independent market segment, but rather as one tightly linked with the business world and the knowledge needs of businesses as key employers of business school graduates.

Understanding students not only as business school customers, but also as co-creators of useful knowledge, is pretty close to the view of students as intermediate customers (clients) and knowledge absorbers. Here we refer to Holbrook (2004, p. 25) who criticises business schools displaying the exaggerated treatment of students as customers and especially their effort in trying to satisfy their needs and expectations not only with education, but rather also by '...offering them information that they find easy and fun to assimilate'. He names such approach as "edutainment".³ With such approach business school is risking to slide into too pragmatic vocationalism and 'trade school mentality' instead of cultivating academic and critical thinking approach in its education of students. We think that students should also be treated as co-creators of educational services in the process of developing relevant professional (teaching and learning) experience. The level of effort a business school puts into serving each of its specific groups of stakeholders and how it allocates its key resources to support academic activities for each strategic segment depends on its *strategy*. As always, strategy means choice (Lorange, 2008, p. 196) in designing a purposeful and focused set of strategic measures to attain a desired performance of a business school.

As latent needs cannot be articulated explicitly, university business school should scan its market and social context more broadly and have a longer-term focus.⁴ Such approach requires from academic researchers (faculty) to be close enough to the real business and social world in order to better understand relevant external context for their their schools and improve their own professional capability of developing new *relevant* research questions that will tackle the future needs and challenges of businesses and society. As future can never be fully known in a dynamic and turbulent market (Slater & Narver, 1998, p. 1003), business schools should use experimentation and design approach in their research and education processes in order to foster generative learning practice. But to develop the necessary foresight capability for identifying new opportunities very early and staying abreast of what is happening in the business environment, business schools should direct to that process a sizable investment of time in research, knowledge gathering and networking (Lorange, 2008, p. 92). By developing a fruitful

³ Education + entertainment.

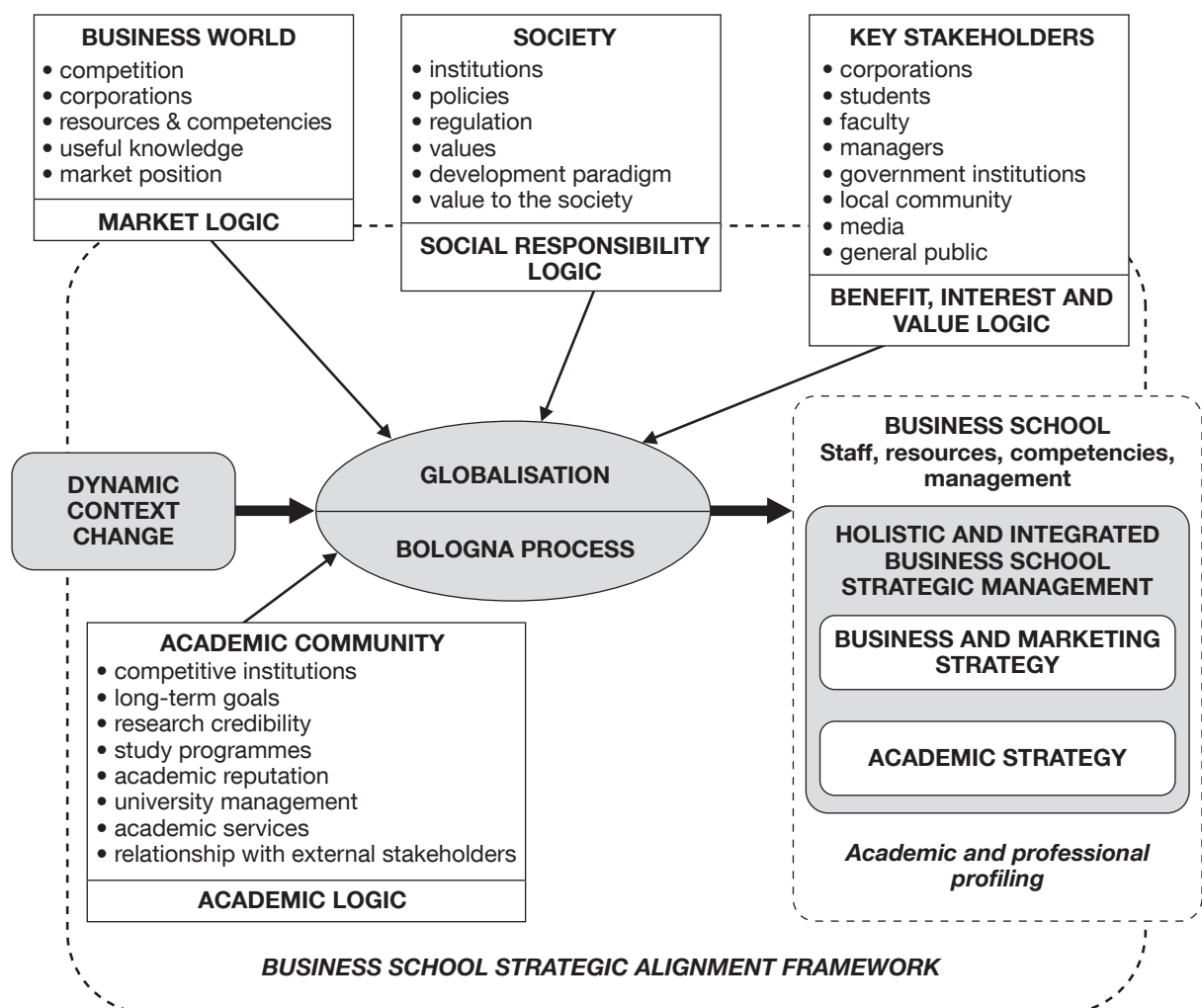
⁴ See more about market-oriented business philosophy in: Slater & Narver 1998.

partnership and networking relationship with the business community a business school can realize two purposes – to gain better understanding of key future challenges of business firms and direct its research questions and projects in searching for new knowledge that will provide academic value and, at the same time, offer practical solutions for problems to the business world. With high quality partnerships with the business community business schools can improve their visibility and reputation in their community upon the positive perception of managers in business firms and other key stakeholders. At the same time, business schools can earn with their useful research and consulting practice additional streams of revenues from contribution of their key business partners (AACSB, 2006).

The academic and business efforts of a business school are displayed in its professional and

academic profile, accompanied by its specific reputation and image (See also: Delaco, Holmèn, and McKelvey, 2008, p. 8). In this strategic process, based upon the school’s key competencies, strategic vision and ambitions, its managers should develop appropriate academic and professional profiling of a school. There are many alternative types of profiles of a business school and the dimensions of its key activities can be defined in two ways: on the one hand, the balance it strikes between teaching and research; and on the other hand, the balance it strikes between organisational impact and scholarly impact (Ivory *et al.*, 2006, p. 15). These differentiated activities of knowledge production have implications for both the internal management of schools and the external policies that affect them (*ibid.*, p. 19). The key strategic task of a business school dean is then to develop a fruitful alignment between business school strategic profiling it is seeking to attain and

Figure 2: Holistic concept of business school strategy in a dynamic academic context



external demands in such a way that business school faculty development, its academic and business competencies, strategies, structures and nature of organisational change would provide a consistent framework and synergy in the effort to attain a desired school position in the business education marketplace and in a broader business world context. Thus, increased complexity and dynamics in business education market requires from university business schools, their managers, faculty and professional staff to develop a capability for (Kolb 1984, p. 2) ‘... learning to adapt to new “rules of the game” as it is becoming as critical as performing under the old rules’.

In order to facilitate business school deans to adequately respond to the requirements of complex academic, institutional and market context, we will present a conceptual framework for a market-oriented strategic management of business schools. It is grounded on a *holistic approach* to developing a strategic market-oriented responsive capability of a business school to external challenges (Figure 2). Such management tool should enable business school deans to devise appropriate academic and business strategies by efficiently combining research, educational, business and other processes and competencies into a consistently integrated and holistic strategic response of a business school to external challenges. As noted by Webster *et al.* (2006, pp. 12-13), business schools do have their relevant customers, competitors, external influences, and seek to accomplish their specific goals that are linked with business school mission and vision of its position in a society.

In a more dynamic and unpredictable operating environment strategy development process of the university business school should be considered as integrative and consistent institutional response to increasingly complex external environment. In increasingly dynamic academic (educational and research) and institutional context university business schools have to compete also with new and non-traditional business knowledge providers. Obviously, in future they will be in a position to compete increasingly harder even to retain their established position in local business education market. Such volatility of operational context requires that business schools adapt *strategically* to the new reality. As we mentioned before, the curricular reform alone is not the guarantee to position the business school effectively in the new business education setting. In the strategic

management of business school processes, internationalisation will also be one of its key future strategic expansion strategies (Starkey and Tiratsoo, 2007, p. 2). Such approach (Figure 2) necessitates a more holistic and integrative strategic management effort, focused on combining academic *and* business facets of business school processes and capabilities into a coherent and comprehensive response to the needs of its key stakeholders and other challenges in a society.

Business schools should serve the community by providing solutions for better management of business processes in a national economy and by producing capable graduates with relevant competencies and skills and thus preparing them for their future role as managers. Business school key success criterion is to *create value* by emphasizing (Lorange, 2002, p. 16):

- *research* with creating new knowledge about management and the role of business in the economy and its society;
- *teaching* through dissemination of knowledge to individuals (and to business organisations); and
- *citizenship* as a kind of service to the community.⁵

In the holistic process of creatively combining academic and business (marketing) aspects of its operation the explicit school social responsibility should also be integrated with other parts of the strategic process in order to reduce people’s distrust in a business school and display that the school values what society values and thus promotes behaviour that is consistent with values of the society (Podolny, 2009, p. 66). However, in a holistic approach to strategic business school management its key processes, programmes (curricula), and other services and activities should be integrated into a coherent and consistent strategy with a vision of improving *school capability for delivering value* to all key stakeholders in its relevant social context.

In such holistic managerial process, a business school should develop a more market-oriented, customer and stakeholder focused, socially responsible, and cost efficient academic posture. One of the key challenges is, however, to develop opportunity for future growth and development of a business school (Lorange, 2008, p. 24). The answer lies in its willingness to embrace new segments that offer strong potential for future

⁵ Italic added by Lorange.

growth and where academic value can be created. Especially management continuing education (lifelong learning) and applied practitioner-oriented research and business consulting offer important challenges for future growth of a university business school. Very challenging avenue for business school growth lies in the internationalisation of its operations as part of its strategic focus on developing faculty and support staff competencies, infrastructure and programmes for purposefully extending its activities across the border. Strong market-oriented philosophy can thus help strengthening the scholarship that benefits society by developing *useful knowledge* for meaningful solutions to significant real-world problems. However, it is vitally important that the faculty is *close* to the world of business practice and committed to active working attitude with the aim to impact the future of management practice (Worrel, 2009, p. 129)⁶. Obviously, in the academic environment we can talk about the value of “customer intimacy” as an important knowledge input that ensures better products and services that meet consumer needs (Jain & Goloninski, 2009, pp. 102-103).

In developing a proper strategic response to new contextual reality in which traditional university business schools will operate in future, their deans should shape a clear research strategy, based on the academic profile of their institutions and understanding of relevant needs of the society. In order to implement such market-oriented strategic change of their schools they should better understand key external challenges in the changing job market and relevant knowledge needs of the business world, and, based on that *market knowledge*, then restructure their school’s core processes, programmes (undergraduate, postgraduate, executive) and other forms of their interaction with external stakeholders (business consulting, partnership, service to a broader community) in order to better serve the needs of the portfolio of their key strategic stakeholders and successfully align its operation with relevant external context. However, in evaluating the useful contribution of business school to the society in a knowledge economy, the question of ‘value for money’ is more and more exposed as a measure of its relevance to the society, and, as a consequence of such view (Starkey and Tiratsoo 2007, p. 198), producing ‘practical solutions’ has become a key driver of assessing the value of knowledge in ‘contextualized’ situations that is not understood

⁶ Italic added by the author of present article.

as a general (academic) contribution of new knowledge, but rather as its application in a relevant context and with measurable contribution to the competitive and profitable performance of business firms.

It is evident from the presented holistic management approach that along with the underlying *academic* and *educational* aspects of business school processes and its strategies, *competitive* and other relevant *social* perspectives should also be explicitly and tightly integrated into a *synergic* overall school strategy. Most importantly, appropriate *strategies*, *timing* of reaction to change, and *financial health* of the university business school will be crucial for its growth and future prosperity. Based on relevant *market knowledge* and objective strategic evaluation of school’s key competencies, it is possible to evaluate key pressures in terms of required school strategic response and develop and implement necessary actionable programmes, processes and other changes upon them. Such approach enables a school to successfully integrate its overall strategy in a consistent pattern of behaviour leading to realization of its key long-term objectives. With such strategic approach to market change, business schools improve their capability for linking effectively their academic processes with proactive market-oriented behaviour and thus better fulfil the needs and expectations of their key stakeholders and successfully accomplish their own strategic roles in a society.

4. CONCLUSION

The fundamental shift is noticed toward restructuring higher education as a market rather than a regulated public sector (Newman *et al.*, 2004). Our research has shown that the increased complexity and dynamics of business education context in CEEC and wider Europe require that each business school and its management develop a deeper understanding of key external forces of pressure that can affect the present position of the school in the business education market. Such deep contextual understanding is a key prerequisite for a business school dean capability of defining and implementing the adequate strategic response. In the article, we explore in detail the implications of strategic changes in the European higher education context and the evolving operational environment for business education. The research is particularly relevant for business schools in CEEC. Academic institutions in countries that have entered the process of a comprehensive transition to open market economy paradigm

have recently become more exposed to the forces of market competition. Faced with more competitive business education context university business schools are also pressed to develop a more responsive and market-oriented behaviour. External pressures will force them to undergo a comprehensive transformation process in order to improve their capability for aligning academic and marketing strategies with challenges posed by the emerging globalisation of higher education, the creation of the Pan-European business education market with harmonised structures of academic programmes and increased mobility of students and university staff.

In the research article, we described a holistic approach to proactive strategic management based on market-oriented view of business school services and the need for adequate response to external change. The conceptual model that we present in the article should enable managers to manage their business school processes in a way that should improve the market responsiveness of a school to competitive forces in an emerging global business education context. We propose an integrative approach to business school business and marketing strategy development, in which *all* key facets of strategy are integrated into a holistic market focused and socially sustainable model of business school *strategic adaptation* to external change. Through the process, university business schools in CEEC should properly restructure their key processes and, rearrange accordingly, their organisational model in a way that will increase their market-oriented academic capability for improved performance and relevant adaptation to new academic and social reality. In order to develop the capability for such strategic transformation, the university management context should also be properly aligned with new academic, institutional and market reality. Its key transformation objectives should lie in developing more responsive internal academic and managerial setting that would support innovative and entrepreneurially oriented and market focused adaptation of a university business school to more dynamic nature of external environment. However, without a deeper market understanding, deans (and also managers at the university level) will not be capable to develop adequate market-oriented strategies for defending the position of their schools in a competitive marketplace in which active faculty (and other institution resources) development, and more innovative and responsive management are key pillars for improving strategic ability of

schools to contribute to the benefits of their key stakeholders in a society.

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