Adapting to a changing context: The role of management education

CEO perspectives on the role of management education in helping organisations adapt to a changing context

The United Nations Principles for Responsible Management Education
A changing context, and the role of management education

Acknowledgements

The 2010 survey shows that CEOs believe management education needs to change to help their organisations adapt to a changing context

Sustainability has become business critical

Management education has a critical role to play

Management education can help overcome many of the barriers

CEOs believe companies should invest in enhanced management education for their managers and many already are

CEOs believe working with business schools is one of the top three priorities for the UN Global Compact

This isn’t just about companies in a minority of regions or sectors

Perspectives

Developing the Global Leader of Tomorrow
A changing context, and the role of management education

Our context is always changing. In 2010, the most pressing challenge in the wider context for most leaders has been navigating the challenges of ongoing crises in our global financial architecture. But immediately beyond this lie wider and connected trends whose impacts are becoming better known to us: demographic change, an eastward shift in the centres of economic power, alarming trends in public health, urbanisation, rising inequality, systematic abuse of human rights, increasing scarcity of natural resources and degradation of ecosystems – forests, water systems, climate.

But it’s not just our context that’s changing; it’s how we understand our context that’s changing too. Much of our economy and industrial processes are still built on assumptions from the time of the industrial revolution, a time of huge technological innovation when we looked around and saw, for example, abundant natural resources and man’s ‘triumph’ over nature. Now we are increasingly aware of the limits of this narrative, we see that resources are scarce, that ecosystems are more delicate and fragile than we realised, and not only are we an integral part of them, but we depend on them far more than we thought we did. And with globalisation in the 1980s and 1990s we have moved from national horizons to global horizons, with globalised capital flows and trade in goods and services, where decisions taken in one part of the world have far greater impacts on the livelihoods of others far more distant than they used to.

The new narrative that is eclipsing the industrial revolution perspective is that of sustainable development – a new narrative to help make sense of a changing context. In response, we are seeing new organisational strategies and practices emerge: new business models, new products and services, new operational practices. But we are also seeing many older organisational practices continue, practices which are increasingly less relevant and less healthy for our organisations, for our communities, and for the wider ecosystems of which we are a part and on which we rely.

As we see these new organisational practices emerge, we also hear more and more about the significance of the role of management education and business schools in accelerating this adaptation to a changing context.

• As long ago as 1993, management students concerned with doing social good as well as making money were organising into what became NetImpact, now a network of over 200 chapters of management students in business schools around the world.

• In 1998-1999, the Aspen Institute and the World Resources Institute partnered to create the Beyond Grey Pinstripes business school rankings, which highlight innovation towards sustainability in MBA programmes.

• In 2002, EABIS, The Academy of Business in Society, was founded with the support of the European Commission. Its current network of 28 global companies and 71 business schools engage and collaborate around a simple premise: the context of doing business is changing, new organisational practices are emerging in response, but these need to be accelerated and management education needs to change with changing times to help make this happen.

• At the same time, a similar network of companies and business schools – the Globally Responsible Leadership Initiative (GRLI) - was founded with the support of the United Nations and EFMD around the question “How do we develop a next generation of globally responsible leaders?”

• And in 2007, a taskforce of 60 business schools globally was convened by United Nations Secretary General Ban Ki-Moon, working with EFMD, AACSB, GMAC, EABIS, GRLI, NetImpact, and the Aspen Institute, to develop the UN Principles for Responsible Management Education (PRME).

• In 2008, Ashridge worked with the UN PRME, EABIS and a partnership of nine other business schools from around the world to survey CEOs and senior executives globally. One remarkable statistic leapt out of the research findings: 76% of CEOs thought it was important that senior leaders in their organisations had the mindsets, skills and capabilities to lead in a changing global context marked by trends such as climate change, resource scarcity, and doing business in markets characterised by poverty, corruption and human rights abuses. Yet fewer than 8% thought either their own organisations or business schools were doing a very good job of developing these mindsets, skills and capabilities.
Acknowledgements

To set the context for the Second Global Forum for Responsible Management Education convened by the United Nations Global Compact in June 2010, the secretariat of the United Nations Principles for Responsible Management Education (PRME) invited Accenture in the context of its UN Global Compact-Accenture 2010 CEO Study to team with Ashridge and EABIS to understand the perspectives of the business community on the role and significance of management education in a changing context.

This analysis of CEO perspectives on the role of management education has been led for the UN PRME by Ashridge and EABIS and supported by Accenture, drawing on a selection of data kindly made available to us by UN Global Compact and Accenture, who have conducted the largest ever CEO study on sustainability of its kind to date. We would particularly like to thank Peter Lacy of Accenture as the study lead and a founding signatory of PRME, as well as Tim Cooper, Rob Hayward and Lisa Neuberger.

This data has been collected as part of the UN Global Compact-Accenture CEO Study 2010, which will be launched at the 2010 UN Global Compact Leaders Summit. The data in this document draws on two strands of research conducted by Accenture.

First, Accenture conducted in-depth interviews with 50 CEOs, Chairpersons and Presidents of UN Global Compact member companies, across 27 countries. Specific CEO quotes as they relate to business training and education have kindly been made available.

Second, Accenture also conducted an online survey of 766 Global Compact member CEOs. Survey respondents were drawn from nearly 100 countries, across more than 25 industry sectors including automotive, energy, communications, consumer goods and services, financial services, metals & mining and utilities. 439 of the 766 respondents are from companies primarily based in Europe; 156 are from North and Latin America; 113 are from Asia-Pacific. Other respondents are based in Africa and the Middle East. The respondents’ companies are drawn from both publicly traded and privately owned companies and represent some of the largest companies in the world.

For more information or to download Accenture’s full study, visit www.accenture.com/sustainability, and for more information contact sustainability@accenture.com.

To download copies of this publication and for further information about this program of work on management education, please visit www.unprme.org, www.eabis.org and www.ashridge.org.uk/globalleaders.

Manuel Escudero, Head, PRME Secretariat
Kai Peters, Chief Executive, Ashridge
Gilbert Lenssen, President, EABIS
The 2010 survey shows that CEOs believe that sustainability issues are important to the future success of their business.

93% of respondents believe that sustainability issues are important to the future success of their business.

88% of respondents believe that, in order to reach a 'tipping point' where sustainability is embedded within the core business strategies of the majority of companies globally, it is important that educational systems and business schools develop the mindsets and skills needed for future leaders to address sustainability.

Respondents indicate this is the second most important change that could be made in order to reach this tipping point, of a similar order of importance as increasing consumer demand for products and services that address sustainability challenges, the actions of shareholders, and government regulation. Six of the sixteen industry sectors surveyed identified the actions of educational systems and business schools as the single most important change.

One in every four respondents identifies lack of skills and knowledge among middle to senior management as one of the top three barriers to them as a CEO in implementing an integrated and strategic company-wide approach to environmental, social and corporate governance issues. New mindsets and enhanced skills are likely to be a key element in overcoming many of the other barriers identified, including the complexity of implementing strategy across various business functions, competing strategic priorities, difficulty in engaging with external groups, and failure to recognise a link to value drivers.

86% of respondents believe their companies should invest in enhanced training of managers to integrate sustainability into strategy and operations. 60% say their organisation already invests in enhanced training of managers to integrate sustainability issues into strategy and operations.

Working with business schools and educators to shape the next generation of leaders is cited by respondents as among the top three strategic priorities of the UN Global Compact over the next five years in helping their company address sustainability issues. This ranks alongside sharing examples of best and emerging practice on sustainability and delivering guidance on the implementation of sustainability issues throughout the organisation, and judged more important than providing a forum for business/government/civil society dialogue, accelerating the integration of sustainability into valuation techniques, providing country networks for subsidiaries and suppliers to advance sustainability in local markets, and helping to differentiate the top corporate sustainability performers.

This isn’t just about companies in a minority of regions or sectors or with a specific ownership structure. These perspectives are remarkably consistent across different industry sectors, different regions globally, different sizes of organisation, and across publicly traded, privately owned and state owned organisations.
Sustainability has become business critical

93% of respondents believe that sustainability issues are important to the future success of their business.

How important are sustainability issues to the future success of your business?

Data collected as part of UN Global Compact - Accenture CEO Study 2010
Analysis and interpretation for the UN PRME by Ashridge and EABIS

Ashridge Business School  http://www.ashridge.org.uk
Management education has a critical role to play

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Six of the sixteen industry sectors surveyed identified this as the single most important change. These are Chemicals, Forest Products, Health & Life Sciences, Insurance, Media & Entertainment, and Metals & Mining.
Management education can help overcome many of the barriers

One in ever four respondents identifies lack of skills and knowledge among middle-senior management as one of the top three barriers to them as a CEO in implementing an integrated and strategic company-wide approach to environmental, social and corporate governance issues.

Enhanced skills are likely to be a key element in overcoming many of the other barriers identified, including the complexity of implementing strategy across various business functions, competing strategic priorities, difficulty in engaging with external groups, and failure to recognise a link to value drivers.

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60% say their organisation already invests in enhanced training of managers to integrate sustainability issues into strategy and operations.
CEOs believe working with business schools is one of the top three priorities for the UN Global Compact. Working with business schools and educators to shape the next generation of leaders is cited by respondents as among the top three strategic priorities of the UN Global Compact over the next five years in helping their company address sustainability issues.

Over the next five years, what can the UN Global Compact do to help your company address sustainability issues?

- Share examples of best and emerging practice on sustainability: 64%
- Deliver guidance on implementation of sustainability issues throughout the organisation: 51%
- Work with business schools and educators to shape the next generation of leaders: 44%
- Provide a forum for business/government/civil society dialogue: 38%
- Accelerate the integration of sustainability into valuation techniques: 36%
- Provide country networks for subsidiaries and suppliers to advance sustainability in local markets: 34%
- Help to differentiate the top corporate sustainability performers: 30%
- Other (please specify): 3%
- None of the above: 2%

Data collected as part of UN Global Compact - Accenture CEO Study 2010. Analysis and interpretation for the UN PRME by Ashridge and EABIS.
This isn’t just about companies in a minority of regions or sectors – there is a remarkable level of agreement across all geographical regions, industry sectors, sizes of organisations and ownership structures.

Levels of agreement are remarkably strong across different regions that education and business schools have a key role to play in reaching a tipping point in embedding sustainability into core strategy, and that lack of skills among middle-senior management is a key barrier.

There is more divergence across regions about the extent to which working with business schools is seen as a key priority for the United Nations. CEOs in Australasia are most likely to see engaging with business schools and educators as a strategic priority for the UN (71%), while CEOs in Asia are least likely (39%).

Over the next five years, the UN Global Compact should work with business schools and educators to shape the next generation of leaders.

Responses by region

In order to reach a “tipping point” where sustainability is embedded within the core business strategies of the majority of companies globally, it is important that educational systems and business schools develop the mindsets and skills needed for future leaders to address sustainability.

Lack of skills and knowledge among middle to senior management is one of the top three barriers to them as a CEO in implementing an integrated and strategic company-wide approach to environmental, social and corporate governance issues.

Data collected as part of UN Global Compact – Accenture CEO Study 2010 Analysis and interpretation for the UN PRME by Ashridge and EABIS

Ashridge Business School  http://www.ashridge.org.uk
Again, levels of agreement are remarkably strong across different industry sectors that education and business schools have a key role to play in reaching a tipping point in embedding sustainability into core strategy and that lack of skills among middle-senior management is a key barrier. CEOs in the media and entertainment sector are most likely to see lack of skills as a key barrier (42%), while CEOs in the chemical sector are least likely to see this as a barrier (10%).

There is more divergence across industry sector about the extent to which working with business schools is seen as a key priority for the United Nations.
Levels of agreement are remarkably consistent across all questions across different sizes of organisation, both in terms of revenues and number of employees.

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Data collected as part of UN Global Compact - Accenture CEO Study 2010
Analysis and interpretation for the UN PRME by Ashridge and EABIS
Levels of agreement are remarkably consistent across all questions across organisations with different ownership types.

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Over the next five years, the UN Global Compact should work with business schools and educators to shape the next generation of leaders.
‘Leaders have to have the sensitivity, openness and skills to cope with new demands, and to build it in to their business thinking and their own role... this is quite a dramatic shift’

Paul Bulcke, CEO, Nestle

‘Future capabilities will be very different, and will put a premium on lateral thinking and cross-functional, collaborative problem solving’

Jeffrey Swartz, President and CEO, Timberland

‘Management on all levels needs to acknowledge that sustainability helps to better understand societal needs and concerns, to minimize risks and to generate business opportunities’

Jürgen Hambrecht, Chairman, BASF

‘Sustainability cannot be incorporated unless you also embed long-term thinking’

Barbara Krumsiek, Chair, CEO and President, Calvert Investments

‘Training and developing a new generation of managers will be crucial in creating sustainable growth: the decline in trust will put the onus on ethics and integrity to rebuild the position of business in society’

Ernst Bärschi, CEO, Sika AG
manuel escudero, head of prme secretariat

in the 21st century, globalization, the it revolution and the growing awareness that no single nation or actor can cope with a number of global issues, from climate change to water or food scarcity, has shifted power globally, and given business a central role. the combined effects of these three processes of global radical change have created a mounting demand from society asking businesses to become part of the solution, rather than part of the problem.

in response, the business community has initiated, through international initiatives such as the united nations global compact, a new trend towards sustainability as a central aspect of their own growth as well as the only way to ensure the sustainability of societies and the planet.

we inspired and created the prme initiative as a strategic alliance of business schools with this new global trend of companies striving to be responsible corporate citizens. this is why in prme, more than 300 business schools across the world are currently progressing in the incorporation of the values of sustainability and good corporate citizenship at the core of the curriculum, research and educational frameworks of business education.

in preparation of the un second global forum for responsible management education convened by prme in june 2010, the prme secretariat wanted to engage with the business community to understand their perspectives of the role and significance of management education in this changing context. the survey results are telling: practically all respondents believe that sustainability issues are important to the future success of their business and think that, in order to make possible a steady progress of companies along the path of sustainability, business schools have to play a crucial role. these results show very clearly that the call of prme is not only strongly felt within the sector of business education; it is, as this survey unequivocally shows, an adamant mandate from our main stakeholders - the global business community itself.
The 2010 survey is a vital reminder from global business leaders that we remain far from achieving these systemic transformations. Even more than in 2008, CEOs stress the importance of management education to delivering their sustainability objectives.

The recent crisis has highlighted the flawed theories, models and assumptions that have dominated management education since the 1980s, as well as their disastrous impacts on responsible decision-making, accountability, corporate leadership and shareholder value. It is clear that we need a new blueprint for the role of business in society and for the framework within which future generations are educated to manage this.

The message seems clear: the business world has asked business schools and universities to “raise the bar” collectively and redefine their approaches to education, learning and knowledge development. This is an opportunity that has to be seized; the implications of inaction and maintaining the status quo are too serious to ignore.

It will require ambition, innovation and commitment from management educators to meet the evolving needs of organisations who are seeking to manage sustainability. Against this backdrop, platforms like EABIS, PRME and others have a crucial role to play in brokering and sharing experiences. We are determined to play our part.

Almost ten years ago EABIS – The Academy of Business in Society – was established as a unique collaboration between global companies and business schools to embed corporate responsibility and sustainability into management education and practice. Its genesis was a discussion between senior business leaders and a select group of business school deans, in which the executives stressed the urgent need for new skills and competences to manage the complex interaction of economic, social and environmental issues in their business environment.

In 2008 EABIS decided to map progress to date, surveying the “state of the art” of corporate responsibility in management education (with EFMD and Nottingham Business School) as well as corporate leaders’ perspectives on their companies’ progress to embed corporate responsibility and sustainability into core business (with Ashridge and the UN). Both surveys revealed that while sustainability issues were seen as critically important, aside from a few pioneers, there was limited evidence of mainstream progress and institutional change around mindset and skills development in either community.

The clear message from these findings is that the debate about whether the sustainability agenda is a real issue is over. The question now is how should business schools address sustainability strategically. As the 2008 PRME-Ashridge-EABIS study found, CEOs think this is about more than an optional extra on ethics or new modules on old courses, it is about ensuring the entire management development process is built around helping today’s and tomorrow’s leaders develop the mindsets, understanding and skills to lead in a rapidly changing global context.

For this to happen, business schools don’t just need a few specialist faculty. They need all of their faculty to understand sustainable development and see the implications for their own particular areas of expertise, whether that be leadership, strategy, finance, or marketing. As business schools, we need a much stronger emphasis on faculty development across the board. It would also be helpful if the various accreditation and rankings bodies could adapt their criteria to give greater recognition and reward to those institutions that are taking the lead in innovating.

At Ashridge we have been experimenting with new approaches for a number of years, and learning from our experiences. We are also leading a major research programme on innovation in leadership development, looking at the experience of organisations that have pioneered new approaches to developing leaders in an age of sustainability, to understand the lessons they have learnt about how to do this well and the wider implications for business schools. Innovative experiential learning approaches are needed. We do not have all of the answers, but we firmly believe that this new agenda is central to business schools in the twenty-first century. We are determined to play our part.

When Ashridge worked with the UN PRME, EABIS and others to survey CEOs in 2008, we found that 76% of these CEOs thought it was important that their senior leaders had the mindsets, skills and capabilities to lead in a changing global context marked by trends such as climate change and resource scarcity in markets sometimes characterised by poverty, corruption and human rights abuses. Fewer than 8% of respondents thought either their own organisations or business schools were doing a very good job of developing these mindsets, skills and capabilities.

The new 2010 survey findings confirm just how critically important CEOs think education is. Respondents rate the role of management education in helping their organisations adapt to this changing global context as of broadly equal importance as the actions of consumers, and the actions of the investment community and government regulation.

An additional key finding here is that these perspectives are not just limited to certain companies based in developed economies or the more progressive industry sectors. Leaders in large and small organisations, and in developed and developing countries, concur.

Kai Peters, Chief Executive, Ashridge

Gilbert Lenssen, President, EABIS
Developing the Global Leader of Tomorrow

In a study conducted for the UN PRME Forum in 2008, Ashridge, EABIS and other partners explored with CEOs globally their perspectives on the learning needs of senior managers in their organisations, and their perspectives on the most effective learning approaches. The study suggested that CEOs perceive a need for more than just ethical and values-led behaviour. Three distinct clusters of additional learning needs emerged.

Context - understanding and being able to respond to changes in the external environment
- 82% of those polled say senior executives need to understand the business risks and opportunities of social, political, cultural and environmental trends.
- 77% say they need to understand how other actors are responding to and influencing these trends (regulators, customers, suppliers, investors, NGOs).
- 71% say they need to understand how competitors are responding.
- 70% say they need to be able to integrate this awareness into strategic decision-making.
- 81% say they need to be able to align social and environmental objectives with financial goals.

Complexity - having the skills to survive and thrive in situations of low certainty and low agreement
- The challenges and opportunities presented by our changing global context are complex - there is often little certainty and little agreement about both their precise nature and the response that is required. Leadership in these circumstances requires a range of discrete skills:
  - 88% of those polled say senior executives need the ability to be flexible and responsive to change.
  - 91% - the ability to find creative, innovative and original ways of solving problems.
  - 77% - the ability to balance shorter and longer term considerations.
  - 83% - the ability to make decisions and manage when faced with considerable complexity and ambiguity.

Connectedness - the ability to understand actors in the wider political landscape, to engage and build effective relationships with new kinds of external partners, and to share a personal sense of connection with diverse social networks and communities, and the wider natural environment
- 73% of those polled say senior executives need to be able to identify key stakeholders that have an influence on the organisation.
- 74% say they need to understand how the organisation impacts on these stakeholders, both positively and negatively.
- 75% say senior executives need to have the ability to engage in effective dialogue.
- 80% say they need to have the ability to build partnerships with internal and external stakeholders.

Source: Developing the Global Leader of Tomorrow, Ashridge and EABIS for the UN PRME, 2009
Developing the Global Leader of Tomorrow

The question of learning approaches is also important. The CEOs and senior executives polled send a clear message. Traditional approaches are not enough: a broad range of learning approaches are required. Because the issues are complex, senior executives believe the most effective learning and skills development comes through practical experience, whether the learning is on-the-job, project-based or experiential. These learning experiences can be enhanced by structured reflection through coaching, action learning or appreciative inquiry. Learning directly from the experience of others is also valued as important – through mentoring, or communities of practice and other formal and informal learning networks. Although learning approaches like e-learning and lecture-style learning are less rated by executives, these are likely to still have a role where more straightforward knowledge transfer and basic awareness raising is required. But learning programmes that rely heavily on a lecture-based format are not fit for purpose.

Many organisations have already invested significant resources in developing their own innovative learning programmes to develop this kind of enhanced leadership capability within their organisations. This demonstrates the seriousness with which leading organisations are now taking this, as well as providing inspiration to business schools. The full case studies are included in the report at www.ashridge.org.uk/globalleaders

Source: Developing the Global Leader of Tomorrow, Ashridge and EABIS for the UN PRME, 2009
The mission of the Principles for Responsible Management Education (PRME) initiative is to inspire and champion responsible management education, research and thought leadership globally. The PRME are inspired by internationally accepted values such as the principles of the United Nations Global Compact. They seek to establish a process of continuous improvement among institutions of management education in order to develop a new generation of business leaders capable of managing the complex challenges faced by business and society in the 21st century. Developed by a taskforce involving 60 business schools and launched in 2007, over 300 business schools globally have now become signatory to the Principles. The co-convenors of the PRME are the UN Global Compact, AACSB, EFMD, EABIS, GRLI, the Aspen Institute, the Association of MBAs, NetImpact, CEEMAN and CLADEA.

Ashridge is one of the world’s leading business schools. Its activities include customised executive education and organisation consulting, online learning, open enrolment executive programmes, MBA, MSc and doctoral qualifications, and applied research. In particular, it is recognised as a leading authority on leadership, strategy, organisational change and sustainable development, and the processes of leadership development, executive learning and coaching. It is one of a handful of schools to be triple-accredited by The Association to Advance Collegiate Schools of Business (AACSB); The European Quality Improvement System (EQUIS) and the Association of MBAs (AMBA).

EABIS – The Academy of Business in Society is a unique global alliance of companies, business schools and academic institutions, supported by the European Commission, that is committed to integrating business in society issues into the heart of management research, education and practice. Founded in 2002 with 15 original partners, EABIS now counts a membership of over 110 institutions spread across all five continents.