



THE BUSINESS OF
CHANGE

Business schools must change if they are to serve their students and society well, says **Garth Saloner**



Just over a year ago Stanford Graduate School of Business in California took the unusual step of launching an institute aimed at poverty alleviation. When most people think about relieving poverty, the next words out of their mouth are usually not business school. Nevertheless, as we undertook the process of establishing the Stanford Institute for Innovation in Developing Economies, known as SEED, we began thinking about how entrepreneurship and the management disciplines we teach could be used to make an impact on poverty alleviation and on other pressing global challenges.

Some of the world's biggest problems – education, environmental sustainability, healthcare, country governance, and access to food and clean water – are not just technical challenges; they are business, leadership and management challenges. For example, the problems of healthcare are not simply those of new drug discovery or medical device innovation but of healthcare delivery, including hospitals, healthcare systems and innovation in healthcare delivery organisations.

Those of us in the field of business education know that today's students are eager to address these types of challenges. The millennial students, those earning higher-education degrees in the 21st century, walking through our doors don't just want to make money; they want to make a difference. They want to lead lives of impact and meaning and they see the challenges I have described as opportunities and as problems to be solved. And I believe we have the opportunity to equip our graduates with the skills they need to meet those challenges. It is an exciting prospect and it is what energises me for my job every morning.

“” *The millennial students, those earning higher-education degrees in the 21st century, walking through our doors don't just want to make money; they want to make a difference*

I realise this view may not obviously fit with our day-to-day thoughts as business school deans, senior administrators or even faculty members. In so many ways our business schools feel beleaguered, challenged and stressed. The prolonged global economic crisis and the Occupy movement have put business schools under intense scrutiny.

Internally, we face curricular pressures and the need to adjust our programmes to meet the demands of a changing student body. We face new competition and a changing industry environment that is different to what it was just a decade ago. The return on investment of the business school programmes we offer is also being questioned, a business model that is likely to be enormously impacted by online education.

However, despite all of the challenges we face, I remain optimistic about the role of management education. And for Stanford University, I think the challenge of poverty alleviation could and should be a significant part of our mission. The change in our own strategy and in particular what we think we can and should address, has its roots in our own process of curriculum reform that occurred over the last several years. In fact, if it were not for curriculum reform I don't think we would be advancing SEED.

Lessons from curriculum reform

We began curriculum reform in 2006. In February of that year our former dean put together a task force that I had the privilege of leading. He had asked us to present a proposal to him by that May so there was not a lot of time.

The genesis of reform was faculty concern about insufficient student engagement in the educational experience. One of the most significant problems was the extreme diversity of backgrounds among the students. Many of them had spent their undergraduate time and early work careers preparing for business. But many others had never planned to attend business school and had worked for non-governmental organisations such as the US Peace Corps or Teach for America prior to entering business school.

The students who had prepared for a career in business had already learned or had jobs doing what we planned to teach them, while other students did not have a solid foundation in management or business. The problem was that we were taking a varied student body and putting them through a one-size-fits-all curriculum.

We were exacerbating the problem by the order in which we taught our curriculum. If I use the analogy of a house, we would first start with the foundation (economics, statistics, organisational behaviour), followed by the walls (accounting, marketing, finance) and finally we'd add the roof (broad general management topics), which were the topics many of them had come to business school to study.

We decided to change many things as part of curriculum reform. First, we decided to start with the roof of the house, which was a big conceptual change for all of us on the faculty!

The bet we placed, which turned out to be well-founded, was that in grappling with general management issues the students would understand where they had shortcomings in their understanding of the foundations and walls and would be highly motivated to address those when we later turned to those subjects.

“Even as we were trying to act as change agents ourselves through curriculum reform, we have realised that we've broadened the education we provide in a way that more effectively helps our students to become change agents in their future lives

“The genesis of reform was faculty concern about insufficient student engagement in the educational experience



To deal with differing levels of knowledge, we also added menus of options to those so that our students could take the appropriate level foundation course based on their own background and experience.

The roof includes a course on critical analytical thinking (CAT), which requires students to take a position each week on a business case – pro or con – and defend that position by facing intensive questioning by their peers. Further, our Leadership Labs course asks students to role play and then review their performance with a personal coach. We also added a global study trip requirement for each student in their first year to provide them with hands on cross-cultural experience.

Many of the ideas we proposed and implemented did not work. For example, I am not sure what we were thinking when we added a required course, a synthesis class, in the spring semester of the final quarter for our second-year students! We ended up cutting some classes and though it was controversial it has gone well.



Clockwise from left:

Dean Garth Saloner moderates a conversation with Anibal Cavaco Silva, President of Portugal, during the President's visit to Stanford University in 2011.

Garth Saloner speaking at a meeting of the Faculty Senate at Stanford in 2011.
 Credit: Linda A. Cicero / Stanford News Service

Garth Saloner (with children) – Visiting the Akanksha Center in Pune, India, which provides educational support to local under privileged children.

The link between curriculum reform and SEED

In looking back at the process of curriculum reform, I realise we changed ourselves in ways we had not anticipated and in ways that make some things natural for us now that would not have been natural before. Even as we were trying to act as change agents ourselves through curriculum reform, we have realised that we've broadened the education we provide in a way that more effectively helps our students to become change agents in their future lives.

The fundamentals of our programme remain extremely important. For us, it is unthinkable that a graduate of an MBA programme should not be equipped with the core conceptual frameworks of accounting, finance, strategy, operations and so on. However, graduates must have at least three essential skills if we want them to tackle the world's most significant problems.

First, they must have the ability to figure out the problem, which is an area where we have traditionally been strong and have embellished through CAT.

Second, they must be able to come up with a solution. This is largely a creative process, which has traditionally not been a strength of management education programmes. To improve our positioning in this area, we borrowed and implemented ideas from design thinking about how to drive innovation.

Third, alongside finding the solution is the ability to implement, which is done by and through collaboration with others. This is why we emphasise fundamental leadership skills such as self-awareness, character and cross-cultural communications.

Putting this overlay of problem identification, innovation and personal leadership on top of the more fundamental components of our programme takes our students beyond what we used to do before. They come in as high-potential individuals and are transformed into leaders equipped with the knowledge and skills to become effective change agents in the world. It is what we mean when we say "change lives, change organisations, change the world".

This evolution in how we think about our role as management educators is shaping our strategy. Directions which may have seemed off-mission before now look like they are right down the middle of the fairway. These problems include the environment, education, global health and sustainable development.

It is in that spirit that we have embraced SEED. If we think of our role as developing leaders who are change agents who can tackle the world's biggest problems, then SEED is very much part of our mission. When I think about the leadership that it will take to address the problems of global poverty and the many other challenges the world faces, I am inspired by leaders who have made a real difference in the world, those who redefine their businesses or their industries or create new ones.

Some of these are our alumni, some of them are your alumni and others have never had a formal management education. One Stanford GSB alumnus who particularly inspires me right now is Cormac Lynch (MBA 91). Following his successful career in investment banking, he is now founder and CEO of Camara, an international organisation dedicated to using technology to improve education and livelihood skills in disadvantaged communities around the world.

Founded seven years ago in Dublin, Ireland, Camara has established e-learning centres that have provided digital literacy services to some 450,000 children in poor communities in 1,650 schools in Africa, Ireland and the Caribbean. The organisation has installed over 35,000 computers and trained more than 5,000 teachers to use the technology for learning purposes.

Another alumni, Jane Chen (MBA 08), is co-founder and CEO of Embrace, a non-profit company that has developed a low-cost portable baby incubator. She was inspired to start the company after visiting Africa and learning that each year 20 million low-birth-weight babies are born worldwide and four million infants die within the first month because their low body fat does not allow them to regulate their own body temperature.

The incubator Embrace sells uses a gel-like liquid that can be heated in boiling water and inserted into the back of a modified infant sleeping bag, which keeps a baby's body temperature at a constant 37 degrees. Today, these baby incubators cost less than \$200 – about 2% of the cost of a traditional incubator – and are saving lives in India, Africa and beyond.

As we all know, change agents come from every background and every part of the world. Another example is Jeff Bezos, CEO of Amazon.com. He's not a GSB graduate but founded Amazon as an online merchant of books and later expanded to a wide variety of products. Under his guidance, Amazon.com has become the largest retailer on the internet, and is now used as a model for global internet sales.

I am inspired by these leaders because they make me optimistic about our role in society – to educate change agents. But also because they are exemplars for us – suggesting how we can reinvent ourselves. And I do think that we have the opportunity to reinvent ourselves. Moreover, I think we should be highly motivated to do so.



450k



Camara has established e-learning centres that have provided digital literacy services to some 450,000 children in poor communities in 1,650 schools in Africa, Ireland and the Caribbean

35k



Camara has also installed over 35,000 computers and trained more than 5,000 teachers to use the technology for learning purposes



First, the millennials, our students, are looking for us to provide them with the ability to be change agents. They increasingly come to us wanting to make a substantial impact on the world.

Second, we face significant future challenges in our industry that demand that we innovate more rapidly than in the past. We don't have to look very far to see what happens to companies that do not adapt their businesses, their products or their business models in the face of changing consumer demand or as a result of the next economic dislocation.

From bookstores to video retailers and from banks to car manufacturers, companies in America, Europe and across the world are shutting their doors. I certainly do not want business schools to be added to a long list of entities that failed because they did not or would not keep up with the changing demands of society. The challenges to our conventional way of doing business are greater than ever and we will see big changes in the years ahead. Online education is perhaps the greatest of these.

“” The challenges to our conventional way of doing business are greater than ever and we will see big changes in the years ahead – online education is perhaps the greatest of these

Stanford's President John Hennessy has described it as the tsunami that is headed towards us. We can ride it as some institutions in America are already doing or we can risk being crushed by it.

Third, the problems of the world simply need our attention, focus and help. When we talk about the need for innovation and for leaders who can bring it about we have in mind people such as those I have mentioned. As business schools, I think we are increasingly going to have to apply those lessons to ourselves.

The business of change can be relatively uncomfortable at times, but it is through this process that all of us – students, faculty, corporations and institutions – are able to transform ourselves so that we can stay relevant and competitive in today's global economy.

The good news is that if we are successful, our graduates will be seen as the leaders who are bringing about positive change in the world and we as the institutions that are equipping them to do so. **gf**



Clockwise from top:
 The "Adverb Wall" at the Knight Management Center, where Stanford Graduate School of Business is located
 Saloner introduces Dr. James Mwangi, head of Equity Bank of Kenya, to a group of students. Mwangi was at the GSB to discuss a case Saloner had written about the bank's microfinance activities
 Garth Saloner takes a canopy tour in Cape Coast, Ghana
 Saloner on a global study trip to Ghana, is pictured with Nana Kofi Minta Gyeabour, the Defense Chief of the village of Kenyase in the Ahafo mining region

ABOUT THE AUTHOR
 Garth Saloner is the Philip H Knight Professor and Dean of Stanford Graduate School of Business.