Investigating Our Custom Clients' Evolving Needs

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MARIE EITER
PRINCIPAL INVESTIGATOR

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The education and development of executives is a large and diverse industry and an important activity for many business schools. University-based executive education programs provide a lucrative source of income for a large number of these schools. By some estimates, the top ten university providers of executive education in the U.S received over $500m in 2004 (Doh & Stumpf, 2007). Executive education funds the hiring of new faculty, supports Ph.D. programs, and contributes to the operating budget of the school.

In addition to its strong financial contribution, executive education enhances the school's brand name, connects faculty to current challenges faced by practicing managers, and in general, increases the intellectual capital of the school through the faculty's close contact with the corporate community.

However, many senior directors of executive education have recently expressed concerns that the evolving needs of their custom program clients may have negative implications for the future of university-based executive education. This study sought to investigate these concerns. The objectives of this study were to:

- identify how custom program client needs are changing;
- examine the implications of these changing needs for university-based executive education; and
- explore the implications of these changes with regard to other competitors.

Interview Methods

The author conducted 14 in-depth interviews with senior directors of executive education across large revenue schools (>$30m), mid-size revenue schools ($8-29m), and schools with small executive education revenues (<$7m). Seven (50%) of the schools were U.S.-based and seven (50%) were located outside the U.S. Countries represented by the schools outside the U.S. were Brazil, Canada, China, Mexico, Spain, Switzerland and the U.K.

The author also conducted 10 interviews with the buyers of executive education, senior HR executives and Chief Learning Officers. In the client interviews, 70% of the interviewees were currently involved with a university-based custom executive program or had been in the past year. The other 30% chose not to use university-based executive education and preferred providers such as consulting firms, independent contractors whose primary business is adult education, or faculty consultants acting independently of their university affiliation.

In addition, the author reviewed relevant articles from publications such as *Training & Development*, *Learning & Education, Chief Learning Officer*, and *Corporate University Exchange.*

Evolving Client Needs

Thirteen of the fourteen senior directors of business school executive programs reported that the needs expressed by their custom program clients differed from the needs expressed five years ago. The directors unanimously reported that clients today want programs that are focused on helping them execute their business strategies or solving business problems. There was a clear movement away from general management programs and a desire for more programs that were customized to specific company issues or challenges.

Even in programs focused on leadership development, which has become the most frequent request in the past few years, schools reported a need to bridge leadership actions to achieving specific business results. In other words, how did the actions of the leader impact the business? As one director summarized the shift, "It's about their issues, not your content."

Along with reporting a shift away from general management programs to content that was more applied to specific company issues, directors also noted that clients themselves were different. They were more sophisticated in what they asked for, more focused on business challenges, more involved in the design and delivery process, more demanding

and more credentialed. This change can partially be attributed to the pervasiveness of a new C-level position within many companies, that of the chief learning officer.

"The new leaders have arrived…and they will change the way you think about learning and performance. They're high octane and hard-charging, and they're moving into your neighborhood now" (Training & Development, 2002).

A chief learning officer (CLO) is the highest-ranking corporate officer responsible for the talent management of a corporation. Different from their predecessors whose focus was primarily management education, chief learning officers are being asked to more closely link development with the business goals of the corporation. They are often charged with the task of remaking classroom-oriented training departments—sometimes called corporate universities—into learning environments in which senior executives participate in dialogues with high-potential managers around the organization's strategies and challenges.

In their engagement with business schools, CLOs have less appetite for traditional classroom instruction and seek more alternative learning methodologies such as experiential learning, action learning, coaching and facilitated discussions. Business school directors report that there is a clear movement away from requesting a 'program,' which may be synonymous with an event fixed in time, toward an integrated learning platform combining multiple learning methodologies that can extend over time.
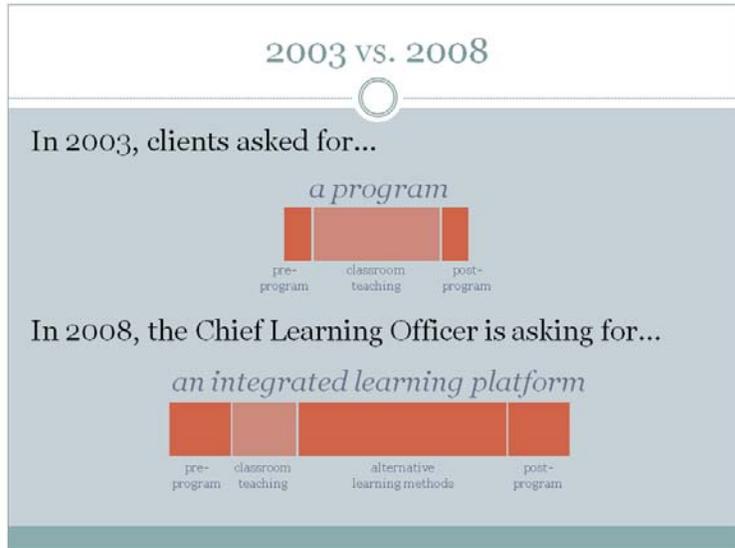
Integrated Learning Platform: Implications for University-based Executive Education

This movement toward an integrated learning platform has implications for executive education directors and their staffs at every point along the value chain, from the original proposal submission to the post-program follow-up. The following diagram illustrates the value chain of an integrated learning platform.
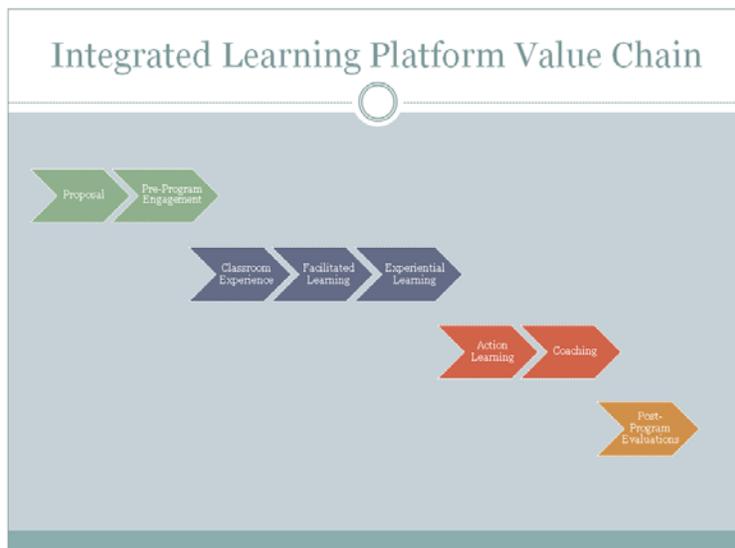
A review of each of the activities in the value chain illustrates substantive changes in the way schools are now called upon to deliver custom executive programs.

The RFP Process

Most directors reported that as requests for proposals have migrated from a company's learning and development department to the procurement department, they have become increasingly detailed and difficult to answer. Procurement departments using standardized forms, more suited for commercial vendors than universities, require the submission of information about a school's personnel statistics, employment practices, insurance coverage, etc., that is not readily available to university directors. In addition, there is an increased expectation of a level of detail in the proposal regarding session objectives, expected outcomes, and specific exercises that had previously been part of the design process after the school had received the bid. Previously, companies visited two or three schools, interviewed the faculty, and made a decision as to which school best met their needs. The increased number of RFPs, which are now sent to as many as 15 schools for the same program, puts an additional burden on the director to respond to each of these requests simply to be considered a viable candidate. Most schools are not appropriately staffed to effectively manage this labor intensive RFP process.

Pre-Program Advising

As programs have moved beyond traditional classroom teaching to include coaching and action learning, there is a greater level of pre-program engagement with the client. This type of engagement requires a level of knowledge about the assessment process, how assessments can be linked to an organization's competency models, how to coach participants in preparing live cases for the program, and/or choose an action learning project. This type of advising requires program managers to have a deep familiarity with faculty content and models as well as an ability to assume a consultative role with clients. Many schools are not staffed with program managers who have the skills to act in this advisory capacity.

Classroom Teaching, Facilitated Discussions and Experiential Learning

All directors reported a decrease in the amount of traditional classroom instruction and an increase in facilitated discussions, experiential learning, and co-delivery with line executives. As clients seek help in executing their business strategies or solving pressing strategic issues, one director suggested that perhaps the most effective response on the part of business schools may not a program at all, but a facilitated strategy session helping clients identify "must win battles." These kinds of strategy workshops and facilitated discussions require a lot more flexibility and exploration on the part of the faculty and a much greater depth of knowledge of the individual company and the industry. Most business school faculty teach in executive programs in addition teaching in the school's degree programs, participate in the school's governance by serving on committees, as well as continue to develop their own careers through research and publishing. Many of the most capable faculty are hesitant to devote the time required for this type of intensive focus on one company and its issues.

The following examples illustrate the kinds of alternative learning experiences clients now seek.

The University of Virginia's Darden School of Business found encountered this situation when a long time client, a global financial institution, needed help in developing its business strategy. In response to this client need, the Darden faculty created and facilitated strategy workshops with the senior team. They posed a series of rigorous strategic questions, facilitated discussions, provided frameworks, and orchestrated difficult conversations. The company left with a strategic plan, but the experience for both the faculty and the participants was quite different from a traditional executive program in business strategy.

Directors also reported an increased demand for experiential learning. Chicago Booth was faced with this situation when a major client sought their assistance in "bringing their brand to life." Chicago Booth faculty created a 3-day program of which only four hours could be called traditional business school faculty teaching. They created three live cases

and field visits to fourteen companies to understand the customer experience. The faculty provided a lens for focusing on the behaviors observed. The group, with the assistance of faculty from the social science department, debriefed their observations and worked in teams to apply what they learned. As a result, executives experienced "living the brand" at the behavioral level and were aided in translating what they saw to their own company.

In a similar situation, an Asian consumer products company wanted to enter the American market. The University of Texas, McCombs School of Business provided appropriate teaching sessions, but leveraged their network of Ph.D. students and teaching assistants to work with the project teams. Over a period of three months, they conducted applied field research on U.S. consumers. This included visits to model homes and shopping malls to understand how their products would be used. The result was that the company achieved a successful launch of their product in the U.S. market.

All three of these examples required the business school faculty to act in new ways or the school to look to other parts of the university or its graduate students and alumni to meet the evolving needs of custom program clients.

Action Learning
While these examples of strategy workshops and in-depth experiential learning activities tended to be the exception, rather than the norm of program requests, action learning has become a core part of most executive programs. Most directors commented that the real ROI for companies is in action learning. Action learning is the process whereby teams return to their work environment after completing a custom program, apply what they learned in the classroom, receive on-going feedback from mentors, and return to campus after a period of three to six months to report on the outcome of their work. While all schools recognize the value of this activity, many struggle to offer an integrated process. The way in which schools staff the action learning modules differs. Some schools use faculty as mentors, some use MBA consulting alumni and graduate students, and others use external consultants. Ideally, having faculty mentor the acting learning teams provides the greatest continuity to the classroom learning, but having four or five custom

clients, all with on-going action learning projects, places a burden on faculty time that few can assume.

Coaching

Many companies focusing on leadership development request one-on-one coaching for their executives as part of the development experience. While schools have been willing to support coaching activities, it has presented some problems. Coaching is not an activity that most faculty choose to do, nor were they trained to do so. The question arises as to how to integrate the coaching activities. Some schools use executive coaches who are familiar with the faculty models and frameworks. Other schools certified their own senior administrators rather than try to connect an outside firm seamlessly to their faculty and programs. Still others have made a decision not to offer coaching rather than brand an external group with the school's name. Many companies have opted to use consulting firms for leadership development because they provide the desired follow-up coaching.

Post-Program Evaluation

Most schools reported that post-program evaluations were an area of greatest client interest but least activity. Chief learning officers need to demonstrate business impact but few schools reported going beyond the end of the program evaluations in terms of assessments. While previous attempts to link executive education to quantitative measures of ROI have proved elusive, there are non-quantitative measures of program success that demonstrate business impact that are of interest to clients. Among these are observing improvements in the quality of a business plan or product plan, noting changes in the conversation around key issues among program attendees, or observing executives acting differently. These changes cannot be measured at the end of a program but require a six to nine month follow-up that schools must to initiate with the program sponsor. This ability to demonstrate the transfer of learning is becoming a critical measure of success that ensures repeat business. However, few schools are staffed with the appropriate personnel to conduct this type of follow-up activity.

Barriers Faced by Business Schools

As client needs have evolved from requesting a traditional classroom program to requesting a learning experience that includes more facilitated discussions, more experiential learning, more coaching and action-learning, as well as follow-up assessment activities, schools face a number of major barriers in responding to these needs.

First, few faculty at major research institutions are adept at facilitation or experiential learning. Furthermore, deep faculty involvement in one company creates both capacity and compensation issues. For one or two faculty members to become deeply involved in the strategic issues of one company reduces their involvement in other programs. Most U.S. business schools use, at best, 25-30% of their faculty in executive education and of that number half are may be considered major players. For directors of executive education to meet increasing revenue goals, they must add new clients and new programs annually and cannot afford to tie up their best faculty with one client.

In many schools, the most formidable barrier to effectively responding to customers evolving needs is the presence of outdated internal policies and organizational structures. Most offices of executive education have changed little from the time executive education was primarily a suite of open enrollment programs. In many universities, offices of executive education have a small number of senior administrators and a larger number of non-exempt staff who serve as program managers and program coordinators. Few schools have senior level administrators with business consulting experience who can take on more of the critical non-faculty roles such as coaching, advising, and facilitating that clients today demand. Furthermore, most research universities try to maintain a ratio of research faculty to administrative staff which places limits on the number of senior administrators serving in critical non-faculty roles. Many schools have tried to involve external consultants as facilitators and coaches, but have yet to achieve the desired integration.

In addition, most schools have policies governing compensation for faculty teaching, program development and the role of a faculty program director, but few schools have a pricing model for an integrated learning platform that includes non-faculty activities such as assessment and coaching, mentoring action learning, guiding experiential learning and program follow-up.

Most research-based institutions place a cap on their faculty's outside activities which in many schools include executive education. This policy is to protect the primary mission of the school which is research and teaching in degree programs. Faced with limited faculty time for executive education, directors try to spread their best executive education faculty over a broad number of programs.

Implications of Clients Evolving Needs with Regard to Competitors

As client needs have increasingly placed greater emphasis on strategic issues, and custom executive programs have focused on solving strategic problems, traditional strategy consulting firms have entered the custom executive education market. These consulting firms argue that they can deliver a much more client focused program with real work accomplished and real strategic decisions made during the program. Because the consultants are embedded in the firm, it is argued that they have a greater familiarity with the issues compared with business school faculty who may only read company documents but not have the same understanding of the challenges. Consulting firms place greater emphasis on the context of the situation and contend that the delivery of a successful learning experience builds executive capability in the context of the organization's culture and strategy. As professional services firms, they boast extensive knowledge in a wide variety of industries. Custom executive education is a lucrative market and consulting firms see this as a natural extension of their strategy consulting work. Firms such as Monitor boast growing practices in capability building that go beyond traditional consulting and directly compete with university-based custom executive education.

The Client Perspective

Across all ten client interviews, there was unanimous regard for the depth of knowledge and scholarship of university faculty. Even those senior HR professionals who are not currently using university-based executive programs would consider using them for content specific programs if a need arose. Some clients who are focusing exclusively on leadership development have moved away from using university-based executive programs and use their own senior executives. They believe that having senior executives teach enhances the skills of both the teacher and the learner and raises the overall capability of the organization. Other clients believe that consulting firms that specialize specifically in leadership development have an edge over universities in that they provide leadership assessments as well as one-on-one follow-up coaching.

Even the strongest supporters of university-based executive education acknowledge that a gap exists between what companies are looking for in custom programs and what business schools provide. There is still a strong perception among users that business schools fit their content to company needs without really listening to what the company is trying to accomplish with a specific program. Clients report that while the executive education staff promises customization, the faculty have only a superficial understanding of the business and in many cases don't make an effort to get to know the company.

More and more, learning and development executives are required to justify their investment in executive programs. They are being called upon to demonstrate the business impact of the program. They need university providers to work with them to identify ways to design measures of impact. All too often, they find this lacking altogether or not receiving the necessary follow-through after the program. Too often the focus of the program is on the superb lecture or engaging case study, but not on the follow-up activities that transfer the lessons learned in the classroom to the work environment.

While clients value the content expertise of the faculty, they have little tolerance for the kind of one-way learning that occurs in traditional classrooms settings. They are

demanding more involvement in both program design and program delivery. Chief learning officers bring an increased understanding of the principles of adult learning and they are looking for a mix of learning methodologies that include experiential learning, action learning, and facilitated group work in addition to traditional classroom instruction. They are looking to university providers to create follow-on activities that extend and reinforce learning as participants return to their work environment. They prefer shorter, focused learning episodes that are highly tailored to current challenges than longer general management programs.

Many client firms have out-distanced business schools and faculty in their understanding of the ways organizations now learn and work. Clients report that faculty references to hierarchal models of management betray outdated mental models of organizations. As companies invested in new technologies that seamlessly connected employees in one location with their counterparts in another, they discovered the value that social networks created in fostering collaborative relations among the team members. Encouraged by the ease of communication and information sharing, team members actively sought out expertise and solutions to problems irrespective of the formal organizational structure. Companies soon began using social media tools and online communities to engage with customers and employees, for idea generation, branding, and product development. CLOs expect business schools to be more conversant with how to engage in the new social networking and crowd sourcing approaches to learning.

Finally, as companies continue to struggle with all aspects of globalization, they need to be able to provide development for their high-potential talent in all regions of the world. Consulting firms with their vast network of global resources can provide consistency in program delivery on a worldwide basis. While many schools have created satellite locations in one or two regions, they cannot match the consulting firms in their global reach.

Issues for Schools to Consider

In conclusion, many directors of executive education as well as their clients expressed the concern that university-based custom programs were at a crossroad—either the schools adapt to the evolving needs of their clients or companies will look elsewhere to meet their executive development objectives. The classroom education experience has always been the core value of university-based education and the faculty has been its most important asset. Yet, custom program clients today seem less interested in discipline-based content that faculty offer and seek instead a greater emphasis on integrative solutions to pressing managerial problems.

Can business schools adapt? Professional schools in general and business schools in particular were founded on the premise that there is a positive relationship between research and practice (Simon, 1976). The results of this survey echo recent criticisms in the business press, as well as by some academics, regarding the widening gap between business school education and the problems faced by practicing managers (Economist, 2004; Mintzberg, 2004; Bennis & O'Toole, 2005).

In his critique of MBA programs, Mintzberg (2004) argues that business schools are out of touch with the pressing problems of managers and are losing their relevance. As executive program clients seek more practical approaches to their business challenges, custom executive programs may become a vehicle for bridging the gap between academic research and the world of practice. However, for this to happen, there are a number of issues that business schools will have to resolve.

- Executive education departments will need to seamlessly integrate professionals conversant with principles of adult learning, experiential learning and action learning into their executive programs.
- They will need to enhance the professional skills and capabilities of their senior directors so that they can assume critical non-faculty roles such as assessing learning needs, advising clients on innovative and appropriate learning methodologies, conducting outcome studies, and designing follow-up activities.

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- Schools will need to adjust their compensation policies to attract and retain experienced learning professionals.
- They will need to create new business models that can accommodate many of the non-traditional classroom learning activities such as experiential learning, action learning, mentoring, and follow-up.

However, the biggest challenge lies within the academic community and the elusive balance of rigor and relevance as it pertains to academic research. Many scholars have expressed concern that the balance between research and practice has shifted to either research decoupled from practice or practice uninformed by research. (Pfeffer & Sutton, 2005; Quelch, 2005). In a compelling study on relevance and rigor, Tushman et. al., argue that executive education programs which include action learning can enhance both individual and organizational outcomes as well as faculty teaching and research efforts (Tushman, O'Reilly, Fenollosa, Kleinbaum, & McGrath, 2007).

In many research oriented business schools, executive education has been an ancillary activity, valued more for its financial contribution than its academic relevance. At a time when clients are asking for better returns from their executive education investment, business schools might heed the clarion call for a tighter coupling between research and practice. A shift to more problem-centered research has the promise to build more robust theory and greater managerial impact. It also has the potential to allow business schools to preserve their distinctive advantage, faculty expertise grounded in research, and successfully navigate the disruptive challenges confronting university-based executive education.

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Business School Directors Interviewed

Arruda, Carlos	Fundacao Dom Cabral
Bean, Kelly	University of California, Los Angeles
Callahan, Clark	Dartmouth College
Centini, Lou	University of Virginia
Delys, Chantal	University of Texas, Austin
Ground, Alison	University of Toronto
Ilie, Camelia	Esade Business School
Isenman, Al	Northwestern University
Liu, Jessie	Tsinghua University
Malefakis, Mike	University of Chicago
Murphy, Larry	Harvard University
Sacristan, Monica	ITAM
Stanford, Mike	IMD
Stilliard, Bob	Ashridge College of Management

Clients Interviewed

Brady, Kevin	Performance Solutions Manager	Textron
Christman, John	CLO	Genworth Financial
Eckenrod, Mary	Consultant &	Lenovo
	Past VP, Global Talent and	
	Organization Development	Johnson, Cindy
	Manager, 3M Leadership	3M
	Development Institute	
Jones, Mark	Past Director of Leadership	Pfizer
	& Organization Development	
Lesmeister, Rae	VP Organization Effectiveness,	Cargill
	Learning & Development	

Shuman, Jeff	SVP, HR	Harris Corporation
Stanesic, Frank	VP & Learning Officer	ACS
Tennant, Nancy	CVP Leadership & Strategic Competencies	Whirlpool
Waltmann, Frank	Head of Learning	Novartis