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EXECUTIVE EDUCATION

Can Business Schools really change?

Professor Paul Kirkbride,
Associate Dean, Executive Education



GLOBAL. BUSINESS. LEADERS.

Change : How hard can it be?

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- You have had a minor heart attack and survived. Your physicians advise you that you must change your lifestyle if you want to live for a long time. This will involve changes to your diet, exercise regime and general lifestyle. If you do not the prognosis is that you will be dead within 2 years!
- Faced with this scenario how many of you believe you would be able to change?
- If you think you could, please stand up!



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Only 10% would change and survive!!!



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“If you look at people after coronary-artery bypass grafting two years later, 90% of them have not changed their lifestyle. And that’s been studied over and over again. And so we’re missing some link in there. Even though they know they have a very bad disease and they know they should change their lifestyle, for whatever reason, they can’t” (Dr. Edward Miller, Dean, Johns Hopkins Medical School)

(From Fast Company May 2005)



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Organizational Change Success?

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- “The brutal fact is that about 70% of all change initiatives fail”, (M. Beer and N. Nohria, HBR, May-June 2000)
- “Two-thirds of TQM programs fail, and reengineering initiatives fail 70% of the time”, (P. Senge, *The Dance of Change*, Doubleday, 1999)
- “Leaders of the corporate reengineering movement report that the success rate for Fortune 1000 companies is below 50%, possibly only 20%” (P. Strebel, IMD Working Paper, 2000)
- Major investments in technology are not used as intended or abandoned within six months 80% of the time (Gartner Group, 2002)
- “The success rate of M & As has been poor – some estimates put failure rates as high as 60-70%”, (Strategic Management Research Centre, Univ of Minnesota, 2006)



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The “Authorised Version” of Change

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- Organizations have to manage ‘at the speed of change’ of their environments
- Change is difficult, but possible with effort
- Change is led by internal ‘change agents’
- Large organizations can, and have, transformed themselves



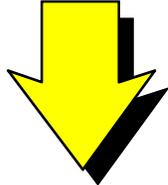
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**Competing for
the Future**

**Restructuring
Operations**

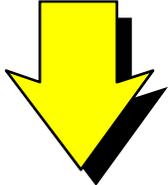
Divestment's
Delaying
Downsizing
Demerging



SMALLER

**Reengineering
Processes**

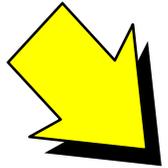
Quality
Time
Customer
Satisfaction



BETTER

**Reinventing
Industries**

Challenging
assumptions
Searching for
foresight and
discontinuities
Redrawing market
boundaries



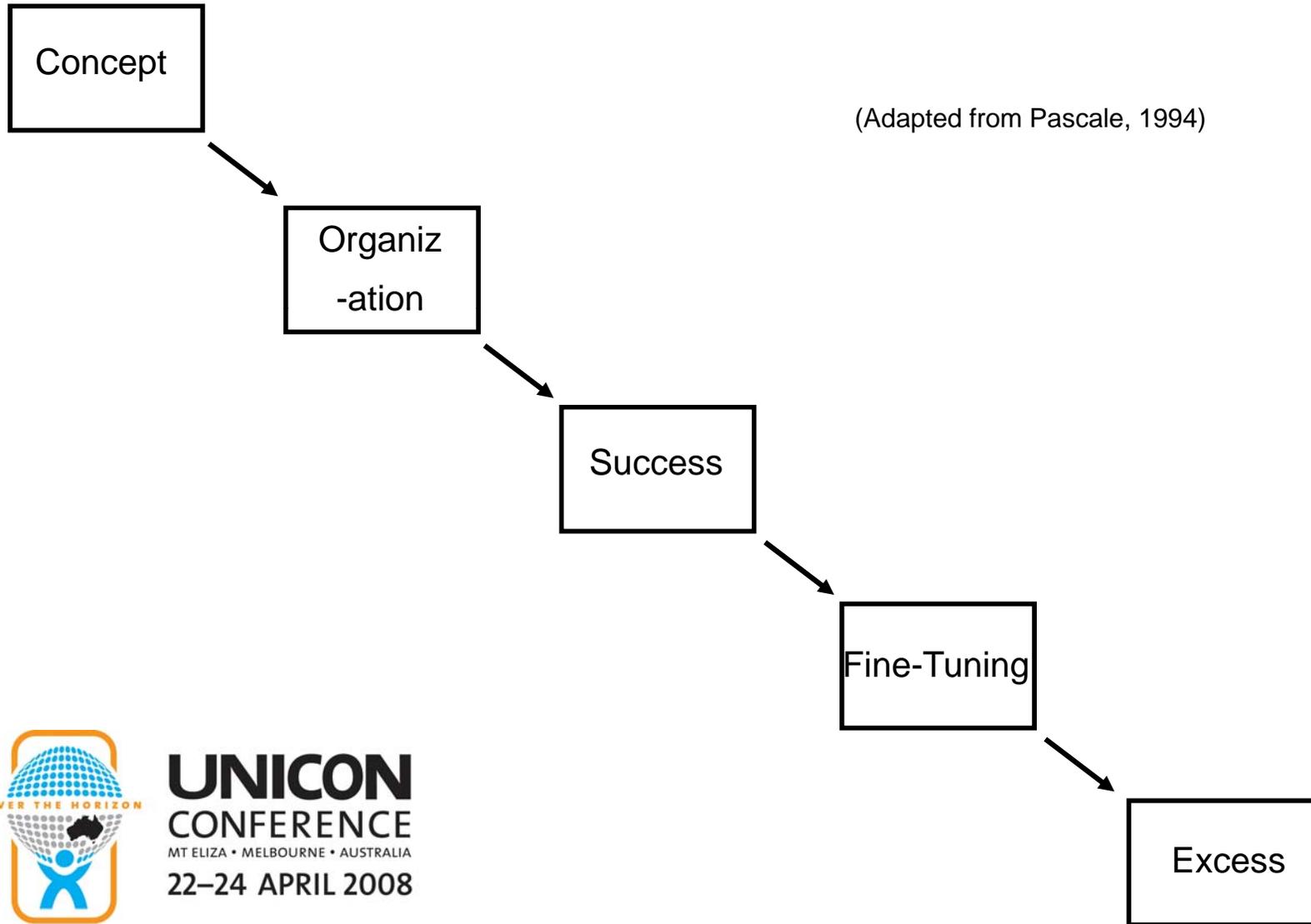
DIFFERENT

**Regenerating
Strategy**

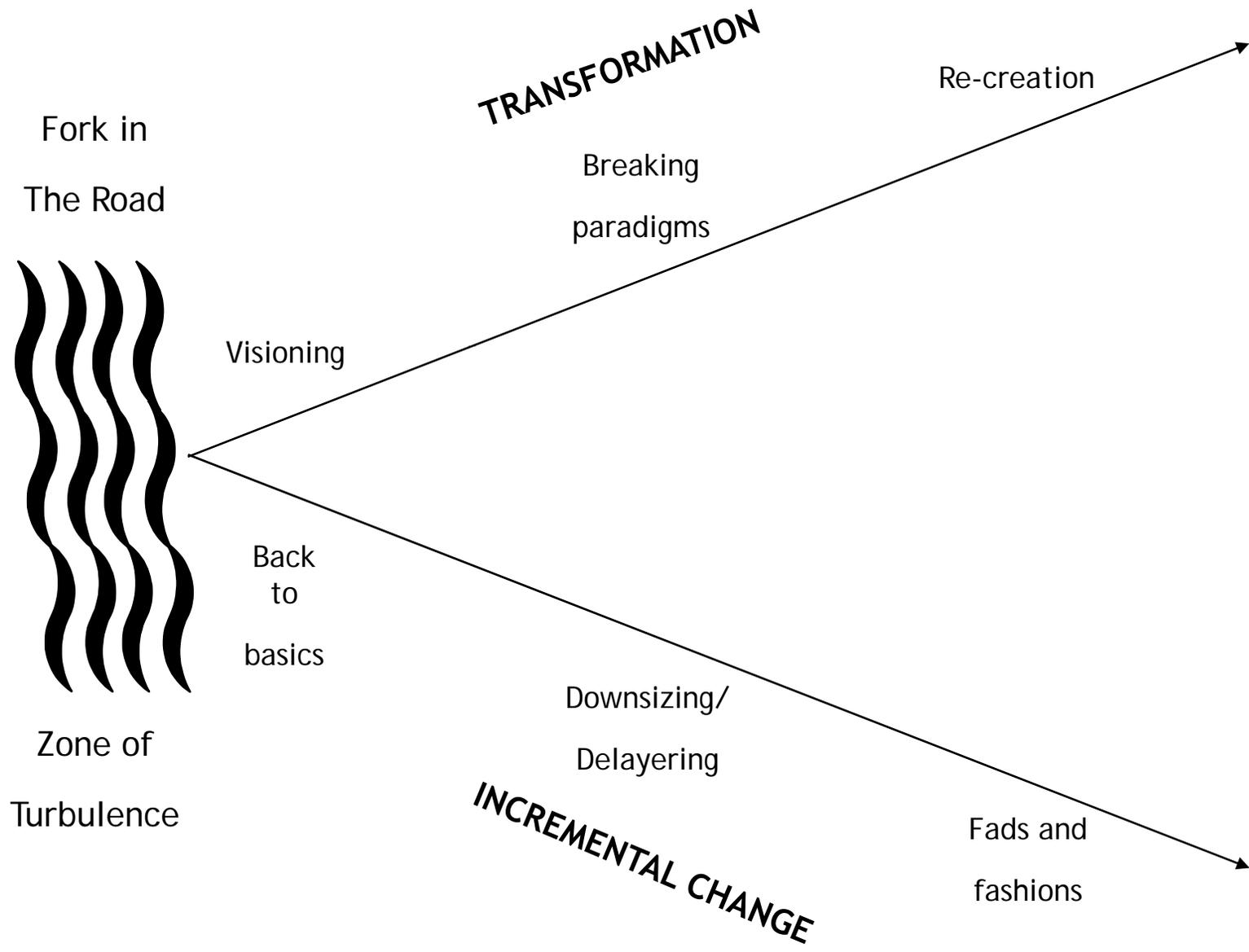
Developing
strategic intent
Building core
competencies
Developing
strategic
architecture



Pascale's Model of Transformation



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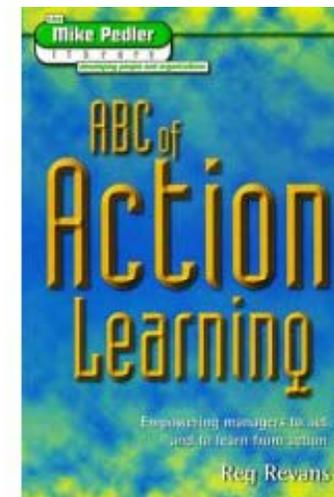


Paradigm breakers in Business Schools

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- Reg Revans (1907 – 2003)
- Father of Action Learning
- Developed in the UK Coal Board in 1940s
- $L = P + Q$
- Left Univ of Manchester to practice Action Learning
- Knighted by King of Belgium



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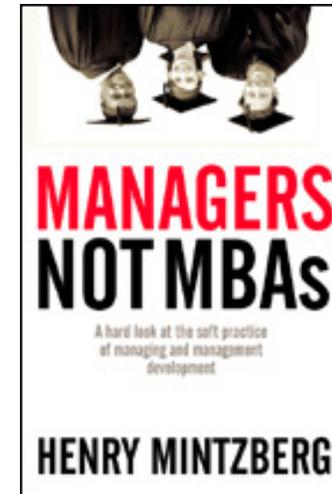
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Paradigm breakers in Business Schools

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- Henry Mintzberg
- Asserts that conventional MBA classrooms overemphasize the science of management while ignoring its art and denigrating its craft, leaving a distorted impression of its practice.
- Argues the need to get back to a more engaging style of management.
- Calls for another approach to management education, whereby practicing managers learn from their own experience.



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Paradigm breakers in Business Schools

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- Blair Sheppard
- Was the founder and CEO of Duke CE
- When he created the company in July 2000, Duke CE was the first full-service provider of customized, enterprise-wide management education to global organizations
- Under Blair's leadership, Duke CE grew from one office, 39 employees and \$12 million in revenue, to five offices on three continents, 140 employees and \$56 million in revenue seven years later.



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Structural Inertia Theory

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- Developed out of Population Ecology Theory
- Key players: Michael T. Hannan (Stanford) and John Freeman (U.C. Berkeley)
- “Structural Inertia and Organizational Change”, American Sociological Review, 49, 149-164, 1984



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The Findings of Structural Inertia Theory

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- **Fortune favours the rigid**

Hannan and Freeman argue that the processes of natural selection within industry niches favours organisations which have higher levels of performance (profit, sales, market share, new product development, etc.) and higher levels of accountability in terms of providing stakeholder return. In order to achieve such levels of reliability of performance these organisations have to have highly reproducible structures. However, this very reproducibility of structure generates strong inertial pressures and resistance to change. Thus success seems to be correlated with inertia



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The Findings of Structural Inertia Theory

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- Fortune favours the rigid
- **The elderly slow down with age**

Research has shown that older, mature and larger organisations have more reproducible structures and greater degrees of structural inertia. Thus older organizations find change more difficult



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The Findings of Structural Inertia Theory

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- Fortune favours the rigid
- The elderly slow down with age
- **Old oak trees do not die quickly**

Paradoxically, research has also shown that older mature and larger organisations have lower death rates than newer organisations. Everyone is familiar with the huge failure rates of start-ups and small businesses. However, the corollary is that when organisations survive to maturity, the chance of them dying reduces markedly



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The Findings of Structural Inertia Theory

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- Fortune favours the rigid
- The elderly slow down with age
- Old oak trees do not die quickly
- **Be careful in the gym if you are old and overweight!**

It is well known that organizational change often causes a dip in organizational performance – ‘All changes are failures in the middle’, as Rosabeth Moss Kanter puts it. But this risk is greater for older and larger organisations than it is for smaller, newer ones. Just as older people are correctly warned against moving from indolence to radical exercise regimes, so older organisations should be careful of radical transformation. Evidence exists which suggests that attempts at re-organization by mature organisations increases death rates because such re-organization produces what Hannan and Freeman have termed the ‘liability of newness’.



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The Findings of Structural Inertia Theory

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- Fortune favours the rigid
- The elderly slow down with age
- Old oak trees do not die quickly
- Be careful in the gym if you are old and overweight!
- **If you are going to overtake – put your foot down!**

Similarly, it is suggested that the death rates of organisations attempting structural change rise with the duration of the transformation. This is because mature organisations require reproducibility of structure and processes to survive and compete and these are reduced by organizational transformations.



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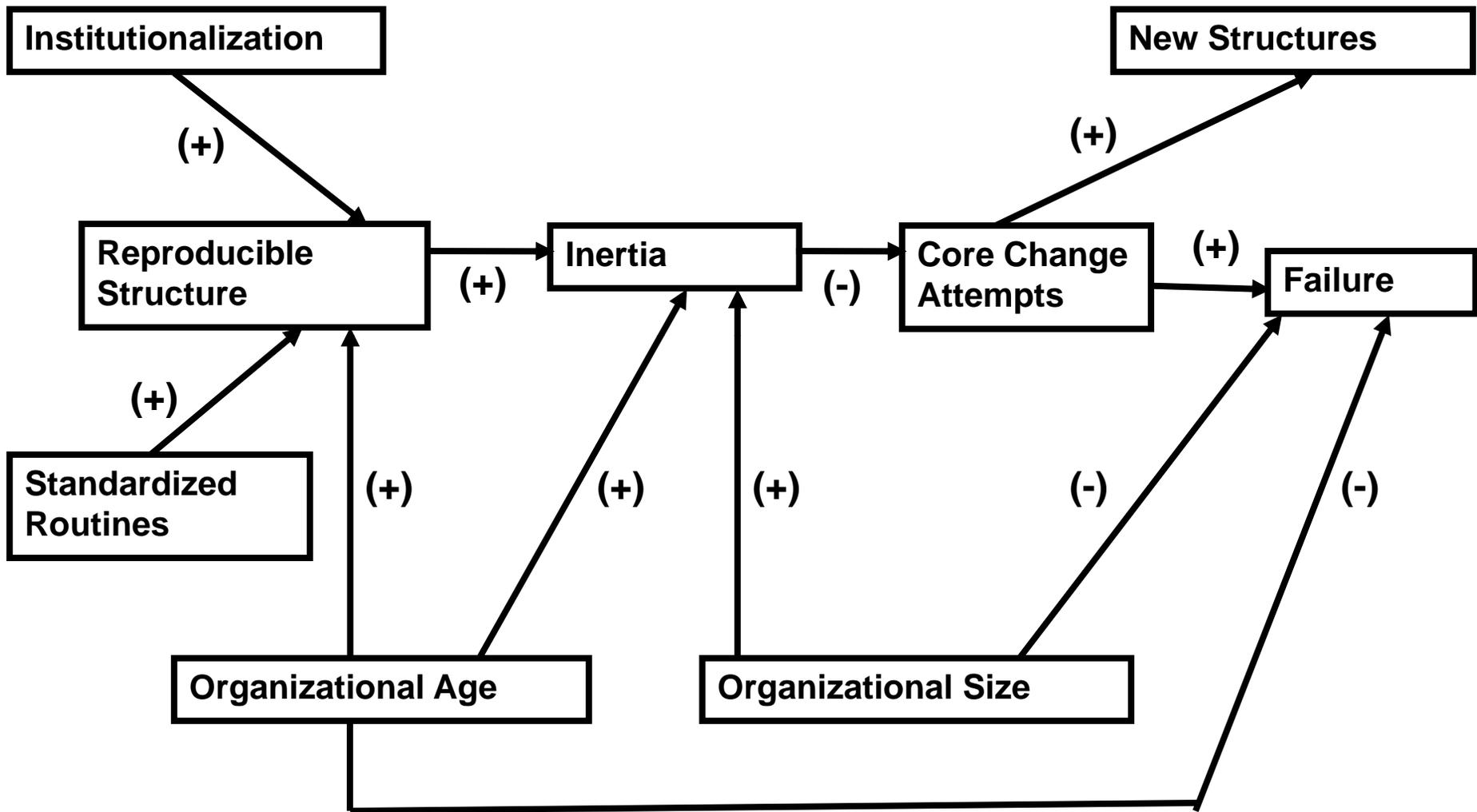
- Fortune favours the rigid
- The elderly slow down with age
- Old oak trees do not die quickly
- Be careful in the gym if you are old and overweight!
- If you are going to overtake – put your foot down!
- **Complex change takes longer and is more dangerous.**

Research has shown that complexity increases the expected duration of structural re-organization and leads to increasing death rates in the organisations attempting it.



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Source: Kelly and Amburgey, 1991, p.593

Structural Inertia – The Key Points

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- Sticking to the knitting leads to success
- Success increases with age and size
- Mature organizations take longer to decline and die
- Complex and radical transformation often hastens death



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- Business schools cannot, and will not, radically change and thus will become less and less relevant until they are overtaken by new forms of management development



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