

## **Creativity, Innovation and the ‘New’ MBA: China and the 21st Century Knowledge Economy**

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### **Abstract<sup>1</sup>**

This paper discusses the development of new models of business education in contemporary China. It describes the rise of the Masters of Business Administration (MBA) degree in the context of the growth of a new professional-managerial class in China, as a corollary of modernisation and economic reform. While the Masters of Business Administration (MBA) has its origins in the United States, it has grown into a globally recognized qualification for business status, particularly when acquired from ‘elite’ institutions in a highly competitive and extensively ranked global system. Its growth in Asia is reflective of the significant shortages of managerial expertise as economic success throws traditional family-based or state capitalist models of business organization into question. In China, the rise of the MBA has been more recent, although the original idea was introduced in the late 1970s, not long after the directive of Deng Xiaoping to modernise the economy. We consider the role played by new MBA programs, such as the Executive MBA (EMBA) and the International MBA (IMBA) as new educational products designed, not so much for the re-engineering of management practices in SOEs along more effective commercial lines, but rather upon developing an internationally networked business elite better able to engage with the new challenges of the global knowledge economy.

### **The Challenge of the Knowledge Economy for China**

The Chinese economy has been shifting quickly from a predominantly industrial – agricultural model of production, to one where the services sector is more in evidence. Nonetheless, China’s overall economic status and global positioning remains the subject of considerable contestation. The question of whether China is a ‘market’ or ‘transitional’ economy is also an important one in terms of World Trade Organization membership since December 2001 and moves to establish bilateral trade agreements with the European Union and Australia (Beseler, 2002). The continued monopoly of the Chinese Communist Party (CCP) over legitimate political authority, combined with an extensive range of economic controls (over banking and state-owned enterprises (SOEs), and over private investment) has also meant that both the professional-managerial classes and private business interests have developed in a relationship of proximity to and co-option with the party-state, rather than constituting an independent force for political change (Goodman 1999; Dickson, 2003).

The manufacturing export boom which has fuelled much of China’s non-agricultural economic development since 1978 has centred on textiles, clothing, electrical goods, toys and games, furniture, iron and steel, with computers and telecommunications equipment also emerging more recently as significant exports. Economic growth based upon expanding domestic markets, high levels of foreign investment, and the export of low-value-added manufactured goods, has served China well for much of the last 25 years, with economic growth rates in excess of 8 per cent *per annum* for much of the 1990s (DFAT, 2002, p. 37). This has been a growth strategy that has relied upon abundant supplies of low-cost labour, large external

capital flows, and the relatively low material base of most Chinese consumers, and is highly dependent upon the continued openness of world markets to cheap Chinese products as well as rising domestic consumer demand for basic manufactured goods.

A major economic challenge for China in the 21<sup>st</sup> century is how to develop an accumulation strategy which is focused upon the quality of both its inputs and its outputs, rather than simply producing goods at low cost on a large scale. Among the many issues arising from this transformation are:

- The need to move up the value chain from simple labour-intensive manufactured goods towards high-value-added manufacturing. This also entails the development of ‘national champions’, or brands capable of competing in global markets on the basis of quality rather than cost (Nolan, 2004);
- Development of services industries, particularly in business, professional and knowledge-based services, which has implications for government investment in education and information infrastructure, as well as reforms to law and regulation in order to establish secure property rights and promote competition and new enterprise formation (Dahlman and Aubert, 2001);
- Expansion of R&D investment, and capacity to innovate in development and diffusion of original intellectual property. With research and development expenditure at 0.66% of global R&D expenditure in 2001, China has the profile of a dependent economy, transforming the intellectual property of others into manufactured goods, rather than being a significant independent generator and exporter of knowledge and IP. By contrast, the Republic of Korea, which was a similarly dependent economy in the 1980s, now accounts for 2.8% of global R&D expenditure, which is considerably higher than most Western European economies and equal to the United States (Dahlman and Aubert, 2001, p. 13).

It is the second and third of these which inform pressures to develop a ‘new’ MBA in China. Both point to the new challenges presented by the knowledge economy. The *knowledge economy* model is one where ideas and intangible assets rather than tangible physical assets are increasingly the central sources of new wealth creation. With globalization, the capacity to generate new wealth through the development and application of new forms of knowledge has become an issue for all nations and regions, particularly insofar as international economic competitiveness intersects with foreign direct investment and utilisation of globally networked ICTs. Paul David and Dominique Foray observe that the global nature of the knowledge economy is indicated by the extent to which:

Disparities in the productivity and growth of different countries have far less to do with their abundance (or lack) of natural resources than with the capacity to improve the quality of human capital and factors of production: in other words, to create new knowledge and ideas and incorporate them into equipment and people (David and Foray, 2002, p. 9).

In the knowledge economy context, there is also a shift in the forms of knowledge that are most valued, and which constitute key inputs into innovation. Under traditional models of innovation, it would be formalised and codified forms of scientific knowledge that would constitute the ‘inputs’ for new products and services.

In the emergent global economic environment, however, the distinction between knowledge and information has become increasingly important. Information refers to codified knowledge, that has been translated into data and which, with developments in networked ICTs, can be reproduced cheaply and disseminated widely. By contrast, knowledge ‘involves a much wider process that involves cognitive structures which can assimilate information and put it in a wider context, allowing actions to be undertaken from it ... knowledge in turn combines the process of learning’ (Howells, 2000, p. 53). Moreover, the distinction between *explicit* and *tacit* knowledge, or knowledge derived from direct experience, and the value attached to the latter as a unique source of innovation, presents major challenges for large organizations in developing strategies to capture such knowledge and manage it by developing a *learning organization*; it also requires the ability to tap into knowledge-creating networks outside of the organization.

### **Innovation, Entrepreneurship and the ‘Creativity Boom’**

Creativity is something of a global ‘buzz word’ at present, and may be a new ‘axial principle’ for 21<sup>st</sup> century societies (Healy, 2002). Talk of creative cities (Landry, 2000), creative industries (Hartley, 2005) the rise of a creative class (Florida, 2002), and indeed of a creative economy (Howkins, 2001), point to a *cultural turn* in contemporary economies and societies (du Gay and Pryke, 2002; Jeffcutt and Pratt, 2002). For Mitchell *et. al.*, networked ICTs point to creativity displacing productivity as the central driver of national performance in the global economy:

Creativity plays a crucial role in culture; creative activities provide personal, social and educational benefit; and creative inventions (“better recipes, not just more cooking”) are increasingly recognized as key drivers of economic development ... This report argues that, at the beginning of the 21<sup>st</sup> century, information technology (IT) is forming a powerful alliance with creative practices in the arts and design to establish the exciting new domain of information technology and creative practices – ITCP (Mitchell *et. al.*, 2003, p. 1).

Cunningham (2005) understands the rise of the creative industries in the context of a knowledge economy implies a distinctive enabling role for the state, since ‘Creative enterprises are beginning to be seen, and to see themselves, in light of these new frameworks for innovation and knowledge-based industries, which may be the most likely to advance the sustainability and positioning of the cutting-edge of the creative industries into the future’ (Cunningham, 2005, p. 283). Such arguments parallel Venturelli’s claim that the new ‘wealth of nations’ in the global knowledge economy resides in culture and individual creativity and talent, and that ‘the greater cultural concern should be for forging the right environment (policy, legal, institutional, educational, infrastructure, access etc.) that contributes to this dynamism’ (Venturelli, 2005, pp. 395-396).

While there is some official rhetoric about the importance of developing a ‘creative China’<sup>2</sup>, the leapfrog from an industrial to a knowledge economy is largely in evidence only in small pockets of urban elites. Nonetheless, this shift will need to continue if China is to compete not just as the world’s factory, but also as a leader in

the global knowledge-based economy, rather than an economy dependent upon foreign investment and a producer of the IP of others. Creativity in this context is paired with the concept of adaptation (*gaibian* – to change something), and the concept of ‘creative industries’ (*chuangyi gongye*) continues to sit uncomfortably in the context of the Chinese cultural industries (*wenhua chanye*). Nonetheless, it is this pairing of creativity with adaptation which is providing new ways in which business education and business in China more generally are dealing with what is useful from Western MBA-type academic programs.

Innovation has been defined as ‘the productive use of knowledge manifested in the successful development and introduction of new products, processes and/or services’ (Dodgson *et. al.*, 2002, p. 54). The development of sustainable innovation systems is central to the current and future growth of East Asian economies, as competitive advantage in global markets is increasingly based upon the skills, institutional networks, forms of experience and tacit knowledge, and international collaborative arrangements that sustain a *creative milieu*, and hence new ideas, in an increasingly knowledge-based global economy (Yusuf, 2003). A belief in the importance of innovation (*chuangxin*) has long been a characteristic of China’s leaders, although uses of the term have differed considerably over time (Li *et. al.*, 2002).

The OECD (2001) has identified the keys to superior performance in the ‘new economy’ as being linked to: ICT uptake; investment in education and skills formation; promoting innovation and its commercialisation; and enabling entrepreneurship and new enterprise development. In the Chinese context, the link between innovation and entrepreneurship is strong at a rhetorical level, although the extent to which this has emerged independently of the patronage networks of backers (*houtai*) from the Chinese party-state is certainly debateable. Entrepreneurship in China speaks mainly to the capacity of certain individuals to make money work for them in a period of growth. Entrepreneurs have become a byword for change in social behaviour and a catch-all concept in Chinese popular culture. Bookshops abound with celebratory accounts of local and national entrepreneurs, and the notion of ‘jumping in the ocean’ (*xiahai*) from SOEs to private entrepreneurship has wide currency in China. Interestingly, we found that most of the students in the EMBA programs do not characterise themselves as entrepreneurs, with many students already being well positioned in the national economy and looking to advance opportunities through their accumulated networks.

## **The Boom in MBA Programs in China**

The Masters of Business Administration (MBA) degree has historically been contrasted to programs in Commerce or Economics on the basis that, while traditional business education has principally been discipline-based and specialised first degrees or research programs, the MBA aimed to provide a synthesis of business skills, and was typically undertaken as a second degree by people already established in corporate organizations. The MBA has thus established itself as a practical degree, undertaken for reasons of professional and career advancement, by people who have acquired practical skills in either their first degrees or on the job. Thrift (1998) has

argued that the MBA has come to specialise in *reflexive knowledge*, which combines the systematisation of exiting business knowledge (such as the famous Harvard case-study method), the synthesising of academic knowledge into practical *formulae* that can be applied in business organizations, and modes of knowledge creation and exchange that arise from the ‘testing’ of academic knowledge against practical business experience. The rise of the MBA and the business school has also been related to the growing importance attached to ‘soft skills’ in new business practice. In contrast to the traditional focus of business education on practical skills such as accounting and financial management, there has been a growing importance attached to relatively intangible and *inter-disciplinary* skills in areas such as leadership, entrepreneurship, communication and creative problem-solving (Thrift 1998: 175).

Business schools and MBA programs are a relatively recent development in Asia and, until recently, the majority of Asian students did MBAs abroad, in the US, Britain, France or Australia. The growing demand for MBAs in Asia has been related to economic globalisation and foreign investment; and the resultant interconnection of Asian business managers with business centres in North America and Europe, as well as the need to professionalise management practices and address a general shortage of people with management skills. In the case of China, the rise of Deng Xiaoping to leadership of the Chinese Communist Party in the late 1970s, saw a priority was placed upon the development of Western-style business management skills in State-Owned Enterprises (SOEs). While the adoption of the ‘Four Modernisations’ (agriculture, industry, science and technology, and defence) and *gaige kaifang* (‘reform and opening up’) policies signalled a move away from a centrally planned economy, China’s enterprise managers had very little knowledge and skills for their new roles in a market economy. After a ‘secret visit’ by U.S. special envoy George Schultz (who became U.S. Secretary of State in 1981 under the Reagan Administration) to China in 1979, a Sino-American industrial technology cooperation agreement was developed, and, based on this agreement, the Chinese Industrial Technology Management Training Centre was built in the Dalian University of Science and Technology. In this centre, U.S. academics provided management knowledge and skills for Chinese SOE managers, and it constituted the first MBA training program in China (Wu Shinong, Tong Yunheng, 2001). Significantly, the political climate of the times was such that it was developed in the coastal city of Dalian in the northern-eastern province of Liaoning, rather than in Beijing or another major metropolitan centre, as there remained considerable political sensitivity about adopting Western ‘capitalist’ management techniques in a socialist economy. This was followed by other training cooperation programs with overseas organizations, with the most famous and lasting of these being the co-operation agreement between the Chinese government and the European Community (now the European Union) in 1985, which led to the development of the China-Europe International Business School (CEIBS).

The 1990s saw renewed growth in MBA education in Chinese universities, with the number of universities involved in MBA education growing from nine in 1991 to 62 in 2001. As Table 1 below indicates, this coincided with substantial growth in the number of students enrolled in MBA programs to over 32,000 by 2001. The number of Chinese who enrolled in MBA programs abroad is not known, but stories have circulated widely about ‘MBA fever’ in China, and the achievements of those who have acquired MBAs from Harvard or from prestigious local programs such as

Guanghua School of Management at Peking University, Qinghua University or CEIBS (Gittings, 2002; Rosen, 2004). Some sources have estimated the total enrolments as being as high as 82,000 students in the period from 1991 to 2003, with over 4,000 students enrolled in Executive MBAs (EMBA) (Lui Wei, 2003). As Table 1 also indicates, a substantial proportion of recent enrolments have been people in the workforce undertaking the program on a part-time basis, who now account for over 40% of enrolments.

**Table 1**  
**Students enrolled in MBA programs in China, 1991-2001**

Year	New enrolments			Total enrolments		
	Full-time	Part-time	Total	Full-time	Part-time	Total
1991	105	39	144	144	0	144
1992	149	0	149	293	0	293
1993	380	28	408	558	28	586
1994	1364	60	1424	1882	88	1946
1995	1172	0	1172	2913	88	2956
1996	2190	220	2410	4636	265	4901
1997	2417	63	2552	5555	208	5763
1998	4233	2853	7086	8877	2993	12114
1999	5112	3661	8773	11896	6552	18359
2000	5634	5075	10796	15002	10210	25231
2001	7121	5052	12173	18970	13283	32393

Source: Wu Shinong, Tong Yunheng, 2001, p.10.

MBA education in China has sought to manage the tricky path between skills development in a global program and adaptation of material to the specificities of the Chinese context. As most Chinese universities and institutes have limited experience and knowledge about MBA programs, they still do not have enough qualified teachers or suitable textbooks and case studies that represent Chinese business and management conditions. Most MBA training programs use American textbooks and case study materials, but in our research students frequently complained that they had few opportunities to work with Chinese case studies, and the very different Chinese business environment, in their MBA courses. At the same time, the elite U.S. programs continue to constitute an international benchmark, as Hu Dayuan, President of the Beijing International MBA at Peking University, observed in commenting that ‘we will call Peking University “China’s Harvard”, while the American people would not call Harvard “America’s Peking University”’ (in *China Economic Net*, 2004). Partnerships with leading north American and European universities have been an important mechanism for addressing this perceived ‘gap’ between Chinese MBA programs and international best practice, as has been the presence of overseas academics, sometimes termed that ‘grey-haired American Professor’, as a source of up-to-date content knowledge and, no less importantly, international contacts and networks.

The more general, and in some ways trickier question, is whether the MBA presents itself as the qualification best suited to promoting creativity leading to innovation in large organizations in the knowledge economy, or indeed promoting new forms of entrepreneurial activity. MBA programs are certainly attuned to these new trends, and have been promoting new courses in what are described as the *inter-disciplines*, in areas such as entrepreneurship, leadership, creative problem-solving and change management. Indeed, in China, visiting American management gurus and ‘change agents’ such as Peter Drucker, Michael Porter, Steven Covey (author of *The Seven Habits of Highly Effective People*) and former General Electric CEO Jack Welch are mobbed by crowds and treated like rock stars (Barboza, 2005).

As academic programs characterised by a high degree of reflexivity, a need to be responsive to industry demands, and an uncertain relationship to the traditional academic disciplines, the quality of MBA programs is a subject of continual debate. While MBA programs were criticized in the late 1950s for being not academic enough, by the 1990s they were being criticised for being ‘too academic’ and out of touch with the ‘real world’ of business, which prompted a greater focus upon applied knowledge, case studies and industry placements. In the current context of the knowledge economy and innovation-led growth, writers such as Henry Mintzberg (2004) have condemned MBA programs as promoting generic, ‘cookie-cutter’ approaches to business management that are at odds with the well-springs of entrepreneurship. Daniel Pink (2004) has argued that the MFA (the Master of Fine Arts) may in fact be of more value than the MBA, because they promote creative, innovative, ‘out-of-the-box’ thinking and conceptualisation of problems. And there are those in the business community who would prefer to employ the PhD in 19<sup>th</sup> century Russian literature to the MBA graduate because, as one employer put it, ‘if they can understand Dostoyevsky, they can certainly understand our marketing plan’ (quoted in Andrews and Tyson, 2004).

## **Newness and Innovation in Chinese MBA Education**

‘MBA fever’ (Rosen, 2004, p. 165) has shown little sign of abating in China. Moreover, the Executive MBA has emerged as an elite qualification within the MBA field, and one which leading Chinese universities hold significant hopes of establishing as an offering that can be successful in international markets. The CEIBS MBA was ranked 22<sup>nd</sup> in the world and 1<sup>st</sup> in Asia by the *Financial Times* in 2005, and the Executive MBA (EMBA) was ranked 34<sup>th</sup> in the world and 3<sup>rd</sup> in Asia in 2005. The EMBA was introduced at CEIBS in 1995, as a two-year program taught in both English and Chinese, and targeted more at senior Chinese business executives, and expatriates seeking to do business in China, rather than SOE managers, who remain the core constituency of MBA programs in China. The CEIBS EMBA is the largest EMBA program in the world, with about 500 enrolments each year; it is offered in both Shanghai and Beijing, and has an active international exchange program.

The Guanghai School of Management at Peking University also offers a Special International MBA (SIMBA), a 20-month Executive MBA (EMBA) program, and a non-degree Executive Development Program. The SIMBA program is offered in partnership with the National University of Singapore (NUS) and the ESSEC in Paris,



France, as a two-year program with one year at Guanghai and one year at NUS or ESSEC, with students receiving a degree from both institutions. Enrolment is subject to English language standards, and the program is very much designed to produce internationally mobile graduates. The Executive MBA is aimed at senior managers with 10 years or more of business experience, and is taught in a more modular format, with four-day seminars occurring monthly. The Executive Development Program is a non-degree program targeted at senior management education, which the School identifies as its most 'competitive component', including customised training programs developed in collaboration with partnering industry organisations and tailored to their needs.<sup>3</sup> The EDP had also established in 2003 a successful six-month Women's Executive Program.

There is great pressure for collaboration at all levels – between Chinese and non-Chinese universities, businesses, universities and other education service providers, and among Chinese universities and other education service providers. The entry of a large number of non-Chinese universities into China to offer degree programs is immanent, and the entry of leading overseas institutions will make the Chinese higher education market much more competitive very quickly, and will require adaptiveness from the local Chinese universities. In the area of university-business partnerships, and related 'spin-offs', the development of the Qinghua University Training Centre of Professional Managers, as a 'just-in-time' provider of management training that is linked to Qinghua University, established by graduates of the Qinghua University MBA and operating in an Enterprise Centre close to the university, provides one example of how such collaborations may be developed. Another opportunity was Guanghai linking with Motorola University, which has been a pioneer of the global 'corporate university' model, around the provision of globally-focused management education (Cunningham *et. al.* 2000).

The challenges that such developments will present for MBA education in Chinese universities can be clustered into three elements. The first is the future role of the state in Chinese higher education, particularly at the level of second degrees undertaken by working professionals. While MBA programs have a high degree of autonomy, this nonetheless remains dependent upon state agencies agreeing not to intervene, rather than this being an expectation of market-oriented professional degree and lifelong learning programs. Students at one university wryly noted that they couldn't comment on the quality of the Chinese Politics course taught as a compulsory subject into one MBA program, since they didn't go to classes, which they saw as CCP propaganda. The second set of issues concern balancing the global and the local. While the MBA has emerged as something of an international business education 'passport', its template has nonetheless remained U.S.-based management education. Students in particular noted that, given the time lags involved in translating U.S. textbooks into Chinese, as well as the lack of international experience of many of their Chinese professors, they may be receiving out-of-date educational materials that focused upon the wrong topics. The third set of issues, related to the second, concerned the relevance of the MBA qualification in China. This was partly related to resistance on the part of Chinese enterprises, particularly in the state-owned enterprise (SOE) sector, to employ graduates whose mission was to change long-established management practices. As there is a turn from MBAs being focused upon the management of existing large, vertically-integrated enterprises, towards the need to be

innovative, entrepreneurial and creative in an ever-changing global business environment, and as specialised qualifications such as EMBA and IMBA continue to grow, such questions will emerge more sharply. What our research into some of the leading MBA programs in China did not find was a particularly strong focus upon creativity and its relationship to innovation in a knowledge economy. While responses to the question of whether creativity was important to a business qualification today tended to generate *pro forma* answers along the lines of 'of course', the actual connection between such priorities and the content of the MBA programs surveyed remained tenuous and somewhat obscure, linked by the different concept of adaptation to changing circumstances.

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<sup>2</sup> Keane (2004b, p. 276) has drawn attention to recent statements endorsed by the Chinese Ministry of Culture which refer to the need for China to make the transition from an economy that over-emphasises traditional methods and learning from others, to a 'creative economy' where originality is acknowledged and valued. Making reference to creative industries developments in Singapore, Hong Kong and Korea, it is noted that this has important implications for education, in particular the need to move from 'duck-style feeding' of students with facts, to promoting more self-directed learning and creative initiative.

<sup>3</sup> EDP clients have included IBM, Nokia, Samsung, China Telecom, Panasonic, Motorola and Hewlett-Packard. Lu Feng, Associate Director of the Executive Development Program, indicated that, in a case such as Panasonic, 70 per cent of case studies would be drawn from Panasonic, 20 per cent from other

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companies in related industries, and 10 per cent being more 'generic' MBA content (Interview with Lu Feng, 2004).