

EVOLUTION OF TRADITIONAL UNIVERSITY BUSINESS SCHOOL INTO MARKET-ORIENTED KNOWLEDGE PROVIDER

RAZVOJ TRADICIONALNE SVEUČILIŠNE POSLOVNE ŠKOLE U TRŽIŠNO ORIJENTIRANOG PONUĐAČA AKADEMSKOG ZNANJA

TRŽIŠTE

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Review

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SAŽETAK

Svojim pridruživanjem Europskoj uniji (EU) tranzicijske zemlje Srednje i Istočne Europe (SIE) ušle su dinamično razdoblje sveobuhvatnih promjena i u vlastitom nacionalnom društvenom okruženju. U okviru ovih promjena je i Bolonjski proces, pomoću kojega će se visoko školstvo u sve većem opsegu integrirati u zajednički europski prostor visokoškolskog obrazovanja. Predviđeno usklađivanje visokoškolskih struktura zamišljeno je kao jedan od stupova u transformaciji Europe u društvo znanja s konkurentnijim poduzećima i visokim školstvom. U procesu dinamične transformacije zemalja iz regije SIE i sveučilišne poslovne škole suočavaju se s raznolikim vanjskim

ABSTRACT

By accession to the European Union (EU) transition countries from Central and Eastern Europe (CEE) entered a dynamic period of comprehensive change in their national societal context. Part of that changing context is the Bologna Process, by which higher education will be increasingly integrated into a unified European cross-border higher education area. Proposed harmonization of higher education structures is viewed as one of the key pillars in transforming Europe into a knowledge-driven society with more competitive businesses and higher education. In the process of dynamic transition of CEE countries university business schools are also confronted

izazovima, posebice s pojačanim konkurentskim pritiscima, koji proizlaze iz globalizacije produkcije znanja i poslovnog obrazovanja. Ove promjene itekako će utjecati na njihov budući prosperitet u okviru nastajanja jedinstvenog europskog visokoškolskog prostora. U članku se kritički ocjenjuju ključne strateške promjene u širem kontekstu poslovnog obrazovanja sa stajališta njihovih implikacija na sveučilišne poslovne škole u poslovnom okruženju u tranzicijskim zemljama i njihovih napora za primjenu primjerene strateške prilagodbe promjenama u društvu. Na osnovi sveobuhvatne analize relevantnog institucionalnog konteksta potom se iznosi konceptualni okvir za stratešku prilagodbu poslovnih škola promjenama u europskoj visokoškolskoj stvarnosti.

with a variety of external challenges, particularly with increased competitive pressure evolving from a globalization of knowledge production and business education which affect their future prosperity in the emerging European Higher Education Area. In the article we critically evaluate key strategic developments in a broader business education context from a perspective of their implications for the university business schools in transition countries in their effort to accomplish a proper strategic adjustment to changes in society. On the basis of comprehensive analysis of relevant institutional context, we present the conceptual framework for a strategic alignment of business schools with a changing European higher education reality.

1. INTRODUCTION

1.1. Research context and problem delineation

Business schools are important higher education institutions with a visible mission in a society in which they function as independent private business education institutions or, alternatively, as part of the national public higher education system. University business schools mostly operate as member institutions of public universities in CEE countries but in some countries in the wider Europe as well as in the United States they may operate as member institutions of private universities or else function themselves as universities (for example, the University of St. Gallen in Switzerland). Irrespective of their legal status in a national higher education system, however, all business schools have recently been exposed to increasing dynamics and challenges in their broader external environment in relation to the: (a) alignment of their academic institutional system with the Bologna Process principles and model of harmonized higher education structures, (b) opening of national higher education to privatization and increased competition, (c) institutional treatment of higher education as private goods rather than exclusively as a public good, (d) spreading use of information technology in higher education, (e) increasingly demanding customers of their services and other stakeholders in society, (f) changing business environment in the globalization of markets and higher education. These are only a few of the challenges facing business schools that require from their leaders and faculty to focus their efforts on developing a more comprehensive understanding of the critical implications of external change for their business schools, school management and operation in the academic world and particularly for the future position of schools within the business community and broader society. As knowledge and innovation increasingly function as key drivers of the com-

petitiveness of businesses and prosperity of the global society, they tend to be treated as marketable goods and as a lucrative market product that may be offered in the marketplace by a broad array of knowledge suppliers.

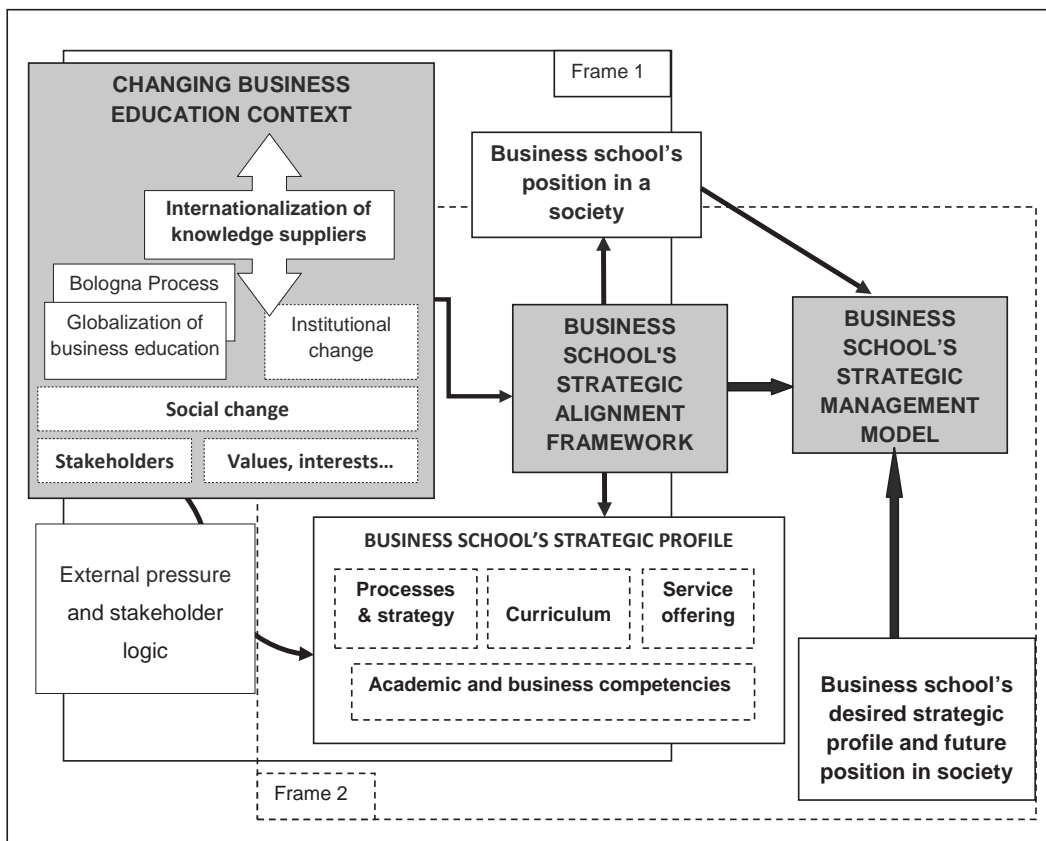
Due to a dynamic proliferation of new business knowledge providers that have recently entered the business education marketplace in transition countries, the position of university business schools as traditional credible knowledge providers has started to erode. Besides numerous private business schools that entered the marketplace during recent years of dynamic privatization of higher education, a variety of non-traditional suppliers have entered the market for business knowledge and education, business consulting, and research. MBA and non-degree programs, shorter management courses, business consulting and research for businesses in particular have received the broadest attention in the marketplace. Additionally, the spread of the Internet and information technology has offered new possibilities for implementing business education thanks to more flexible and pragmatic approaches to extending the accessibility of education offering to foreign students through distance-learning programs and by other innovative approaches to delivering content to customers. With a broader offering of mostly similar business education programs the competition for students has increased and, accordingly, the marketing and business sides of business school operations have become as important as their academic processes. Thus, a strategic adjustment of business schools to a more uncertain world should start with a profound and comprehensive evaluation of market dynamics and change in the business education and broader environment. Detailed strategic analysis forms the foundation for evaluating the appropriateness of school's own resources and competencies, for defining its future strategic ambitions and delineating a desired position that the school wishes to occupy in a future competitive and dynamic academic setting.

1.2. Research methodology

The research relies on a basic assumption that, due to growing understanding of knowledge and business education as lucrative market and export products, local business schools in transition countries will be exposed increasingly to competition in the marketplace. Not only is competition at the business school and university level expected to increase but so is competition between countries that will increase amid efforts to make their respective national academic environments into internationally attractive study and research locations in order to attract the best foreign students and international academic researchers. We also assume that a much broader and comprehensive response by business schools is required because the alignment of program structures with the Bologna Process

seems to be mainly a structural alignment of higher education to comply with harmonization principles. It involves no broader, strategic institutional alignment of university business schools with changing business education in the emerging globalization of higher education or with the vision of society of a more sustainable development and prosperity. In our analysis we will use a dynamic societal setting as a research framework from the perspective of university business schools in transition countries, as we see them increasingly exposed to competition in their local environment in face of institutionally guided privatization of higher education. At the same time, they are also affected by the opening of their local markets to international competition – considered to be a part of the transition process of these countries toward an economy that will be based on the liberal market concept. We summarize our research approach in Figure 1.

Figure 1: Business school transformation process research design



The research is divided in two parts. First, we will explore key changes in the higher education landscape by putting the Bologna Process in a broader framework of market and societal dynamics in Europe in order to identify key implications for a strategic adaptation process of university business schools in transition countries (Frame 1). Based on comprehensive understanding of the business education context, we shall proceed to devise a coherent set of proposals for a strategic management and adaptation process of business schools focused on their effective alignment with a dynamic external and internal university context (Frame 2).

2. BUSINESS SCHOOLS IN DYNAMIC MARKET AND ACADEMIC CONTEXT

2.1. External challenges for business education in transition countries

One of the most visible effects in the CEE countries that have recently become member countries of the EU lies in increased market dynamics, accompanied by a variety of changes in their national economies and broader society. By opening their economies and other parts of societal life to external influences, not only has competition in their markets increased; dynamics in other parts of society have also accelerated as a plurality of stakeholders, interest and interactions has emerged. In this process business schools and universities have become more exposed to the influences of globalization and with privatization while, on the other hand, local competition in their national higher education context has also gained new momentum. In their accession process to full membership in the EU, transition countries have agreed to make comprehensive adjustments of their national institutional systems and regulation to that in the

EU. Other pressure came after 1999, when the Bologna Declaration was signed as the institutional response of the EU to increased globalization of higher education. It was conceived in order to make the European higher education system more competitive through harmonization of academic structures, increased mobility of students and academic staff and, also, to make its overall institutional system more competitive through the explicit exposure of higher education institutions to competition in a wider European Higher Education Area (EHEA) that will emerge from this process.

As barriers to entry in business education are much lower in comparison to establishing an academic institution in other fields of sciences (for example, in natural and technical sciences), market dynamics increased substantially particularly in business education after numerous new players had entered the marketplace. Such dynamics were partly a result of explicit institutional (regulatory) support to the privatization of higher education in the expectation of governments that a greater variety of education offering in the marketplace will broaden student access to higher education and make it more affordable for them. By accepting the 'private goods' perspective on higher education, its funding, instead of being mostly public, becomes more of a personal matter of those interested in the access to higher education.¹ However, it is not self-evident that a broader offering by a variety of knowledge providers will automatically be reflected in a higher quality of the education offering in the marketplace. Instead, an exaggerated market orientation of business schools may be seen as a strong argument in favor of the claims that governments do not have a clear vision yet of how they intend to protect the broader mission of traditional public higher education in society.² On the other hand, there is a spreading shift around the globe toward restructuring higher education as a market, rather than a regulated public sector as it alleviates pressure on governments to put higher education high on the list of their priorities for budgetary fund-

ing.³ Thus, with an increasingly liberal institutional policy toward higher education, university business schools have become more exposed to competitive pressure exerted by non-traditional and more flexible private business schools entering the marketplace.

In the past, university business schools in transition countries have been used to operating in their pretty stable local higher education environment, characterized by guaranteed budgetary funding within the public higher education system and extensive institutional regulation that raised the entry barriers in the sector and enabled higher education institutions to thrive in their efficiently protected national higher education context. Entry barriers were additionally raised by a specific societal and political setting, and particularly by the idiosyncratic cultural (language) context. As the local higher education market opened up, that stability was lost and the exposure of university business schools to competitive pressure has increased accordingly. The times in which business schools operated largely as a kind of a public monopoly⁴ are obviously approaching their end, and such a change may be noticed throughout the public sector in transition countries.

Faced with a variety of external pressures, business schools have started to search for a new business school model of their academic *and* business operating framework in order to improve their efficiency and competitiveness in a more dynamic business education context. Additional pressure was made by institutional transition to the liberal market system accompanied by profound changes in all parts of society, particularly through the extensive social class stratification, changing demography (aging of population) and dramatic change in the ownership structure as a result of privatization of businesses. Thus, in transition countries, a more dynamic institutional setting is emerging, along with new challenges for all institutions in society, for its stakeholders, businesses and citizens. Due to increasingly restrictive practices in pub-

lic finance and changing priorities in budgetary funding, particularly during the recent global financial and economic downturn, the public higher education sector has been additionally forced to adopt a more market-oriented behavior. A typical business response to increased competitive pressure due to the privatization of higher education and opening of local academic context to international influences is aggressive market promotion and competition for students. Obviously, in this "industry" politics and ideology have also taken a subordinated role to profits and market-driven politics.⁵

Profound changes in higher education thus clearly signal to business schools in the public sector that they will, in the future, need to live in a more *unpredictable competitive environment*, in which efficient and effective market-oriented behavior will be the key to their future prosperity. Such trend is additionally strengthened by public funding restrictions and by institutionally prescribed student enrolment quotas for university studies in specific study areas. Competitive pressure is also made by new learning models that have recently surfaced with the support of new technologies. While making the access to knowledge more efficient (for example, virtual and mobile learning), at the same time, they make the local higher education significantly more exposed to international competition.⁶ Local business education markets thus become less and less protected by their geographic location, as expansive competitors from other locations can efficiently extend their activities across their home country borders. Once the harmonization of higher education structures is completed and the wider European higher education wide opens to student mobility, the competition for students among universities within the EHEA will increase additionally. Thus, in a modern world we see innovation, knowledge creation and dissemination as very tightly inter-related concepts.⁷ In this process, obviously due to the nature of their education, university business schools in particular are often most severely exposed to competition in the marketplace.

Numerous private business schools have recently entered the marketplace, and as independent knowledge providers they use more pragmatic approaches in their marketing strategies and aggressively promote their education offering. They were better prepared to listen and adapt to the expectations of their customers than traditional university institutions. They are often tightly managed with a business model that is typical for companies in the traditional business world and is based on effective management and profit-oriented operation. Thanks to more streamlined decision structures, they are able to respond quickly to changes in the marketplace. Very often, they operate at lower fixed costs because they do not possess all faculty resources and other infrastructure needed for implementing their programs, but rather base their business model on contractual relationships with selected external faculty and business partners. In Slovenia, for example, new private business schools have recently markedly eroded the market position of established university business schools with their aggressive marketing and pragmatic approaches, particularly in the vocational business education segment. Therefore, it is no longer unusual that the business interest is put higher on the priority lists of their leaders while academic principles represent a relatively weaker part of their institutional culture and behavior.⁸

We conclude that, in the dynamic transition of CEE countries, university business schools are confronted with a much broader variety of challenges in their national context than are similar institutions in Western countries that have a long-standing tradition in market economy as well as an already existing highly competitive higher education landscape. A more dynamic context will force them, as *traditional* academic institutions, to evolve into more flexible, market-oriented, and *innovative* business education providers. Leaders of university business schools operating at the forefront of the competitive higher education market will need to pay greater attention to efficient management of their organizations by

strengthening their institutional effort for more innovative and revenue-driven operation in the marketplace. To avoid the danger that such an approach might play down the academic quality side of the business education,⁹ they will have to 'soften' their increasingly aggressive market-driven operation by paying more attention to schools' responsiveness to broader needs of their society. In this strategic transition process it is also expected that the faculty of university business schools will be increasingly pushed from the comfort zone of their academic freedom as an academic value, which traditionally used to be understood as their widest possible professional autonomy. These challenges may be particularly demanding for university business schools in transition countries, as they need to replace their traditional deeply-rooted managerial practices with modern management approaches in order to be able to better cope with challenges in a broader European higher education landscape.

2.2. Business school and the evolving European business education and knowledge market

Due to a dynamic development of technologies and globalization, knowledge has increasingly become a lucrative marketable goods that is provided in the marketplace by a broad variety of academic *and* non-academic institutions operating in knowledge production and dissemination with a business model based on the market paradigm '*value for money*'. As in other sectors of economic activity, so should in business education the *business model* of business schools also be analyzed from the perspective of key driving forces that are *sector-specific*.¹⁰ Amid changes in the external context the traditional operating environment of business schools is becoming more unpredictable as it is constantly *reshaped* by market forces, innovation and by broader institutional change. Business schools

in Europe operate in an increasingly competitive context, and many of them are developing organizational and management approaches and market behavior similar to those of traditional corporations with the aim to strengthen their competitiveness in the marketplace. As the emerging globalization is characterized by the opening of local higher education markets, numerous business schools have recently strengthened their internationalization effort by aggressively extending their operations into foreign markets either through inward or outward internationalization strategy.

With unfolding of a knowledge-driven economy the institutional logic of markets is emerging as a dominant alternative to traditional academic logic in higher education institutions. As Seers notes critically, by pushing aside their historical academic norms in higher education, these institutions have lost their traditional monopoly in knowledge production.¹¹ On the other hand, managers in the business world increasingly expect from business schools to receive *useful knowledge* that should contribute to improved competitiveness of their businesses. They form their personal perceptions about the credibility of business schools on the basis of the added value of academic knowledge that is provided to them by business schools. Thus, providing managers with useful and usable practical solutions for their key business challenges is crucial to the relevance and reputation of business schools in the business world and in the broader community.¹²

In the dynamic European higher education context business schools should not overlook the fact that stakeholders are becoming more critical and demanding in terms of their expectations about the relevance and quality of the academic services being provided. As other customers (clients) of academic services have also become increasingly demanding, the competition among universities for students and for lucrative post-experience education and training has increased. In order to be credible providers

of business knowledge and other services, business schools should accept those challenges that change business education as well by radical innovations in information and communication technologies.¹³ Thus, in the future, business school leaders will be forced to perform their managerial tasks in an increasingly complex operational context for their schools.

As the awareness among students and other stakeholders (managers, institutional clients, etc.) that they *are* customers of business schools grows, so do their expectations about the quality of services provided by business schools; in their perceptions and decisions they are being guided increasingly by the market principle of 'value for money'. It is therefore not surprising that business education is increasingly seen as an 'industry', rather than a mechanism for socializing and educating the young.¹⁴ Since business schools operate in the knowledge business that is increasingly based on a *service-dominant logic* of education, they need to better align their curricula, course content and teaching with the service management paradigm. Instead of using yesterday's traditional production logic – focused on separating the producer from consumer, they should base their business school model on the service-dominant logic, in which customer-oriented and relational processes are crucial to customer value creation in an *interactive process* between the faculty and student. Usually, in this process *relationships* matter most, and not the transactions.¹⁵ As business schools offer their academic services (knowledge, education, consulting, student exchange, professional training etc.) to different customer segments with a variety of clients, faculty and business schools leaders need to determine very early on, preferably in the designing stage of their business school model, which attributes of their offering they will need to target for excellence and which it might not be necessary to perform excellently. To better serve their community, business schools need to change their traditional academic technology that was developed in the context of industrial economy and transform it in a way that will bet-

ter correspond with the services and knowledge nature of the economy.¹⁶

In the presence of an emerging tendency of some governments to increasingly retreat from extensive funding of higher education and other services in the public sector,¹⁷ it is expected that higher education institutions will be even more drastically forced to accept the economic self-sufficiency mode of market-oriented behavior in the future in order to secure sufficient funding of their operation and development with the revenues *earned* through activities in the marketplace. Therefore, business schools in the public sector will also be forced to substantially improve their operating efficiency by introducing more comprehensive performance measurement systems, based on clearly defined performance measures that should include financial (cost, revenue, funding), operational (academic, marketing, quality) and measures of organizational effectiveness (rankings, accreditations, stakeholder satisfaction etc.).¹⁸

2.3. Business school mission and complexity of business education context

There is a broad consensus that the core of the business school mission is developing new knowledge through academic and applied research, and disseminating it through education, publishing and consulting as the key channels of knowledge transfer. Their independent research and observation is a basic rationale for providing the best possible critical consideration of the business and management practices that may contribute to advancing professionalization of management and serving the interest of stakeholders in businesses and in other parts of society.¹⁹ Thus, the key success criterion to the business school is to *create value* by emphasizing: *research* (creating new knowledge), *teaching* (disseminating knowledge) and *citizenship* (contributing to

the community).²⁰ It is the task of business school leaders, then, to properly align competencies, processes, strategies and daily operation of their schools with their mission in society and with the school's strategic ambitions and goals.

On the other hand, business education has recently been exposed to sharp and extensive criticism by academic researchers and business community.²¹ Highly publicized recent business scandals (Parmalat, Enron etc.) were seen as a consequence of expanding fraudulent practices of managers, their spreading moral hazard and unethical behavior of business organizations that peaked during the current global financial and economic crisis. In the extensive critique of business schools and their practices public attention was directed particularly to a variety of widespread practices that do not contribute to their mission in society, because they:

- support socially questionable managerial practices, based on the academic paradigm of shareholder value and profit orientation of businesses;
- guide their academic research by focusing on too esoteric research questions, instead of producing knowledge for solving key future problems of managers in the business world;
- design curricula and courses with excessive academic focus, instead of more seriously considering the complexity of management needs as the basis of professional competencies of students for their future career challenges in the business world;
- exaggerate with marketing pragmatism and treatment of students as schools' customers;
- go too far in their effort at polishing school image and climbing up the rankings.

The basic fear lying behind increased marketization of business education is that the academic fabric of business education may be sidetracked as the *general education* model is being increasingly displaced by a more market-oriented vocational curriculum that emphasizes *specialization* and students' *professional competencies*. The Bologna Process, with its principle of student

employability after graduation in the first study cycle, clearly strengthens such a trend. Therefore, the explicit criticism of this process points to the fact that the process itself reinforces drifting toward a vocational nature of higher education and its 'massification', which is obviously becoming a common part of the European higher education reform policy.²² Those are clear signs that the market aspects of higher education are gaining momentum and will additionally stiffen competition in business education in wider Europe. Similarly, in transition countries, the privatization of higher education and market liberalization have attracted many new players in the business education marketplace: however, due to lack of clear national accreditation standards and quality assurance procedures for academic services and processes, the academic quality of educational programs of a large number of new knowledge providers is often questionable. Many new institutions in business education in the CEE region also lack the necessary educational resources and academic culture.

The key point of quite extensive criticism of the dominant business school model tackles an exaggerated focus on the profit-oriented paradigm of management without requisite consideration of the need for a socially more responsible behavior of managers and businesses in providing their contribution to a sustainable development of society. The EFMD has recently offered a constructive path to future management and business education development with its idea of '*globally responsible leadership*' paradigm.²³ The paradigm should find a proper reflection in innovative reframing of business school curricula, school research and education process in order to better align them with a more sustainable development of society and increase a socially responsible behavior of business leaders. With such an approach the new business school model is seen as better integrating academic, business, marketing and administrative processes into a requisitely holistic view of managing university business schools as academic, market-oriented and socially responsible knowledge institutions.

Since increased opening of local business education markets to international competition is the key denominator of a changing external context for business schools, their leaders and faculty should embrace all strategic activities with a global perspective in mind in order to strengthen the strategic ability of their schools to maintain their market positions in an international competitive setting.²⁴ They must take into account the fact that, after a proposed harmonization of higher education structures has been completed and other measures for making the EHEA and ERA²⁵ part of the future European academic community implemented, higher education and research landscape will become more transparent. This will make it open not only to cross-border cooperation *but also* to competition among higher education institutions.

The information technology (Internet) has also triggered far-reaching changes in the traditional patterns of knowledge dissemination by enabling knowledge providers to implement their research and education activities more efficiently in a global context; by using flexible approaches to knowledge, providers can easily adapt their teaching processes to the knowledge and skills needs of students and other stakeholders in different parts of the globe. As part of an internationalization strategy, business schools have started to use the Internet as an efficient vehicle to internationalize their business education operations through the e-learning paradigm (for example, the Open University and Cotrugli Business School) and as a knowledge dissemination channel by providing free access to their teaching material and study information on their schools' websites. In a globally networked knowledge society that means increasing choice for students while, on the other hand, a more aggressive internationalization of business schools also increases competition for established knowledge providers.²⁶ Without proper strategic alignment with a changing competitive context the established position of traditional business schools in the market may quickly erode. Their academic credibility and reputation are still crucial to their

success because, in essence, they act as the sellers of knowledge and face similar requirements of legitimization of their professional services in the marketplace as do other providers of professional services, for example, consultants, accountants and lawyers.²⁷ Such legitimization is close to impossible without establishing and maintaining such a professional credibility of the institution as to support a consistent and widespread belief that it is truly offering their clients (customers) an attractive 'value for money' proposition.

3. EVOLUTION OF UNIVERSITY BUSINESS SCHOOL INTO A SOCIALLY RESPONSIBLE AND MARKET-ORIENTED ACADEMIC KNOWLEDGE PROVIDER

3.1. New challenges and changing mission of modern university business school

From the aforementioned discussion we may summarize that an effective strategic and market-oriented academic management of a modern university business school is embedded in a complex external context, characterized by various players, influences, and interests in their interaction. In redesigning its internal structures, processes and approaches to an effective business school management, school leaders need to properly balance the pressures coming from the business education market with the needs of a broader society. Such a comprehensive set of influences requires that they thoughtfully align

the academic challenges of their schools with their market and broader societal opportunities in order to transform the schools into modern market-oriented and socially responsible *academic* institutions. That is a complex challenge as it should ensure a balance of the needs of various stakeholders in higher education (the government, students and businesses) in a way to satisfy all without requiring of the business school to distort its academic values.²⁸ In this complex process, the leaders of business schools, their faculty and all the staff should properly integrate the logic of different stakeholders in the school's strategic operation:

- *societal logic*: contributing knowledge relevant for future needs of a society;
- *market/business logic*: providing usable knowledge to students and to the business world;
- *academic*: developing academic credibility in the international academic community;
- *public*: offering business education by demonstrating the responsible use of tax payers' money;
- *private*: properly responding to competitive pressure of new private business schools in the marketplace and effectively entering in public-private partnerships;
- *competitive*: displaying ability to compete efficiently with other business knowledge providers;
- *cooperative*: smartly using collaborative behavior for extending own academic reach internationally, and providing students with an opportunity for multicultural experience;
- *stakeholder logic*: displaying the ability to listen and adapt to the specific needs of various stakeholder groups;
- *economic*: efficiently operating at the forefront of solutions for a sustainable economic development of businesses and society;
- *technological*: equipping graduates with proper professional skills required for the use of modern technology in their professional life, and using modern technology for improving own educational process;
- *institutional and individual logic*: developing the ability to respond to key institutional

stakeholders, and listening to specific needs of each individual client.

In the strategic management process, the integrative approach is needed in order to develop a comprehensive ability to balance such a broad variety of *external factors* and integrating them into school strategy, based on own strategic resources and competencies. The university business school should also effectively serve to further the mission of the university to which it belongs. The danger of an *unbalanced* approach in the process arises, however, from increasing competitive pressure in the marketplace. It may push forward a market(ing) logic, which may start to dominate over the public mission of the business school by replacing its traditional academic values with the market logic of 'value for money'. Therefore, the business school should function as a networked knowledge organization, able to master successfully the plurality of its stakeholder interactions. Obviously, as we argue in another research, amid increased complexity of the global world a structural alignment of study structures with the principles set by the Bologna Process alone does not open a sufficiently wide space to the business school to devise comprehensive strategies, securing its future prosperity in the global business education marketplace. In this process, business school leaders need to align the school's academic and marketing strategies better with the expectations of key stakeholders and base them on the *core academic and professional competencies*, as a combination of the resources and capabilities in a way that will truly support the school in achieving a sustainable advantage. In the business school strategy formation, its institutional competencies should be considered as twofold capabilities of its staff:²⁹

- *personal competencies* are possessed by individuals and include characteristics such as knowledge, skills, abilities, experience and personality (faculty professional profile);
- *corporate (institutional) competencies* belong to the business school and are embedded in the processes and structures that tend to

reside within the institution, even when individuals leave.

In this process, a traditional strategic business school profile of the *academic* public education institution should be enriched or substantially improved with the addition of another, more *market-oriented* business quality, and strengthened by a third facet of its strategic character, namely, its mission of a socially responsible institution with properly developed sensitivity with regard to the key development priorities of its society. As far as the latter is concerned, it is recommended³⁰ that in its orientation and in the curricula reform the business school should place more explicit weight on societal responsibility, ethical thinking and ecological awareness. That will enable it to demonstrate a consistent strategic behavior, based on creative approaches to the integration of its strategic framework for *delivering value* to stakeholders with a vision of contributing to the prosperity of society.

3.2. Dynamic view of business school strategic position development

The current practice of uniting the academic and managerial function by assigning deans the role of both managers and academic leaders, to be found typically at university business schools in transition countries, has become questionable. In a dynamic market and complex institutional context, the separation of both functions might be necessary in order to enable business schools to find a proper person with required *specific* competences and managerial abilities for each function. Our discussion shows, however, that in this dynamic institutional setting the business school mission and the roles of its management and faculty are continuously changing. For example, in the faculty research process the focus of knowledge creation should not be viewed as a local effort anymore by limiting its relevance to a domestic business world and societal en-

vironment only, but rather international and global because both businesses and business school key stakeholders are increasingly competing across the globe. As business schools are increasingly pushed to earn additional financial resources in the marketplace, revenue generating activities should be shifted up on the priority list of their leaders and, if they are to become more efficient providers of business education services in the marketplace, they should make their schools more sensitive to the market's needs. Since higher education is embedded in a broad *institutional* paradigm of knowledge as marketable goods, the effectiveness of business school management depends increasingly on the understanding of how institutions at all levels affect the operating context of business schools by framing their external circumstances and value adding opportunities that are open to business schools.³¹ Thus, from a resource-based view of business school capabilities and resources their development needs to be placed in a *proper market* and *institutional setting* that defines the scope of their development, upgrading and their efficient use.

From a competitive perspective, university business schools are not always positioned favorably in the marketplace compared to more flexible and nimble independent private business schools. As member schools of the university system, they may be in a disadvantageous position because in their operation they need to comply with the institutional regulatory framework, which sets the basic 'rules of the game' for their organizational structures, governing mechanisms, academic procedures etc. They are also subordinated to the university governing system, which used to be rigid due to often complex academic and business governing structures, rigidly defined management competencies of their deans and bureaucratic procedures within the university – that may all slow down decision-making. A common result of such rigidities is a slower responsiveness to market change in comparison to private business schools that act as more flexible business knowledge providers

in the marketplace. As the university consists of a broad academic community with different interests of its stakeholders (member schools, faculty, administrative staff, students etc.), decision-making processes are often excessively political in their nature, with much lobbying and *ad hoc* coalitions to be formed; all that takes time and, as Lorange notes, may result in the loss of speed and flexibility that are so critical to success in the modern business school.³²

Early on, business school leaders need to identify key systemic rigidities, assess their implications for the business school and try to find ways out of such situations in order to avoid responding slowly to external changes as such strategic behavior may endanger their future prosperity. Here, their explicit professional contribution to more efficient governance of the university system is desired and expected. In their internal school setting, deans do not always possess all the necessary formal competencies for the development of independent school's strategic assets and resources. This is partly also due to discrepancies, sometimes informal, between the faculty's *personal* research and business priorities and the school's *institutional priorities*. Academic research should be driven by the faculty's own interest but the deans can certainly develop a necessary coordination around some proposed knowledge areas³³ so as to enable the school to preserve its strategic orientation and profile. In reality, however, there is a real danger that university business schools may also accept, particularly in their thirst for sufficient resources, a simpler idea of business education as a marketable commodity and as a purely instrumental system of production and consumption that is based on a market value proposition.³⁴

Business school leaders must understand, however, that there are formal and informal institutions³⁵ and that both influences should be accordingly considered and assessed. Thus, in developing an efficient managerial framework, the institutional conditions³⁶ should be considered from the perspective of all relevant parts of its

external context (academic, business, societal). University business schools in transition countries can no longer escape growing competitive pressure as their local higher education systems become increasingly integrated into the EHEA. However, their transition process in aligning their structure and management approaches with a more competitive environment may be more cumbersome due to the specific historical backgrounds of their higher education systems and the administrative heritage from former systems. Aggressive commercialization of higher education in transition countries, privatization of higher education and the treatment of knowledge as lucrative market goods are typical institutional changes that push and motivate business schools to strengthen their revenue-earning activities in the marketplace. But combining both the common academic and marketplace logic may lead to transforming the whole system of the business school operation into a kind of a higher education bazaar.³⁷ Therefore, university business schools should develop an innovative business school model with a blended approach to their future operation. Such a model relies on a more pronounced market-oriented academic orientation, one framed by deep sensitivity to a sustainable development of society. Such an approach will be comprehensively mirrored in all school processes, activities and relationships with stakeholders in society. We have shown in another research³⁸ that this process needs to be conceived broadly enough to be relevant to the business school strategy in aligning it with future needs of the business world and society as a whole.

Similarly to the developments in traditional markets for goods and services, so will the proliferation of market players in business education inevitably lead to increased *differentiation* and *performance*.³⁹ Consequently, more effort of all players will be put into the strategic management of their activities with the aim to strengthen their market position by increasing the marketing effort and sharpening the academic profiles of schools. The academic landscape and the busi-

ness education marketplace will thus increasingly be characterized by elite and mass education knowledge providers. Due to different missions and strengths and highly diversified strategic profiles of business schools the business education market is becoming more segmented, and the reputation and image management will be seen as key priorities of their leaders. Marketing and promotion will get a much more prominent role in business schools' business behavior in their effort to escape the negative effects of increased commoditization of business education. Growing competition among European universities, as well as among independent business schools, for international students and for money is already seen as a visible result of such structural change in the higher education marketplace. In executive education in Europe, many business schools are already offering quite similar programs with similar course structure and content. As there is less and less differentiation among them, in this increasingly crowded segment of the executive MBA education the competition is expected to increase substantially. As business education is evidently drifting toward a commodity marketing effort of many business schools competing for new students, some business school leaders see in the business school *processes*⁴⁰ the sole and key remaining strategic source of schools' competitive differentiation.

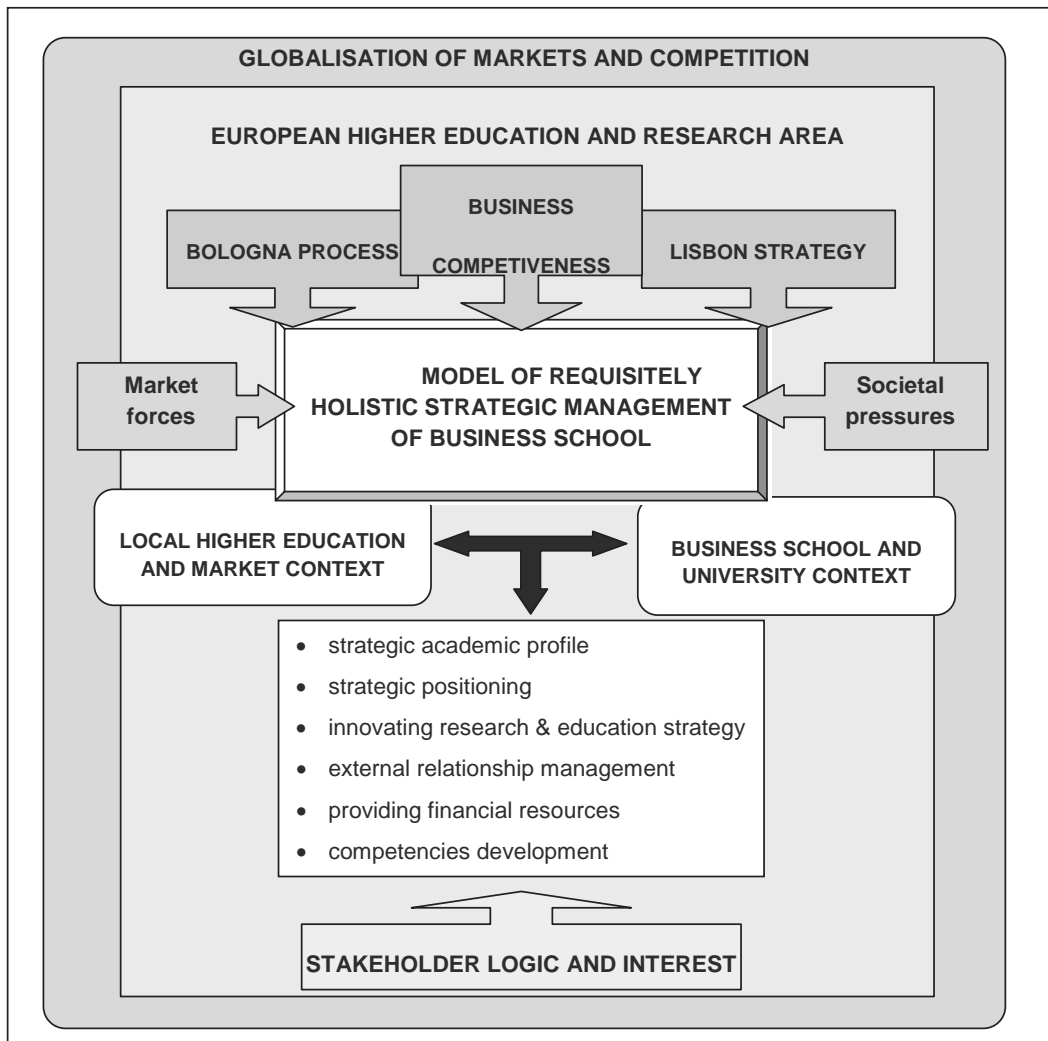
In a competitive setting university business schools will also need to become more active players in the marketplace, so they are expected to spend more time and effort on the academic entrepreneurship.⁴¹ Elite business schools in Western countries in particular will put increasingly more effort into improving their position on international business school rankings, prepared and published regularly by international business media (Financial Times, Business Week etc.). Here, international accreditations of business schools and their study programs as well have recently captured greater attention of business school leaders. In their effort at improving the credibility of their schools in international community they expect that a widely recog-

nized quality of their academic services (validated by respectable accreditation agencies) will attract more international top quality students enrolling in their study programs. We summarize our view of the dynamic business school strategic management framework in Figure 2.

We see a growing importance of strategic marketing for an effective university business school strategy. Therefore, more aggressive marketing strategies in order to achieve a better positioning and promotion of the educational and research offering in the business education mar-

ketplace will become more focal responsibility of their leaders. Due to extended marketization of business school services the faculty will also be forced to broaden their traditional tasks of conducting their academic research and teaching. They will be more involved in the school's business effort at turning the knowledge obtained through their research and teaching into more marketable products and services adapted to the needs and expectations of their customers in education and in the business world in order to *provide additional revenues* to the business school.⁴² As business schools use the emerging

Figure 2: Complexity of business school strategic management in a dynamic market



networked knowledge context in their internationalization and business development strategies, they also have more options available to use modern technology with its broad variety of channels for knowledge dissemination in the effort to better align their knowledge production with the needs of their customers. Faculty need to become more flexible actors in their roles in research, teaching, consulting and coaching to students. The ability to produce knowledge in various forms and its dissemination through a variety of channels will be part of key competitive competencies of modern business schools.⁴³

A deeper understanding of the complexity of a modern society and the role of business and management knowledge for its future needs presents a starting point in the search for a new business model of the business school. It is important for such strategic analysis to be wide enough in order to develop a deeper understanding of key external changes and their implications from the perspective of the *individual* business school. More explicit understanding of its relevant external world would, in turn, help its leaders to efficiently restructure the processes (research, education, management), education offering (undergraduate, postgraduate, executive) and other forms of activity (consulting, partnership, service to local community etc.) by which the school interacts with the external world and to integrate these into a new business model, imbued with greater responsibility and focus on truly contributing to society.

As different CEE countries face different challenges of social, business and institutional transition and also find different solutions for their future development, future research should focus on a comparative analysis of these broader societal contexts in terms of different ways, timing and comprehensiveness of their impact on a transformation of higher education and the alignment of individual national higher education systems with a changing European higher education context. Also, a detailed analysis of national requirements for managerial compe-

tences of business school leaders and managers in the business world would paint a valuable background picture of the differences in the academic and business management culture that may find its use in the development of business education programs and curricula. Such research may provide an insight into the crucial question, namely, how differences in the national institutional context of transition countries affect local business education and whether there are some common lines (similarities) that could be used in developing a detailed model of the university business school management, common body of business knowledge for undergraduate, graduate and executive programs etc. It might also be of great interest to explore the country-level differences and similarities in the business education context (for example, system of faculty promotion and rewards, faculty workload and teaching approaches, student involvement in the academic learning and research environment etc.), as such knowledge would improve our understanding of the public business education institutional framework in the region and possible key contextual conditions that would be of great benefit to business school leaders in their strategies for developing cross-border cooperation in education, research and business school governance. Thus, our present study offers various challenges for future academic research in search of new knowledge that might be beneficial to improving the academic and business management of business education institutions in the region.

4. CONCLUSION

With emerging knowledge-driven society and a broader integration of transition countries into the EU, university business schools in the CEE region face the need for a comprehensive adaptation to the new circumstances that extend far beyond the vision of the Bologna Process. As a consequence of higher education privatization and increased exposure to globalization in their

local context, university business schools already face increased competition in their national business education environment. Additional pressure has recently been created by growing restrictions in public funding of higher education and by critical voices of the business community that demands more usable solutions from business school research for future development challenges of their firms. A more dynamic and increasingly complex business education landscape in wider Europe sends strong signals to university business schools in transition countries by urging them to start a more comprehensive alignment of their structures, processes and management practices with changing academic and business community needs. In order to better align their business model with future needs of society, university business schools should improve their market responsive behavior as part of a more integrative approach in their strategic operation that needs to rely on a deeper understanding of changes in society and their implications not only for business education but for their schools as well.

By balancing and integrating their academic processes with business efficiency and market responsiveness, a new business model and institutional culture of business schools may emerge

as the underlying set of principles and guidelines for reforming their curricula, teaching and positioning within their society. In this process business schools need to make a comprehensive strategic effort at aligning their specific business model with a more demanding and complex external context, in which future prosperity of society will critically depend on knowledge and innovation as the key drivers of its economic and societal progress. This process presents new opportunities for future operation of university business schools in the higher education market and in the international academic community. By adopting a more explicit societal responsibility, the business model should be innovative in its integration of a broad variety of external challenges into a comprehensive business school strategy and in efficiently aligning its processes, activities and interactions with key stakeholders in the external business world and in the broader society. In the article we made a comprehensive assessment of key external developments from the perspective of their implications for the strategic market-oriented management and operations of university business schools, and used such a broad contextual framework as the basis for delineating key features of a strategic oriented business school behavior in its requisitely holistic response to the emerging challenges in society.

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