International Journal of Marketing Education 1(1).

Ref. No.: IJME1-1LA2

This lecture article has been peer reviewed by the editorial board of the International Journal of Marketing Education (IJME). For further information on this textbookjournal please visit the Senate Hall Academic Publishing website at www.senatehall.com.

The Marketing of Market-Based Value Creation in Today's Business Schools

Peter Lorange
IMD, Lausanne, Switzerland

Abstract. This article argues for a new approach to the marketing of a business school's value-propositions. Today's modern business school is facing new demands for relevance and take-home value – from individuals and corporations alike. To meet this trend, a more proactive marketing of a school's integrated services will be called for.To merely offer one's traditional courses, say, via mass marketing, will thus no longer suffice. To deliver these new integrated value propositions, the very structural fabric of a business school may have to be modified. This, in turn, calls for the presence of a few fundamental conditions at the business school: A simple strategy, broad commitment to this, and faculty initiative – taking. And, the communication and marketing of it all will have to be revised. Substance, delivered in a "minimalistic" way, will be key for successful business school marketing in the future.

Keywords: marketing of business schools, structural changes in business schools, demands based on take-home value, minimalistic substance-driven marketing.

1. Introduction

Academic value creation in business schools has traditionally been built up in a similar way to that in the classical university – largely based on axiomatically driven research and teaching. Marketing of the value-based services in business schools has thus traditionally involved letting the environment know about the various offerings that a business school provides, such as its MBA program, other Masters programs, the PhD program, specific executive development program – all supply-driven. Often these traditional programs have been developed based on a combination of internal perspectives in the school, driven by what various professors are able to offer. These offerings were thus typically "inside-out". However, they did not necessarily meet the specific needs of the students or customers. Today's situation calls for a different approach.

Brain-driven competition is now on top of everyone's agenda. The students want to receive what they perceive as a relevant education, so that they can get a job with a wining company – and there is strong competition for these jobs! Pfeffer and Fang (2002), Minzberg, (2004), Lorange (2002) and others have criticized the traditional, classical MBA education, calling for more market-based relevance, a more "hands-on" approach, more field experience, and so on – i.e. recognizing the needs of the marketplace. And the students – perhaps the MBAs above all – demand an education that can give them a better chance of gaining a good job and career-wise progression. And, companies now also need to retain their key people. The focus has shifted from "getting rid of" people. This calls for specific "*investments*" in key people, so that they can further develop their core competences, i.e. further contribute to knowledge-driven value creation in the modern brain-driven company. As a result, corporations are now much more demanding regarding the need for executive programs to be relevant, from the customer's point of view.

This all means a closer relationship between business and the business school. Academic value creation – when it comes to both research and teaching – may thus now call for greater proximity between the two, with more focus on what business sees as relevant. Thus, the business school will now also have a new marketing context, namely how to market to leading corporations. Further, the corporations may increasingly be cooperating with the business school to develop the various knowledge pieces they need. The business school and businesses may increasingly work together in a network, and the business school provides "services" in this network relationship, not free-standing "products".

The question now is: What must be done to make this happen? How can a business school appropriately transform itself to be able to deliver realistically in a "market-driven, outside-in" context, shifting from the old "inside-out" mode? This is not only an issue of commercializing the academic value creation in the business school. It is more of an issue of how teaching and research relates to the marketplace – and to the outside world at large. Further, it may be increasingly difficult for the modern business school to meet the demands for the resources it needs in order to face its current value-creating challenges. To stay in the top rankings the business school must continually undertake new research and teaching programs, improve its physical and data-based facilities, hire – even steal away – and retain top faculty members, etc. As a result, the cost of running a first-rate business school has exploded.[1] Tuition can only cover part of this.

The key challenge is to find a new way to deliver academic value creation appropriate for today, without allowing a misguided sense of commercialization to creep into the core academic value-creating mission of the business school. Bok (2003) has discussed this for universities, and Polanyi (2001) demonstrated more than half a century ago that overextended exposure to the forces of the marketplace can only be counteracted if the individuals in question demand protection and seek limits. But, as Bok states, "the structure of governance in most universities is not equal to the challenge of resisting the excesses".

We feel that these main areas must be addressed to deal with these key questions. First of all, there is a need for *structural and process changes* in the business school, to allow for the delivery of integrated services, as opposed to freestanding classical "products" – and in such a way that *both* basic academic values *and* the responsiveness to the marketplace can be maintained. Second, we see a need to adopt a number of *new communications and marketing approaches* – to make marketing in a learning partnership network a reality, not an imposition of platitudinous truisms, but true reflections of the added value that the best of the business schools now might provide. Third, there is a need for more focus, more drive towards substance and clarity, i.e. that *strategy means choice*. There are thus some fundamental conditions that will have to be met in order to be able to move forward with new marketing approaches.

2. Making Academic Value Creation in the New Market a Reality – A Call for Structure Modifications

Academic institutions have often developed their own – cumbersome – organizational structures, partly to make sure that functional, axiomatic teaching and research can take place effectively, partly to ensure that merit-based values and seniority-based intrinsic rewards can be provided to the professors. They may have developed these structural solutions to enhance the shape of the academic institution in a way that may be seen as ideal from the point of view of the professors, indeed representing traditional self-interests. Unfortunately, this departmental, silo-based view of the academic institution is perhaps less than optimal today, when it comes to networking with modern client firms in the environments they are operating in. We recommend three modifications:

- Fewer or no academic departments: It may be increasingly key that professors organize themselves on an ad hoc basis to meet the needs of the clients – for teaching program initiatives as well as for research. This means that the teaching and/or research teams will typically be more multidisciplinary and cross-functional.

- Simplified title hierarchy: The modern academic institution is more and more an example of a "network organization", in which team members' work together on projects. Thus, in such "flat" organizational settings, classical title hierarchy would mean less and less. Seniority would simply not apply in the traditional accumulative sense – instead, each member of the organization would have to earn recognition from the rest of the team every day. The key is that people with *relevant* competencies thus *complement* each other in effective teams.

- Abandon tenure? One might argue that since the key is to provide relevant research and teaching contributions to the learning partners in the environment, i.e. to network with leading corporations and/or public institutions, it follows that all academic staff must be able to find relevant roles in this value-creating process, as at least to some extend judged by the learning partners on an evolving basis. If a member of the academic staff is no longer able to provide such inputs, one might argue that this team member might be asked to leave. To counterbalance this we must of course recognize the "academic freedom principle". We are navigating in uncharted waters here; we may have a new dilemma in academia, and it is not clear how these two opposite concerns ca be met. A more flexible view on tenure seems to be called for, though.

1. Marx (2003) reports that "the costs of the higher education sector have exploded, rising about 6 percent a year," over the last few years.

All in all this creates an organizational structure that may be more project-oriented, more team-oriented, more focused on bringing together faculty resources in such a way that the various tasks of each individual faculty member complement the tasks of the others, so that the performance of the overall team is optimized, whether for delivering a particular teaching program or undertaking a specific research activity. This may mean nothing less than a precondition for today's relevance – driven academic value-creation, and for the marketing of this.

3. A Call for New Communications and Marketing Approaches to Promote the New Market-based Academic Value Creation

There is relatively little literature on the marketing function within business schools or on the marketing task of business schools. The seminal work is by Kotler and Fox (1985), others are by Wills (1982), Schwartz (1993), Neustadt (1994), Stiles (1995), Bush et al. (1998), Lorange (2002) and Bok (2003).

This relationship-based market-driven approach must of course not be taken to extremes. Many business schools have different paymasters than the business sector only, and may also foster alternatives to big corporations such as entrepreneurship, government service, art administration, not-for-profit management, etc. There will still be a need for customer focus! The business school must lead the development of new thoughts and concepts – at least to some extent – i.e. to drive the market, not only be driven by the market (Kumar et al., 2000). Research, above all, will increasingly be judged in terms of its ability to point business – or other stakeholders – in new directions.

A number of new marketing "insights" will now have to be developed in this new demand-dominated world. Marketing is now an important function – in the past, by contrast, there was hardly any marketing at all in the supply-driven world. At least four new critical issues have emerged:

Issue one: A minimalist, content-oriented marketing approach. People no longer want "messages" (Rosen, 2004) – but will ask for more information, as needed. Further, they are looking for "filters" to protect them against information overload – hence, the increasing importance of brands and reputation (Ries and Ries, 2003). This consequently requires a shift away from mass marketing – no longer large mailings, voluminous brochures, information-heavy ads, etc. Thus, substance-based information is called for, generated from a market-based academic value-creating process.

Issue two: All promotional materials, such as brochures, advertisements, etc., must have a "Rolex quality" dimension to them. They should reflect perceived value from the customers' point of view, i.e. what are the take-home benefits for the key clients? Again, substance is key here – not loose, half-baked ideas! The school's brand and image can help with this function.

Issue three: Databases are becoming more and more critical. It is important to gain a much better understanding of how relationships develop with particular companies – even particular executive groups in various divisions or country entities of a firm – so that one knows how this specific relationship is evolving. Personalized marketing has become critical.

Issue four: A highly qualified field force may increasingly be needed, able to operate effectively with executives in a network setting. Field force representatives will no longer be doing conventional sales, but will instead be undertaking network client support and relationship building. They have become trusted partners!

This leads to the need to establish a radically different communications and marketing approach, namely to create a specific *learning network*. As Ries and Ries (2003) have pointed out, [Substance] "comes first, then marketing". Thus, the classical marketing approach is no longer effective – it is neither "minimalist" enough nor sufficiently based on substance. Developing network-based marketing requires working with specific companies on a systematic basis, attempting to develop a "partnership" with each given company (Lorange, 2004).

The experience at IMD with this way of value-creation – and marketing – may serve us an example here. The school has introduced a specific Learning Partnership Network, which *directly* attempts to develop the relationship with several specific companies. The network becomes the value proposition for the member company. The fact that the network offers a number of opportunities for interactions with IMD also creates a strong marketing opportunity, i.e. enhances the entire network-driven strategy of IMD. It encompasses:

- A Weekly Webcast, during which IMD faculty present recent developments in IMD's knowledge base – achieved through their research and through collaboration with the Learning Network companies themselves.

Presently more than 12,000 executives worldwide view this Weekly Webcast. This is being extended into new offerings, featuring CEOs, key women executives, a book review series, etc.

- Ten Discovery Events per year, which allow executives from the Network companies to come together to discuss specific research outputs from IMD, and to share their experiences when it comes to these specific new knowledge developments.

- A Business Advisory Council, in which senior human resource managers of each member company participate. Key strategic human resource management issues are discussed.

- A CEO Roundtable, which offers the CEOs of the Learning Network member companies a chance to be involved in stimulating networking.

Still, we have to acknowledge that marketing in networks is a field that has not yet been extensively researched. A pioneering work in this area is by Johanson et. al. (Holm, Erikson and Johanson, 1999). Other relevant works on marketing within networks, and the development of value propositions within networks, can be found in Crawens and Piercy (1994), Gemünden, Ritter and Walter (1997), Uzzi (1997), Wilkinson (1997), Nandé and Turnball (1998), Slater and Narver (1999), O'Driscoll, Carson and Gilmore (2000), Sawhney and Parikh (2001). See also Lorange (2004) for business schools as corporate networks.

4. The Marketing Challenge for New Value-Added Services: Some Fundamental Conditions

We have seen that dynamic value creation is key for the business school that aspires to serve the rapidly developing corporate market in an effective way. New value-added services, which must be substantive, need to be concisely marketed. This complements the more conventional marketing of established programs and services. It is clear that the marketing of these types of activities will be different – for the former type it means creating acceptance of these new services in the networks – for the latter, to build and extend. Marketing thus takes on an added role as we move from a situation where competencies are in place to one where they need to be added, where we are thus talking about new markets and/or creating new distinctive competencies – to serve the emerging needs of the learning partner better.

The challenge for the school's marketing is thus to understand better the tailored mix of messages to be delivered to a particular learning partner. Both the field force and market communication play critical roles. One general trend seems to be clear – that the client is the firm, *not* the individual executive. What can be said after this? Focus and simplicity will be key. The various actors who are responsible for marketing activities will have to *understand* the network-driven, value-based marketing propositions. Effective marketing means being sensitive to cognitive limitations! A workable marketing strategy for a school must have a set of simple strategic propositions as the basis – perhaps only the following three. In our opinion – again drawing on the experience from IMD (Lorange, 2002) this might be essential:

- A simple strategy: Strategy means choice. There are so many different directions to potentially follow. To have a focus is key, i.e. to develop a consistent, simple strategy to go after this focused direction is critical. Complexity may be the worst enemy of academic value creation. Academic institutions are simply not good at handling complexity. Quinn (1980) seems to have implied this in his seminal work on "logical incrementalism". More recent works by Eisenhardt and Sull (2001) and Burgelman (1996) also seem to corroborate this view.

- Commitment of (almost) all to the strategic direction: No academic strategy can take place unless the people in the organization, most notably the professors, actually *want* it to happen. Academicians thrive on excitement; they want to be involved when "fun" things are happening. It is therefore key that the implementation of a strategy follows lines that allow individuals to buy in, based on what they see as exciting challenges. A strategy cannot happen if individual faculty members see it as a chore. Thus, strategy implementation means excitement, it means faculty energy mobilization.

- Opportunities for faculty initiatives: There must be room for faculty initiatives, i.e. that everything is not planned to the final degree, that every initiative that faculty members propose is not met with a no, etc. The whole perception of an academic institution as one being a place that welcomes innovations, initiatives and break-through thinking is key.

And, since all of these three strategic conditions seem to have to be pursued together, this could represent certain dilemmas. For instance, "strategy means choice" must not be interpreted to mean that no new initiatives can be pursued, particularly if they are seen as falling "slightly outside" the strategic direction. It is important that there is enough room for initiative; even so, focus must still be maintained. Dilemmas must be solved in a positive way.

5. Conclusions

The marketing activities in a business school today are totally different from those that existed a few years ago. With the emergence of the modern knowledge society, and with the need for the business school to develop closer network links with its corporate learning partners, the issue will increasingly be one of relationship marketing, of network marketing, "outside-in", as opposed to the more traditional "specific program by program, inside-out" marketing. This calls for a better understanding of what the network – or relationship – context is like, i.e. to better understand the customer, to listen, to be a catalyst. It also calls for a reorganization of the inner workings of the business school, to diminish structural impediments in order to be able to "deliver" more realistically on the new requirements of the market player in a network context. Further, it calls for a different approach towards marketing itself – more substance, and minimalistic. Finally, it will be key to recognize some fundamental conditions regarding strategic simplicity.

It will thus be clear that the portfolio of value propositions must be kept simple and focused, based on building on one's strengths, based on having the organization at large committed to this simple strategy so that they can see that it makes sense given the organization's cognitive limitations with respect to handling complexity. This marketing strategy must of course also be dynamic, allowing for entrepreneurial initiatives so that most of the members of the organization feel that they can deliver on new value creation. And this cutting-edge new value creation is the essence of effective networking! All in all, marketing as part of the business school's value creation is thus now more central than ever. However, this needs a fundamentally different focus from the past, in the light of the network marketing challenges that are being created as part of today's knowledge society.

References:

Bok, D. (2003), *Universities in the Marketplace*, Princeton University Press.

Bush, V., Ferrell, O. C., and Thomas Jr., J. L. (1998) "Marketing the Business School: An Exploratory Investigation". *Journal of Marketing Education*, Vol. 20, Iss. 1, pp. 16 – 23.

Burgelman, R. A. (1996), "A Process Model of Strategic Business Exit: Implications for an Evolutionary Perspective on Strategy". *Strategic Management Journal*, Vol. 17, Special Issue, 193–214.

Crawens, W., and Piercy, N. F. (1994), "Relationship Marketing and Collaborative Networks in Service Organizations". *International Journal of Service Industry Management*, Vol. 5, Iss. 5, pp. 39–53.

Eisenhardt, K. M., and Sull, D. (2001), "Strategy as Simple Rules". *Harvard Business Review*, Vol. 79, Iss. 1.

Gemünden, H. G., Ritter, T., and Walter, A., (eds.) (1997), *Relationships and Networks in International Markets.* New York: Pergamon.

Holm, D. B., Erikson, K., and Johanson, J. (1999), "Creating Value through Mutual Commitment to Business Network Relationships". *Strategic Management Journal,* Vol. 20, Iss. 5, pp. 467–486.

Kotler, P., and Fox, K. (1985), *Strategic Marketing for Educational Institutions*. Englewood Cliffs, NJ: Prentice-Hall.

Kumar, N., Scheer, L., and Kotler*, P.* (2000), "From Market Driven to Market Driving". *European Management Journal*, Vol. 18, Iss. 2, pp. 129–142.

Lorange, P. (2002), *New Vision for Management Education: Leadership Challenges*. New York: Pergamon.

Lorange, P., (2004), "Compex Collaborations: The Case of the Business School and its Complex Network of Relationships", in Beyerlein, M. M., Johnson, D. J. and Beyerlein, S. T., *Complex Collaboration: Building the Capabilities for Working Across Boundaries*, Amsterdam, Elsevier.

Marx, A. W., (2003), Book Review, *International Harald Tribune, 22 May,* p. 18.

Minzberg, H., (2004), *Managers - Not MBAs*, Englewood Cliffs, Prentice-Hall.

Nandé, P., and Turnball, P., (eds.) (1998), *Network Dynamics in International Markets*. New York: Pergamon.

Neustadt, M. S. (1994), "Is Marketing Good for Higher Education". *College Admission*, No. 124, pp. 17–22.

O'Driscoll, A., Carson, D., and Gilmore, A. (2000), "Developing Marketing Competence and Managing in Networks: A Strategic Perspective". *Journal of Strategic Marketing*, Vol. 8, pp. 183–196.

Pfeffer, J. and Fang, C. T. (2002), "The End of Business Schools?". *Academy of Management Learning and Education,* Vol. 1, No. 1, pp. 78–95.

Polanyi, K. (2001), *The Great Transformation: The Political and Economic Origins of Our Time*, 2nd ed., N.Y., Beacon's Press.

Ries, A. and Ries, L.(2003), "Batting for the Brand". *Biz Ed,* Vol. 3, No. 1, pp 16–23.

Rosen, M. (2004), "There is No Demand for Messages". *Web-page,* January 23.

Quinn, J. B. (1980), "Strategies for Change: Logical Incrementalism". *Homewood*, AL: Irwin.

Sawhney, M., and Parikh, D. (2001), "Where Value Lives in a Networked World". *Harvard Business Review*, Vol. 79, Iss. 1, pp. 79–86.

Schwartz, J. (1993), "The School as Brand: Marketing Northwestern". *Brandweek*, Vol. 34, Iss. 45, pp. 28–30.

Slater, S. F., and Narver, J. C. (1999), "Market Orientation Is Not Enough: Build a Learning Organization". *Developing A Market Orientation*. Ed. R. Deshpandé. Thousand Oaks, CA: Sage Publishing, pp. 237–266.

Stiles, D. (1995), "The Strategic Marketing of Business Schools". Ph.D. Thesis, Cardiff Business School, University of Wales, Cardiff.

Uzzi, B. (1997), "Social Structure and Competition in Interfirm Networks: The Paradox of Embeddedness". *Administrative Science Quarterly*, Vol. 42, Iss. 1, pp. 35–67.

Wilkinson, J. (1997), "Networks in Marketing". *Journal of Business-to-Business Marketing*, Vol. 4, Iss. 2, pp. 99–103.

Wills, G. (1982), "Marketing a Business School to Industry". *Industrial Marketing Management*, Vol. 11, Iss. 4, pp. 303–310.