

EDITED BY
STÉPHANIE DAMERON
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THE FUTURE OF MANAGEMENT EDUCATION

Challenges facing Business
Schools around the World

Volume 1



The Future of Management Education

Stéphanie Dameron • Thomas Durand
Editors

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Contents

- 1 Trends and Challenges in Management Education around the World** 1
Thomas Durand and Stephanie Dameron
- 2 Higher Education in Management: The Case of the United States** 23
Irene M. Duhaime and Tracy A. Widman
- 3 Higher Education in Management: The Case of Germany** 75
Dodo zu Knyphausen-Aufseß and Wolfgang Burr
- 4 Higher Education in Management: The Case of Australia** 117
Roy Green, Marco Berti, and Nicole Sutton
- 5 Higher Education in Management: The Case of Spain** 139
Alejandro Escribá-Esteve, María Iborra, Vicente Safón, and Irene Zaera
- 6 Higher Education in Management: The Case of Israel** 181
Pierre Kletz and Granit Almog-Bareket

7	Higher Education in Management: The Case of the UK Abby Ghobadian	205
8	Higher Education in Management: The Case of South Africa Millard W. Arnold, David Furlonger, and Sylvia Jones	255
9	Higher Education in Management: The Case of Poland Dorota Dobija and Sylwia Hałas-Dej	277
10	Higher Education in Management: The Case of Canada Jean-François Chanlat and Allain Joly	295
11	Higher Education in Management: The Case of Portugal João Carvalho das Neves and Vítor da Conceição Gonçalves	311
12	Higher Education in Management: The Case of Sweden Johan Berglund, Bengt Stymne, and Andreas Werr	331
13	Higher Education in Management: The Case of Italy Donatella Depperu	355
	Index	409

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List of Figures

Fig. 1.1	Mapping of auditing third parties (based on Dameron and Manceau 2011)	4
Fig. 1.2	A generic business model for business schools	9
Fig. 1.3	Various forms of internationalization of business schools	14
Fig. 4.1	2014 fees for postgraduate commerce students, by university group (Adapted from Cherastidtham and Norton 2014)	121
Fig. 5.1	Number of universities with management and business studies 1943–2015	142
Fig. 5.2	Spanish higher education system: types of degrees and access paths	148
Fig. 5.3	Fees for bachelor degrees by Spanish region: Average price per ECTS at public universities. 2015–2016	151
Fig. 5.4	Tuition fees for bachelor and master's degrees. Average of minimum, mean and maximum prices per ECTS in Spanish regions. 2015–2016	152
Fig. 5.5	Paths of the academic career in public universities	160
Fig. 5.6	Evolution of number of students registered. Bachelor degree. Courses 2009–2010 to 2014–2015	162
Fig. 5.7	Evolution of first-year enrolments in public universities. Courses 2011–2012 to 2015–2016	163

xiv List of Figures

Fig. 5.8	Evolution of number of students registered. Master's degree. Courses 2009–2010 to 2014–2015	164
Fig. 5.9	Evolution of proportion of master's degrees by type of university. Courses 2009–2010 and 2014–2015	165
Fig. 5.10	Total students' dropout rate. Cohort 2009–2010 (percentage) (a) Bachelor degrees, (b) Master's degrees	166
Fig. 5.11	Employment indicators for graduates. Cohort 2009–2010. One and four years after graduation. (a) Employment rate, (b) Employees with a tenure contract, (c) Fit between education level (degree) and the qualification level of the job	167
Fig. 5.12	Volume of research at Spanish universities. Business; social and legal sciences; and total. 2005–2014 (a) WoS Publications growth index: 2005 = 100, (b) Scientific research published in business-related areas	168
Fig. 5.13	Quality of research at Spanish universities. Business; Social and legal sciences; and Total. 2005–2014 (a) Publications at first quartile (WoS) (percentage), (b) Publications with international partnership (percentage), (c) Impact Factor	169
Fig. 7.1	Staff/student ratios	225
Fig. 7.2	Average total number of academic staff	236
Fig. 7.3	Business and management academic staff by gender	236
Fig. 7.4	Professorial vs. non professorial	236
Fig. 7.5	Teaching and research vs. teaching only	237
Fig. 7.6	Changes in the first degree undergraduate population 2009/2010–2013/2014	239
Fig. 7.7	Changes in the PGT population 2009/2010–2013/2014	241
Fig. 8.1	Average age of MBA students on graduation 2003–2015	265
Fig. 8.2	Proportion of male and female MBA students 2009–2015	265
Fig. 8.3	Total number of faculty members and female faculty members teaching MBA students 2009–2015	266
Fig. 8.4	Number of business schools outside of South Africa (SA) with whom SA business schools have a formal agreement 2009–2015	267
Fig. 9.1	Three-cycle degree structure	280

Fig. 10.1	Canada's performance on international markets for education, 2014	300
Fig. 10.2	Employment changes in thousands, Canada, 1990–2009	306
Fig. 11.1	Structure of management degrees in Portugal	314
Fig. 11.2	Leading universities – number of publications	320
Fig. 11.3	Leading universities – number of citations	321
Fig. 12.1	Full-time equivalents (FTE) involved in teaching and research in business administration	339
Fig. 12.2	Students enrolled in courses in business administration	346
Fig. 12.3	Number of degrees granted in business administration on different levels	347
Fig. 13.1	Different players in business administration higher education in Italy	357
Fig. 13.2	Number of students attending an economics and/or business program	360
Fig. 13.3	Geographic distribution of universities in Italy	366
Fig. 13.4	Number of PhDs who earned their degree during the period of 2003–2012	382
Fig. 13.5	Trend in the number of students enrolled	384
Fig. 13.6	Number of faculty members in economics and business	398
Fig. 13.7	Birth rate 2000–2012	404

List of Tables

Table 2.1	Institutional control	29
Table 2.2	AACSB accreditation status	29
Table 2.3	Program levels and proportion of schools offering each level	31
Table 2.4	Proportion of institutions offering a specialized master's program	31
Table 2.5	Median salaries across all disciplines—all schools	38
Table 2.6	Median salaries across all disciplines—75 leading schools group	39
Table 2.7	Distribution of Full-time Equivalent (FTE) faculty—all schools	41
Table 2.8	Women as proportion of full-time faculty—all schools	42
Table 2.9	Women as proportion of full-time faculty—75 leading schools	42
Table 2.10	Ethnicity/race as proportion of full-time domestic faculty—all schools	43
Table 2.11	Ethnicity/race as proportion of full-time domestic faculty—75 leading schools	43
Table 2.12	Average percentage of faculty at rank by year—all schools	48
Table 2.13	Average percent of faculty at rank by year—75 leading schools group	48
Table 2.14	Average % full-time NTT faculty by institutional control—all schools	50

xviii **List of Tables**

Table 2.15	Average % full-time NTT faculty by institutional type—all schools	51
Table 2.16	Degrees conferred by program type and year—all schools	56
Table 2.17	Enrollment by program and year—all schools	57
Table 2.18	Admissions funnel measures by program type, year and schools grouping	59
Table 2.19	Growth in AACSB accreditation—USA	68
Table 3.1	Private business schools in Germany with the right to award doctoral degrees (status 2015)	84
Table 3.2	Facts and figures about selected German business schools, $n = 65$	95
Table 3.3	German and foreign students according to their study programs and intended academic degrees in the winter term 2014/2015	98
Table 4.1	Staff to student ratio (SSR) in Australian Universities (2014)	123
Table 4.2	Enrolments in management and commerce courses in 2014	126
Table 4.3	Undergraduate business graduate outcomes	127
Table 5.1	Spanish universities (1218–2016)	145
Table 5.2	Spanish academic degrees in business studies. University level	150
Table 5.3	Number of Spanish academic degrees 2015–16 (business and total). University level	150
Table 5.4	Fees for MBAs at private business schools	153
Table 5.5	Distribution of classroom, blended and distance-learning methods in university degrees. 2015–16	154
Table 5.6	PhD dissertations in Business-related fields. 2011–2013	156
Table 5.7	Faculty by positions. Public universities. Academic year 2011–12 to 2014–2015	158
Table 5.8	Gross annual salaries of tenured professors (euros). Example from Universidad Complutense de Madrid, 2015	161
Table 5.9	Projects developed by ANECA	170
Table 5.10	Regional agencies for quality assessment and accreditation	171
Table 5.11	Schools accredited by AACSB, EFMD (EQUIS & EPAS) and AMBA (April 2016)	172

Table 5.12	International ranking for 2016 full-time global/international MBA programmes	172
Table 5.13	Top five universities at U-ranking 2016. Teaching-focused ranking for bachelor in business administration	172
Table 6.1	Programs in business administration, with their durations and fees	188
Table 6.2	Distribution of advanced management students	198
Table 6.3	Yearly gross wage according to position and seniority for universities and public colleges	200
Table 7.1	Business and management unit of assessment overall quality profile	211
Table 7.2	UK business schools featuring in the FT ranking lists	213
Table 7.3	Business and management qualification fees	218
Table 7.4	Revenue generated by the UK's public business/management schools and the direct contribution to the local economy	224
Table 7.5	Salary range and averages	225
Table 7.6	Academic staff population	235
Table 7.7	Undergraduate (UG) first degree population trend	238
Table 7.8	"Other" undergraduate first degree student population	240
Table 7.9	Taught postgraduate population trend	241
Table 7.10	Postgraduate research population trend	242
Table 7.11	List of UK schools accredited by AMBA, EQUIS and ACCSB	244
Table 9.1	Main statistics related to higher education in general and in business	281
Table 9.2	Summary of number of units of HEIs with permission to grant a PhD degree	287
Table 9.3	Elements of evaluation and accreditation of higher education in Poland	289
Table 10.1	Post-secondary graduates, business, management and public administration (as a percentage of each cycle total)	298
Table 10.2	Weighted average tuition fee for full-time Canadian and foreign undergraduate students, annual (Canadian dollars)	299
Table 10.3	Balance of revenues and expenditures in Canadian universities, 2009–2015 (in thousands C\$)	300

xx List of Tables

Table 10.4	Management professors as a percentage of the Canadian total (long-term trend)	302
Table 10.5	Number of full-time teaching staff at Canadian universities and percentage thereof in business schools, by Rank, Annual	304
Table 10.6	Median gross salaries of full-time teaching staff at Canadian universities and business schools, by rank, annual (in %)	305
Table 11.1	Evolution of the number of students in bachelor degree programmes in management and economics	312
Table 11.2	Number of students in bachelor degree programmes in management in 2014	315
Table 11.3	Enrolment of undergraduate students in management by major players	316
Table 11.4	Structure of fees in management higher education	318
Table 11.5	Demand and supply in major business schools for bachelor degrees in 2014	324
Table 12.1	Swedish academic degrees in business studies	334
Table 12.2	Degrees in business studies granted in 2013/2014 by different types of providers	335
Table 12.3	Monthly salaries of social science staff 2013 and their change from 2005 (fixed prices in value of the euro in 2013)	345
Table 13.1	Number of degrees in business administration conferred by Italian universities and number of awarding universities	359
Table 13.2	Number of degrees in economics awarded by Italian universities and number of awarding universities	359
Table 13.3	Number of students attending an economics faculty	360
Table 13.4	Total number of students attending a program in business administration and number of students enrolled per year	361
Table 13.5	Italian universities that offer degrees in economics and business administration	362
Table 13.6	Structure of the education system in Italy before and after 1999	375
Table 13.7	Number of students enrolled in first-level master's programs in business administration offered in Italy	377

Table 13.8	Number of students enrolled in second-level master's programs in business administration offered in Italy	378
Table 13.9	PhD students in business administration and management	379
Table 13.10	PhD students in economics	380
Table 13.11	Trend in the number of PhD students who earned their degree	381
Table 13.12	Students enrolled by field—academic years from 1994–1995 through 2003–2004	385
Table 13.13	Students enrolled by field—academic years from 2004–2005 through 2012–2013	386
Table 13.14	Number of economics and business schools and number of students enrolled by university in 2003–2004 and 2004–2005	387
Table 13.15	Number of economics and business schools and number of students enrolled by university in 2011–2012 and 2012–2013	392
Table 13.16	Faculty members in economics and business schools	398
Table 13.17	Wages for assistant professors, associate professors and full professors	401

1

Trends and Challenges in Management Education around the World

Thomas Durand and Stephanie Dameron

The various chapters focusing on specific countries that our colleagues from around the world have kindly contributed to form the two volumes of this book provide a fascinating account of both specificities and commonalities in the current dynamics of management education across a wide range of countries. This chapter deals primarily with the commonalities that we identify across these contributions. Yet some of the specificities will also be mentioned along the way.

When referring to management education or business schools, we mean all forms of institutions, public or private, that provide educational and training services in the field of management and business at the tertiary level (i.e. college and university degrees—undergraduate, graduate, postgraduate research degree—and equivalent levels according to country).

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The Role of Business in Society and the Booming of Tertiary Education in Management Around the World

In many countries, management education emerged apart from universities because the field was not seen as being properly academic (e.g. Germany, France, Sweden, UK) and/or in religious institutions (Spain, Italy, Portugal, USA, Brazil). The timing of emergence varies from the late eighteenth century and early nineteenth century (1759 in Portugal with the school of commerce in Lisbon, 1819 in France both at CNAM (National Conservatory of Arts and Crafts) with Jean-Baptiste Say and ESCP (École supérieure de commerce de Paris), now ESCP Europe in Paris, and in Germany with cameralism) to the turn of the century and the early twentieth century (USA, Italy, Poland) and up to the second half of the twentieth century (UK, Australia, Israel, South Africa) or even more recently (Russia, China), sometimes being reborn after the fall of the Berlin wall (e.g. Poland, Romania, Slovenia).

Management education boomed after World War II and transformed itself into a significant business. Roy Green reports of Australia: “From a purely economic perspective, [management education] has the lion’s share¹ in one of Australia’s most valuable exports,² education, generating around \$15 billion (AUD) in revenues each year.” For the UK, Abby Ghobadian provides an estimate of around £3.1 billion in contributions of business schools to the local economy, of which over £900 million stem from overseas students. In this context, some use the wording the “business of business schools”.

The demand for management education remains high and growing in most Organisation for Economic Co-operation and Development (OECD) countries, while it is booming in the rest of the world, particularly so in BRICS (Brazil, Russia, India, China, South Africa) and BRICS-to-be countries. Reports from most countries suggest that the demand will remain high, despite already high but still rising fees paid by the students and their families. Executive education is more sensitive to economic downturns but flourishes again with upturns.

¹ Probably around 20 % or so.

² Services to non-residents are accounted for as exports.

In short, management education is doing very well, serving a growing demand that is ready to pay for the services, with or without the support of public funding.

What is at stake behind this growing demand? First, money: management education can be a business not only for private organizations, but also for institutions and states. Second, ideology: the content of management education and research influences our representations of enterprise and the way companies and firms are run (Durand and Dameron 2011). As developing countries will be the main providers of the growing demand, the ideological stake is strengthened.

Money and ideology are the driving forces of an insidious battle around which countries and institutions vie for dominance of the field worldwide, influencing our vision of what should be taught and learnt regarding business. *Our purpose here is to point out the relevance of management education for societies, to propose a reflexive stance in analyzing the way the global system is driven and to promote a more diverse and contextual vision of management education in a multipolar world.*

To better understand what is happening, we need to gain a deeper understanding of the diversity of national management education ecosystems. We need to analyze the challenges that affect these systems, go through a fine-grained depiction of the main variables that may change the way these systems interact, and suggest strategies to offer a more balanced view of the operating forces that drive management education.

Through the chapters in the two volumes, which depict 22 national management education systems, we see at least six main challenges that institutions and business schools are facing around the world.

Management Education is Increasingly Subject to External Evaluation Conducted by Third Parties. How to Deal with This Market of External Evaluation?

Business schools are often part of a university. And the university is very likely to be regulated by government.

Yet third parties emerged that added a layer of complexity to the system (Dameron and Manceau 2011). These third parties are:

- international accreditation bodies (AACSB, EFMD-EQUIS, AMBA),
- national evaluation bodies or processes (RAE, 1986, now REF in the UK, 2014; HSV, 1995, now UKA, 2013 in Sweden; CHE in South Africa, 1998; Akkreditierungsrat in Germany, 2005; AERES, 2007 now HCERES, 2013 in France; A3ES in Portugal, 2009; Anvur in Italy, 2011; TEQSA in Australia, 2011; UKA-KRASP-RGSW in Poland, 1997–2014; ...)
- rankings published by newspapers and magazines (*Financial Times*, *Business Week*, *The Economist*, *Forbes* etc.).

We use the wording third parties in a very broad sense here. We call these organizations third parties in the sense that the business schools are being audited and accredited by players that may be from outside the domain of management (e.g. academics from other fields), from outside the country where they operate (e.g. international accrediting bodies) and even from private bodies outside academia (e.g. journalists creating rankings). The business of management education evaluation is flourishing and these third parties have become very influential (Fig. 1.1).

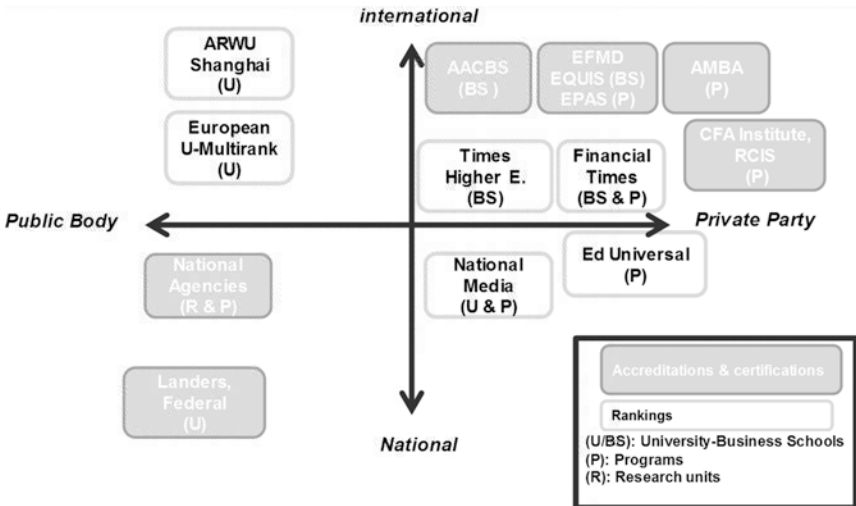


Fig. 1.1 Mapping of auditing third parties (based on Dameron and Manceau 2011)

The USA does not regulate the degrees awarded by its universities at the federal level. As a result, the AACSB (Association to Advance Collegiate Schools of Business) was created in 1916 to offer quality improvement audit schemes and the attached certification that is now known as accreditation, accrediting the institutions that are primarily devoted to management education. This helped the then young US market of management education to mature.

In contrast, Europe had a tradition of government-regulated tertiary education. The European Union (EU) subsequently set up the three-level LMD (license-bachelor/master/doctorate) system, with credit transfer options, to facilitate student mobility in Europe. As a result, the right to award the LMD degrees is granted by each government of EU member countries. In other countries, governments (e.g. Russia, South Africa, Israel) also control the granting of national degrees. It is worth noting in passing that some countries, even EU members, have also kept their well-established traditional degrees (“diploma” in Germany, “diplôme Grande Ecole” in France, “specialist” in Russia etc.).

As the names of the American standard degrees (Bachelor, MBA, PhD or DBA) are free to be used in the international market, the leading role played by the USA and the internationalization of higher education in management led to a broad use of these standards. This may also have been seen as a way for business schools to escape from national regulation, such as INSEAD in France.

Until the beginning of the twenty-first century, the MBA was the main management degree seen as an international standard. This was helped by the creation in the UK of the accreditation program body AMBA (Association for Management of Business Administration) in 1967. This standard led the American AACSB to cross the Atlantic in 1997 to assess its first European business schools, ESSEC. In that sense, 1997 is then a turning point that led to the internationalization of evaluation bodies for business schools. The EFMD (European Foundation of Management Development) then launched a competing European accreditation system, EQUIS. The EFMD internationalized its status in 2012 to promote its development all over the world.

Things then accelerated. As many European institutions had a long tradition in management education, the Bologna process (LMD) quickly

fostered a seemingly harmonized and visible European system based on five-year programs. The *Financial Times* (FT) ranking assessing the “Master of Science in Management” was launched in 2005. This ranking made European business schools more visible internationally. It worked as a source of differentiation, helping them compete with American business schools.

Accreditations soon became used as marketing tools to attract students (and faculty). What was initially designed as a quality assurance scheme became primarily a marketing tool. This led to what is known as the triple crown “achievement”: being accredited by AACSB+EFMD+AMBA would be a sign of great quality, as if the owner of three driving licenses (say, one issued in Germany, the second in India and the third in the USA) would be a better driver.

The real impact of accreditation bodies is their role as an entryway into international rankings. In fact, the most popular ranking, the FT’s, identifies business schools once they are accredited and starts sending them questionnaires to get them into the ranking list.

The Wits Business School in Johannesburg, South Africa, was not really in the rankings until the dean of the business school in Cape Town decided to go for an accreditation with AMBA. Once accredited, the MBA of Cape Town Business School appeared in the FT rankings. When that happened, the alumni of the Wits Business School prompted the matter at the subsequent board meeting. “Cape Town is in the FT ranking; where are we?” Wits Business School went for AMBA accreditation of their MBA as well, and thus got it entered into the FT rankings.

As a result of a move from a competing school, Wits therefore entered the race for rankings. This illustrates how the ranking pandemic spreads throughout the world of business schools.

Source: Interviews

Ranking appeared as a way for prospective students and families to identify where to go to study management overseas. It goes without saying that the papers raise their sales with special issues that rank business schools and programs: a market of business school evaluation has been developing since the beginning of the twenty-first century. For instance, since 1997, EFMD has launched a series of certificates (e.g. in 2005 EPAS for program degree). Eduniversal, a private company, launched an international business programs ranking in 2007.

Rankings and accreditations also help deans identify potential partners in a country that they do not know that well. In turn, these schemes may influence governments in defining their higher education policy. The Shanghai ranking (2005) made by Joa Tong University had a tremendous impact on some public policies. The European Commission created its own university ranking scheme (U-multirank) in 2011, partly in response to the Chinese evaluation.

In that sense, the accreditation and the ranking schemes set up by third parties will have spurred much activity in business schools, including improved curricula and much more research. Yet, these schemes, especially the rankings, also contribute to creating problems and some tensions within the business model of business schools.

The Business Model of Business Schools Built on Funding and Reputation is at Risk. The Search for More Revenues

Most business schools do not operate for profit. They aim at training managers (and leaders) and managers-to-be. If they fight fiercely to generate more funding, it is essentially to deliver ever better managerial education while improving their standing and reputation. (Country reports suggest that a small number of private actors actually operate for profit: this is still marginal but should be recognized as a weak signal to be monitored over time. We discuss this further in section “The Development of Private Companies Running Management Education for Profit”). Most business schools run their business model to grow revenues to better their reputation to grow their revenues and so on. Hence, the heart of the business model is two-fold: funding and reputation.

Most business schools offer all or part of the following:

- Undergraduate programs
- MBA
- Master’s also called master of science in management (MSc in management) and/or specialty master’s (marketing, finance, HR, project management or sectorial specialties etc.) called an MSc in marketing, finance or even advanced Msc (one-year program)
- PhD or some forms of doctoral degree (e.g. DBA, doctorate in management etc.)
- Executive education

The revenues collected by business schools stem from all or part of the following:

- the fees paid for the above programs
- public funding for all or part of the above educational services
- donations from alumni and business corporations—primarily rich alumni: “I wanted to give back what I received from my school”
- chaired professorships funded by companies and research grants

Obviously each business school adapts this model to its own context, but the fundamental traits of this generic model can be found in most places (Fig 1.2).

In a nutshell, executive education is the cash cow; the MBA is the flagship; MScs come on top; the heavy investment is for reputation, in the form of the race for publications (in the name of knowledge produced via research); the undergraduate programs bring additional income, and gross margin—if well managed—while they leave a socioeconomic footprint in society, creating an alumni base that may yield donations in the long term.

Eager to attract the best students (and faculty), business schools are doing their best to go up the ranking ladders. The FT institution ranking and the FT MBA ranking evaluate the quality of the research through the number of publications achieved in a list of 45 academic journals. Hence, we see heavy investments made in research to generate publications in so-called starred journals. These investments are prioritized over those for internationalization (partnering or establishing campuses abroad), distance e-learning tools and programs and recruiting famous names to build reputation.

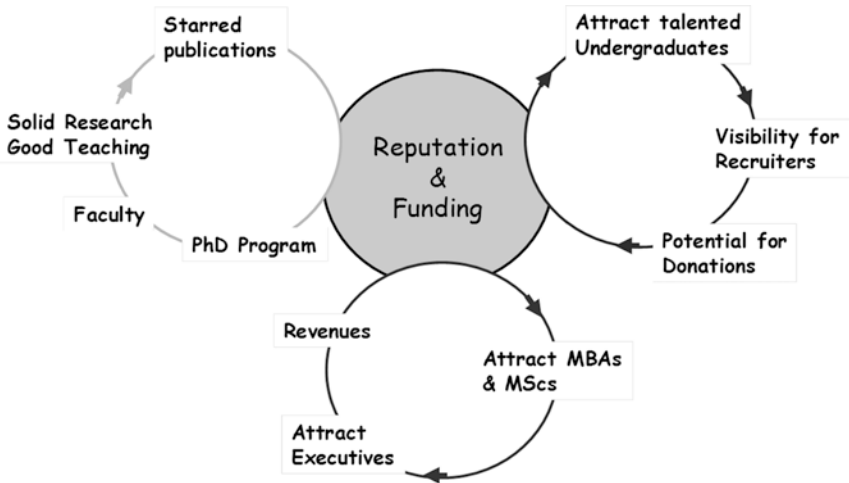


Fig. 1.2 A generic business model for business schools

The financial consequences of this race for ranking are significant:

- Costs (salaries, IT platform investments, travels and distant campuses) keep going up. On top of this, when a business school is part of a university, it is often seen as a cash cow by other academic disciplines. Hence, the parent university, that may have been used to retaining part of the revenues, tend to ask for a larger slice of the income.
- It is difficult to raise revenues at the same pace: fees are already high (except in some countries like Germany, in some of the French universities or in Italy, Spain and Portugal); public support often tends to decrease, at least in relative terms; donations are not enough in most places; executive education suffers from ups and downs according to economic cycles.

Business schools in the countries from where we have reports responded to this financial squeeze in a variety of ways. Initially they essentially tried to grow the top line. Despite the risk of what may be regarded as a bubble ready to implode, business schools managed to surf successive waves:

- first calling for public support when possible, increasing fees and milking executive education,

- then diversifying the portfolio, for example via DBAs or research grants and, more recently, undergraduate programs. This last move may be seen as questionable given the ongoing debate about when is it relevant to study management (Dameron and Durand 2011). Indeed, arguably many management courses are inadequate for young students with no practical experience.
- calling upon donations, creating foundations and launching fundraising campaigns. In countries with limited experience in fundraising, business schools are still experimenting and learning—often the hard way—the tricks of the trade, such as finding out that donations come more from private individuals than from companies.
- leveraging their past investments in the international arena to generate revenues from distant campuses, partnerships or foreign students.

More recently, we have seen more attention paid to keeping costs under control:

- More caution around salary increases. If salary inflation for management faculty does keep running, it is at a significantly lower pace in many countries. Furthermore, data from the USA show that while the hunt for the best academic performers may still be on (there is still a premium paid to those faculty moving to a new place), however, the premium paid for mobility may have peaked around 2005–2006. (It is interesting to note that the highest mobility premium, relative to salary, goes to new PhDs as they carry with them their pipeline of publications following their doctoral work.)
- Some business schools have started to hire more adjunct professors (these may also be called affiliated, practitioner, non-research, executive in residence or teaching professors). This phenomenon is seen in many academic fields beyond management and is known as “adjunctification”. Behind the move, the intent is clearly to hire cheaper faculty, avoiding the high compensations and low teaching load awarded to successful research professors. As this may have far-reaching implications, we discuss the matter in more detail below, in the third part of the chapter.
- There are reports of business schools encouraging their star faculty members to spend a few months elsewhere each year as a way to share their heavy salary cost with other institutions. Others are