

What happens if a Business School disappears? The intellectual foundations of BSIS

Michel KALIKA
Gordon SHENTON
Pierre-Louis DUBOIS

Introduction

What would happen to the region around a business school if it were to disappear? In the current context of crisis for business schools, this question is no longer only a conceptual one. With business schools faced with growing legitimacy challenges, it is becoming a very relevant question (Cornuel, 2007, Thomas, 2007, 2013). Indeed, some business schools have become increasingly weak and have, for instance in France, found their salvation through mergers and absorptions. Concomitantly, business schools have also had to face a lot of crisis-related criticisms where the viability of the dominant “research-based” business model has been questioned (Pfeffer and Fong, 2002; Lorange, 2010; Morsing & al., 2012). For those who think that this question is too provocative and not realistic enough, perhaps because they believe all business schools will survive (in spite of the failure of some business schools), let us reformulate our initial question: “what would happen if – or what would be the consequences if – the size of your business school was reduced by 30% or if it was increased by 30%?”

The questions asked above relate to some important practical and managerial issues. In fact, in a situation of both financial and ideological crisis, some business schools may have to demonstrate their role and contributions to society vis-à-vis their stakeholders (state, region, cities, companies, etc.). The need for such a demonstration is directly related to the business school’s dependency, especially financial dependency, on its stakeholders.

One can assert that this problem is not specific to business schools and that it is also relevant for engineering schools or for a whole university, or even for any organization that is accountable to its stakeholders (Freeman, 1984). That is certainly true, but we consider here that this problem arises with a greater acuity for business schools. More generally, the concern about an organization’s impact is more and more often apparent in a context characterized by a growing tendency to assess organizational efficiency, not just for private companies but also for public organizations.

Based on this situation, the FNEGE¹ and then EFMD² have been interested in defining a methodology that would make it possible to highlight the impact of a business school on its home territory. This has led to the development of the “Business School Impact System” (BSIS), which is introduced in this paper. If both FNEGE and EFMD have felt the need to help their members to assess the impact of their business schools, it suggests that this question is indeed an important one.

The article is structured as follows. We first present the theoretical foundations of our work that led us to develop the “Business School Impact System” (BSIS, EFMD, 2016). We then

¹ Fondation Nationale Pour l’Enseignement de la Gestion.

² European Foundation for Management Development.

sketch some major methodological issues. In a third section, we present BSIS in more detail and we show its relationship with some theoretical foundations previously identified.

1. Conceptual foundations

The managerial issue of impact is also a conceptual one. In line with classic grounded theory (Walsh, 2014), we conducted a literature review during and after an exploratory field study. However, the conceptual foundations are presented *ex ante* in order to facilitate understanding for the reader (Suddaby, 2006).

From a conceptual point of view, the question asked is linked to the concept of impact of an organization – here, any business school – on its local environment. The concept of impact makes an implicit reference to systems theory, which considers that an organization is a system that receives some input from its environment and produces some output (Churchman, 1968; Cox and Taylor, 2006). Such a concept is thus polysemantic (Pettigrew, 2008, 2011) and we obviously have to recognize a diversity of approaches. When we think of the impact of a business school, we may first have in mind its financial and quantitative impact (Cooke and Galt, 2010). But if this approach is relevant in reality, it is also incomplete. Others will consider that the impact of a business school is mainly an intellectual one, which thus needs to be appreciated through its intellectual contribution, that is to say its research (HEFCE, 2014). Finally, some will consider that the main impact of a Higher Education Institution resides in the personal and intellectual development of the students.

Based on the exploratory interviews and the literature review, we could first identify four main categories of impact:

- The **Financial Impact** relates to the fact that the business school is an actor that collects and spends money in the impact zone and generates both direct impact (its budget) and indirect impact, for instance the students' expenditures (Cox and Taylor, 2006). Most of the methodologies on the impact of universities or business schools focus on this issue (Kelly et al. 2014; Oxford Economics, 2013, Hatamiya, 2012) and are based on the Leontief input-output matrix.
- The **Economic Impact** corresponds to the induced effects of a business school on the economy, for instance new business creation and takeovers connected to its activities, the resources brought to local companies through students' internships and consulting services for local companies (Cox and Taylor, 2006; Drucker and Goldstein, 2007).
- The **Intellectual Impact** is linked to the creation of knowledge through research activities by the business school and to the dissemination of this knowledge inside organizations. As we know, the presence of a higher education institution is an intellectually stimulating element on a territory (Agrawal, 2001; AACSB, 2008; Hughes et al., 2011).
- The **Corporate Social Responsibility (CSR) Impact** appears both through teaching and research activities at the business school and its own actions in the field of CSR (Christensen et al., 2007; Coopey, 2013; Salter and Dixon-Fowler, 2010).

Particularly the exploratory interviews allowed the identification of a fifth category of impact.:

- The **Image Impact** refers to the impact that a business school has on the reputation and attractiveness of its region. This idea emerged frequently during the exploratory field study and interviews in certain business schools, where the name of the school

contains the name of the town or the region. In that case, each communication of the business school name publicizes the territory. Surprisingly, we have not found any scientific study on this type of impact, either for business schools or other types of organizations.

When studying the impact of a business school on its territory, we must specify that the impact will have different characteristics that can be identified both conceptually and methodologically:

- Any impact can be **direct** or **indirect**: a business school's budgetary expenditure has a direct effect on the local economy; admitting a student causes indirect financial flows due to his or her presence in the city. Furthermore, the financial impact of a business school can be evaluated with or without a multiplier effect: an expenditure of 100 € by the business school or a student is a revenue for various actors and companies, who in turn will spend part of it and so on. This multiplier effect is very difficult to estimate because one needs to know exactly what percentage of total expenditure is spent in the impact zone. An impact study carried out for CERAM (France) estimated this multiplier at 2.38, while the University of California Irvine retains a multiplier of 3.7³. In a detailed study, the University of St. Gallen evaluates the multiplier at 1,38. The multiplier depends on the proportion of expenditures that involve local agents. Considering the uncertainty around the calculation of the multiplier, we carefully assess the financial impact both with and without a multiplier.
- The impact can be **immediate** or **delayed**: whereas the expenditures in the territory have an immediate effect, a training course on business creation or business acquisition does not usually have an immediate impact. A new company generates a limited number of jobs at the beginning, but that number may grow significantly in the medium term. A foreign student who comes back to live in the town where he or she studied will produce a delayed effect.
- The relationship between a business school and its territory can be viewed as a **one-way** or as a **reciprocal** relation. Indeed, the territory also produces an impact on the business school. For example, when the name of the city is part of the name of the school, the image of the town may strengthen the school's attractiveness. With BSIS, the focus is however on the impact of the business school on its territory.

2. Methodological issues

The methodologies of the study, of the criteria evaluation and of the BSIS process are discussed consecutively.

2.1. Exploratory study methodology

Considering our initial purpose of designing a tool to assess business school impact, we decided to adopt an approach where we could proceed back and forth between theory and the empirical field. Following this approach, we decided to conduct in parallel both a non-directive exploratory investigation (Thietart, 2001) with actors of the business school sector

³ <http://www.communications.uci.edu/eir/eir98.html>.

and a literature review on the studies already made on the impact of universities or business schools on their territory. The process of this study has obviously been iterative. The field survey was done with 20 actors (14 of them being deans or former deans of business schools). The interview guide focused mainly on the different impacts concerning business schools. During the interviews, we collected qualitative data with examples and illustrations.

Following the exploratory study we defined a set of criteria for each of the five types of impact that had been identified (financial, economic, intellectual, CSR and image). We then used this typology to assess the impact of five French business schools. At a later stage we adapted the list of criteria to the context of international business schools and tested the revised grid in three international schools. At the present time, there are twenty business schools that have been through the BSIS process⁴.

2.2. Criteria evaluation methodology

BSIS requires that a business school's impact zone should be clearly defined. Once this is done, we need to specify the way the impact is going to be measured or assessed.

Of course, we must first consider that the business school's impact is a concept and that this concept is more or less measurable depending on the kind of impact considered. The financial impact is generally quantifiable and measurable. On the other hand, the intellectual impacts are not so easily measured. We can only assess these through criteria that may be quantitative for some of them and qualitative for others. In this case, we can use narrative texts. In fact, the criteria where indicators are both quantitative and qualitative may be considered as latent variables that contribute to the nature and the extent of the impact.

In BSIS, the different criteria for assessing or measuring impact are the following:

- **Monetary versus non-monetary:** the impact of a budget can be measured in euros or dollars, the impact of a course or a research project is more difficult to evaluate in monetary units;
- **Job creation versus no job creation:** the creation of a business school generates new jobs, its running generates salaries, and its closure would cause layoffs. New business creation also generates jobs, but it is not the case for most research activities.
- **Quantitative versus qualitative:** the impact of the business school's research on the region can be both assessed by quantitative criteria (number of citations of the school's name in the media) and qualitative ones (contribution of the school's marketing to the image of the region).

2.3. BSIS process methodology

This process can be presented in three main steps. First, the business school prepares two reports: an introductory one to provide the necessary background information regarding the school and the "Impact Assessment Report" bringing data, both quantitative and qualitative, to the list of the criteria. The next stage is to organise an on-site visit by two experienced reviewers who meet the main actors inside the business school and some relevant stakeholders outside. The third step consists of the reviewers' report evaluating the different

⁴ <http://www.bs-impactscore.com/ddoc-47-BSIS%20Process%20Guidelines-final.pdf>

categories of impact on the business school's impact zone, accompanied by recommendations for improvement.

When we study any impact, we have first to define two dimensions of the relationship: that is to say (1) the scope of the institution that is at the origin of the impact and (2) the destination of the impact, namely the territory that is impacted.

- Indeed, when focusing on a business school, we have to specify its perimeter, its **scope**: is it a department of a university, an autonomous institution, or the whole university (e.g. St.Gallen University)? Moreover, one must also specify the related external institutions that are strongly linked to the business school and that need to be integrated (e.g. junior enterprise, student or alumni associations, foundations, external incubators). For the expenditures of these related entities, which would not exist if the business school did not exist, one needs to define a "percentage" that is to be integrated as part of the scope of the business school in a broad sense.
- To identify any impact, one must also clarify the **impact zone** to be considered. Is it a town, a region, a part of a country, a whole country (e.g. Corvinus University in Hungary)? Quite frequently, different impact zones are specified and according to the type of impact, different territories are concerned: for example a financial impact (students' expenditure) mainly concerns a town, while an economic impact (e.g. business creations) most often concerns a wider region.

3. The BSIS dimensions & areas

When analysing data from interviews, our analysis highlights a gap between what is thought to be a worthwhile impact and the existing assessment tools in a business school. On the one hand, the interviews with the key players in business schools usually cover a very large set of different impacts (e.g. business creation, support to companies, contribution to the communication of the image of the region, contribution to the employability of the students and to their entry into the job market, etc.). On the other hand, the existing assessment tools used by business schools mainly focus on one issue, either the financial one (e.g. counting money) or the research one (e.g. counting publications). In this context, BSIS was designed with a large spectrum of impact categories so as to offer an accurate assessment of a business school's overall impact.

In the current BSIS process, the impact areas and the impact criteria have been grouped in seven dimensions as shown in Figure 1.

Figure 1: The types of impact of BSIS



1. Financial Impact

The first dimension of BSIS focuses on the measurable impact of the business school within the region in terms of money spent directly or indirectly. We can distinguish the direct impact (the expenditures of the business school), the indirect impact (the spending of the students, of visitors, etc.), the induced impact generated by the multiplier effect of the two previous impacts. For the calculation of the multiplier, the methodology based on the Leontief input-output matrix supposes a complex modelling of the regional economy and the availability of the data. Moreover, this methodology based on the techniques developed by Flegg et al. (1995, 1997) is not exempt from criticism (BRAND, 1997). That is why we have selected a global methodology based on the estimated proportion (p) of the school's budget spent in the impact zone to calculate the multiplier⁵.

2. Educational Impact

Linked to the mission of the business school, the educational impact can be assessed in three ways. First, through the student admission flows into the school's programmes from the region, from the country at large and from abroad. Secondly, through the flows of graduates into the job market within the region, within the country at large and into companies abroad. Then we have also to consider the managerial impact in the region of the school's executive education programmes.

3. Business Development Impact

The business school has an impact on the economic development of the region through new business creations. Moreover the business school contributes to the local economy through different services (student internships, market studies, projects, etc.) to established companies. Students are here considered as valuable resources for the local economy during their studies (special missions in the home country and abroad, apprenticeships). This impact is often ignored or underestimated in spite of the fact that it is a huge non-tangible contribution both to large companies and SME's.

4. Intellectual Impact

A school's impact upon the managerial community within the region has also to be highlighted through the intellectual output of its faculty: publications, chairs, specialised programmes, research partnerships. The dissemination of new ideas and new managerial methods is a significant output of the school. Research that is specifically related to the concerns of the region or that is carried out in collaboration with local companies will also

⁵ For p which is the percentage of the expenditures in the impact zone, the multiplier is

$$\sum_{n=1}^{\infty} p^n = p + p^2 + p^3 + \dots \quad \text{or} \quad \sum_{n=1}^{\infty} p^n = \frac{p}{1-p}.$$

influence the dynamism of the economy. Moreover, the contribution to the cultural life of the community at large through conferences, public lectures, etc. has to be taken into account.

5. Impact within the regional ecosystem

The business school is part of a local ecosystem and it interacts with a large number of partners. The involvement of the faculty and students in public life within the local environment contributes to the dynamism of this ecosystem. The integration of the school into the regional ecosystem of higher educational institutions, professional associations, economic development bodies and local political authorities plays a role that is often ignored.

6. Societal Impact

The business school has a societal impact both in the way students are taught and in the way the school is managed. The impact can be assessed by checking the existence of explicit policies in the area of CSR, Sustainable Development, etc. in order to integrate these topics into the teaching, research and management of the business school. A concrete concern for diversity and equal access within all the school's activities is also an important factor.

7. Image and Attractiveness Impact

This last dimension is not the least important, in particular in medium-size cities. The school's role in attracting companies to the region is to be considered even if it is difficult to evaluate. Here, the business school is a part of the ecosystem and contributes to its attractiveness. In the same way, it plays a role by attracting students from outside the region and from outside the country (an effect that is more easily measured). Furthermore, the attractiveness of the school for talented faculty members enhances the school's regional, national and international image. All in all, a business school may make a significant contribution to the image of the city and the region

The above system seeks to assess the many different ways in which the business school contributes to the economy and to the life of the community around it by serving as a resource for its development. In this case, the measurement of the impact will rarely involve financial estimates but will require other indicators, which will not be merely quantitative. Above all the data are to be interpreted with an explanatory text that characterises the impact in each particular area. Telling a good story is often the bottom line.

In BSIS, the selection of the seven dimensions and the criteria could appear arbitrary, but the system has been carefully constructed, based first of all on a literature review and an empirical exploratory study and then on the accumulated experience of a large number of onsite reviews. In sum BSIS offers a broad perspective for assessing a business school's impact that goes much beyond the usual focus on financial or research impacts.

Figure 2: BSIS Areas, Perspectives and Indicators

Impact Areas	Impact Conceptual Perspective (*)	Indicator characteristics			
		€/€	Jobs	Quantitative	Qualitative
1. Financial Impact					
1.1. Budget (Direct Financial Impact)	Financial	X		X	
1.2. Expenditures (Indirect Financial Impact)	Financial	X		X	
2. Educational Impact					
2.1. Entry into the job market	Economic		X	X	
2.2. Executive Education	Intellectual			X	
2.3. Part-time degree & certification programmes	Intellectual			X	
3. Business Development Impact					
3.1. Resources available to companies and organisations	Economic	X	X	X	
3.2. New Business Creation and Takeovers over the past five years	Economic	X	X	X	X
4. Intellectual Impact					
4.1. Publications and Communications having an impact on the regional community	Intellectual			X	X
4.2. Chairs and research partnerships	Intellectual			X	X
4.3. Public lectures and events organised by the Business School	Intellectual			X	X
5. Impact within the regional Ecosystem					
5.1. Opportunities to intervene as visiting lecturer or adjunct professor	Intellectual			X	
5.2. School participation in professional networks operating in the region	CSR				X
5.3. Staff members of the School participating in professional or civic functions within the region	CSR			X	X
6. Societal Impact					
6.1. Global Responsibility	CSR			X	X
7. Image & Attractiveness Impact					
7.1. Attractiveness for business enterprise	Economic				X
7.2. Attractiveness for students from outside the region	Financial			X	
7.3. Attractiveness for students from outside the country	Financial			X	
7.4. National & international impact of the School's intellectual production	Image			X	X
7.5. The School's Image within the Region	Image				X
7.6. National image	Image				X
7.7. International image	Image				X
7.8. Contribution of the School to the image of the region	Image				X
7.9. Reputation of the School in national and international rankings and accreditations	Image				X

* Only the main contribution is mentioned

Conclusion

Such a data collection process is a cost for a Business School that is both direct and indirect and the question of the return on investment arises. Based on the experience of 20 business schools (24 campuses) that have been through the BSIS process, we can identify five main benefits. The first three are internal and not always expected; the last two are expected because they correspond to the purpose of BSIS.

The first benefit is linked to the creation of an information system on impact. As we mentioned in the introduction, the question of the impact is quite a new one for business schools. We frequently observe that the questions asked with respect to the BSIS criteria are unusual for business schools and they sometimes have difficulty responding. However, at the end of the process, they are better equipped to implement an information system dedicated to the measurement and the assessment of their impact on their local environment. As a result they are able to produce regular impact reports.

Secondly, the BSIS process increases the awareness inside the business school regarding the significance of this issue. The fact of questioning members of the business school, both administrative and academic, makes them better aware of the importance of their contribution to the community.

Thirdly, and this effect is the consequence of the previous one, we observe that for numerous members of the business school the question of the impact of their activity gives them a better image of their job, of what they are doing and why they are doing it. So, BSIS appears as a tool for promoting diversity among business schools; a key lesson in terms of impact is that there is no “one best way” and that there is not necessarily “one publication-based way” for all business schools.

Fourthly, the BSIS report constitutes a powerful tool for communication with the stakeholders of the business schools. Indeed, the different kinds of impact - and not only the financial ones - are identified. This is obviously the main benefit of BSIS and the answer to our initial and provocative question “What happens if a Business School disappears?”

The final benefit lies in the reviewers’ recommendations on how to improve the impact of the business school and on how to better communicate important aspects of this impact that are often underestimated both internally and externally.

At a time when all organisations, public or private, are increasingly being held accountable for their activities, the need to demonstrate their impact will become inescapable and they will be obliged to take this dimension into account in the same way as they take accreditation into consideration today. Moreover, the reflection on the impact of a business school on its territory is an excellent opportunity to bring together two issues that are often separate for business school leadership: research rigour and managerial relevance. Of course, the BSIS process and the list of the impact areas and criteria are an on-going learning process. On the empirical side, the process grows richer as it benefits from the expertise inside the business schools. Moreover, on the intellectual side, BSIS is today anchored in a real methodological debate. BSIS will evolve with both empirical feedback and academic reflection.

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