

**To: The MIT Sloan Community**

**From: Dick Schmalensee**

**Re: Strategic Change at MIT Sloan**

Following our faculty/student/staff retreat of March 10 and subsequent discussions, the School is launching a number of initiatives and experiments that are the first steps in a process aimed at significantly enhancing education at MIT Sloan. (The presentations made on March 10 are available at <https://confab.mit.edu/confluence/display/PIMO2PUB/Home>.) Recent critics of university-based management education have made the market more receptive to significant innovation, MIT Sloan is ideally positioned to seize this opportunity, and, with Nelson Repenning managing the overall effort, we are embarking on a process intended to do just that. This note describes our first steps, indicates who will lead them (with help from other faculty, staff, and students), and adds some context and personal observations. There are no secrets here, but neither is any productive purpose likely to be served by distributing this note or any part thereof beyond the MIT community. *Please do not do so.*

### The Critics

A wave of critics have recently described today's MBA programs as exercises in ticket-punching (or, more politely, Spence-style screening) rather than serious preparation for management positions. The argument is that the last revolution in management education, in which MIT Sloan played a leading role, has been won too well. That revolution brought the tools and rigor of traditional academic disciplines into management research and education and thereby significantly advanced the practice of management. But as business school research has become ever more academically respectable, management faculty have come to write more for the colleagues in their particular academic silos than for the profession they supposedly serve. In some fields, description has crowded out prescription. Practicing managers are accordingly uninterested in much of what business academics produce.

Because much of this research cannot easily be applied, the critics continue, MBAs are mainly taught how to use decades-old tools to analyze artificially narrow, silo-specific problems. This curriculum, which varies little among competing schools, leaves plenty of time for clubs, visiting speakers, job search, and endless social and networking events. The best students nonetheless emerge as competent at *analysis*, at deciding what to do. But only by chance (and generally because of prior experience) are any adept at *management*, at getting things done with and through other people.

This is, of course, a caricature, and it arguably fits MIT Sloan much less well than our leading competitors. We are after all *MIT's* business school, embedded in the Institute's hands-on "mens et manus" engineering culture that particularly values the solution of practical problems. We do more industry-supported research than our competitors, and our highly customized firm-specific executive education activities engage many faculty. Several of our teaching programs – notably the Sloan Fellows and Leaders for Manufacturing – benefit from the active involvement of practitioners. Largely because we are at MIT, we mainly attract students willing to do serious academic work. Most also do serious project work or internships that require them to get their hands dirty and learn about execution. Our faculty take professional education seriously; they are teachers and scholars, not entertainers. Finally, MIT Sloan is a small organization with MIT-level talent and weak internal boundaries, and with a strong history of working across those boundaries to innovate.

## MIT's Business School

The caricature drawn by business education's critics has made the market more receptive to innovation building on these strengths, and our recent deliberations have revealed a strong interest moving in this direction. If we do this well, I believe we will effectively answer the critics and move to a position of leadership in management education. Moreover, since our strengths derive importantly from our being MIT's business school, our path to that position will be difficult for others to follow.

What does it mean to be MIT's business school? As an integral part of an institution focused on excellence, it means being – and being recognized as – one of the best business schools in the world in teaching and research. Thus in our mission statement we aspire to produce innovative, principled leaders who improve the world (not just good staff people) and to generate ideas that advance management practice (not just to fill journals). MIT Sloan was not founded to be and is not now expected to be a service unit.

It follows that MIT's business school should not slavishly do engineering lite or (as the 1950s) teach only students with technical backgrounds. These paths lead to niches, not to global leadership in management education. If they are to be effective managers and leaders, all students, particularly those with technical backgrounds, need soft as well as hard skills. And in a small, flat world in which management teams are increasingly diverse, recruiting only one type of student will neither serve those students well nor be consistent with being recognized as a world leader.

Fundamentally, to be MIT's business school we must to build on the Institute's culture of excellence, innovation, and collaboration. Collaboration is particularly valuable to MIT Sloan because MIT has chosen to attain excellence in a set of disciplines that are particularly important for the innovative enterprises that will drive the national and global economies forward. And collaboration with MIT Sloan can greatly increase the real-world impact of MIT faculty and students in these other disciplines.

In recent decades MIT Sloan has built a uniquely broad and deep set of collaborations across the Institute in such teaching programs as LFM, SDM, BEP, the PhD in Chemical Engineering Practice, and the BP Projects Academy and in a host of formal and informal research programs. Similarly, we have both enhanced and benefited from MIT's entrepreneurial culture by hosting the MIT Entrepreneurship Center, and the MIT Leadership Center similarly benefits the entire campus. Our undergraduate major and minor programs serve an extraordinary set of students and are important both to MIT Sloan and to the Institute as a whole.

### How to get it done

Perhaps the most important conclusion that has emerged from our recent deliberations is that *analysis* (what to do) and *management* (how to get it done) should be clearly distinguished and that both should be emphasized in our teaching programs. This duality is clearly reflective of MIT's "mens et manus" culture, with the important clarification that for managers, getting things done depends fundamentally on enhancing the performance of others.

At least through the mid-1960s, leading MBA programs did not require students to have prior work experience. Work requirements were added in part in the hope that students would learn about management on the job and arrive better able to place classroom work in business

analysis in its managerial context. But experience without reflection does not produce learning. Many on our faculty believe that management skill can be effectively developed by increasing the already substantial role of projects and other forms of experiential learning – including the E-Lab and G-Lab as well as summer jobs – in all our teaching programs and, critically, by coupling those experiences with ex ante preparation and ex post directed reflection and self-evaluation. Building the habit of reflecting on experience provides a foundation for life-long learning on the job. And the more effectively we can develop managerial skills in our graduate programs, the less we will need to rely on pre-Sloan work experience to help us produce savvy graduates, and the more confidently we can seek to attract exceptional younger students.

To lead in teaching management/execution in the long run, we will need to generate curricular innovation based, ideally, on rigorous, MIT-quality research on problems faced by practicing managers. Management (moving an organization forward) clearly involves some of the same skills as leadership (catalyzing a change in organizational direction) and is indeed arguably a pre-requisite for it. Thus teaching and research at the MIT Leadership Center clearly complements work on the development of management skills, and there is an argument for broadening its agenda and expanding its role our curricula. As we go forward, the relationship between leadership and management will need to be clarified on both intellectual and curricular levels.

Nelson Repenning, Deborah Ancona, and Don Lessard will lead this broad and important effort, with help from Anjali Sastry and others. They are developing new curricula that will be tested this coming year and beyond, as well as a research agenda that we will support with seed funds.

### Enriching our Programs

There is considerable faculty interest in improving our coverage of two dimensions of management that are becoming more important year after year. First, while the world may not be completely flat, new technology has clearly made it smaller. MIT Sloan has great strength in the areas of international economics and management and particular expertise in emerging markets. These human capital assets can and should have greater curricular and reputational payoffs. We will shortly announce the formation of a new international center that will bring together, enhance, and make more visible our international research and teaching efforts, as well as the creation of an international faculty group to coordinate and enhance our teaching in this area. Those involved in these and related initiatives include Kristin Forbes, Simon Johnson, Don Lessard, Rick Lock, and Roberto Rigobon.

Similarly, there is strong faculty interest and expertise in the issues that have intensified in recent years around globalization and inequality, environmental impact and sustainability, ethics and corporate governance, and a range of other long-term and stakeholder concerns. These issues are much less important in our curricula than they are and will be in the business world, however, and there is energy behind redressing this balance. We will provide seed funding to a research and curriculum development effort led by Rick Locke and John Sterman under the very general banner of sustainability.

### Experiments and Studies

The world-class Leaders for Manufacturing and Biomedical Enterprise programs enable students to acquire an MBA along with deep knowledge in a particular domain. There is much

interest in broadening the menu of world-class programs that provide such knowledge, and we are accordingly moving forward with initiatives in analytical finance and technological entrepreneurship. (These are internal labels, not necessarily for marketing use.)

The finance faculty, led for this purpose by Andrew Lo and John Cox, have proposed a specialized 12-month program leading to a Masters in Finance (MFin) degree. We can realistically aspire to have the best such program in the world, and there seems little question that there would be strong demand for it, particularly among recent graduates. If it is managed correctly, the addition of the MFin program should strengthen the finance offerings available to students in our MBA and other programs. At present, however, we could not squeeze a substantial new program into our existing facilities, and, more important, we simply do not have sufficient finance faculty to support a strong MFin program. In addition, the economics of such a program require some additional study. We are working on these and related issues, with the objective (subject to not encountering deal-breakers) of launching an MFin program in the relatively near future.

Faculty from around the School, led by Ed Roberts, have proposed a “flavor” of the MBA program focused on technological entrepreneurship. (The overall size of the MBA program would not change.) Students who wish to participate in this offering would be required to take a variety of subjects in entrepreneurship and innovation, several of which involve project work, as well as to participate in the MIT \$50k competition. Most of the subjects that would be involved are already being offered. For this reason, we can offer a world-class version of this “flavor” (though perhaps not the best version we could offer) on an experimental basis to students entering this fall. This experiment will provide both operational and market experience, that should permit us to present this option to prospective students during next year’s admission season. If all goes well, it should be possible to make this offering permanent within a few years.

There are also strong cases, based on market demand and MIT faculty strength, for programs focusing on logistics and supply chain management and on new product design and development, but there are overlaps and conflicts with existing programs that would need to be resolved. I believe that adding flavors to our MBA program or new degree programs that require courses that would be open to MBSs and other students have great potential in principle but may pose serious managerial challenges, as ongoing coordination issues with LFM and SDM illustrate. There are also marketing problems. On the one hand, how can we market a menu of graduate programs without confusing the market and diffusing our identity? On the other hand, how can we effectively market new specialist degrees in an MBA-centric marketplace? Finally, the success of the LFM program suggests that any new MBA flavor or degree program should incorporate close linkages with and serious input from serious practitioners.

Paul Osterman and S.P. Kothari will continue to investigate a variety of possible enhancements to our MBA program, but there is insufficient interest in revising its core requirements to do so at this point. Similarly, while many find the general notion of a part-time program attractive, limitations on our facilities make such a program infeasible until the new building comes on line. Finally, John Hauser has agreed to study possible marketing efforts aimed at enriching our pool of outstanding younger MBA applicants.

### Longer-Term Issues

MIT Sloan teaching still relies mainly on lectures and class discussion of paper cases – ancient

techniques by digital age standards. Work with new technologies and in executive education suggests that we can develop better learning architectures for our degree-granting programs. Similarly, our tradition of working across boundaries suggests that we can play a leadership role in devising ways to help students understand and grapple with business problems that go beyond the boundaries of individual disciplines. Don Lessard will continue to work this issue and to seek opportunities for strategic School investments.

In the 1960s and 1970s, when the last revolution in management education was newly triumphant, graduates from MIT Sloan and a few other MBA programs entered the job market with knowledge and skills that their more experienced colleagues lacked. Since then, however, this has become less true, and differences among MBA programs have been reduced through diffusion of knowledge and personnel. To become more like other MIT units, it is not enough for us just to do a better job of teaching what we know; we must learn more about how to improve the practice of management on multiple dimensions and give our students the benefit of that new learning.

This basic agenda requires that even more of MIT Sloan research be driven by important management problems, rather than the intellectual agendas of particular academic disciplines. By definition, important management problems are difficult and are likely to yield only to the sort of rigorous research that has been an MIT Sloan hallmark. In addition, many of these problems cross disciplinary and field boundaries, and our history, culture, and scale position us well to meet such challenges. But, to be realistic, applied, inter-disciplinary research is never easy and is generally under-valued by academics. Bob Gibbons and others are grappling with these critical and difficult problems. A few of my own preliminary thoughts follow.

To make MIT Sloan research more problem-driven, we must first do more to expose our faculty to important management problems. The rapid and substantial growth in our custom executive education will help in this regard. (In contrast, open-enrollment executive education, even of the “masters’ class” variety, involves relatively little faculty exposure to new problems.) But more is clearly necessary.

Part of the answer is surely serious practitioner involvement in our teaching programs, a la LFM. A few major interdisciplinary initiatives focused on important management problems, like the ongoing Project in Innovation in Markets and Organizations, could play an important catalytic role. In the longer run, I believe serious, sustained practitioner involvement in setting our research agenda is essential. I have tried and failed to create an institution would both do this and attract financial support for long-term, problem-driven research. We need to find a way to get this done.

Finally, our model of faculty development rests primarily on recognition by academic peers of contribution to particular disciplines. This model is not well-designed to evaluate or reward problem-based research, particularly if it is inter-disciplinary. To sustain substantial faculty engagement in such research, we may need to refine this model.

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This note has sketched the first steps in a process that is intended to take MIT Sloan to a new level of excellence. This initiative is driven by ambition, not weakness. We are second to none at developing principled, innovative leaders who improve the world and at generating ideas that advance management practice. But we can and should do better, and I believe we will.