



Extreme Competition

Peter Fingar
Executive Partner
Greystone Group

pfingar@acm.org

Latest book:
*Extreme Competition:
Innovation and the Great 21st
Century Business
Reformation*,
Meghan-Kiffer Press, 2006.
www.mkpress.com

The MBA is Dead, Long Live the MBI

Let's do a simple word association test. What comes to mind when I say MBA? If words like smug, overpaid, ruthless, with a sense of entitlement come to mind, you won't be far from the views of many in the business world. So you may not be losing much sleep over the notion that business schools are facing a crisis of confidence, one that is causing business and academic leaders to question the fundamental assumptions underlying business education. Yet the education of future business leaders clearly matters.*

– David Dunne, Co-director of the Rotman Teaching Effectiveness Centre at the Rotman School of Management (* copy and paste this URL in your browser to see in 30-seconds what Dunne means: <http://tinyurl.com/y7cauc>)

Houston, we've got a problem! It's that "A-word" in the degree called the Master of Business Administration. Although he passed on more than fifty years ago, let's tap the observations of economist Joseph Schumpeter to explain. As we are dragged, kicking and screaming, into the 21st century, we will no doubt witness the emergence of a post-industrial form of company with new structures, new ideas, new operating fundamentals, and, of course, new challenges. As we re-examine practices of 20th century business, it can be useful to turn our attention to Schumpeter's ideas of "creative destruction" as the engine of renovation.

Schumpeter pointed out that entrepreneurs innovate, not just by figuring out how to use inventions, but also by introducing new means of production, and new forms of organization. These broader innovations, he argued, take just as much skill and daring as does the process of "invention."

This broader form of business innovation leads to existing ideas, technologies, skills, and equipment becoming obsolete – sometimes overnight. The question, as Schumpeter saw it, was not "how capitalism administers existing business structures,... [but] how it creates and destroys them. What counts is competition from the new technology, the new source of supply, the new type of organization... competition which strikes not at incremental margins or profits of firms ... but at their foundations and their very lives."

Though written decades ago, certain words jump out from Schumpeter's writing: innovation, invention and administers, a form of that A-word, administration. Let's repeat Schumpeter once again:

It's not "how capitalism administers existing business structures,... [but] how it creates and destroys them."

That's all about "business innovation." Yet, what graduate degrees do many time-

honored B-schools offer? The Master of Business Administration.

Ronald Aronica and Mtetwa Ramdoo vividly point out in their new book, *The World is Flat?* “Globalization is the greatest reorganization of the world since the Industrial Revolution.” With three billion new capitalists from China, India, and the former Soviet Union now in the ranks of capitalists, the notion that companies need future business leaders to “administer existing business structures” is ludicrous. Companies need leaders to create new business models and processes and to destroy the old ones, else they will become victims of what CEOs fear the most: *globalization and commoditization*.

As *Application Development Trends* columnist David Chappell wrote, “My guess is that over the next few years, many people working in IT will face a simple choice. One option is to get involved with business processes in a much more explicit way. The other? Pack your bags and move to Bangalore, India, because that is where your job is going to go.” Ditto for the many MBAs working in “administration.” The once-cherished jobs MBAs coveted are being outsourced, automated, and otherwise commoditized.

If you are currently an MBA student, greet your competition in the brave new world of total global competition. They are graduating from an exploding number of world-class MBA programs all across Asia and beyond. For example, in China, MBA graduates from Beijing’s Tsinghua University and Shanghai’s Fudan University are eager to go to work – at the “China wage.”



It’s now time to go beyond *administration* and on to creative destruction, on to *innovation*.

Innovation is being bandied about as the secret sauce for avoiding the dirty words globalization and commoditization. And that’s precisely why the prototypical MBA is dead; long live the Master of Business Innovation (MBI).

But wait, what exactly is innovation? A dictionary definition doesn’t help much: 1: the introduction of something new, 2: a new idea, method, or device. Most often the tendency, when pondering what innovation is, is to think of a glitzy new product with bling, such as Apple’s iPod. But when we think of innovation as the Next Big Thing in business, we need to understand it in a business context that includes many variables besides product innovation. Apple understood that it was not just offering a new music machine, a glitzy new product; it was also opening new channels of supply and distribution with its iTunes. In short, business innovation is much more than product invention.

Further, recognizing innovation as a systematic business process is far more important than just creating “an innovation.” For if a company is to lead, it must set the “pace of innovation.” That is, winning companies will become “serial innovators.” To become a serial innovator, a company will need to view innovation as an ongoing process of problem solving that spans all six dimensions of business innovation: 1) Operational Innovation, 2) Organizational Innovation, 3) Supply-side Innovation, 4) Core-competency Innovation, 5) Sell-side Innovation, and 6) Product and Service

Innovation. Thus, innovation must become a repeatable business process, and every aspect of business must become its domain. Winning companies will learn to innovate innovation itself.

So, where does business innovation come from, what are its first principles, and how can you learn to innovate? Business innovation requires multiple disciplines, especially those drawn from the fields of *business process management* and *design*. Both disciplines are already entering the halls of pioneering business schools. Sure, there's still a need for an MBA core offering (B-Core) comprised of Finance and Accounting, Quantitative Analysis, Decision Sciences, Economics, Marketing, and Organizational Behavior. Such studies, at least, give students a business vocabulary. But Business Process Management (BPM) disciplines and tools, such as Business Activity Monitoring (BAM) and Process Modeling and Simulation, bring something concrete, something tangible and "doable," not just theories such as those embedded in decision science. For example, process simulation tools can bring textbook discussions to life with process simulation serving as decision-making tools.

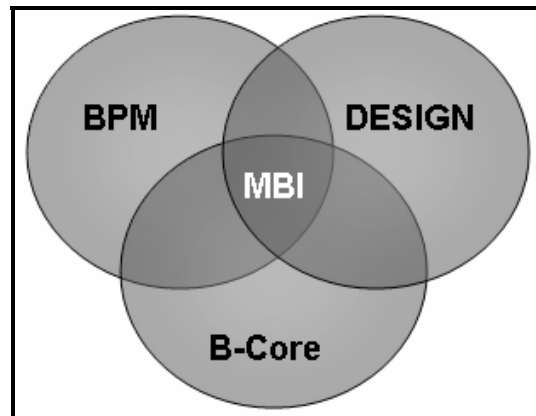
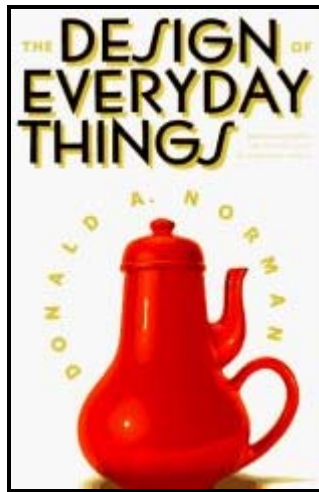


Figure 1. Master of Business Innovation (MBI)

Keep the MBA Core, But Infuse Hands-On BPM and Design Disciplines

Roger Martin, Dean of the Rotman School of Management at the University of Toronto, is a leading proponent of bringing "design thinking" to the business school curriculum. He wants to bring the first principles of design to business problem solving. As reported in the August 1, 2005, issue of *Business Week*, "Martin would like to offer a rich design program that will lead to a new MBD degree (Master of Business Design) as an alternative to the standard MBA. In an era of vast change, the "administration" of business isn't enough. He's not alone. He's working with Patrick Whitney, director of the Institute of Design in Chicago, and David Kelley, co-founder of design consultancy IDEO and head of the new Stanford Design School, to create a new design-based curriculum that can be used in business schools. Martin practices what he preaches: He advises Procter & Gamble Co. chief A.G. Lafley, among other chief executives."

What gets interesting is that the disciplines of "design" and "BPM" go hand-in-hand. BPM intrinsically needs the discipline of design to achieve process innovation. As Rotman's David Dunne points out, "To think like a designer is to embrace constraints as challenges that demand greater creativity, to collaborate in diverse teams, to understand [customers] intimately and predict their needs. Beyond designers, this type of thinking typifies successful business leaders." A badly designed process is ... uh ... *really bad*, a competitive disadvantage. Let no business process analyst ever practice his or her craft without first reading design godfather, Donald Norman's book, *The Design of Everyday Things*. Norman, by the way, is on Patrick Whitney's advisory board at the Institute of Design.



Design, on the other hand, needs the collaborative disciplines of BPM for design innovation to happen, especially in the wired world of the 21st century where innovation depends on work teams scattered across the globe. As Dunne points out, design is about

- *embracing constraints as challenges*, which goes straight to the heart of process guru, Howard Smith's process-TRIZ (P-TRIZ);
- *collaborating in diverse teams*, which is all about human-driven processes supported with Human Interaction Management (HIM) systems; and
- *understanding customers intimately and predicting their needs*, which is about Business Activity Monitoring (BAM) and Business Intelligence (BI).

In other words, the globalization of innovation requires the capability to “connect and collaborate” to establish both system-to-system and human-to-human collaborations. This is especially important on the new frontier of “open innovation,” which is based on many of the precepts of open-source software development. While system-to-system interactions are the focal point of many BPM tools, the critical human-to-human interactions, the human-driven work processes, require special attention, for it's people that innovate. Understanding the pivotal role of human-driven processes and how work is accomplished in diverse teams are the keys to understanding the dynamics of real-world business processes, including the innovation process, as you can learn from the landmark book, *Human Interactions: The Heart and Soul of Business Process Management*, and the HIM Web site, humanedj.com.

The need to apply science to human-driven processes becomes obvious when we consider the nature of work in most advanced economies. Brett Champlin, president of the Association for Business Process Management Professionals, opens eyes by revealing statistics that show 75% of the labor force in 2000 was in the services sector, compared to 22% in manufacturing and 3% in agriculture. Champlin also cites statistics that shift those numbers to 88-10-2 by 2010. Yet the costs of services are inflated by up to 80% by waste and inefficiencies. At a summit held in May 2004, Paul Horn, senior vice president of IBM Research, challenged faculty from prestigious universities, “Services is the biggest piece of the U.S. economy, but there aren't any courses to learn how to be a consultant, nothing teaches about business processes. The academic community could play a significant role in establishing this new practice. There is enormous potential for innovation in services science.” It's clearly time to bring science to services, and that requires people with expertise in human interaction management, for knowledge workers and experts don't work alone, they work in teams, which more and more, are scattered across the globe. Even more important, they don't just work among themselves, they work with the most critical team members – customers. Customers are not only consumers of services, demanding transparency and direct participation in the business processes that deliver those services; they are also the paramount source of innovation.

Larry Keely, President of the Doblin Group, an international design firm based in Chicago, talks about “the science of innovation.” His firm has mapped ten dimensions of business innovation, most of which directly involve business process innovation. In my book, *Extreme Competition: Innovation and the Great 21st Century Business Reformation*, I describe six key variables of business innovation. So, whether it’s ten or six, business innovation goes well beyond “product invention” and on to “process innovation,” where innovation itself becomes a repeatable business process. To repeat the point, it’s not “an innovation,” a single innovation event, that counts, it’s setting “the pace of innovation” that will determine tomorrow’s business winners.

Just as design thinking has begun to become a focus at leading edge B-schools, so too has BPM. Pioneering professors Dan Conway at the University of Indiana, Richard Welke at Georgia State University, Yvonne Antonucci at Widener, and Tom Davenport at Babson have been leading proponents of placing BPM at the heart of the B-school curriculum. Additional schools pushing the envelope can be found at the Association for Business Process Management Professionals site (abmp.org – See education section for an updated listing):

Bentley College

BPM courses in MBA, MSIT, and MSHFID programs

Boston University

Business Process Management (BPM) Certificate Programs

Bradford University (UK)

MSc in Total Quality and Performance Management

Brighton University (UK)

MSc Business Process Management

Franklin University

BS Process Management

George Mason University

Office of Continuing Professional Education

Process Management Certificate Programs

Georgia State University

BPM courses in MBA and doctoral programs

Center for Process Innovation

Indiana University

BS in BPM

Queensland University of Technology (Australia)

BPM Research Group

Technische Universiteit Eindhoven (NL)

BPM Research Group

University of Chicago

Certificate program

University of Florida

Certificate program

University of Illinois

Doctoral Program in Process Management

University of Münster (Germany)

Walden University

MBA with BPM Specialization

Widener University

Center of Business Process Excellence

Certificate Program in Business Process Excellence

And in both the arenas of design and process there is no substitute for experiential learning. This is made clear in “The End of Business Schools? Less Success Than Meets the Eye,” by Jeffrey Pfeffer and Christina Fong: “Some schools lecture, others teach by the case method, some use a combination. But in relatively few instances in established business schools is there much clinical training or learning by doing – experiential learning where “concrete experience is the basis for observation and reflection.” “Students learn to talk about business, but it is not clear they learn business.”

In the brave new world of total global competition, companies need experienced, *hands-on, business process analysts* steeped in the first principles of design. Now is the time for business schools to provide their graduates with the BPM and design knowledge needed in the innovative, process-managed enterprise – the company of the future. This will require the hands-on experiential learning demanded by Pfeffer and Fong, for success is in the *doing*, not just the *knowing* (don't miss the biting FedEx commercial at <http://tinyurl.com/y7cauc>). The future will be owned by those who don't just administer processes, but who deploy design methodologies and process-oriented systems to create and destroy them.

We could go further with this discussion. For example, we could explore ideas in Ronald Aronica's model curriculum for professional education in “Reschooling the Corporation for BPM:”

Fundamentals of Process-Based Competition

Understanding the *business case* for BPM and motivating the company to adopt the BPM approach

BPM and its Value to the Corporation

Understanding BPM, its promise, and its value to the corporation

From Functional Management to Process-Oriented Thinking

Changing the mental models of senior executives

Getting Hands-On BPM Experience

Going beyond the concepts and gaining first-time hands-on experience with BPM technology

Foundations for Process Practitioners

Understanding the relationship of BPM to other management methods and techniques; process-oriented business architecture, and technology frameworks.

Business Process Modeling and Methods

Designing and simulating new processes and organizations using process-oriented architectures and methods

Human Interaction Management (HIM)

Understanding the pivotal role of human-driven processes and how work is accomplished

Aronica: "Reschooling the Corporation for BPM"

(Full article: copy and paste in your browser: <http://tinyurl.com/y9u6o2>)

For now, let's just close with the words of Andy Grove, co-founder of Intel and author of *Only the Paranoid Survive*: "Although mainstream economic thought holds that America's history of creativity and entrepreneurialism will allow it to adapt to the rise of such emerging economies as India and China, I think that is so much wishful thinking. Globalization will not only finish off what's left of American manufacturing, but will turn so-called knowledge workers, which were supposed to be America's competitive advantage, into just another global commodity." (Watch the 10-minute video at: <http://tinyurl.com/w2fnx>).

Sure, it was a great ride for MBAs during the dot-com boom, but it's time to move on to the MBI, for the prototypical MBA is becoming just another global commodity. Although I've focused attention in this article on the MBA, the concerns apply to business education in general, including undergraduate programs. Ever since the report funded by Ford Foundation / Carnegie Council in the 1950s, there has been debate over whether business education is about teaching a profession, as is done in medicine or engineering, or whether it's really a social science subject that belongs in liberal arts colleges. That debate will continue. In the meantime, because of their *practical* training in systems thinking and process management, many companies hire graduates with industrial engineering degrees to staff their needs for business process analysts. Because companies need a new breed of *hands-on* business process analysts, a new breed of innovators, it's time for some creative destruction in our B-schools.

Peter Fingar can be contacted at pfingar@acm.org

For further sources on the topic covered in this column and related topics go to www.mkpress.com