

# Customer Value in Non-degree Executive Education: Linking Business Schools and Business

Non-degree  
Executive  
Education

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Recently, a raft of criticism has been levelled at business schools because it appeared that the schools were not helping US firms with their competitiveness problems. A recent article in *Business Week* documented a number of the criticisms[1], including the following four. Lester Thurow of MIT's Sloan School, remarked: "If our B-Schools are doing so well, why are American companies doing so badly?" Paul Allaire of the Xerox Corporation noted: "The academicians are too busy writing about what other academics are interested in." Robert Hayes of Harvard commented: "There is no evidence the money spent on business schools has served this country well." Curtis Tarr of Cornell stated: "For a long time most schools abandoned manufacturing. They got swept up in this financial thing."

Some critics claim that business schools churn out MBAs who lack leadership skills and operations knowledge. According to the *Business Week* article, partly because of the above problems, a number of companies have stopped recruiting MBAs. The preceding indicates that many business schools were a part of the problem, rather than a part of the solution, in helping US industry to regain its global competitiveness.

Business schools should not regard the above as idle criticism. Some firms have stated that if business schools do not start to produce relevant programmes to help the firms to sharpen their competitiveness skills, then the firms will stop doing business with such schools[2,3]. Such clarion calls have caught the attention of many academics who previously assumed that they operated in a protected, insulated industry in which they themselves were the customers. Might business schools lose market share to corporate training centres and to other collegiate degrees if they do not serve their external customers? The formation of Motorola University, and the IBM Market Driven Quality Institute are good examples of the alternative to business schools embodied in corporate training and education centres. The accreditation of some corporate universities is a clear indication of an external threat that must be heeded. It is useful to examine this shift towards a focus on external customers to understand the associated strategic implementation issues.

## The Customer

At the very heart of the concept of the corporate mission/philosophy is the identification and articulation of the customer[4,5]. But who is the customer of non-degree executive education?

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### *The Faculty*

Many faculty members, and consequently many executive education units of business schools, have operated as if faculty members were the customers. Was the purpose merely to provide marginal income for some faculty members who “were good on their feet”? Was the purpose to channel the energy of those faculty members through the college as opposed to through individual consulting outlets? Whatever the purpose, the behavioural results of such a “faculty-is-the-customer” orientation are many.

First, the programme content tended to have a narrow functional orientation. For example, the accounting professors taught only accounting. There was little need for cross-functional integration.

Second, the intellectual capital tended to be off-the-shelf. External customer-focused research did not necessarily drive such an activity.

Third, the executive education unit tended to be an adjunct activity of the business school. Indeed, the activity could be conducted as part of an overall continuing education function of the entire university separate from the business school.

Fourth, the audience of such programmes typically consisted of individuals from many different corporations drawn from lower levels in the corporation.

Fifth, the pricing of such programmes was moderate and often based on price competition with other universities and full-time dedicated management training organizations. Typical are the one-day programmes for “Stress Management” or “Time Management” offered by many organizations and priced at \$149 per participant.

### *The Business School*

A correlate of the assumption that the faculty is the customer, is an assumption that the business school itself or the parent university is the customer. Under such an internal customer assumption, the primary purpose of the executive education unit is to provide positive cash flow for the school or the parent university.

For financial reasons totally unrelated to the external customer, an increasing number of universities may unwittingly adopt this internal “we-are-the-customer” notion in the near term. It is widely forecast that appropriated budgets for state-assisted universities will not keep up with the pace of inflation in the next few years. Increasingly, private universities have found that they can raise tuition only so far and so fast. Such forces on both state-assisted and private universities cause them aggressively to seek alternative sources of funds including post degree executive education[6].

### *The Corporation*

Managerial leaders of business schools should ask themselves the following questions about their customers. What if the *real* customer resides in the corporate world external to the university? What if the customers are a series of corporations?

**Customer Value**

What value might such corporate customers demand? Do they pursue linkages with executive education centres at universities and provide cash for the purpose of philanthropy/corporate social responsibility, individual management development, or increased organizational development and competitiveness? Each of these objectives has specific ramifications for the strategy of the business schools which house the executive education units.

*Philanthropy/Corporate Social Responsibility*

If corporate customers send their members to executive education programmes at universities for the sake of fulfilling part of their corporate social responsibility, then the content and the conduct of such programmes are moot. Nearly anything that smacks of business-related topics could be taught in such programmes and be tolerated by such corporate customers. The traditional model in which faculty members unilaterally determined the content, based on their functional expertise, may be relevant here.

Do corporations have the financial slack to continue this mode of non-relevant executive education? Increasing profit pressures on industry and the increasing prevalence of corporate-managed executive education centres suggest not[7].

*Individual Management Development*

There has been a need for corporations to send their managers to executive education centres for individual managerial skill building. Such skill building can be conducted by function-specific faculty. However, as the transferability of these individual managerial skills back into the work team for increased organizational effectiveness is increasingly being questioned, it is doubtful that this form of executive education will grow in the near future.

*Organizational Competitiveness*

The level of international competitiveness recently faced by American firms has been unprecedented in the past 50 years. It has been forecast that such international competitiveness for customers and markets will intensify in the 1990s[8,9,10].

Faced with such competitive pressures, US corporations are demanding more from business schools (*Business Week*, 28 November, 1988). Specifically, they are demanding that business schools must help them to become more competitive by conducting research, and educating degree candidates and non-degree executive education participants in the very concepts that the corporations need to become more competitive[1]. Specifically, research and teaching in total quality management, which demands attention to the concepts of customer value and the management of cross-functional strategic systems, are being demanded[2,3,11]. What are the implications of such a required focus in business schools which have non-degree executive education programmes?

A mini-executive-education case history in customer-value determination is presented below as an example of how focusing on customer value guides the linkages between the university and the corporation. This executive education

centre was just ranked as one of the five most innovative in the country because of its focus on quality management[12].

### Management Development Centre

The College of Business Administration's Management Development Center at the University of Tennessee was created in 1972 with private dollars and initiative. From the inception, the Center has always had a very strong external customer focus. The participants and sponsoring organizations vote their customer-value decisions with dollars for the programmes each week. With less than one per cent of executive and management education dollars nationwide being funnelled through universities (versus consulting firms and corporate in-house training facilities), university-based centres have had to take a much more proactive external customer focus than companion credit programmes oriented towards undergraduate and graduate students which, in the past, had "captive audiences" desirous of the "degree ticket". Participating organizations supporting executive programmes are looking for enhanced organizational effectiveness from the managers they send to such external training programmes rather than a certificate of completion.

The mandate for managerial leaders is to provide the best net customer value. To provide this strategic leadership, senior managerial leaders must be able to determine what is valued by their customers, what would be of more value and what customers sacrifice in dealing with them.

In order to help to ensure that future improvement initiatives would be tied to customer value and to the management of strategic systems, the Center started a formal customer-value determination effort approximately 18 months ago. With the value determination methodology discussed in Stahl and Bounds[13], the managerial leaders of the Center first projected what they felt was valued by their major customers (Table I). In order to validate/invalidate these projections, the Center's 20 major customers were identified for the past two years. These customers had accounted for over 60 per cent of the Center's business by sales revenue. Key individuals were identified within those organizations (most had participated in Center efforts and significantly influenced future participation) and telephone interviews were set up. Twenty-six individuals from 17 of the 20

**Table I.**  
What Do We Think Is  
Most Valued by Our  
MDC Public Course  
Participants?

1. New knowledge
2. Interaction with participants (diversity of companies and participants is important here)
3. Interaction with faculty
4. To test or strengthen their own knowledge (benchmarking)
5. Because they are sent (as a reward or unknown)
6. To get "tender loving care"
7. To go through the "rites of passage"
8. To get a new model for managerial behaviour
9. To come to a university
10. To establish a long-term affiliation with the university and/or faculty

organizations were interviewed over a period of three months. The telephone conversations lasted from 45 minutes to 2 hours and 15 minutes. The interviewer typically spoke for less than 5 per cent of the time in these discussions. Table II provides an overview of the questions asked and sequence followed during the interviews.

The projected values were not read to the interviewees until the end of the interview in order to avoid a biasing effect. Each person was allowed to identify those items which were of primary value and those of secondary value. Table III provides the results. Those individuals value the new knowledge they gained especially as it is grounded in management behaviour. New knowledge to them means the different viewpoints they receive from our Center, our constantly pushing the frontiers of existing knowledge, the integrative nature of what we do and the constant improvement and upgrading of content in existing and new courses. The interaction with faculty is heavily valued and viewed as a long-term value component versus the interaction with participants which is viewed and valued in the short term (basically during the course).

In answering the question of what would be of more value, there was a consistent response. We should continue to push the frontiers of new managerial knowledge and help them with the implementation of what we are teaching. Participants had a much more difficult time articulating sacrifices beyond the obvious ones, such as cost of programmes and time away from home.

We have obviously talked only with individuals who have selected the University of Tennessee and utilized our services extensively. We also need to talk with those who have considered our services but selected another

- (1) What is valued by you and your organization in relation to our public programme offerings and the total University of Tennessee effort that is addressing issues of customer value, management systems, statistical methodology and thinking, quality, productivity, and competitiveness?
- (2) What would be of more value?
- (3) What is sacrificed in dealing with us? I often have to probe here by asking, "What type of organization are we to deal with, what do you have to give up other than time and money in dealing with us, and what about the time and money issues?"
- (4) Who is our competition? What other organizations do you consider when you are assessing whether to send someone to a University of Tennessee programme? I probe for comparisons.
- (5) I then read them the list of ten items which we brainstormed as being of most value to our customers (varying the order so as to avoid biasing) and ask them, "Which of these items are most valued by you? Which items might be of secondary value?"
- (6) I then give them an opportunity to suggest any other areas of improvement or recommendations for us and an opportunity to add any general comments they would like to make.

Interviews varied from 45 minutes to 2 hours and 15 minutes.

Detailed notes taken and typed (in their language) on each conversation. Chart kept on the list of ten items which we brainstormed as being of most value.

**Table II.**  
Questions Asked of  
Individuals from Our  
Approximately Top 20  
Customer List for FYs  
1988-90

**Table III.**  
Most Valued

	Primary	Secondary
New knowledge	24	1
New model for managerial behaviour	15	2
Interaction with faculty	14	7
Interaction with participants	10	5
Test or strengthen their own knowledge	6	5
Long-term affiliation with faculty or university	5	10
To come to a university	4	5
To go through the "rites of passage"	1	1
To get "tender loving care"	0	5
Because they are sent	0	0

organization for some reason. Further, we must not only understand the value components but the consequences of those components to the customer. Perhaps there are other processes and systems we can improve or create that would contribute to these consequences.

The value-determination process is a never-ending cycle of activities which you must link to the management of your strategic systems. Table IV is a suggested sequence that you may wish to follow for your own organization. Within the Center, we have identified four strategic systems which must be continuously improved in order to provide best net customer value. They are the systems for:

- (1) knowledge creation and assimilation;
- (2) validation of knowledge;
- (3) dissemination of knowledge;
- (4) affiliations and relationships.

**Table IV.**  
Value Determination  
and Process  
Improvement

1. Who are my customers? (Prioritize)
2. What products/services am I providing them?
3. With what attributes of the products/services do they value? Why do my customers value these attributes? What are the value consequences of these attributes?
4. What would be of more value to them?
5. What do my customers sacrifice in order to receive the products/services I provide?
6. What process(es) that I work with provide this value? Is it a cross-functional process?
7. What might process improvement look like?
8. What process parameters do I need to track to measure the continuous improvement of this process? (Tied to customer value)



By focusing on these strategic systems, that are linked to customer value, we can also provide organizational alignment to the subsystem and process-improvement work with which all members of the organization will be engaged. Customers worldwide are becoming much more discerning with ever-increasing levels of expectations. The role of the managerial leader must change accordingly to provide best net customer value in order to ensure the future viability of your organization.

### **Strategy Implementation**

There are many strategies, policies and practices consistent with such customer values and implementing such strategic systems.

#### *Co-learning*

Maybe the business schools have not had all the answers[1]. Perhaps the schools need to learn themselves. This suggests a spirit of co-learning through applied research in trying to help corporate America to be more competitive.

#### *Applied Research*

By definition, the research associated with such executive education centres must be very applied. Indeed, that research must drive the research agenda in the present business school. This suggests that there must be corporate funding/sponsorship of the research.

Thus, the model has come full circle in terms of identification of the customer. If there is corporate funding of applied research, the customer for the research is not a peer-refereed, academically oriented, basic research journal. The customer is a practitioner. Dissemination of such applied research would more appropriately occur in practitioner journals, books, case books or other practitioner-oriented media.

#### *Cross-functional Integration*

Increasingly, corporate America is finding that many of its problems in implementing strategy are due to cross-functional integration issues[13]. Such problems result in needs for a cross-functional integration in executive education.

Thus, it is not sufficient to conduct such a programme with one or a few functional "stars" on the executive education team. Faculty from diverse functional areas who can address cross-functional integration issues are needed for such programmes.

#### *Integration with the Business School*

Since such an executive education paradigm requires a cross-functional approach, a spirit of co-learning, and a substantial emphasis on applied research, such an executive education unit should be an integral part of the business school and not organizationally separate. Symbolically, it would be useful if the unit were co-located with the parent business school. Executive education centres can help to forge an internal partnership between professional schools of business

and engineering that will allow for a more comprehensive response to the needs of private industrial organizations and public institutions.

#### *Corporate Executive Teams*

Unlike in the individual management development model, individual managers or individual professionals from disparate corporations are not the principal customers. The primary customers are the corporations themselves. Thus, the firm may wish to send entire teams of managers to customized executive education courses. Alternatively, the organizations may send several individuals at once to public programmes.

The attempt to educate entire corporate teams demands that the faculty must engage with the corporation. The faculty must understand the corporation to the level of using detailed examples or cases they have written about the corporation.

#### *Faculty Assignment*

The organizational level of such customers may be at the executive or upper mid managerial level. Since they may have attended many other education programmes in the past, and since they may have multiple years of managerial experience, they may be quite demanding of the expertise and presentation skills they require of the faculty. Combined with the above notion that the faculty must be learners, this has definite implications for the assignment of faculty to work in such programmes.

#### **Conclusion**

This article argues that non-degree executive education conducted by business schools must be based on the premise that the principal customer is external to the school. That customer is not the faculty or the parent business school; rather, it is the corporation.

Several strategic implementation issues associated with this shift towards the external customer in non-degree executive education are reviewed. They include a focus on co-learning, applied research, cross-functional integration, integration with the parent business school, corporate executive teams as customers, and assignment of specific faculty.

Such a shift to serving the external customer in non-degree executive education and the implementation of such policies are associated with increased relevance in the business school. Without such a shift towards greater relevance and customer focus, American business schools may find themselves suffering increased competitive pressure and decreased market share just like those corporations who ignore their customers.

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