



BUSINESS AND MANAGEMENT EDUCATION AND THE EFFECTS OF THE CREDIT CRUNCH

This edition of Media Bulletin features case studies from the following members of the Association of Business Schools:

- Bournemouth University Business School
- University of Bedfordshire Business School
- Chester Business School, University of Chester
- Durham University
- Glamorgan Business School
- Lancashire Business School, University of Central Lancashire
- Leeds University Business School
- School of Management and Science, London College of Fashion
- Manchester Metropolitan University Business School
- Newcastle Business School, Northumbria University
- Nottingham University Business School
- Oxford Brookes University Business School
- School of Management, Southampton University
- Warwick Business School

International focus

- AESE – Escola de Direção e Negócios, Lisbon, Portugal
- AVT Institute of Executive Education, Denmark
- Graziadio School of Business and Management, Pepperdine University, Los Angeles, USA
- Faculty of Business Administration, Université Saint-Esprit of Kaslik, Lebanon
- Faculty of Business and Accountancy, University of Malaya, Kuala Lumpur, Malaysia
- Indian Institute of Management, Bangalore, India
- Instituto de Empresa, Spain
- Melbourne Business School, Australia
- Tallinn School of Economics and Business Administration, Estonia
- Pamplin College of Business, Virginia Tech, USA

Introduction



Prof. Howard Thomas, Dean Warwick Business School, Chairman of the Association of Business Schools and Vice Chair-Chair Elect, The Association to Advance Collegiate Schools of Business.

Welcome to the first ABS media bulletin of 2009, focusing on the much maligned 'credit crunch'.

The world's economy seems to be spiralling into a downturn – the sub prime market had led to major financial services companies going bust, this downturn is having a global effect and the full repercussions are said by some yet to be fully felt. High street retailers such as Woolworths have closed and banks and building societies are suffering, the effects are spreading across industry and announcements are being made daily about businesses going out of business and staff being laid off. Many more businesses as well as multi nationals are being effected – thousands of jobs are being lost each month – homes are being repossessed, so what do business schools have to do with this.

Much has been reported in the press about how in a downturn those that have been made redundant may wish to enter back into education to 'ride out the storm', equipping themselves with a business and management degree or MBA to be at the top of the tree, once employment picks up investing in their future.

Business and management students are our leaders of the future, many will already be executives in the labour market – others may be entrepreneurs – whatever their situation people need the skills that a business school education provides to ensure that the economy stays healthy and that innovation, research and creativity are encouraged. Many will look to business schools for explanations too.

It is difficult to predict what the effect of the downturn will be but the following case studies give an insight into the work that UK and some international business schools are doing to equip the managers with the skills and acumen to be able to look at the bigger picture and increase the value of UK plc through effective leadership and financial and sustainable practices.

Business schools themselves are learning from the downturn and are changing their teaching, sometimes, it has been reported on a day by day basis to reflect the real world, read on to find out more about how ABS members are dealing with this economic crises and helping students to understand the outcomes.

Prof. Howard Thomas



It is also timely to mention that 'Higher education can help business through the downturn' as highlighted by Universities UK. Details of how universities and colleges can do still more to help businesses during an economic downturn have been published recently by Universities UK and GuildHE.

The brochure, *Standing together: universities helping business through the downturn* (www.universitiesuk.ac.uk/Publications/Pages/Standing-Together.aspx), has been put together by Universities UK, as the major representative body for the higher education sector, with the assistance of the Higher Education Funding Council for England (HEFCE).

It sets out the kind of support universities and colleges can offer employers, both in the current economic climate and longer term. This includes:

- Practical support to help small and medium sized enterprises (SMEs) spot problems early, focusing on SMEs' top priorities of cash flow, access to finance and staff training
- Consultancy services
- Research support
- Staff development and training courses
- Strengthened partnerships through the Regional Development Agencies, Business Link, Train2Gain and sector skills councils.

With over 150 providers to choose from, it lists a point of contact within each higher education institution in membership of Universities UK and GuildHE for businesses to use to find out more about how higher education and business support providers can help them.

Professor Rick Trainor, President, Universities UK, said: *"Universities work hard to make themselves accessible and useful to business, but we are keen to do more. We want to be responsive to business needs, and for that response to be quick, flexible and of real benefit."*

"The case studies in this brochure give a flavour of the many ways business can engage with universities, whether it's consultancy to help SMEs to become more productive and profitable, providing incubator space for start-up companies, or offering training designed to fit around company practices."

David Lammy, Minister of State for Higher Education said: *"The Government has made it clear that we will do whatever we can to respond to the current economic*

challenges. Higher education can and is playing a central role in supporting businesses and individuals with skills, advice, knowledge and know-how.

"I know that business leaders recognise that their enterprises are more likely to survive if they continue to invest for the long-term, but they need help. Higher education will support them through the difficult times to emerge in a stronger position."

"I congratulate UUK, with support from HEFCE, on producing this brochure as a call to action. I look forward to institutions using this resource imaginatively and in partnership with other agencies in their region who together can make a difference to people's lives."

The brochure will be distributed widely through the higher education regional associations, regional development agencies, chambers of commerce and other business networks.

CARRINGTON CRISP

Carrington Crisp recently undertook some research as part of the Business of Branding Report, and for the first time, questions pertaining to the financial climate were included, extracts are available below (or for the full report please contact: andrew@carringtoncrisp.com or visit: www.carringtoncrisp.com)

US online forum contribution

There's a great deal of debate in the UK at the moment about the impact of the global economic downturn on recruitment of students. At present there seems to be much hope being placed on the traditional counter-cyclical trend - that means when economies turn-down student admissions go up as people postpone entering the labour market.

However, there is some speculation that while this may still happen with undergraduates it may not be true of the postgraduate market and especially MBAs. Our own research earlier this year with 16 MBA schools found that between 5 percent and 15 percent of their intake this year would have reconsidered taking on a course if the downturn had been in full swing a year ago. The main reason for this is that doing an MBA is so closely attached to improving your salary for many students. Thus, if the high paid jobs in consulting and finance are not going to be there for a couple of years why take on the debt



involved in studying for an MBA. Also, if you are still in employment why give up on that security in uncertain times.

Historically, the counter-cyclical trend has also worked well with postgraduates, but our reading this time is that may not be the case. As people have been made redundant in the past they have tended to use all or part of any redundancy payment to fund MBA studies to get them back into the job market. However, compared with previous recessions personal debt is now higher, especially mortgages and our sense is that servicing this home-related debt may reduce funds to spend on education.

However, I think the main problem that the US may face in the next few months is the value of the dollar against many other currencies. I read today that the Federal Reserve is making large amounts of dollars available to a number of banks in other countries because of unprecedented demand which is a good indication of the strength of the currency. Conversely, I've just come back from a trip to Australia where

their currency had declined by about 15%-20% in its value over the last six weeks, making their programmes of study look relatively inexpensive.

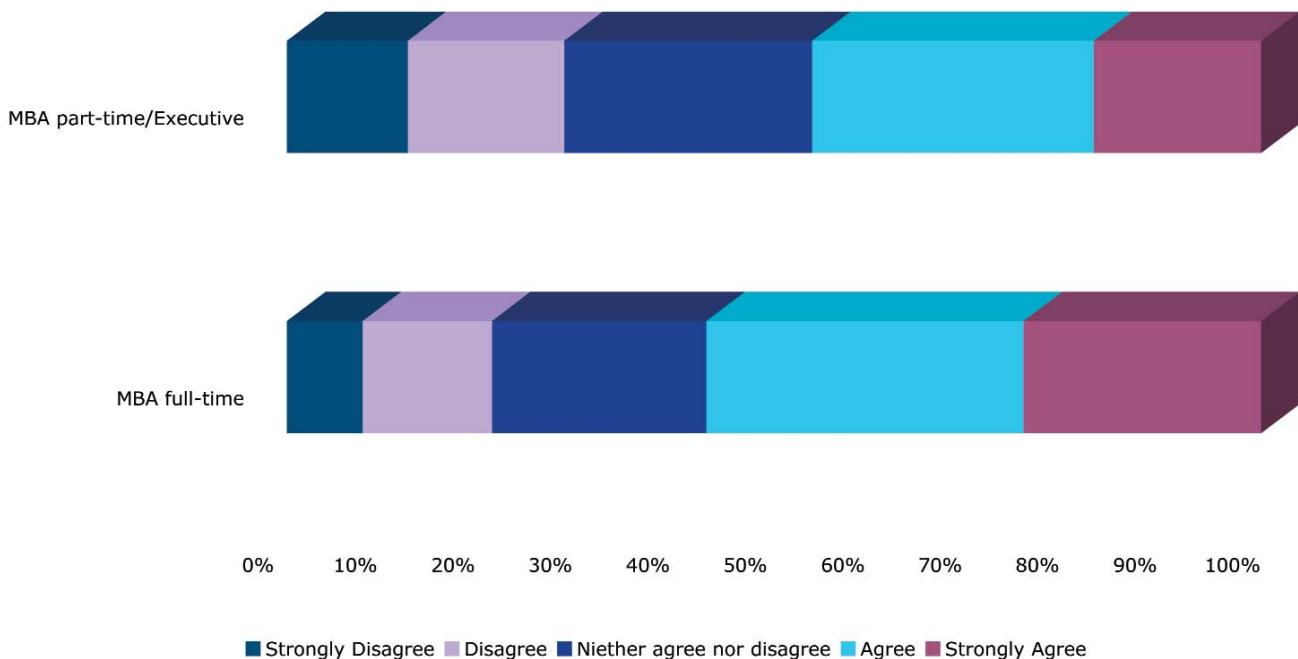
Although given the turmoil of the last six to eight weeks, any prediction would seem hazardous at present.

EFMD extract

The research suggests that between 5 percent and 15 percent of MBA students said that had the global financial crisis been in place when they were considering an MBA, they may have changed their minds. Although decisions to study are often countercyclical, high levels of housing debt and falling numbers of high paid jobs in finance for MBA graduates, mean that schools may have to work harder to persuade prospective students to take on an MBA.

**Andrew Crisp
Carrington Crisp**

Ability to get a high paid job



Source: Business of Branding



Rapid response by universities to help individuals and businesses through the recession

HEFCE recently launched the Economic Challenge Investment Fund (ECIF) to enable higher education to respond rapidly to the needs of employers and individuals during the economic downturn. Universities and colleges in England are being invited to take part in a £50 million scheme to help individuals and businesses through the recession.

The ECIF will enable universities and colleges to provide tailored training, development and professional support to vulnerable groups. The fund consists of £25 million provided by HEFCE with matched funding from institutions.

Professor David Eastwood, Chief Executive of HEFCE, said: *“With the support of our employer engagement programme, HEFCE is already investing £148 million in higher education to increase capacity and capability to deliver workforce development activities for employers over the long-term.*

“The new initiative is designed to meet urgent and short-term economic challenges facing individuals (whether in work or unemployed), new graduates and businesses. We are looking particularly to help small and medium enterprises.

“Higher education has never been closer to business. The strong links developed over the past few years put universities and colleges in an excellent position to make a flexible response to current economic challenges at a time when it is vital that we continue to invest in enterprise and skills.”

Universities Secretary, John Denham said: *“Our higher education sector is well placed to support employers and employees get through these challenging economic times and prepare for the upturn when it comes. I’m pleased to see that HEFCE are responding by using their available resources to enable institutions to provide further help to deal with the consequences of the current economic climate and lay the foundations for the future.”*

The scheme will provide the following help for individuals:

- development and training for those in work to enable them to continue in employment rather than be made redundant
- training and development for those newly unemployed to improve their chances of re-employment
- support for new graduates to access advice, training and work experience.

For businesses and other organisations the scheme will provide:

- skills training to manage the economic business challenges
- access to knowledge and expertise which will improve business performance
- training and development and support packages to business as a way of managing a shrinking business or as an alternative to redundancy.

The scheme looks to support around 50 proposals. These may consist of around 10 larger collaborative proposals supported by up to £1 million each in HEFCE’s contributions; and 40 smaller proposals normally of up to £500,000 each from HEFCE.

The deadline for the submission of proposals is 27 February. Funding will be confirmed for successful proposals and activities will start in April.

For further information please visit www.hefce.ac.uk/news/hefce/2009/ecif.htm

Small companies excel in business incubator



Recent news headlines paint a gloomy picture for small businesses. However, despite the current economic downturn fledgling companies based at **Manchester Metropolitan University's business incubator Innospace** appear to be bucking this trend.

Innospace was launched in October 2007 to support start-up companies in their early stage development. Unlike sector-specific business incubators in the North West, Innospace has been designed for entrepreneurs working across all industry areas, and provides low-cost office and meeting space at a prestigious Manchester city centre address.

After completing an MBA from the Business School in 2006, budding entrepreneur Mike Smith joined Innospace to develop Mooch Art (www.mooch-art.co.uk) – his own original art business. Having grown his business in the facility for nine months he was then able to move out of Innospace last summer and is now pushing £100,000 turnover for his first year.

Mike's success shows just how important it is for Business Schools to support students' passion for enterprise and help them make the transition from graduate to entrepreneur. It is considered a great achievement when a company is able to move out of Innospace and stand on its own two feet, and since the launch nine companies have made this leap.

The facility now boasts over 105 companies, with a combined turnover of £1 million, based on figures taken for companies over six months old. The sheer volume and diverse mix of companies builds value into the facility by giving tenants excellent networking opportunities, a chance to share problems and also to form partnerships.

More Business Schools should lead the way in providing this sort of incubator space. As seen with the success at Manchester Metropolitan University it really does benefit enterprising students and graduates who are looking to make it on their own and help give their businesses the best possible chance of survival in these challenging times.

By Dominic Martinez, Innospace Manager, Centre for Enterprise, Manchester Metropolitan University Business School

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The credit crisis analysed: top bankers and economists debate at the University of Southampton

A high-level panel of experts from banking, economics and sustainable development have dissected the issues behind the financial crisis and outlined ways of resolving them at a public seminar at the **University of Southampton**.

Professor Charles Goodhart, former independent member of the Bank of England's key Monetary Policy Committee, was the keynote speaker at the launch of the **School of Management's Centre for Banking, Finance and Sustainable Development** which will co-ordinate research into these areas. Business leaders, students and academics packed the lecture theatre to hear him explain how the US banking system depended on the continual increase in house prices.

"The assumption was that prices would continue to rise or at least values would remain stable. It was this fall in property values that eventually caused the credit bubble to burst. I must say I was surprised at how quickly the collapse of the sub prime market, which after all represented a relatively small share of the US financial system, had such a major effect on the markets", said Professor Goodhart.

After Professor Goodhart's talk, Research Centre Director Professor Richard Werner presented research findings showing that the unprecedented fiscal spending packages adopted in response to the crisis by the UK and other government may have serious unintended negative consequences for the economy.

The panel discussion following the two speeches was chaired by Professor Robin Mason, who heads Economics at the University of Southampton's School of Social Sciences. Stewart Wallis, Executive Director of the New Economics Foundation and a former senior executive at Oxfam also took part and urged economists to take environmental and social assets into account when making decisions on granting credit.

The Centre of Banking, Finance and Sustainable Development focuses on the link between the financial sector, in particular the banking system, and economic growth and development. It collaborates with the School of Social Sciences, Division of Economics, and is the world's first research centre to focus on the sustainability aspects of banking and development. In Professor Werner's words, *"it is high time that the concept of sustainability is introduced to the banking world"*.

Professor Goodhart praised its formation and added: *"This is very valuable for the advancement of knowledge, we need to know how banking and finance works and how it can be managed,"* he said. *"Now is an exciting time for young people to go into banking, people are very interested in what is going on in the world of finance, so new blood and new ideas will be at a premium"*.

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Warwick Business School announces Global Energy MBA



Meeting the world's demand for energy is an increasing challenge as traditional sources reach maturity and new alternatives must fill the gap. Who will take what role is becoming more complex as many national energy companies seek a greater involvement. On top of that, the industry must be central to addressing concerns about climate change and sustainability. A recent example of the challenges the industry faces is the UK's aim for an 80 percent reduction in its carbon footprint by the middle of the century, announced by Ed Miliband, the UK Climate Change and Energy Secretary.

In order to meet these challenges, **Warwick Business School (WBS)** has announced the Warwick MBA for the Global Energy Industry. Managers in this industry require a global perspective, combining technical and commercial challenges with an understanding of the politics in which they operate. Companies also realise how complex the industry has become and their need to develop tomorrow's leaders while managing today's challenges. The Global Energy MBA will bring together people from a wide range of sectors focused on the industry; combining their experience with WBS's world class teaching and research.

"Secure, reliable, affordable energy is seen as essential for economic growth and stability. Yet the world's energy industry faces unprecedented challenges in meeting demand while addressing the causes of climate change." Says David Elmes, Academic Director of the Global Energy MBA.

"The Warwick Global Energy MBA combines the study of management skills offered by the Warwick MBA with a focus on the issues and opportunities of the global energy industry. Candidates will leave our programme with the leadership skills and critical understanding of the industry to help them and their organisations seize the opportunities ahead."

David has joined WBS after more than 20 years working in the energy and management consulting industries. He previously worked at BP and for CapGemini where he was Vice President with the UK Energy, Utilities & Chemicals team.

More recently he was at Schlumberger as Vice President and Director in the team who created the firm's management consulting arm, Schlumberger Business Consulting. David's focus is on the development and implementation of changes that transform a company's performance, including the changes in organisation, culture and capabilities that enable and sustain new ways of working in ever-changing circumstances.

Course Structure

The Warwick Global Energy MBA is a part-time programme delivered over three years through a combination of week-long seminars and blended learning. This allows the participants to develop their skills while remaining in the workplace, combining the flexibility of part-time study with the benefits of interactive learning.

Participants will be form a highly experienced peer group allowing them to explore the roles of public and private

institutions across the world. Throughout the programme, they will be required to think of the global energy industry overall, an industry that operates within a combination of physical, commercial, regulatory and political frameworks. This includes both traditional and alternative sources of energy, generation and distribution companies, consumers, retailers, the trading and financial institutions as well as the policy-makers and regulators who play an increasing role in re-shaping the industry. They will develop their understanding of the roles that individual managers and companies play in achieving both business objectives and society's goals. In a structure based on the globally-recognised Warwick MBA, participants will:

- Study nine core modules, combining general management with energy-specific knowledge.
- Choose four elective modules from a selection looking at critical issues the industry faces. Complete a 15-20,000 word management consultancy project for a sponsoring organisation.

The core modules cover the management disciplines of the Warwick MBA with each revised to focus on the energy industry. Two new core modules look at the industry overall and the role played by policy-makers and regulators. The elective modules allow participants to explore areas of the energy industry in greater depth:

- Sustainability & the Low Carbon Economy
- Corporate Citizenship & CSR
- Innovation & Alternative Energy Technologies
- Capital Financing & Project Management
- Energy Trading & Risk Management
- Energy in Global Politics

They may also choose electives from the wide range offered by the Warwick MBA if they want to develop a focus on one area across industries.

"Through the Global Energy MBA and our research in this area, Warwick Business School is taking an innovative approach to how traditional management disciplines can be applied to an industry facing significant challenges." Comments Howard Thomas, Dean of Warwick Business School and Chairman of the Association of Business Schools.

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The following case studies reflect the changes in the curriculum/student learning experience and the changing attitudes and ethical and moral implications of the current financial climate.



Helping businesses beat the credit crunch

With the country in the midst of an economic downturn, **Chester Business School at the University of Chester** is helping local businesses find ways to avoid the financial slump.

Over 30 small to medium-sized companies attended a business breakfast, organised by Chester Business School in conjunction with thebestofchester* local business community, offering them practical advice in challenging economic times.

Chris Pyke, Head of Chester Business School and Acting Dean of the University of Chester's Faculty of Business, Enterprise and Lifelong Learning, explained: *"In the current climate many businesses are facing significant challenges. Chester Business School's dedicated team of highly qualified academics is keen to contribute to the region's future success in these difficult times."*

"The business breakfast gave participants the chance to explore further the innovative programmes and training possibilities available at the School, which are designed to help meet current challenges and aid future success."

The positive impact student placements can have on businesses was also highlighted.

Chris added: *"We have many talented students who would be able to pass on their valuable skills and knowledge in return for practical experience in the workplace."*

"Businesses were also particularly interested to hear about the Innovation Vouchers, available from the Northwest Regional Development Agency (NWDA), designed to help business owners, entrepreneurs and social enterprises to purchase an academic's expertise to develop innovation and enhance business."

He continued: *"The business breakfast was a great success with many companies giving positive feedback. It is hoped that we will host similar events in the future."*

For further information on all business-related programmes at Chester Business School, or to find out more about the Innovation Vouchers, email businessschool@chester.ac.uk, or call 01244 511800.

* thebestofchester, is a web-based events and business directory for the Chester area. For more information visit www.thebestofchester.co.uk

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Updating audit teaching for the credit crunch and its consequences



While not perhaps initially seen as an area providing an opportunity to develop students, the present financial environment and in particular the area of audit is proving fruitful in enhancing engagement at **Glamorgan Business School**. The Business School is committed to providing students with a 'real world' and in many cases an international application of the academic knowledge gained at University, all courses offered at the School are professionally driven and some courses offer exemptions from professional body examinations.

The credit crunch and its ramifications provide an opportunity to challenge traditional auditing assumptions and to relate the classroom to the real world to engage students at all levels by maintaining context to the audit modules through contemporary examples.

In terms of a second year module at the University of Glamorgan, the audit curriculum is and has been updated by using what is happening in the banking world as an illustration of poor corporate governance/audit practice and, indeed, to question the role and function of external audit in these (and other) institutions. The present and developing situation is also being used to examine both the potential and actual role for internal audit. As the crisis moves through its various phases a case study approach is being developed by creating a 'real' world case study in the area of asset and security management. In addition the dilemma faced by the employee while balancing personal returns (e.g. bonuses) against risk to the business is also being explored. This leads to the consideration of developing increased internal controls at the micro level and potentially further government regulations to protect stakeholders at the macro level. This is considered against the dilemma for such organisations of attempting to maximise returns in what is a world-wide business. In the wider context students have to recognise in terms of the management of risk against reward that such possible regulation may question the future of London as a world financial centre in such an environment.

Issues such as the risk associated with Northern Rock and Bradford and Bingley and their business models, for example, specifically aid the illustration of the going concern assumptions while XL travel following its funding crisis and consequent upon events in the financial markets provide examples of the consequences of the resignation of the auditors. The case when completed could well have implications for other areas of the accounting and finance syllabus and will be used accordingly. Certainly the extent to which examples and illustrations have been tested in the classroom to date have seen greater engagement from the student body than perhaps with what may be considered more traditional examples.

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Update your syllabus to prepare students for a career in banking and finance

Over the last year there has been increased volatility and uncertainty in all international financial and equity markets. Major banks have collapsed, thousands of city workers have lost their jobs and global stock markets have plummeted to new lows.

2008 will certainly go down in the history books, but it is important that people learn the lessons about what has caused this situation. Finance and accounting students will read about the current financial climate, but need to be in a position to grasp the true impact of the crisis. It is therefore crucial that Business Schools adapt their curriculum to reflect these contemporary events.

At **Newcastle Business School, Northumbria University**, our emphasis is on graduating students that are both technically competent and able to apply their knowledge to the current business world. The Accounting and Finance degree programmes have been designed to give students a broad understanding of the financial environment before delving into deeper analysis of current issues facing accounting, such as mark to market rules and in terms of the global financial crisis an analysis of causes and implications of what is happening.

At postgraduate level, modules are flexible to adapt content to reflect emerging issues. For example the MSc in Global Financial Management includes a detailed analysis and student presentations of crisis topics such as subprime lending, lender of last resort and bail-out issues, and the Northern Rock collapse. The presentations will bring together the students' applied knowledge as well as linking this to underpinning theoretical bases including free market economics, market asymmetry and game theory.

Despite recent trouble in this sector, there doesn't appear to be any slowdown in the amount of people interested in pursuing a career in finance. Therefore, Business Schools must change their syllabus to equip students with the necessary skills and knowledge to prepare them for the job market. It may well be that any employer would want to know how students view the current financial environment and its impact on their business and their future economic outlook. By addressing this within the syllabus students, as prospective employees, can give an informed and reasoned opinion.

**By Richard Slack, Reader in Accounting
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Credit crunch and the retail sector



At the heart of the teaching on the business courses in the **School of Management and Science at the London College of Fashion**, is a focus on investigating and evaluating business operations and strategies employed by the fashion industry.

We are witnessing challenging times for retailers particularly those targeting UK, American or European customers, as increasing prices combined with the credit crunch and the threat of redundancies has resulted in a general period of uncertainty and an overall freeze on spending. All tutors are naturally horrified at the prospect of recession and the general global slowdown in economic trade, especially as some have recollections of previous recessions and may have entered into the teaching profession as a result of being made redundant in the early '90s and a few can recall the grimness of the 1970's three day week.

Personally, many tutors are now worried by the recent 'credit crunch' as it impacts on their mortgages, pensions and savings but in a perverse and positive way, they are also rubbing their hands with glee at the richness of material and data currently being provided. Lesson plans are being torn up and hastily redrawn the night or even the morning before a class to ensure that discussion can be as apt and current as possible. At the moment we are seeing history being re-written and economic theories unraveling before our eyes. Over supply, profligate consumption and the issues associated with sustainability have been at the forefront of many recent debates. Numerous key figures in the fashion industry have voiced the need for reduced consumption and now the general public is being forced into such a situation, not through choice but by necessity. The younger generation, which reflects our student cohort, is somewhat immune to this situation, but they are intelligent and perceptive enough to recognise the longer term affects of a general apathy in spending.

The current financial climate is being examined within the curriculum at all levels of the BA (Hons) Fashion Management course. This ranges from year 1 essays focusing on the power of window displays in enticing customers into parting with their hard earned cash, through to year 2 projects that compares those retailers that are rapidly losing market share or going out of business with those that are holding up well or even gaining customers, increasing sales and market share. The final year students are working on a myriad of research proposals for their dissertations with numerous topics focusing on a particular aspect of the 'credit crunch', from the renewed interest in charity shops, the opportunities presented to independents on the high street and whether the luxury industry is recession proof. In conclusion, there are dramatic changes afoot in the teaching and learning of Fashion Business and Management at the London College of Fashion.

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Oxford Brookes University Business School responds to the credit crunch

Business education at HE level is sometimes criticised for its lack of internationalisation and for its inability to keep up with the dynamic business environment.

At **Oxford Brookes University Business School** there is a focus on keeping learning within the macrocosm of the current and future environments that students study and will practice in; and in ensuring that it maintains a global focus. This is particularly important as Brookes prepares students for practice, for them to go and work internationally, both in work placement and career placement terms.

The 'credit crunch' is the key economic driver of the moment and Oxford Brookes responded quickly to ensure students and businesses are aware of its impact on the current financial climate.

It's Business Futures division, which provides support and consultancy for business, has introduced a range of supplementary short courses, 'Get a Grip on...'. These include a finance short course for business.

In addition, for undergraduates, the School has introduced a range of new modules to incorporate contemporary economics issues this year, including 'Economics in Context' and a Business Development module.

The Economics in Context course looks at rising commodity prices which, via their inflationary impact, help account for rising interest rates early in 2008 which played an early part in current economic difficulties. The second half of the course has been focussed directly on the emerging economic crisis looking at both the 'credit crunch' and the ensuing economic depression.

Fran Smith, Senior Lecturer in Economics & Strategy, said: *"Students' engagement with, and interest in, this course has been very good, largely, they suggest because of the insight economics can give into the news they hear every day. For us, as economists, who have taught ten years with no boom or bust, these are interesting (as well as worrying times)".*

In research there is a wealth of new material being generated through the important work of Laura Spira, Professor of Corporate Governance. This research also illustrates the issues in financial reporting and corporate governance modules as keeping up with the constant flow of news and comment, and interpreting it for students, is a considerable challenge.

The School is also playing a vital part in the local community and Senior Economist, Catherine Metcalf, has been active across all local media explaining what the credit crunch is and its implications for Oxford.

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The final case studies show how when working with business during this difficult time, schools can help to incubate new sustainable business despite the economic downturn.



Finance expert says climate may open new doors to young business hopefuls

Dr Thankum Arun, a Reader in International Finance from **Lancashire Business School at the University of Central Lancashire (UCLan)** in Preston, has suggested that the current financial climate could open up new possibilities to young entrepreneurs.

He said: *"Although the credit crunch will have an impact on the motivation of young people this will also open up new awareness and possibilities for them. It will teach the importance of saving and during this crisis period, innovative ideas will have an upper hand and the young entrepreneurs need to invest time and effort on developing creative ideas."*

"One crisis will open up both challenges and opportunities, the challenges are mainly for established enterprises and the young entrepreneurs with an open mind may be in a better position to identify the opportunities. The youngsters should see their initial ideas on business as something more than a profit making activity and should see as connectors to the society, which will give them long-term commitment in the business sector."

Dr Arun said it was a business school's responsibility to make students analytically aware of the causes of the credit crunch which will *"naturally lead them to think about the ways to avoid this in the future"*. He also suggested possible alterations to the curriculum to reflect the changes in the financial system.

"The issues of risk analysis and event based analysis of past events should receive more attention in the business studies programme", he commented. *"We need to carefully use materials on past crises and corporate collapses. For instance, the East Asian crisis is still an important area for researchers but there aren't a lot of detailed citations in the curriculum."*

Lancashire Business School has introduced more flexible learning methods and Dr Arun suggested this option may become more popular for students during the economic downturn.

"Some may opt for alternative learning methods such as multimedia based distance learning courses. For instance we have introduced a new flexible BA (Hons) Business and Management final year top-up by e-learning degree, running both full and part-time, which is now available entirely online."

Arun also stressed the importance for a business school to focus on the wider community in working together through the more difficult times and said: *"UCLan recently ran a seminar looking at different perspectives on the current financial crisis. The feedback from the question and answer sessions was really encouraging"* he added.

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Responsible business leaders



Nottingham University Business School focused on equipping its students to become responsible business leaders long before the credit crunch. MBA and masters students can choose from various business ethics, ethical finance, corporate governance, and corporate social responsibility modules and undergraduates take core modules in business ethics.

Final year undergraduates can take Financial Economics, which discusses the credit crunch from several perspectives. One lecture is devoted to a key feature of the current crisis – failing banks, bank bailouts with taxpayers' money, and the moral hazard associated with this practice. Students discuss cases of Northern Rock's failed business model, and Lehman Brothers, Freddie Mac and Fannie Mae. Students are required to write an essay about a topic relevant to the current economic climate and Dr Rodion Skovoroda who leads the course says that it aims to keep students updated on the crisis as it unfolds so that their learning is more relevant and enjoyable.

In response to the global financial crisis and its implications for business, Nottingham MBAs have recently attended a series of guest speaker events about shareholder rights and responsibilities, and corporate treasurers, bank audits and the credit crunch.

For the business community, the Ingenuity Gateway in the University's new Innovation Park offers regional small and medium sized businesses unique access to knowledge, skills, and resources to address their needs in the changing economy. Under the auspices of the Business School's Institute for Enterprise and Innovation, the Gateway enables a growing network of businesses and public sector organisations to benefit from current teaching and research expertise to tackle complex business needs.

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New hub will encourage innovation during economic downturn

The Innovation Director of the region's new Enterprise Hub has outlined his vision for encouraging innovation and enterprise across the region.

Dr Abdul Al-Jibouri believes the new Hub, which officially launched in February 2009, will act as a catalyst for helping companies adapt at a time of great economic uncertainty.

The Hub is backed by a number of partners including the **East of England Development Agency, the University of Bedfordshire, Luton Borough Council and Basepoint**, and has been set up to help businesses from across the region and north London to access guidance on a case-by-case basis, linking them to the support they need.

Dr Al-Jibouri said: *"There is a great deal of concern among small-to-medium sized enterprises (SMEs) and individual entrepreneurs as they begin to feel the impact of a slowing economy. The Enterprise Hub is different to other business support units in that it offers much-needed practical experience to enable them to cope in an ever-changing market."*

"It's essential that companies receive the right support, guidance and practical tools to allow them to innovate, especially during a recession, otherwise some firms will face closure."

The Hub will create a strong network of contacts and will play an important part in the regeneration of the community by adding value to the region's economy. Companies will also be linked with academics from the University, who are experts in their fields, offering advice and support about emerging trends and technologies.

Dr Al-Jibouri joins the Enterprise Hub after six years working for Invest Northern Ireland where he promoted innovation and enterprise with an emphasis on SMEs. A physicist with a strong background in research and development and technology transfer, he has previously worked for Seagate Technologies, Nordiko and Xenon Technologies.

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Taking the crunch out of the crisis



Drawing upon their wealth of expertise, **Bournemouth University Business School** continues to be a key player in responding to issues surrounding the 'credit crunch' and current global financial crisis. Focusing on opportunities ranging from workshops, social forums, seminars and media commentators, it is using this pivotal role to educate and support those affected by the current economic downturn and help them prepare for risk and change.

In the media

The School's academics including Dr Geoff Willcocks and Dr Clare Chambers have been called upon for their professional comment by a range of media including the BBC's The Politics Show and a host of regional press and radio.

Now working in the City, Bournemouth MBA graduate Jamie Purnell has pioneered the online social resource www.creditcrunched.org, described as "the UK's first comprehensive blog on the credit crunch, providing intelligent and intellectual understanding surrounding the economy as we currently know it". As well as a networking forum, BU academics have lent support through the syndication of blogs, including those by resident 'Dr Crunch' – Clare Chambers who has contributed, 'Recession Doom and Gloom After the Boom' and most recently, 'Tax Cuts: a Friend or Foe?'

Supporting local businesses

With the UK financial services sector in turmoil and consumer confidence at an all time low, the School held an event for local SMEs from the sector to share tactics for recession survival.

Despite radical changes in the market place, few financial services companies had reviewed their marketing plans. This Economic and Social Research Council (ESRC) funded workshop drew upon the results of new research conducted in School and examined recent market surveys and predictions in both external and internal marketing.

The external marketing session concentrated on getting the most from marketing spend during a recession. Spend and consumer behaviour predictions for 2009 were examined, highlighting the need to segment the market and focus on those most profitable. Academics predict a rise in nostalgic marketing and even greater emphasis on retaining customers by building better long-term relationships and increasing loyalty.

The internal marketing session investigated how a company's own employees are often overlooked when it comes to marketing, even though they have a direct impact on the success, or failure, of a company – never more so than during times of recession. The workshop considered how best to develop customer-oriented employees; communicating your brand and brand values; and empowering staff. Considering how internal marketing can impact on external markets highlighted the importance of having and retaining knowledgeable and outward-focussed staff.

SMEs from the financial sector were able to re-evaluate their planning strategies and focus on their internal and external customers. For many it was a starting point to contextualise their business in the current economic climate and thrash out potential solutions for the long-term survival of their business.

Throughout this challenging climate, the School will continue to provide timely responses, including building upon its current research themes within financial services marketing and SMEs through its Centre for Research in Management (CRiM).

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“Diverse” North East economy could lessen impact of recession



The North East’s diverse economy could reduce the impact of the current economic downturn, a Durham University expert says.

Tony Cleaver, a Senior Teaching Fellow in Economics at **Durham University’s Business School**, was speaking after it was announced recently that the number of unemployed in the UK had risen to 1.92million.

Mr Cleaver said: *“Announcements of unemployment increases are not a surprise and we can predict that things will get worse in the coming months before they get better.”*

“The only issue is when we can expect the current recession to bottom out.”

“For the North East, the region has diversified and many more light manufacturing and service sector jobs have been created since the times when the region was dependent on the key heavy industries of coal, shipbuilding and railways.”

“There is some reason for hope therefore that the North East will not suffer the dislocation that it has experienced in the past when booms turned to bust.”

“The government is also doing its best to try and get banks to start lending again. If consumers and smaller businesses can get access to credit then the region should be able to ride out the storms and start thinking of a bounce back after this year.”

“Confidence is the key. If consumers, bankers and businesses think and act positive the recovery will come sooner than later. The falling value of the pound will help UK exports to Europe and the USA, our main markets, and a Barack Obama bounce factor in the USA would also help.”

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Hedging your bets

David Hillier, Centenary Professor and Ziff Chair in Financial Markets at **Leeds University Business School (LUBS)**, says that no-one in particular is to blame for the financial crisis – and yet many of us are to blame to some extent.

In a talk to LUBS’ Accounting and Finance students, Professor Hillier said that the warnings signs were there in 2003 but, because of failures in corporate governance and regulation, people failed to act in the right ways. After the Greenbury Report on executive pay in 1995, it was thought to be good to link executives’ pay to performance and share options. Unfortunately, there was too much incentive for banks to take on added risk and wreck the balance between deposits and loans. Stable institutions such as Halifax Building Society, Northern Rock and Bradford and Bingley were also tempted to float on the stock market.

Just as bankers were happy to see their compensation rising with profits, so shareholders were happy with good returns on their investment, consumers were happy to borrow on available credit, and the government was happy to get higher tax receipts from the businesses. Professor Hillier’s view is that only an ethical and accountable culture within organisations can be sure to prevent a repetition of the current crisis.

Responses to the global financial situation and credit crunch are resounding beyond the normal boundaries of the Finance programmes at LUBS. Faculty leaders in other subjects are placing the crisis in context. For example, Professor Peter Buckley, one of the world’s leading academics in the field of international business, reports, *“It helps if you have been preaching for years that there is a global capital market!”*

Dr Richard Falshaw, leader of the Strategy modules for the Leeds MBA, is telling his students, *“The reason many businesses suffer is because they operate with an inappropriate short-term management philosophy and, in the current case, combine this with an ignorance of systemic risks. You saw a similar situation in 2000 with the dot com feeding frenzy. The solution is for organisations to develop a long-term and strategic view of their business and act consistently in accord with it.”*

Professor Nick Wilson, Director of LUBS’ Credit Management Research Centre, has a long record of monitoring the effects of big businesses harming smaller ones. His research shows that companies are reacting to the credit crunch by hanging on to their money as long as they can. They are slow to pay invoices, especially those from small companies. This year SMEs’ average wait for payment has lengthened markedly, to an average of 20 days overdue and rising. Hence, small firms – already squeezed by their banks cutting loans – may face dangerously worsened cash flow problems. They can go bankrupt even though their business is essentially healthy.

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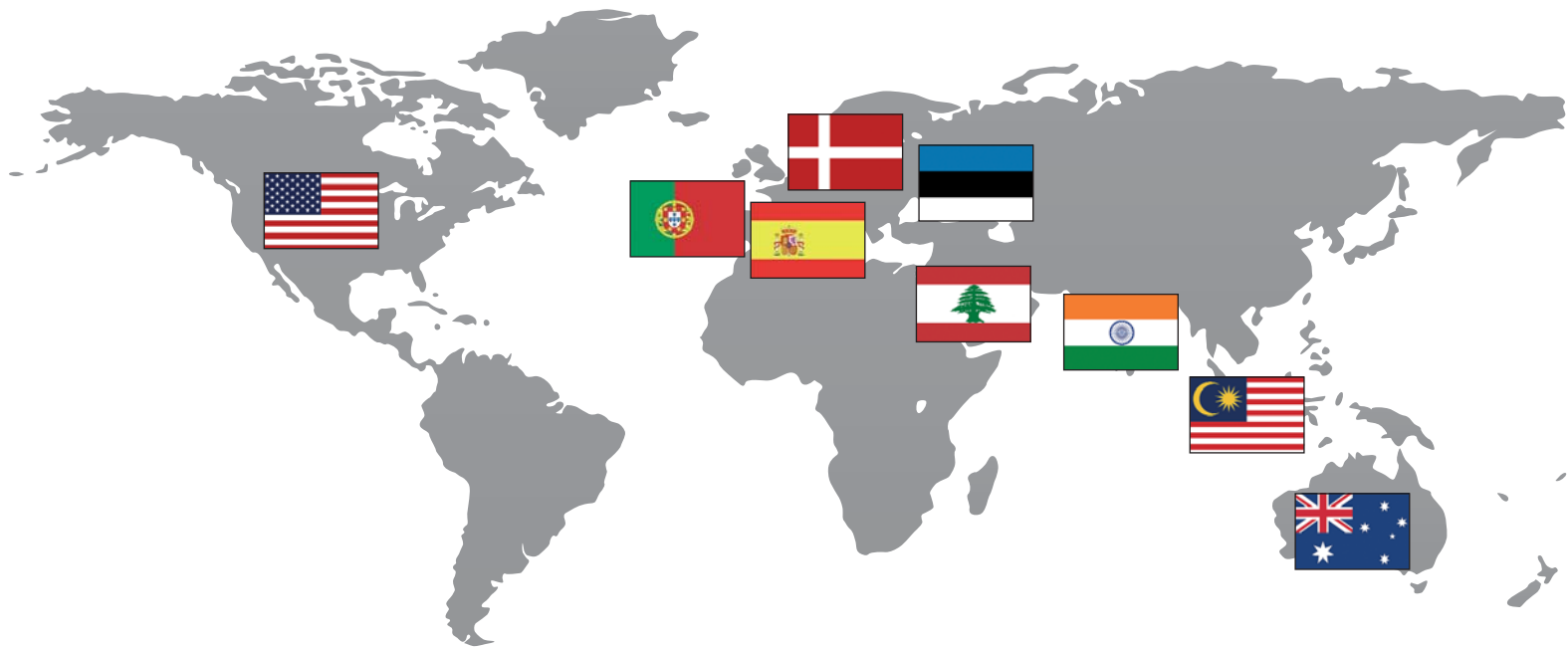
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International perspective, are our global counterparts feeling the pinch?





Greed is ambition uneducated. Our role is to educate ambition.



It's business as 'un-usual' at **Melbourne Business School** right now with preparations afoot to weather the economic storms ahead.

The view here is that what we're experiencing is not a 'credit crunch'. Rather it is a crisis of confidence. And the inter-connectedness of the world means that a 'crunch' in any one country or sector can cause tidal waves, not ripples, elsewhere.

So how do business schools help individuals and organizations deal with such turbulence?

First, the very nature of MBA studies – integration across disciplines – becomes even more critical.

At schools like MBS, which are designed to foster continual integration across disciplines, students and program participants are brought face-to-face with problems and challenges from several disciplinary perspectives – not just one at a time. This provides a much broader focus on potential solutions to very complex challenges.

MBS even has a philosopher-in-residence to help students and alumni deal more creatively with this 'credit...or crisis of confidence...crunch'.

Our philosopher-in-residence says: *"Greed is ambition uneducated and the principal task of business schools is to ensure that ambition is educated."*

Educated in what? Not just the tools and techniques of business, but the role of cultural, social, political, environmental, as well as economic factors and imperatives that affect what is, or is not, an effective decision.

Behind the scenes at MBS we have not seen enrolments dropping, however our hypothesis is that for part-time and Executive MBA programs there may be a levelling off of what has been growing demand over the past several years, as a result of employers offering lower levels of financial support, if any, to their employees who wish to do these programs, while continuing to work full-time.

It has been past experience that in a recession, participation in degree programs goes up and in short-course executive education programs it goes down. But that's not what we are seeing here yet.

In fact, we're seeing growth in executive programs, especially within the public sector, where there appears to be increasing focus on employee and leadership development.

On the other hand, our full-time program is expected to be as robust or even more so, with an even higher quality of incoming students. For example, the number of full-time MBA applicants doubled from last year. Yet, projected enrolments for part-time and executive MBA programs look to be relatively flat from the past year.

Why are people returning to get an MBA? Let's face it. If people are being laid off, in say, financial services, they're not going to go back to get an MBA so they can progress their career in financial services... they're going to do an MBA to help switch sectors.

Some will argue that given the current crisis, they will be more cautious, because it's not just moving their careers ahead, it's moving laterally and hopefully ahead and that's a big jump.

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Managing change in uncertain times



Every element of the business environment needs to think about ways of to identify the systemic causes of the current financial crisis. Regulators, ratings companies, government and of course corporations themselves all need support and advice in developing new frameworks to better anticipate these issues in the future. Business schools can play an important role in terms of developing the models and the knowledge that can help us better understand how the new economy evolves and how we can build up more sustainable financial structures and leadership styles. We are in an exciting period when we can revisit and reinvent basic concepts related to financial institutions, risk and exposure, asset evaluation, control systems, and issues related to management accountability and transparency.

In times of uncertainty it is important to remember the basics of sound business and management. Of course, in these times management tools related to issues such as cost efficiency, cash management, organizational effectiveness and flexibility become more in demand, and we do emphasise these in our programs. However we fundamentally believe that innovation through corporate venturing, new venture creation is particularly relevant in times of difficulty, as business seeks to find new approaches and new ways of creating value. Crisis provide the acid test for molding true managers and leaders.

This period is also critical in maintaining the social responsibility standards that have been established in the last decade. As this period of financial difficulty threatens developments in sustainability and responsibility it is time for Business to search for imaginative solutions and to identify new opportunities that arise from this period of uncertainty. It is also key to avoid some of the short-term focus and over reactions that have had such dramatic consequences in the financial markets. We have previously seen the creation of interesting models and corporations in previous periods of crisis and we expect the same here. Business schools will be part of this equation, through teaching on their masters courses and research. Our aim is to foster a spirit of entrepreneurship and innovation in all our programs, whilst imbuing participants with a wider sense of responsibility. We will continue to build this spirit and will, of course, be looking to work with CEOs and managers around the world to help them shape their vision.

Here at **Instituto de Empresa** we have, as we had in the past, a wide array of recruiters from different sectors and we didn't rely heavily on investment banking for example. So the answer to your question depends more on the school that you are considering applying to rather than the general economic situation. Those considering entrepreneurship should be encouraged to apply to an MBA by the new opportunities due to the need for companies to innovate and save costs, especially in the renewable energy sector.

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The credit crunch and the Danish point of view

The current situation has laid bare a number of issues which will have a material impact in three areas of learning in the General Management MBA curriculum: Globalization, Business Ethics, and Corporate Social Responsibility.

The Danish economy has been very successful in globalizing over the last number of years, both due to labour arbitrage and to a desire for expansion into other markets through local presence. The teaching around globalization has centered on the reasons for globalization and the steps to ensure success. As the crisis deepens and becomes more mature a number of other aspects will come into play: employment issues locally and abroad, potential trade barriers, change of process to fit location of production, etc. The teaching will not change in the large, the solutions are simply becoming more sophisticated. Globalization will not go away – if it did the world would be much worse off – it is growing up.

The Business Ethics issue is huge, complicated and tightly related to other issues of ethics in society: melanin in milk; Ponzi schemes; leasing carousels; and balance sheet engineering in outsourcing companies are only symptoms of a much larger issue, an issue that the business school must take part in dealing with, but one would have to be quite naïve to believe that the business schools by themselves will have major impact through teaching in a world where one of the largest economies for the last number of years have had an effectively immoral administration wrapped in patriotism and fundamentalism, and other economies either do not have the experience or the bandwidth to deal with issues of ethics. What the business schools must do is to actively enter into or, if necessary, foster an international debate over the larger issues of ethics: what is important; where it should be taught; what degree of transparency is required in process and in regulation; and, most importantly, how to prevent the discussion from being high-jacked by religion. A tall order indeed.

Daniel Franklin asks – only coining a phrase one hopes – in an editorial in the Economist special issue 'The World in 2009' whether 2009 will become the 'year of unsustainability', i.e. whether CSR will survive in the financial crisis. The answer is likely some will, some won't, specifically programs which were not anchored in the corporation. The charter for the business school is very clear in this aspect: the CSR activities we work with companies on and teach our students about must be anchored in the organization and must make financial sense, one cannot make it up in value! It is interesting to see as you work with companies that the benefits are there, but getting there takes much more than top level thinking, top level thinking might identify an opportunity but it will take two or three levels of analysis to anchor it.

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Cold economic front



Universities in a troubled economic environment must likewise take into account both a crisis in the financial sector and an economic downturn in the real economy when adapting their curriculum. In Estonia, for example, the downturn started with an initially slow deterioration of domestic real economy, and the local financial sector followed with a lag and in the context of a wider global credit crunch.

In this challenging environment, business schools must keep in mind how to promote future economic growth, and the key to this, particularly in CEE economies, is to address the issue how productivity can be enhanced in the economy.

In **Tallinn School of Economics and Business Administration (TSEBA)** of TUT, an important focus of the academic community is to concentrate on issues relating to productivity increases in the real sector. The key aim for small open economies like Estonia is to promote exports and develop successful commercial ties outside of the limited market of Estonia. This holds true even for many SME's in Estonia who must be prepared to internationalize their operations in order to survive.

Coincidental with the changes in society, TSEBA is undergoing important developmental processes itself, to better enhance its abilities to positively affect the Estonian economy. Recently, Estonia's former largest private university was acquired, and merged into TSEBA's structure. As a result of this merger, TSEBA has transformed itself into the largest overall and most international business school in Estonia with extensive programs in three languages – Estonian, Russian and English.

While the Estonian language programs, of course, remain the most important focus of the school's curriculum, the wide scope of TSEBA's extensive side by side curricula in Russian and English is perhaps unique within the EU.

Furthermore, entrepreneurship is heavily stressed in all language programs, thereby emphasizing the need and promoting the growth of future highly productive SME's devoted to cross border trade. Taking into account that the economies of small open countries such as Estonia are by nature internationally oriented, the study programs for entrepreneurial skills and business knowledge at TSEBA is likewise set up in international context.

In recent years, as part of its internationalization approach, TSEBA has substantially sought to have a much more international student mix while at the same time enhancing the international content of its curriculum. A trilingual teaching environment which is being offered at TSEBA gives its students an unique opportunity during their study time at TSEBA to become prepared for a multicultural working environments upon graduation.

The School believes that by having three language programs at one university there will be substantial group teamwork and social interaction of students from each language program. Combined language approach will be beneficial in three ways:

First, the international group environment of various language groups at TSEBA will help students to understand the complexity of problems that may arise when trying to complete a task in multicultural setting.

Second, Russian enterprises are currently or may subsequently become among the most important business partners for many EU firms. The three language program realizes the importance of this future trend and gives European students the opportunity to be prepared for such an environment while still studying in an EU country.

Third, the three language program is aimed to prepare Estonian students with different language backgrounds to develop cross cultural awareness and appreciation in anticipation of working together side by side upon graduation in domestic Estonian companies. As a result, the integration of the two main ethnic groups of Estonian society will be enhanced in the future.

TSEBA's strategic reaction to the current economic problems is aimed on combining internationalization with an entrepreneurial education. Faculty in the School feels that this combined approach will best prepare TSEBA's students for future business opportunities and career.

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Credit crunch – Stateside



Article written by Dean Linda A. Livingstone, Ph.D.

The economic downturn presents a significant challenge for students who are graduating into a shrinking job market and alumni whose employers may be downsizing or forced out of business altogether. With challenge comes opportunity. For business schools it is an opportunity to deepen our connections with constituents and explore new ways to service their immediate and long-term needs.

At the **Graziadio School of Business and Management** we have made an entree of courses available to alumni to help improve their positioning in the job market. They may return to school and refresh their skill-set or take advantage of material added to the curriculum since they originally graduated. We also have organized an accelerated job search workshop for graduating full-time MBA students to ensure they have the tools and appropriate level of confidence to compete successfully for jobs in this economy. For part-time MBA candidates, whose employers may be restricting access to tuition reimbursement, we are evaluating our scholarship policies, as well as aggressively educating prospective and returning students about the advantages of government-assisted financial aid.

Many of our career-building seminars for both students and alumni have moved online. In this format, we are able to offer career webinars and e-chats more economically, more frequently and with greater flexibility. In addition, alumni may participate from any part of the world and access content on-demand anytime. Additionally, we have established support groups on existing platforms such as LinkedIn and Facebook. These are new tools that we are encouraging faculty, staff, students and alumni to leverage to supplement their connections, identify industry mentors and share opportunities.

The current environment requires business schools to be stronger and smarter partners for our students and alumni, whose needs grow as the economy weakens.

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Initiatives of AESE Escola de Direcção e Negócios as a response to the global economic crisis

AESE – Escola de Direcção e Negócios has distinguished itself since its foundation for educating executives emphasizing the importance of putting human values at the center of every management decision in corporations and organizations in general. In the current difficult economic environment, the importance of reinforcing this focus on values in business organisations around the world is paramount. Indeed, the school decided to chose 'Trust' as the topic of the last Alumni Assembly of the School, in November, 2008.

Regarding its positioning in the currently challenging market for MBA and Executive programs, AESE is finding that several firms are taking advantage of the current downturn to reinforce the education and training of its staff. This trend constitutes an opportunity that the school is trying to pursue working very intensively with its current and potential clients. However, many other firms are following an opposite path, reducing their budgets for executive training as part of their significant cost cutting initiatives. AESE is trying to cope with this reality by offering specific discounts for companies with special responsibilities in the development of the economy, and extended periods of financing.

Finally, the school is joining forces with its sponsoring companies to organize a forum of analysis and monitoring of the evolution of the economic crisis both in Portugal and globally. The forum will count with the active participation of AESE's faculty as well as local and international specialists.

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The inevitability of financial crises

By Mohd Nazari Ismail

The bite of the present global financial crisis is getting deeper. On the day President Obama appointed his Treasury Secretary, more than 70 thousands job cuts were announced by American firms. A few days later the IMF announced that the crisis is the worst since the World War Two with a growth of less than 1 percent expected for 2009.

The economic hardship and suffering that will be inflicted on the global population will be particularly acute and widespread, even surpassing those caused by natural disasters.

However, the sad reality is, unlike the case of natural disasters, we have our own selves to be blamed in the case of financial crises since they are actually man-made, being at their core problems of over-leveraging, over-lending and over-borrowing. Some examples below will prove my point.

Take the Asian currency crisis of the late 1990s. The cause of that crisis was over-investment in the Thai real estate sector which was financed by massive foreign borrowings. The crisis spread to other South East Asian countries with some having to resort to IMF's assistance.

Another example is the Argentinean financial crisis of 2001. It was caused mainly by fiscal indiscipline which successive governments financed using foreign debt. In 1983, Argentina's foreign debt was US\$46 billion. By 1999, it was US\$130 billion and in 2001, the government of the day was forced to take drastic measures including freezing all bank accounts leading to violent riots.

The Japanese market crash of the late 1980s stemmed from a speculative stock and property markets bubble. These were financed by loans from Japanese banks. When the bubble burst, trillions of yen were wiped out in those markets. The Japanese economy has never recovered fully from this crisis till today.

The current global financial crisis is widely agreed originate from US low interest rates in the late 1990s. This encouraged over-borrowing, especially in the housing market. When interest rates rose from 1 percent to more than 5 percent between 2004 and 2006, the less-than-sound borrowers i.e. the sub-prime sector defaulted. This has a knock-on effect, which is ongoing, throughout the financial markets of the US and beyond.

In all the above cases, it can be seen that the fundamental common features are over lending, over borrowing and over leveraging. To lend for a profit is the inherent and integral motive propelling the modern lending industry. And that profit is sourced mainly from interest income which is also termed 'usury' by many people.

Many might not know it but the practice of usury was looked down upon in ancient Greece and Rome and by Hindu and Buddhist teachings. Judaism prohibited usury

against fellow Jews while the medieval Christian Church forbade it completely. Islam forbids it to this day.

What changed in 16th century Europe was the emergence of scholars such as John Eck and John Calvin who argued that Christianity permits the charging of interest on loans and that the term 'usury' refers only to 'excessive interest'. With the advent of the Industrial Revolution, interest-charging gained further respectability with the arguments put forward by the champions of capitalism such as Jeremy Bentham and Adam Smith.

History of past crises proves that the active existence of the lending-for-profit industry will inevitably and unavoidably lead to the excessive lending, excessive borrowing and leveraging. As long as there is a lending-for-profit industry, there will always be financial crises of varying magnitudes.

Stimulus packages, in my opinion may worsen the situation in the long run. It is true that fiscal stimulus may boost the economy in the short run. However this will inevitably result in the government taking up ever greater debt burden. If we try to solve the problem of over-indebtedness with more debts, we can guess what the final outcome will be. Do we solve the problem of drug dependencies by giving addicts more drugs?

Stimulus packages are simply postponement of the greater debt burden to a future date, to be paid by future generations. It is in a sense an ultimate act of irresponsibility and selfishness.

What is needed in these trying times is to challenge our fundamental assumptions about how the economy, industry and commerce are and should be run. A paradigmatic shift of our mindset is perhaps is required if we were to get out of this endless cycle of booms and crises with its ever increasing toll of economic and human pain and suffering.

Could the teachings of the world's great religions and reaffirmed by ancient philosophers about the evil of usury not be a sound ingredient for the foundation of human happiness?

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Indian Institutes of Management perspective



Though India has been affected in the present economic crisis, applications for the flagship masters level programs in management at the **Indian Institutes of Management (IIMs)** continue to be strong with over three hundred thousand applications this year. The IIMs have been directly affected in two major ways – there is a perceptible drop in demand from industry for short-term executive education and there is a lower demand from regular recruiters for its management graduates. Another possible impact on the IIMs is the drying of public research funding as the government tries to rationalize its research budgets in a cash crunch – the Indian focus is likely to be on technical research while social science research gets under-funded. Private funding of social science research has always been low in India and is unlikely to increase. Meanwhile funding from the US and UK is likely to decline.

The drop in sponsored short-term executive education demand at the IIMs has been to some extent compensated by increase in the longer duration executive programs where demand has grown from middle managers hoping to hone their skills while they hold on to their jobs in a shrinking job market. The IIMs have also initiated year long executive programs that have seen high quality applications. The long duration executive programs garner the much needed revenues to cross-subsidize the deficits in the flagship post graduate and doctoral programs at the IIMs. IIM Bangalore has a successful executive program in public policy, one for software professionals, an entrepreneurship program and an incubation facility for new businesses and expects a larger participation in these programs this year. IIM Bangalore also runs a unique program for aspiring women entrepreneurs – this year the six week Management Program for Women Entrepreneurs has even drawn two participants from North America.

The IIMs have a long history of achieving hundred percent placements for their graduates well before their convocation. This year the lower demand from regular recruiters for IIM graduates has been from an influx of recent IIM alumni moving back to take jobs in India after losing their jobs abroad, primarily in the financial sector. While this has led to some recruiters dropping out entirely from the campus placement process – many recruiters have chosen to continue their relationship with the IIMs while reducing their intake to maintain their brand in the premier campuses for long-term benefit. In the face of this drop in demand from regular recruiters, the IIMs have invited back recruiters who had dropped out of the highly competitive campus recruitment process in the past. They have also sought help from their illustrious alumni to seek new recruiters. IIM graduates have evinced interest in joining many new sectors that have alumni in them, as fewer jobs are now available in the financial sector. It remains to be seen how these initiatives work when the placement process commences in March 2009.

Meanwhile the Indian government has mandated the IIMs to rapidly increase their intake in the post graduate program to meet newly implemented government

reservation requirements. This has forced the IIMs to invest their corpus in building new residences and classrooms. Within the IIMs there has been a strong interest in understanding the implications of the current economic situation through open debates organized by students with industry and academic participation. At IIM Bangalore a dynamic course titled 'Current Economic Scenario' held every year for students just before they graduate, has grown in importance as faculty update students on the emerging opportunities and implications. IIM faculty have also written extensively on the subject in the local press as well as the widely circulated only weekly academic journal in the world – the Economic and Political Weekly.

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The global economic impact on business schools



Business school leaders need to better understand the key challenges that the global economic environment is imposing upon their programs. By working with one's faculty and interacting with other experienced business school leaders, business schools need to develop action plans to most effectively respond to these issues.

In times of increased student enrolment demand, financial support for higher education is being reduced. Governments are reducing their financial support for public higher education and endowment support is being reduced for private higher education. In the United States, many governments have recently reduced public funding for higher education by 15 percent or more on top of last year's reductions of 10 percent or more. Because of the financial markets, many private school endowments have been reduced by 25 percent or more over the same period. Often these reductions are partially offset by increased student tuition, but the current economic outlook has severely hampered a school's ability to increase tuition.

Business and society have had to change in order to compete in a rapidly changing environment. Business schools need to similarly adapt. Each school needs to have a strategic focus that differentiates it from its competition. It is critically important that schools continue to maintain their unique strategic focus during these times of budget reductions. Schools must use their limited resources to support strategic initiatives.

Many business schools have found ways to successfully generate additional revenue. Development fund raising programs have become important parts of a business dean's activities. In addition, non credit executive education, as well as executive MBA and other high tuition executive degree programs, are being used to develop surplus revenue that may be used to support a variety of other activities. Differentiated tuition for certain high demand programs is another way to generate surplus revenue. In the Pamplin College of Business at Virginia Tech these sources currently provide over \$US 6 million annually that supplements our university budget allocation.

In spite of such revenue generating programs, budget cuts usually still need to be made. This may be an excellent opportunity to eliminate less important or less productive programs. These budget reductions need to be made in a systematic manner.

Some of these budget reduction strategies include:

- Restrict student enrollment – you cannot teach students that you do not have adequate resources with which to teach
- Selective hiring of faculty – some faculty positions will not be replaced and you will only hire for a limited number of critical needs
- Selective hiring of staff – again critical needs only
- Stop hiring – do not replace position
- Early retirement incentives – this leaves space for more

recently hired faculty and staff

- Eliminate faculty positions – these usually are persons in short-term appointments but may be followed by longer term faculty
- Eliminate staff positions – this is frequently done by reverse seniority
- Reduce operating budget for equipment, travel, and other more easily eliminated expenditures
- Eliminate programs

These are challenging times for business school leaders. Business schools are being managed more like businesses. The successful leader needs to operate as a business manager as well as an academic leader.

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Debating the crisis and adapting the syllabus

There is no single doubt today that the most critical development in our recent contemporary history is the spread of the world financial crisis.

What has been happening in these past months, with increasing speed and heightened rhythm, especially in industrialized countries, are desperate attempts to salvage an international financial system which has needed an extensive overhaul since a number of years.

This international financial crisis will surely not spare the developing countries.

In the Middle East countries such as, Syria, Lebanon and Jordan will be affected to a small degree by the financial and banking crisis.

At the real sector level, while the global economy is expected to slowdown from a real growth of close to 5 percent in 2007 to around 3.9 percent in 2008 as a result of the widening financial crisis, Lebanon is expected to report this year its highest real GDP growth in four years, exceeding for the first time in recent years the 6 percent threshold according the recent post-crisis global economic projections of the IMF.

In this scope, it is hard to imagine a negative impact of the economical crisis on the business schools in Lebanon. The lay-offs that Business Schools are witnessing all over the world are less likely to take place in Lebanon. This is due to the fact that the Lebanese prestigious universities are either backed by funds (internal and external) or by religious orders.

Many universities lately have revised their pricing strategy and increased their credit price. Yet, this hasn't been reflected on the student enrollment. Lebanese are education seekers no matter how harsh the circumstances are.

The Faculty of Business and Commercial Sciences of USEK was one of those universities that increased their prices more as a result of a positioning strategy than to face the economic crisis.

However, concerned by the development the crisis is taking, the faculty is working on adapting its curriculum to empower its students with the knowledge required to face this critical situation in their professional life.

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