Institutions, environments and money: An analysis of the three enquiries into management education in Australia

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There have been three enquiries into management education in Australia over the last thirty years. These are the Cyert, Ralph and Karpin reports. The institutional and environmental circumstances leading to these reports are described and their recommendations examined. Subsequent implementation of the recommendations forms the basis of assessment as to how institutional forces can influence outcomes. Greater attention is paid to the Karpin report as this was the most extensive and the most critical of Australian managers. The 2006 publication of The Boston Consulting Group’s Value Creator’s Report provided a good opportunity to compare Karpin’s recommendations with the subsequent performance of Australian industry. It was concluded that the institutional and environmental changes which occurred during the 1990s had a significant impact upon business performance and subsumed Karpin’s observations and recommendations.

INTRODUCTION

Over the last 35 years there have been three enquiries into management education in Australia. Given the passage of time since their submission, it is worthwhile revisiting these reports to assess their long-term impact. Many recommendations were not adopted and others have since been overtaken by events. Analysis will contribute insights as to how institutional forces influence implementation and outcomes of such reports.

The most comprehensive and wide-ranging report is the most recent, namely that undertaken by the Karpin committee. Submitted in 1995, it contained numerous recommendations aimed at improving management and business leadership and was widely quoted and seemingly influential. Evaluating the long-term effects of such recommendations is difficult but in 2006, The Boston Consulting Group published its Value Creator’s Report. This report assessed the performance of Australian industry over the previous five years. This report provided a good opportunity to evaluate the performance of Australian management in the light of Karpin’s observations and recommendations.

The reports discussed in this paper were commissioned by governments in response to problems, policy dilemmas and environmental challenges identified at the time. Further insights may be obtained by comparing the antecedent conditions with recommendations and outcomes.

Overall, there has been a general neglect of revisiting reports and evaluating their outcome. Once submitted, participants move on and subsequent political manoeuvring may lead to recommendations being only partially implemented or sometimes ignored. This paper aims to tap into the insights offered by this process.
THE FIRST MAJOR REPORT: THE CYERT REPORT

The first significant report on management education in Australia was chaired by Professor Richard Cyert in 1970 (Cyert 1970). The committee was composed of four US academics who produced a modestly sized document of 17 pages titled Report of the Committee of Inquiry into post-graduate education for management. The establishment of the committee took place against the background of a maturing Australian business scene. Business was showing greater confidence after 20 years of almost continuous expansion (Hartwell and Lane, 1991). Also, structural changes were starting to place greater emphasis on middle management. Up until that time, businesses were largely dominated by a single personality who could understand most operational aspects. Many had long tenure compared to today’s CEOs, and had often founded their company, or were family members of the founders (Hartwell and Lane, 1991).

The expansion of the world economy and technological changes, particularly in information technology, led to the perception that business could not be managed in the way it had in the past. It was also sensed that the existing system was poor at developing broadly trained managers capable of operating effectively in a more complex environment. There was growing awareness of the need for managers to possess a broad, generalist outlook, in contrast to the dominant practice of promotion through familiarity with techniques or processes. Existing attitudes towards management could also be seen in promotion by seniority, common in the public service and statutory authorities but also widely practiced in industry.

Never far from the deliberations of the Cyert committee were two important issues which remained unresolved for the next thirty years. The first was who should be the recipients of management education: a small number of managers who would form a well-educated elite or a large number of managers limited only by the resources available. The second dilemma was who would bear the cost of management education.

Not surprisingly, the Cyert committee recommended the introduction of the US system of management education, this being the model they were familiar with. A national graduate management school was to be set up as part of an existing university, located close to a centre of commerce and industry. This recommendation led to the establishment of the AGSM.

Cyert came down on the side of an elite institution, which was possibly influenced by the training needs of the relatively small number of industrialists and business leaders who dominated the economy (Hartwell and Lane 1991). Also part of the reason for their recommendation arose from the perceived shortage of management educators. Those teaching in the embryonic management schools and courses often had little practical experience of business, or alternatively had good practical experience but little in the way of academic background. The intention was to concentrate those academics who had appropriate skills into one effective faculty. Cyert’s recommendation to overcome the shortage of suitable academics was to establish doctoral scholarships tenable overseas to increase the pool of suitably trained academics.

The report also recommended that greater funding be made available from both government and industry sources to establish the national school as well as provide scholarships and monies to further research through a Foundation for Australian Management Education.

Cyert’s recommendation to establish the AGSM at UNSW was implemented and industry contributed to facilitate its foundation. Other recommendations were not implemented, including the establishment of the Foundation for Australian Management Education and financing overseas doctorates.
Recent events have finally drawn a line under Cyert’s recommendations with the AGSM seeking closer ties with the University of New South Wales with the aim of accessing greater expertise in specialist postgraduate areas.

THE SECOND MAJOR REPORT – THE RALPH REPORT

In the twelve years subsequent to the Cyert Report the economy passed through an extremely demanding period. Oil shocks, unprecedented inflation, poor economic management, low or no growth and political uncertainty had unsettled business and politics worldwide. For Australia, it was clear that the necessary economic adjustments had not proceeded as efficiently as hoped (Crawford 1979). The stock market index in 1980 was at the same level as at 1970, and many industries were suffering from low profitability and structural inefficiencies (Meredith and Dyster 1999). Against this background, the government of the day established an enquiry under Sir John Crawford into the needs of industry. Its report, entitled *Study Group on Structural Adjustment* was submitted in 1979 (Crawford 1979). That report identified management deficiencies in business and commented on the national importance of widely available and high quality management education. This recommendation informed the formation of the Ralph committee.

The Ralph report, formally entitled *Inquiry into Management Education*, was submitted in 1982 (Ralph 1982). Subsequent to the Cyert report, there had been a proliferation of various postgraduate courses offered in management, including many new MBA offerings from CAEs. The Ralph committee expressed doubts that these offerings were of a standard expected of an MBA. It viewed the MBA as a more exclusive qualification than it was evolving into. Again the dilemma of mass education versus narrow focus in management education was confronted.

The question as to who would bear the costs of management education also figured in the enquiry. At that time, there were no fees for university education and courses were being funded out the general education budget. Many MBA courses were not funded specifically by the government and resources were diverted from other programs to support them. Deriving the greatest value from a limited pool of funds was never far form the committee’s deliberations.

The Ralph report was essentially concerned with rearranging existing programs. The committee recommended that the MBA become an exclusive qualification by limiting its offering to two national schools, of which the AGSM was one with another to be established in Melbourne, and five regional universities in the various states (excluding Tasmania). It was recommended that other institutions discontinue their MBA offerings.

Quality of staff was again raised as a problem with concern expressed that programs had expanded at a faster rate than the capacity to hire and train adequate faculty. Again overseas scholarships were suggested to improve lecturer’s skills as well as other measures both to attract and retain suitably qualified staff.

The Ralph committee was given an unenviable task. “Widely available” and “top quality” tend to be contradictory goals unless there is considerable public funding. A large amount of public money for management education was never likely to be forthcoming, hence the attempt to achieve quality by restricting the number of MBAs to seven adequately staffed and funded institutions.

The institutions excluded from offering MBAs did not receive the recommendations of the Ralph committee favourably and it appears that their lobbying effectively blocked its implementation.
The long-standing tension between mass education and exclusivity can also be seen reflected in the Ralph report. Both Cyert and Ralph tended towards a smaller number of MBA programs characterised by high quality. But institutional pressures were creating the conditions where the small numbers and high quality approach was effectively outweighed by the forces supporting a mass education approach. The ongoing demand for higher management education programs from the secondary institutions ensured that they could not be closed down easily. The institutional pressure for such education effectively overcame the constraints that would lead to a few universities offering an elite qualification that almost guaranteed management preferment to the holder.

By the end of the decade, the federal government accepted that it was no longer possible to fund universities to the extent required for effectiveness and introduced HECS in 1989. Now that the government was no longer the main provider of funds for university based management education, a new perspective developed on the exclusivity/mass education dilemma. Progressively from 1996 postgraduate education was deregulated and moved to full fees resolving much of the debate about government funding for management education and which institutions would be the recipients of a limited pool of funds.

THE THIRD REPORT - THE KARPIN REPORT.

In the ten years subsequent to the Ralph report, Australia, along with other industrialised economies, underwent significant change. The origin of this change lay in the difficulties of the 1970s. The political outcome of that decade was the election of the Thatcher government in the UK and of President Regan in the US. Both moved to deregulate previously highly regulated industries and privatise many state owned businesses and enterprises. Tariff barriers were also progressively dropped. Australia was later than its western counterparts in adopting these policies but moves in this direction was clearly evident during the 1980s.

By the early 1990s, many observers felt that Australia was adapting poorly to the new world order. Initially the 1980s entrepreneurs such as Alan Bond and John Elliot were viewed as proactive managers shaking up a complacent and out of date business system. Their subsequent collapse engendered a further loss of confidence (Sykes 1996). Large sums of money were invested by business overseas, much of it in purchasing assets of dubious quality at inflated prices. Early incursions into Asia, including China, generally were overoptimistic and poorly timed and executed. The near collapse of the financial system in the early 1990s raised questions about the levels of competence of management and their ability to compete in an increasingly competitive world (Shiel 2001).

Adding to the doubts about management abilities was the continuing interest in Japanese management which, even as the Japanese economy started to falter, was still admired by many management observers and academics (Pascale and Athos 1982, Ouchi 1982). It was also a time of significant social change with increasingly vocal assertions by feminists and other social groups that major deficiencies in management arose from male domination (Pringle 1994). Deficiencies in management in Australia had become part of conventional wisdom.

It was in this environment that, in 1992, David Karpin was commissioned to lead a task force enquiring into leadership and management skills. It was composed of 12 members drawn from a wide range of relevant areas and was supported by a large research budget. It submitted its report in early 1995.
Commonly known as the Karpin Report, but more formally titled *Enterprising Nation: Renewing Australia’s managers to meet the challenge of the Asia-Pacific century*, it was not purely aimed at university education, but sought to identify best practices world-wide and make recommendations as to how these could be applied in Australia. The role of leadership was also to be examined as well as the special needs of supervisors and small business managers (Karpin 1995).

In contrast to the previous reports on management education, the Karpin Report was voluminous. It consisted of numerous volumes of research and inquiries into specialist areas, a final report of 400 pages and an executive summary of 90 pages.

The research undertaken by the committee generally painted an unflattering view of Australian managers. It revealed a cohort of narrow minded, inward looking, short-term oriented, misogynist males. They were inflexible, lacked a strategic perspective and exhibited poor people skills. Their Asian counterparts thought poorly of them and they lacked an understanding of cultural differences. Management as a cohort was noted as being too male, too Anglo Celtic, and too blind to the benefits of diversity. This is only a short list of the many deficiencies that were identified. The only positive characteristic appeared to be that they were technically competent at their occupational speciality.

In summary, the Karpin report was a significant indictment of Australian managers and part of the document’s the title, ‘renewing Australian management’, reflected the magnitude of the tasks that Karpin saw before the nation. Given this, it is not surprising that Karpin recommended no less than a complete makeover of Australian business. He proposed the introduction of a new management paradigm which would lead to better leadership and more effective management.

The report eschewed change originating from within organisations, which is not surprising given that the report found that existing managers were of poor quality. Rather it suggested that a new and more appropriate corporate culture would emerge from improving management abilities, including those of supervisors and middle management.

The report also made a number of recommendations in relation to the establishment of a body to monitor the quality of management schools, improved research funding for management and the establishment of an Australian Council for Management Development. Recommendations were also made to improve the management skills of small business.

In comparison to the previous two reports, Karpin envisaged major change originating from improving the skills of the mass of managers. Elitism in qualifications and institutions was eschewed in favour of making at least some form of management education widely available and accessible to all managers. This would lead to the bottom up reform of the whole business system.

Karpin also considered societal issues. One significant recommendation was to capitalise upon the talents of diversity, but the report suffered from lack of specific recommendations as to what benefits were expected and how this was to be achieved. Women were identified as a particular target groups for intervention strategies closely followed by accessing the benefits of a multicultural workforce. This section showed evidence of being influenced by contemporary social concerns.

The Karpin report became a best seller and was widely read and quoted in academic and other circles. Academics generally could identify with the themes of the report, having undertaken much of the research. However one non-academic research group which contributed to the report was The Boston Consulting Group. The BCG drew upon its experience to identify the preferred characteristics of Australian managers of the 21st Century. These were compared to
the assumed current attributes and those that characterised the current and previous generation. The BCG found that the then current attributes were inadequate for a future characterised by globalisation, fast moving markets and the needs of a diverse workforce. They suggested the 21st century manager would exhibit flexibility, adaptability, a global long-term perspective and an ability to manage and benefit from a diverse workforce.

Notwithstanding its widespread acceptance, it appears that few of Karpin’s recommendations were actually implemented. Government policies already covered issues relating to women in management and diversity so the most likely long-term impact of Karpin’s recommendations of these issues was to raise awareness. There may have been an influence upon management development curriculum in educational institutions but this is difficult to determine. Over a long period of time, governments have proved reluctant to commit much in the way of money to management education so it is not surprising that the recommendations regarding TAFE, the Australian Council for Management Development and a scholarship scheme for managers were not implemented.

THE KARPIN REPORT AND THE BOSTON CONSULTING GROUP VALUE CREATION SURVEY

It is difficult to determine the long-term impact of inquiries such as Karpin’s. But given the depressing research findings the prospects of Australian business decline and lack of competitiveness seemed to be distinct possibilities. However in 2005 The Boston Consulting Group released a research report which found that, in the five years to 2005, Australia’s largest companies lead the world in value creation (The Boston Consulting Group, 2005). The subject of the survey was largest 87 companies listed the Australian Stock Exchange. International comparisons were made using comparative financial analysis. The survey revealed that Australian companies led the world by delivering a Total Shareholder Return (TSR) of 13% over the previous five years, compared with a TSR of 0.5% in the USA, 1.2% in the UK and 6.3% in Japan and 7% worldwide. A number of external factors such as low interest rates and rising commodity prices played a part but one of the main contributors were major productivity gains. Such gains were evident across a wide range of industries and companies.

Comparing the BCG’s findings with the Karpin report may appear to lack validity. The Karpin report concentrated upon behaviour and management skills whilst the BCG survey confined itself to financial measures. There was also a gap of five years between the submission of the Karpin report and the commencement of data gathering by the BCG. But the time gap would not appear to be such as to problem as the capability of management would not be expected to change significantly during the period in question. Given that the thrust of the Karpin report was that Australian managers were deficient in important skills and that this would impact upon future performance, the differences between the two outcomes invites examination as to the likely causes of the differences. So if comparisons are confined largely to the conclusions and implications, there is an opportunity to learn from any dissonance between the two reports.
The following are suggested as possible reasons for the anticipated and actual outcomes.

**Deficiencies in Karpin’s research**

The BCG Value Creation Survey has the attributes of a valid international comparison of business performance. Although no two business systems face the same challenges and national environments can differ greatly, the trends in the results are clear. By comparison, the research upon which the Karpin report was based appeared flawed in a number of important respects. Questions were asked for which respondents would be unlikely to provide reliable answers. For example, few have such an extensive knowledge of international management that meaningful intercultural comparisons can be made. Further, it is unlikely that Asian managers would have sufficient knowledge to closely compare the management styles of five quite different national groups, one of which was Australian. In such a case they would most likely draw upon preconceptions and incomplete information. The perceived characteristics of future managers – adaptability, flexibility, strategic thinking skills and so on – are fairly generic and were as valid in 1980 and they will be in 2020. This suggests that much of the report relied upon clichéd preconceptions.

**Influence of social concerns and conventional wisdom**

Areas suggested for action were often easy to identify but presented difficulties when generating workable recommendations. The two main areas in the Karpin report which fell into this category were women in management and managing diversity. Although these are identified as being of major importance, the suggested courses of action to implement them lacked any form of specificity or guide to action beyond those already being practised.

The lack of skills in managing diversity is difficult to reconcile with the realities of the Australian workforce. Australia has a very high proportion of its workforce born overseas, and the multicultural nature of society makes it unlikely anyone who reaches management position would not have had extensive contact with a wide variety of people, particularly if managers had worked in large organisations. Also at any one time up to one million Australians are living overseas further adding to intercultural capabilities. Karpin did however identify an area of concern, as the academic literature is replete with problems arising from managing diverse workforces (Pless and Maark, 2004). Karpin however has little to add to existing observations and recommendations. Yet a further perspective on this matter is that maybe the issue of managing diversity is not as important in practice as it appears to social theorists.

The foregoing suggests that reports such as Karpin’s have an element of politicisation, at least to the extent that they are influenced by interest groups and the confining limitations of conventional wisdom. It is tempting to think that if Karpin were reporting at the present time, he would include recommendations on sustainability and social responsibility.

**Definitional problems**

Leadership figures prominently in the Karpin report but again there are doubts as to how this most ill-defined of concepts may be promoted. Universities claim to have a role in this area but it difficult to see them stepping outside the teaching of technical abilities. Leadership is often situation specific and influenced by policies, procedures and corporate culture. The way leadership is exercised is as much a cultural characteristic as a learned management skill and expectations of the manager as a leader vary from country to country and company to company (Hunt 1984). Promoting leadership within companies as part of corporate culture is
probably the most effective approach. Given this, outside providers may only have a limited contribution to make.

Many countries seem to have concerns about the qualities of their business leadership, entrepreneurial abilities and management skills (Roehl and Bird, 2005 and Alistair 2003). Most countries have programs which aim to improve these areas and have conducted enquiries into management capacity, so it is not surprising that Australia has misgivings as well. It is important not to view Karpin’s research in isolation from this general concern.

**Relevance of recommendations**

It is possible that the issues raised by the report were not significant problems as far as wealth generation or business success was concerned. Australian managers were rated highly in their technical abilities and the BCG findings suggest that these are the most important when seeking productivity gains and improved profitability. The benefits of strategic long term thinking for instance may be overrated as a management skill or alternatively are only important to a small proportion of the top management cadre.

Further, many of the problems that Karpin identified could not be addressed by the means he proposed. Management behaviour is grounded within a social system and any substantial change must interact with changes to the social expectations and practices. Inevitably this is a slow process and changing an enterprise culture, not just of one firm but of a complete business system was one that would require more concerted effort than that envisaged by the report.

**SUGGESTED REASONS FOR THE BCG FINDINGS**

The Karpin committee was set up with a brief to make recommendations to improve management performance at a time when politicians and other influential sectors of society were concerned about standards of management. The 1980s entrepreneurs had been seen as a new breed of strategic manager who would push aside old conservative practices. Their failures only deepened suspicion of the nation’s management abilities. At the same time billions had been lost in ill-conceived overseas expansion. As well, deregulation of industries such as banking had seen vast amounts squandered in imprudent lending as old conservative bankers were shunted aside by those who promoted themselves as better able to succeed in the newly deregulated environment. Most notably Wespac had a close brush with bankruptcy (Carew, 1997). Given this background it is not surprising that there was a searching, indeed a clamouring, for a new management paradigm.

The Karpin committee appeared to conclude that without external intervention, improvement in business performance would be unacceptably slow and indeed, may not occur at all. The business system was seemingly incapable of renewing itself through its own actions. The implications for economic growth, business development and Australian influence on the world stage were unpleasant to contemplate. Assessment of subsequent performance of Australian business points to Karpin’s assumptions being in error. Examination as to why this may be so could lead to useful insights.

As it transpired, the business environment of the 1990s was radically different from the 1980s. Deregulated markets, flexible labour relations, falling protectionism, the privatisation of government businesses as well as expanding globalisation led to highly competitive markets. Business systems in competitive markets are extremely adaptive, and they can adjust fairly rapidly to new circumstances provided they are given the freedom to do so.
Government policy of the 1990s aimed to provide such freedom. Extensive soul searching by companies also led to changes in management being made. Organisations drew upon their experience and learning and by the end of the decade, most had become far more selective and cautious about overseas expansion, although the over enthusiastic were still present. Boards, under pressure to raise returns, appointed senior managers who they felt would be most appropriate for the environment that firms found themselves in. Also financial markets had become more sophisticated at monitoring company performance and acted as a counter to both conservative and headstrong management. In summary, institutional forces in Australian business greatly promoted desirable outcomes, and the effects of this process may be seen in the BCG report.

However there has been a significant increase in those undertaking of management education over the last twenty years. Whilst it is difficult to determine why this may be so, it most likely emerges from a self-assessed need on the part of managers to improve their management skills. As most attended institutions and programs that predate Karpin’s recommendations, it is difficult to see Karpin’s report having a significant influence upon this process. So a major contributor to the performance identified by the BCG has been an up skilling in management capabilities.

It is hard not to conclude that a significant contributor to the performance identified in the BCG survey was the institutional environment of Australian business. During the 1980s and 1990s, Australia progressively opened its economy, reduced regulation and promoted competition, removed many micro economic obstacles to growth, integrated its economy with the rest of the world, maintained a consistent rule of law and reformed industrial relations. These policies had a powerful and positive influence upon the development of business and the practice of management, not just in Australia but in all countries which embraced them. In comparing the Karpin and BCG reports it is difficult not to conclude that appropriate institutional structures exert a greater influence upon organisational change than social policies.

GENERAL OBSERVATIONS AND CONCLUSIONS

The three enquiries into management over the last thirty-five years appear to have had little long-term impact. They originated in contemporaneous concerns and, as environments evolved, the recommendations lost their relevance and were superseded by subsequent events. However the following general observations may be made from examining the recommendations of the three reports.

The reports recommended foundations or authorities to oversee standards, promote courses and allocate funds for research but none of these were implemented. Governments appear reluctant to generate greater bureaucratic oversight over an activity which is seen to be business’s main concern. There are no issues of safety or public good involved in training managers. Governments appear to consider that they are already major contributors to management development through the general education system and small business promotion activities and further layers of bureaucracy are not desirable. Perhaps the committees should have opted for a form of peer assessment rather than bureaucratic oversight.

Similarly governments are reluctant to allocate specific funds for management development. Putative managers fail to attract the same level of political support that is given to specific target groups. Funding is more likely to be available for areas of perceived deficiencies, such as business ethics, rather than management in general.
Where recommendations are made which are to the disadvantage of important groups they are unlikely to be implemented. This is demonstrated by the Ralph report which would have prevented many universities from offering MBAs. It is easier to recommend that something not be introduced than take away something that is already in existence.

Environmental and institutional forces are extremely powerful and future states difficult to predict. It is easy to fall back on generalised clichés to describe such situations, but is more difficult to generate sound policy in anticipation of them. Generating effective, specific policies from generalised observations is conceptually difficult. Also many recommendations are quickly overtaken by environmental change rendering them out of date.

Environmental and institutional forces are often reflected in political activism. The concerns of the Karpin report for instance reflected the social circumstances and concerns of its day. It is easy to conform to conventional wisdom but the difficulty in doing so is that other important areas may be overlooked or marginalised whilst other areas are emphasised which do not make a lot of difference to outcomes.

In Australia at least, tensions between highly educating an elite and broadly educating the masses have been resolved to the benefit of the latter. No government of any political persuasion has shown any inclination to fund elite training institutions along the lines of the French haute ecoles. There will always be quality differences between institutions and qualifications but these differences are only relevant when there is a mismatch between expectations and outcome. Many qualifications from non-elite institutions may be both relevant and valuable to those undertaking them, whilst elite institutions rely upon attracting elite students which is a very competitive and inexact undertaking.

It also seems to be one of the characteristics of our time that few countries have faith in their managers. Most countries have enquiries from to time on ways to improve management skills and entrepreneurship. Perhaps managers are viewed the same way as politicians; we could always do with a better batch.
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