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Building the next-generation business leader

Garth Saloner, dean of Stanford University's Graduate School of Business, discusses the challenge business schools face in educating students for a new world of companies without borders.



The rapid pace of globalization raises a new set of management questions for business leaders—and the MBA programs that train them. In this video interview, Garth Saloner, dean of the Graduate School of Business at Stanford University, talks about how MBA education is changing to meet the needs of a new world, one in which companies are borderless and emerging markets demand increasingly experienced talent. He also discusses curriculum reform, how to train students effectively in the soft skills of leadership and critical thinking, and the impact the economic crisis has had on the business-school community. Lenny Mendonca, a director in McKinsey’s San Francisco office, conducted the interview.

Has the economic crisis changed what employers look for in MBA graduates?

What they really tell us they need are leadership skills. It’s what you might think of as “soft skills,” or people skills. Those are the things that are in short supply in managers who [employers] want to rise to the most important and significant ranks in their companies.

The harder skills of finance and supply chain management and accounting and so on—those have become more standardized in management education, have become kind of a hygiene factor everybody ought to know. Those skill sets are pretty widely available; to be perfectly honest, there’s not a ton of differentiation in those across a number of providers. But the soft-skill sets, the real leadership, the ability to work with others and *through* others to execute—that is still in very scarce supply.

I think that has not been lost, in the aggregate, on firms who are hiring this kind of talent. And the implication is that they’re looking for judgment, and they’re looking for the ability to really do critical thinking—which is one of the reasons that we have emphasized critical, analytical thinking in our own curriculum.

There are a set of leadership skills that can be taught. They have to be taught experientially; this is not something you can lecture about. You have to put people in small groups, give them leadership tasks, and have them work them through. So what we’ll do is, we’ll put them in a group, we’ll give them a difficult assignment—maybe it’s a difficult conversation, maybe it’s feedback, maybe it’s execution—and we will videotape what they’re doing in these sessions. And these small teams will have coaches, leadership coaches. So this is very different from the way management education looked 15 or 20 years ago.

What other curriculum reforms have you implemented?

The first thing we did is we introduced a quarter of what we call “Perspectives,” in which we introduce students to the very broad issues they will face as general managers.

The other big change in that first quarter is we introduced a very small seminar in critical, analytical thinking. This was a major departure for us. We divide the students into groups

of 16. Each student has a faculty member who also serves as their academic advisor. We get together each week. We basically pose an essentially impossible problem with a small amount of background material. The students write a paper every week, the paper is read by a writing coach, and then they come to class and we have a very intense debate around the topic that has been teed up, in which they have been required to take a position, pro or con.

And I'd say the third major change in our approach is that we now have a global-education requirement, where every single student—mostly in their first year—have to go to a country where they have not grown up and not had significant work experience.

How are emerging markets reshaping leadership education?

We talk a lot about India and China. It's not just India and China. It's true in Indonesia. It's true in many parts of sub-Saharan Africa, which nobody talks much about. But pre-crisis at least, South Africa, Kenya, Tanzania, Ghana, and Rwanda were growing at the rate of 6, 7, 8, sometimes 10 percent. And so the requirements of leadership in those countries are really intense, because you're looking for leaders who can take organizations and really very rapidly advance them and adjust to changes in their own environments. The availability of managerial skill in many of these places doesn't come close to matching the needs, as a result of this growth. And so there's tremendous appetite for the right kind of leadership in managerial talent.

When you think about innovation—whether it's in developing countries or in another context—the thing that is starting to blossom as an approach and as an idea in universities with business schools as a partner is a whole area of what folks call *design thinking*. And that's really the creative process of identifying a need but then working with the customers, through a process of rapid prototyping, to figure out how to develop a product or solve their needs.

As an example, I have a colleague, Jim Patel, who teaches a course called Design for Extreme Affordability. What happens in that course is, Jim will actually put the students on a plane and take them to a developing country, where they will talk to people in country about unmet needs that they have. The role of the business students in a project like that is to figure out how to get the end product into the country, solve the supply chain and logistics problems, and get it into the country at a price that the people there could actually afford.

A very specific example of that are incubators. If you go into a rural village in a sub-Saharan African location, what you'll discover is that unfortunately there are numerous deaths of babies, for want of incubation. And the incubators don't exist, because they cost around \$20,000. And even if you had the incubator, there is no regular power supply in a lot of these places.

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When the students saw this, they were of course emotionally affected by it. They came back and said, “OK, what do you do about a problem like that?” And, long story short, the answer turns out to be that they found a way to produce what is essentially a small baby sleeping bag, or papoose, into the back of which you can slide the kind of gel that you warm your hands with when you go skiing. The mom can pop that into a pot of water and boil it up.

But here’s the rub. Because it was designed with the end consumer and his or her needs in mind, they can produce this and deliver it in country for somewhere in the range of \$25 to \$75 a unit. Instead of a \$20,000 incubator that needs power that is not available, now we have an innovation that can save lives and is affordable in country.

How has the economic crisis affected business schools?

I think the crisis presents an opportunity and an obligation for all business schools to hold a mirror up to themselves and to ask themselves, “Have we been educating future leaders to manage organizations appropriately?”

But I think that some schools, and the students within those schools, have felt particularly beleaguered. Imagine that you’re a student who has gone to a prestigious school, with only the best aspirations and goals for the future, and you turn on the TV and what the TV’s telling you is, “You’re part of the problem and not part of the solution.”

That’s a wakeup call for individuals, and they feel conflicted about it. It doesn’t match their own self-perception of who they wanted to be and what they were trying to do with their management education. And I think it’s going to take a while for business schools to come to grips with this, to figure out how to deal with it in all aspects of what they do—particularly curriculum. And it’s going to take even longer for the trust in business schools and the graduates of those schools to really reach the levels that they were at pre-crisis. ○