

CHALLENGES AHEAD FOR SMALL BUSINESS EDUCATION
Speech delivered at USASBE/SBIDA 2001 Joint Annual Conference
Orlando, February 8, 2001

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Thank you very much for the opportunity to address you on behalf of AACSB. This is a very special occasion with the 25th anniversary of the Small Business Institute Directors Association meeting along with the 15th anniversary for the U.S. Association for Small Business and Entrepreneurship. I congratulate you on this occasion, and I feel very honored to be your speaker.

Those of you involved in small business education have a special place in business schools. You bridge the gap between knowledge and practice. Through the SBIDA, you have changed the lives of many people via field consulting projects. More than a half million students have been affected by SBIDA's field consulting activities. More than 160,000 businesses have had the benefit of your consulting, and, of course, hundreds of faculty have been changed by their participation with the students and the businesses.

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As I begin my comments, I know this isn't a very good time to be a dean. I listened to Dale Meyers' speech earlier this morning and I heard that deans of business schools aren't too popular. They are criticized because they don't like entrepreneurial research and, of course, they're way too concerned with rankings and ratings. In the face of this criticism of deans, I can't resist telling you a fairy tale; it goes like this. There was a prince, not a dean by the way, walking through the forest and he came upon a pond. He heard someone cry out, "Prince, Prince." He turned to look toward the pond from where he thought the voice was coming and he noticed a very large green frog. The green frog said, "Prince, Prince, I am the dean of a school of business; kiss me and I'll be a dean again." The prince looked at the frog, walked over to it, reached down, grabbed it; he did not kiss the frog. Instead he dropped it into the knapsack on his back and continued to walk through the woods. Well, this didn't make the frog very happy, so the frog screamed out from the knapsack, "Prince, Prince, I am a dean of a school of business and I am a very important person; kiss me and I'll be a dean again." The prince walked on and the frog continued to yell; finally the prince reached into his knapsack, pulled out the frog, held it up in front of him and said, "Frog, you are a lot more important to me as a talking frog than any dean of a school of business that I've ever seen." Well, enough about deans.

You have asked me to speak to you here today because of my role as Chair of AACSB and I want to address some issues that I think are important to AACSB and business education. AACSB is going through an important change at this point. As a part of my role as Chair of AACSB, I have appointed the Blue Ribbon Committee On Accreditation to review our accreditation standards and processes. We are observing in business education increased variation, and it is important that our standards recognize that business schools can achieve quality in lots of different ways. It is also important that AACSB recognize the variations in forms of intellectual contributions and the means by which faculty can legitimately contribute to our scholarship. We also need an accreditation process that transforms AACSB from a U.S.- or American-centric organization into one that is more international, given the globalization of business and business education these days. Such changes to AACSB standards come out of recognition that business and business education are both being transformed.

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In my comments, I want to talk basically about two issues today; both are challenges for AACSB and business schools and both are challenges for those of us who are concerned with small business. The first is diversity and assuring a diverse set of managers for small businesses. The second is the eBusiness transformation and how we can enable managers and business owners to manage in a transformed business environment and in transforming organizations.

Let me begin with diversity but not in the way you might expect me to talk about diversity. In approaching diversity in a somewhat different way, I am not suggesting that we don't have to increase our outreach and educational efforts for African Americans, Native Americans, Hispanic Americans and others; we clearly do. This morning with some of your colleagues I listened to Robert Farlie, Professor from the University of California at Santa Cruz. He reported that Black and Hispanic males' income grew substantially more because of self-employment. Indeed, there was a statistically significant increase in income for Hispanics who were self-employed when compared with those who were not. Clearly there is reason to nurture and encourage the growth and success of minority-led small businesses. However, there are additional issues of diversity that we must address in our educational efforts for small business and I fear we ignore them.

Let's ask ourselves a question: What is the background of most small business owners—whether black, brown or white? The answer? They lack university education altogether, especially academic business education. Those who do have degrees may have them in architecture, engineering, chemistry or even dance. How important are those small businesses that are owned and managed by those with very little business education? Well, I would argue that they are very important. Small technology firms play a very significant role in the development of new technology in the United States. We all know the story of Steve Jobs and the creation of Apple Computer. Recently the story of Hewlett Packard was recalled to us along with that now famous garage where Hewlett and Packard created the foundation of their company.

Small firms employ technology workers at a very high rate – 37.9 percent of all technology workers are employed in small businesses. Small firms play a significant role in technology creation. Small firms produce 55 percent of innovations, twice as many per employee as large firms. Small firms obtain more patents per sales dollar, and small firms bring new technology into the market place even when they don't create it. Yet, small business classes are, for the most part, taught for business students, not engineers and scientists. And most students in

those classes lack the engineering and technology background to create innovative technological products and services.

Most MBA classes are reserved for business students, especially at the most prestigious business schools where business programs are relatively isolated from the rest of the university. And those programs are not for architects, engineers or science students. Indeed, most of the student teams that you create as a result of the SBIDA do not include engineering and science students; instead they are made up of business students.

We need alternative models for small business education. This morning we heard Dale Meyer describe the situation of the University of Colorado as it expands entrepreneurial education and business planning to students outside the mainstream majors in business. I want to address that very same issue of looking beyond the business school for how we help students learn about small business.

I am going to turn to an example at my own school – Arizona State University – not because our example represents the best model. Instead, ours is an attempt to address and diversify business education. Let me focus on our ASU MBA High Technology Program. It is intended for engineers and scientists who continue to fundamentally practice their chosen professions in small or large firms; that is, the students are not intending to make a transition from engineering to brand management or financial management. The program is taught at the ASU Research Park to symbolize its distinction from our other ASU MBA programs. Business faculty in the first year are especially selected because of their technical orientation, their engineering background or their desire to integrate high technology examples into the curriculum experience. The second year includes team teaching by engineering and business faculty. A major part of the second year is the design of a technology-oriented small business by the students in the program with judging by venture capitalists. This program is about to graduate its fourth class this spring in Arizona and our first class in China.

Turning to undergraduates, we have created a small business program specifically for non-business majors at our Center for the Advancement of Small Business with its Regents-approved interdisciplinary minor specifically for non-business students. The introductory course in the minor is an overview of small business; four courses follow. The minor is designed for majors from areas like engineering.

This kind of approach to teaching non-business students, we believe, is important because of the number of small business people without an academic business background. It is important as well because of the shared belief that you and SBIDA have in increasing the quality of business skills and capability in small business. It is also important because small business education must be made more widely available to a broader sector of higher education.

To enhance the closeness of the classes that we teach at ASU to the small business environment, each class includes not only a faculty member, but a co-teacher who is a practicing businessperson. To enhance the focus on practice, something that is very important to SBIDA, students work with small businesses in a consultative way, probably without the depth of a SBIDA consulting project but in the same vein, nonetheless.

Beyond this area of diversity -- for non-business students -- another area of diversity that does not receive enough attention, at least I believe, is gender-related diversity. We know that, disproportionately, women are choosing to work in small businesses rather than large. More than 9 million women-owned businesses exist in the U.S. today. Those businesses employ about 30 million people. They generate just under \$4 trillion in sales annually.

My own state of Arizona is especially noteworthy when it comes to female-led small businesses. Women now lead forty-one percent of Arizona's small businesses. Yet, women may have less access to small business classes than is desired by all of us who are educators. Certainly we know that large numbers of women are not getting access to small business classes through graduate management education. Less than a third of MBA students are female; two-thirds are male. Women remain disproportionately over-represented in some traditionally non-business majors like healthcare, social work and education.

Few small business programs are designed for outreach to women, I fear. Small business classes in most business schools are very much like other business classes in terms of the faculty who lead them; that is, most business faculty are male. In a session this morning I listened to several women who pointed out the significance of modeling for women and the problem we confront in business classes without case studies that use female role models of entrepreneurs.

I am going to turn again to an ASU example, not because it is perfect but because it is an attempt to address the challenge of gender-related diversity about which I am talking. Again, the example comes from our Center for the Advancement of Small Business headed by Mary Lou Bessette. In the Center for the Advancement of Small Business, female faculty teaches three out of five classes and 75 percent of the co-teachers are women. We use live case studies and 50 percent of the case study judges are women. Forty percent of the students are women, hardly a complete success but an effort nonetheless to address this issue of gender-related diversity in business education.

Let me now turn to that second issue that I wanted to talk with you about. That is the eBusiness transformation and how we must enable small businesses to take advantage of the digital revolution. I understand that this is not the time to talk about eBusiness; after all, the markets are down, dot coms are failing, and venture capital firms find no opportunities that interest them. It might seem that the eBusiness revolution is dead and the new economy looks very much like the old economy. Despite a downturn in the market, despite dissatisfaction with eBusiness at this point, the digital revolution is real, and technology is not dead. Anything that can be digitized will still be digitized -- whether it is music, video, text or lectures.

I believe that it is going to be very important that small businesses not stand aside from the digital revolution. After all, almost 40 percent of high technology workers in the United States are in small firms. Many new, initially small companies are creating some of the most interesting eBusiness applications that will be lapped up by large businesses. A recent example was Microsoft's acquisition of Great Plans Software -- a producer of eBusiness solutions for small businesses. A company called Zaplet has created new web applications that incorporate dynamic spreadsheet, database, and messaging capabilities into regular email. MarketSoft and Ventaso, small companies, have created applications that enable innovative supply chain management. New service providers like LogicTier and Loudcloud offer innovative assistance with business infrastructure.

The benefits of eBusiness apply to small as well as large businesses. Web-based supplier consortia reduce costs for small as well as large businesses. Integrated supply chain software reduces costs for small businesses as well as large. Improvements in the quality of service can be facilitated by integrated customer databases and sophisticated data mining - no matter the size of the business. Financial software, in fact, may be more critical to cash-strapped small businesses than to large. Productivity gains from IT are finally evident, and small businesses can reap these advantages as well.

The digital revolution is as real to small businesses as it is to IBM, GE or Intel. Now the watchword of this digital revolution is change - especially significant change - for small businesses. I realize that any call for change must be considered with due skepticism, but to ignore significant environmental change with a substantial likelihood of its affecting your business, your education, your profession is folly.

The speed of change today is clearly very rapid, but it may be most evident in the adoption rate of digital technology. Whereas it took about 25 years for the telephone to reach 20 percent of U. S. households, it has taken the web only five. Why must small businesses be a part of this revolution and engage in this tremendous amount of change? We have to look no further than the example of a company called Webcor Builders in San Francisco to understand why small businesses must be players in this revolution. Workers for Webcor look like any other set of construction workers - they wear hard hats, they wear work clothes, they carry steel rods and drive heavy equipment, but they're a little bit different. They carry palm wireless computers in their back pockets. Using wireless handheld devices and sophisticated project and supply chain software on their computers back in the offices, Webcor keeps track of delays, budget forecasts and suppliers. Suppliers to Webcor have to be a part of this network and integrate themselves with the technology. Only small businesses that use the technology can participate and lots of small independent businesses are involved in construction: engineers, architects, every type of subcontractor whether plumber or electrician. Webcor saves 2-3 percent on its building costs with its integrated system and wireless technology. When profits for a construction company range from 2.5 to 10 percent typically, the savings can mean the difference for a construction company between loss and profit.

Let's talk about what's implied by the eBusiness revolution for small businesses. What does it really mean for them? What does it mean for those of us who teach about small business or for those of us who provide consulting services to small businesses through our field-based student consulting teams?

Well, I was in the gym the other day and I heard an advertisement for a class from one of our local community colleges. The ad went something like this: "Get your small business into eBusiness. Learn how to get your business on the web. Sign up now for 'Building your Own Web Site,' starting February 20." This is not eBusiness - it is not eBusiness as I am thinking about it anyway. That kind of class and this kind of B2C approach to eBusiness is little more than what I would call Brochureware - a brochure that is digital rather than physical, a brochure that is electronic rather than paper and ink. eBusiness transformation implies fundamental change in the way that business is done, and a web-based brochure, no matter how good it is, is not a fundamental change.

To be successful, B2C has to surpass the quality of traditional service. It must be faster and more convenient than traditional service; it must be more personalized; it must shorten delivery time; and, it must be cost effective for the small businessperson as well. Now think for just a moment about any web-based consumer-related retailing that you've seen. Think of Amazon, or eBags, or PetFoodDirect.com or whatever your favorite example really is. Ask yourself some questions about that example. Is the service quality better than what you find in the store with a human being who can answer your questions? Is the service faster by mail or even FedEx than it is by stopping by the store on your way home from work? Even when the B2C software goes well beyond Brochureware to sophisticated consumer-adapted web sites, is that screen more personal than what you would find at PetsMart or Barnes and Noble or the small business down the street? Is it any surprise then that B2C is not the answer for small businesses?

Where we begin to see applications of eBusiness for small businesses is in the area of B2B – business to business – or really in the E2E area – end to end integration. The construction example I used earlier had a significant impact on lowering costs and in integrating suppliers and operations with customer service. We tend, however, to think of expensive supply chain software, like ARIBA and Manugistics, as intended for big businesses not small, but small businesses are also able to integrate their supply chains and reduce costs with less expensive versions of software and software that is being specifically designed for small business. Small businesses can enable themselves to be linked to their suppliers via the Internet. Small businesses can automate the procurement cycle, lowering the costs associated with operating resources and other materials.

With supply chain software small businesses can extend trading networks among themselves. They can drive accurate, reliable, real-time promises of and commitments for delivery of products by simultaneously performing availability checks of their own inventory and production scheduling with the distribution and transportation information of their suppliers. Small business supply chain software enables the small business to become a reliable provider of out-sourced manufacturing for a larger business.

I think you can see the very profound potential impact of eBusiness solutions for the small business. I think you get the idea then – eBusiness is here to stay even if dot coms are not. Small businesses, to be players, will employ eBusiness systems in the future. And students in field consulting teams will need to know about eBusiness if they are going to help small businesses compete in this environment.

Let me spend just a few moments as I am about to end these comments in talking about the educational implications of the eBusiness transformation. Businesses must have graduates with database knowledge and skill. New managers must possess the statistical tools for improved managerial decision-making in the face of large amounts of information, and they must understand the fundamentals of large databases which house this information. All graduates of our business schools may not need to know how to install large pieces of eBusiness software, but they must understand how to manage with that software. Managerial strategy classes must address the eBusiness- revolutionized organizational structure and the new relationships among firms. New performance measures like the balanced score card and the one-day close have to be included in our accounting and management classes. Legal and ethics classes must address issues like intellectual property and computer security. Our business education must be transformed as business is transformed.

Well, I have talked long enough. Let me conclude. As small business and entrepreneurship faculty members, you have a great advantage over most faculty because you deal with real problems - of small businesses - in your classes and in the student consulting projects that you supervise. You also have an advantage in being close to business, close to the needs of small business, and you can see the need for change in what we provide for our students in the curriculum.

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What I have talked about today are areas where I see the need for change. We who teach business – especially those of us who touch the lives of current and future small business owners – hold great power. We can enlarge and enhance the economic potential of this country by combining opportunities to learn business skills with technical knowledge and skill. We can enlarge the potential beneficiaries of this society not only by including more minority students and business owners, but by encouraging more women to acquire the business skills that will enable them to be greater players in this economy.

And whether for engineers, scientists, minorities or women, we can alter what we teach in small business classes. We know that the digital revolution is real. We have only to couple vision with action, and of course resources, in order to provide students with the knowledge they will need for a transformed world of eBusiness management.

As the Dean of a public school of business in which I take great pride, as a member of the leadership of Arizona State University, as the Chair of AACSB, as a faculty member, I find this an exciting time. The risks are great. The challenges are invigorating. The opportunities are considerable. There really is no option but to move ahead.

Larry Edward Penley has been Dean of the College of Business at Arizona State University (ASU) for almost a decade. He was selected as Dean from the ASU Faculty where he served as Chair of the Department and Professor of Management. He holds the University's Robert Herberger Arizona Heritage Chair.

As Dean of the College, he has seen its reputation improve markedly. The ASU MBA Programs are nationally and internationally ranked among the very best, and the ASU Business Honors Program for undergraduates is considered among the finest programs of its type associated with a public university. The College's Faculty has been ranked among the top scholars in the U. S., and the College's Seidman Institute houses prestigious, internationally recognized programs in services marketing, supply chain management, and economic forecasting.

Dean Penley has taught strategic and human resource management. His executive training experience and his consulting have brought him in contact with industries ranging from manufacturing to health care. His research has focused on individuals' organizational relationships and the skills required of effective managers, and it has been published in the leading academic journals.

Dean Penley is Immediate Past Chair of AACSB International. At ASU, he is an affiliated faculty member with the Center for Latin American Studies. He serves on the boards of several community organizations, including the Greater Phoenix Economic Council. He is past Chair of the K-12 Education Task Force of the Valley Citizens League. He was honored by INROADS Arizona with the Frank C. Carr Award.

In addition to his academic positions in the U. S., Dean Penley has taught in Mexico and Venezuela. His doctoral degree is from the University of Georgia, and his undergraduate degree is from Wake Forest University.