

On the Importance of Being Earnest about Business: Overcoming Students' Misconceptions about Leadership in Corporate Change Processes

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Abstract. Unfortunately, most students leave university with little knowledge about decision-making in the private sector, unless they study business. As a consequence, student perceptions of the business world are largely shaped by the fads and stereotypes propagated in ubiquitous business journals and bestsellers. Business plays an integral role in society, so unfamiliarity with business may have global social consequences. This article illustrates how an area studies course in a liberal arts program employs a case study about a corporate transformation process to provide students with insights into corporate leadership and strategic decision-making. The article describes how, by using the case study in conjunction with articles about organizational learning theory, students learn to challenge myths about heroic leadership and the newest management fads. The course also draws out the role organizational politics plays in developing and implementing new visions, organizational structures, and global strategies.

Key words: case study, leadership, change management, organizational learning, organizational politics, corporate culture, corporate visions, multinational management.

1. Introduction

Students, especially those who are not pursuing business degrees, tend to think they know about how business works because they read the headlines of magazines touting the newest fads in management thinking. They have seen the fashionable labels like Re-engineering, Quality Circles, Benchmarking, and Shareholder Value succeeding each other from year to year. These students rarely get any closer to the reality of what happens inside the private sector than the titles of popular business books sold in every airport and general bookstore. Their idea of business leadership has been formed largely by the best-selling biographies of chief executive officers like Jack Welch and

1. The authors thank two anonymous reviewers for their suggestions and Kate Nattrass for her work on an earlier draft of this article.

Lee Iacocca in the United States. Such captains of industry have attained heroic proportions with the help of business magazines that have repeatedly displayed their faces on the covers and devoted banner headlines to their feats and their equally dramatic defeats. Hollywood blockbuster movies, with their portrayals of scheming, egomaniac managers, also shape students' expectations of how leaders behave in business.

Few liberal arts curricula contain units that provide an inside look into business organizations. Books like *Built to Last* (Collins & Porras 1994) or *From Good to Great* (Collins 2001), which present the results of major longitudinal studies on the factors behind companies that achieve sustainable success and challenge commonly held misconceptions about heroic leadership, are not on reading lists of courses taught outside business schools. As a result, too many students graduate from university with misconceptions of how business works and little or no understanding of how decisions are made in the private sector. Considering the significant role that business plays in societies today, this deficit constitutes a serious problem. An understanding of business is too important a matter to be left only to MBA students. The topic of how business responds to and also shapes socioeconomic, political, and technological changes at the national, regional, and global level should be embedded into various courses in the liberal arts curriculum. In order to illustrate the rich possibilities for learning, this article describes how an area studies course used a business case study to explode myths about leadership in achieving a complex transformation.

2. Embedding an Understanding of Business into an Area Studies Course

Over the past ten years one of us (Meinolf Dierkes) has taught an undergraduate course on the social, political, and economic dimensions of European integration at the University of California at Berkeley. The students, who are in their third or fourth year of study, come from a range of academic programs. Some major in English, others in political science, economics, even engineering. Many of the students major in the interdisciplinary program, the Political Economy of Industrial Societies (PEIS). They are a special group in the sense that almost all have spent a year of study abroad or have lived outside the United States for family reasons, and many of them often speak and read several languages. They are clearly interested in learning more about Europe and how its political institutions function. These students are also curious about how European companies are meeting the challenge of the large internal market and the implications of globalization for that market. They come to the course with some knowledge about the European Union and with quite mixed feelings about the business sector in Europe. To them, Europe appears to be not particularly innovative; it lags behind the United States, and has low

growth rates. Yet in their daily experience they see the Mercedes Benz cars they would like to drive and the newest Nokia phones they would like to own. As L'Oréal and Bertelsmann take over their U.S. competitors and dominate their respective markets on a global scale, the students cannot deny the influence of European business worldwide.

The course on "Europe In Transition: Are Its Institutions Able to Adapt?" draws on integration theories from political science (e.g., federalism, neo-institutionalism, and realism) as well as organizational behavior literature (e.g., change management and organizational learning) to analyze the development and impact of the European Union on the public and the private sector. The readings² cover the historical processes and current policy issues, showing how nearly every aspect of public life - from governance, policy-making, citizenship, and notions of statehood to market-making and social justice - is subjected to review, or even renewal, by the integration process. After grasping the concepts and theories as well as the role and functioning of the different institutions of the European Union, the students spend the second half of the course looking at the practical implications of these developments. They first investigate public sector organizations responsible for policy-making and discuss how well these institutions have learned (or not) to grapple with the expansion and integration of Europe. They then examine how the private sector deals with the challenges posed by European integration. In this section of the course, the students work in groups on different industries, such as the automotive industry, the financial sector, and the media, and focus on specific corporations within those industries to explore how the organizations have dealt with the opportunities and threats created through the changes in the European business environment.

A policy-oriented course of this type must be solidly grounded in theory and historical perspective while also keeping up with relevant recent developments, so the syllabus and reader are updated regularly to reflect new ideas, issues, and examples. The course has also undergone redesign as a result of our³ own learning over time. One of the elements added to the course three years ago draws on a research project we had just completed with colleagues in Germany and Japan about the transformation of a multinational company in the chemical-pharmaceutical industry.⁴ The purpose of adding a comprehensive case for all the students to examine was to enrich the business-

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2. The course uses a comprehensive 500-page reader with articles from academic publications, newspapers, the business press, and the Internet. Meinolf Dierkes, *Europe in Transition: Are Its Institutions Able to Adapt?*, UC Berkeley, 2002.
 3. Although only one of us is teaching this particular course, we work closely together on many projects and "shadow consult" often on our separate assignments, so we have regularly discussed the design and the experience of this course over the years.
 4. *The Transformation of Hoechst to Aventis – From German Chemicals Giant to Life Sciences Multinational*. By Ariane Berthoin Antal, in collaboration with Meinolf Dierkes, Camilla Krebsbach-Gnath, and Ikujiro Nonaka, 2001.

related part of the course by providing insights into real organizational issues and processes involving managers from different cultural backgrounds. The case consists of two parts. Case A outlines the historical and cultural background, revealing the situation faced by the new chief executive officer when he took on the responsibility in 1994. Case B then describes the dynamics of the transformation process from 1994 to 2000.

At the end of the semester, all the students work on this case, which brings them together after their group work on different industries. It serves as a capstone for the business section of the course and creates a platform for the students to discover and discuss multiple dimensions of organizational change processes. Instead of confirming fashionable management recipes - or, worse yet, generating dazzling new ones - the case illustrates the importance of applying existing business practices in parallel to accomplish a comprehensive transformation. Rather than satisfying the students' fad-led thirst for a heroic leader to master the huge challenge, the case "stars" normal, very competent, but non heroic business people who exercise varied leadership styles to design and achieve change. It has proved to be a useful vehicle for correcting the misconceptions many students have about organizational change processes and the skills of leaders.

3. Putting Students into the Picture (Case A)

Up to 1994, as the students discover when they read case A, Hoechst AG was a successful international corporation based in Germany, with a history dating back to the late 1800s. It had internationalized very quickly in the early 1900s and had weathered the politically and economically turbulent 20th century to become a diversified conglomerate that was not only one of Germany's top companies but also the third largest chemical company in the world and the second largest pharmaceutical company in the last decade of the century. Hoechst AG pursued research in 19 countries, and in 1991, a year marked by worldwide economic difficulties, it had posted record sales of over DM 47 billion (i.e., \$31 billion at the 1991 exchange rate). Despite this glowing image, however, it faced a number of challenges and some organizational growing pains not unlike those of many older companies. Some attempts had already been made to address problems in the previous decade, but the new CEO, Jürgen Dormann, believed that much more had to be done, and it had to be done immediately.

Among the issues of high concern for Hoechst management during that time were globalization and new technological options, namely, biotechnology, which was increasing the pace of the already quite competitive pharmaceutical industry. Hoechst was thereby under pressure to rapidly respond, learn, and expand its technological base. The increasing financial