

**Report on Business Education, Spring 2011**

## **Canada will shrivel under business-school neglect, dean says**

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The Canadian government is starving management education, consigning Canada to the ranks of economic also-rans. That's the argument of Roger Martin, dean of the Rotman School of Management at University of Toronto. Recently appointed to his third term at Rotman, Mr. Martin, a former management consultant, has been no slouch at putting himself and his school on the map. But in Mr. Martin's view, these micro-victories mask a fundamental crisis in funding business education on a national scale.

**I see Rotman is putting up a new building that doubles its size. Aren't you rolling in dough already?**

We're not rolling in dough. We're rolling in a quarter to a third as much dough per student as our global competitors. Canadian business schools have to do so much with so little, which is the story in the Canadian university system, in part.

**How did things get this way?**

When Canada hit its mid-1990s economic meltdown, it was worse than in the United States, particularly in central Canada. For Ottawa, it was a matter of balancing the budget by chopping provincial grants. And the provincial governments balanced their budgets by chopping education, primarily higher education.

Then the economy recovered in the mid- to late-1990s and the feds decided: 'Since we love education so much, we need to reinvest in it.' They have reinvested in education in the only way they can directly, which is through chairs in research and the like.

**What's it meant for business education?**

They totally bypassed business education. For example, of federal research money from the three major funding councils, business gets 1.7 per cent of the funding but it gets 17 per cent of the students. Health Sciences have 36 per cent of funding and 11.2 per cent of students – and that's

understandable with all that expensive R&D. Natural sciences and engineering have 39 per cent of funding and 28 per cent of students.

In all the social sciences and humanities, except business, there are 44 per cent of students and 24 per cent of research funding. So the social sciences get hit, but their hit is less than 2 to 1. In business – which is all about making our country competitive – it's a 10 to one cut.

**In terms of competitiveness, shouldn't business be far down the priority list from science?**

Add up all the jobs in the Canadian economy contributed by these six sectors – information technology, communications technology, pharmaceuticals and biopharma, medical devices, aerospace vehicles and aerospace engines. Those are the jobs you would think of as heavily influenced and involved with hard sciences. What percentage of full-time jobs are in those six sectors? Just 1.6 per cent.

**But isn't the value added disproportionately higher in those industries?**

Slightly. The salaries of those people, which is a proxy for their value added, are somewhat above that level. If you scale up those jobs proportionate to the wage bills, it would be about 2.5 per cent of the total economy. So all the things on which you are spending all that money amount to 2 per cent or maybe 3 per cent of the total economy.

What makes a country prosperous is not investment in science and technology. It is businesses producing high paying jobs by having unique products and processes that a customer needs. Yet we have an economic development policy that focuses incredibly tightly on a very narrow part of the economy with no demonstration or proof that it is particularly helpful. Meanwhile, we complain about our companies not being innovative enough or globally competitive enough, and we send them off to battle with much less education than their competitors.

We hear people say, 'Well, what we need are scientists and engineers running these companies because these are tech companies.' But if we in Canada would like to have companies like Hewlett-Packard, IBM, Microsoft, Apple, Cisco and Intel, find out how many of their CEOs have science and tech degrees. The answer is there are a lot more MBAs than science and technology degrees.

**What is the link between what other countries spend on business and their performance?**

If you look at the economies outperforming us on innovation, they produce way more highly educated managers. Our managers are terribly educated in comparison and far less likely to have business education. We ruthlessly ration our business education. Students really want a business education and can't get it, especially in Ontario.

We've tracked down all the high tech start-ups in the province that have prospered and interviewed them all to figure out what they felt was missing. It wasn't qualified scientific and technical personnel and it wasn't researchers or labs or local technology suppliers – it was managerial talent to hire.

**Wouldn't some people argue leadership comes as much from the liberal arts and other social sciences?**

We're getting liberal arts education, but the arts are getting an incredibly rich allocation of the money at all levels. It is only business that is not.

Of all the money given out by the Canada Foundation for Innovation, a big federal grants program, nine times more has gone to arts and literature than to business. I am not even talking social and human sciences – that is 41 times.

The view is that having educated managers is not relevant to economic success. We assume we need educated lawyers to have good law firms; we need educated scientists to have good science; you need educated engineers to have good engineering, but in business it is assumed you do not need education.

**What do the scientists say about this innovation gap?**

They say it is because we are not investing enough [in science]. But actually, our funding of university research is proportionately higher than in the U.S. If we only invested still more, they say, we would outperform. We have an innovation crisis in this country and these people say that we still haven't invested enough in science.

**But don't business schools have access to higher, privatized tuition, and richer donors, than many other faculties?**

The real question is not whether Canadian business schools have an economic advantage over Canadian non-business schools – it is how they compare with U.S., British, European and other business schools. If Canadian business schools are disadvantaged economically against foreign schools, they won't be able to hire world-class faculty, or provide world-class student services, etc. And then they won't get and keep students and faculty that are really top-notch. They will be mediocre and won't help Canadian company competitiveness at all.

And Canadian business schools are extremely stretched and massively underfunded compared to the leading tier of business schools internationally. We are doing our very best to keep up and actually create world-class programs, but basically only three business schools in Canada are globally consequential. And the two-year tuition freeze in Ontario (where the three are located) and the complete bypass of business schools in federal funding make it really tough.