

## MANAGEMENT EDUCATION IN SPAIN

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*Abstract:* Although not a recent phenomenon, over the last few years the internationalisation of Spanish business schools has acquired considerable visibility. The rankings of prestigious international newspapers and magazines (such as Business Week, Financial Times, The Wall Street Journal and The Economist Intelligence Unit) have revealed the considerable influence of Spanish business schools in the international scenario.

This paper first describes the Spanish university system, then goes on to analyse the history and evolution of management education in Spain, with special emphasis on the process of internationalisation followed by the main Spanish business schools. It ends by presenting the main future challenges facing Spanish business schools.

### I. A Brief Overview of Spain and its Higher Education System

Spain is located in the south-west of Europe, and with 44.8 million inhabitants was the fifth-largest country in the European Union by population at the end of 2006. Spain is a natural bridge between Europe and Africa by geography, and a cultural bridge to Latin America by history.

Looking specifically at the Spanish university system, there are five aspects that stand out in a comparative analysis. The first is that students enter university after 12 years of compulsory schooling (as opposed to 13 years of prior education in the United States and most other European countries).<sup>1</sup>

The second aspect is the structure of Spanish university studies, which are organised into cycles that determine the types of official degrees awarded. *First-cycle studies* -three academic years- lead to the title of *Diplomado*, Technical Architect or Technical Engineer. *Combined first and second-cycle studies* -four or five academic years- are composed of a first cycle of two or three years and a second cycle of two

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years, and lead to the title of *Licenciado*, Architect or Engineer. There are also *second-cycle only* studies -two academic years- aimed at students who have completed related first-cycle studies. *Third-cycle* studies refer to doctoral education, and cover two academic years structured into courses and seminars plus the completion of a doctoral dissertation for which students are awarded the title of Doctor (Sánchez, 2006:229).

It is important to note that within the framework outlined above, Master studies were not official degrees and had no state regulation. However, following the implementation of the European Higher Education Area (also known as the Bologna Process), Masters have now become official, and the structure of university studies is to be harmonised with that of other European countries along these lines: Bachelor (4 years), Master (1 or 2 years) and PhD (3 years). This reform of the university system, still under way, should be fully implemented for the 2010/11 academic year.

The third aspect to highlight is that university education in Spain has historically been dominated by the public system, with 90.4% of all students enrolled in public institutions during the 2005/06 academic year. Significantly, of the 74 universities in

**Table 1- Total and foreign students enrolled in official university studies**

	AY 2000/01	AY 2005/06	Variance AY00/01" AY05/06
Total university students enrolled in 1 <sup>st</sup> and 2 <sup>nd</sup> cycle	1,555,750	1,443,811	- 7.20%
Total foreign students enrolled in 1 <sup>st</sup> and 2 <sup>nd</sup> cycle	14,051	24,621	+75.23%
% Foreign students enrolled in 1 <sup>st</sup> and 2 <sup>nd</sup> cycle	0.90 %	1.71 %	
Total PhD students enrolled	59,799	73,541	+22.98%
Total foreign PhD students	9,520	15,128	+58.91%
% Foreign Ph.D students	15.92 %	20.57 %	

Source: MEC, 2006b

Spain in 2006, 50 belong to the public system, and of the 24 private universities only 4 are more than 20 years old.<sup>2</sup>

The fourth aspect is Spain's demography. Since the late 1990s Spanish universities have been experiencing a slight but sustained fall in applications due to the lower birth-rate during the 1980s and early 1990s. This means that the historic maximum in first and second cycle university studies was reached in 1999-2000, with a total of 1,587,055 students enrolled. Estimates by the Spanish Ministry of Education and Science for 2006/07 give a total of 1,423,396 students (MEC, 2006a).<sup>3</sup>

The fifth aspect is the low proportion of foreign students enrolled in Spanish universities. Although a minority, as can be seen in the table below, their numbers are increasing very quickly. The weighting of doctoral studies is beginning to increase, and they now account for almost 21% of all enrolled students.

Lastly, it should be pointed out that most foreign students studying in Spanish universities come from the European Union, North Africa (above all Morocco) and Latin America. Conversely, there are hardly any students from the Asian-Pacific region, largely due to poor knowledge about Spanish universities in the region, the very small number of programmes taught in English, and the practical absence of study grants for students from these countries.

## **II. Management Education in Spain: History and Evolution**

Business studies currently occupy second place in the ranking of the university careers in greatest demand in Spain (if we take first and second cycle studies together), only exceeded by engineering if all its specialities are grouped together.

This current popularity contrasts with the historically short tradition of business studies in Spanish universities. These did not reach university level in Spain until 1914, when Deusto University in Bilbao first offered a degree in commercial studies. In contrast, other European countries had an advantage of several decades in incorporating these subjects: France did so in 1820, Belgium in 1852, Switzerland in 1856, and the United Kingdom in 1895, among others (Byrkjeflot, 2001). For much of the 20<sup>th</sup> century this initial delay was compounded by a great scarcity of supply. In fact, the vast majority of

the 67 university faculties currently offering business studies in Spain are less than 30 years old.

In marked contrast to the delay in incorporating and offering business studies in its universities, Spain was among the first countries in Europe to adopt the Business School model, although this was the result of a series of independent initiatives outside its university system. So in 1955, Spain saw the creation of its first Business School, EOI (*Escuela de Organización Industrial*) under the Ministry of Industry, followed soon by other private initiatives, some with considerable business support: ESTE - Deusto University (1956), EADA (1957), ESADE and IESE (1958) and EAE (1959).

Paradoxically and thanks to business initiative, one of the least economically developed countries in Western Europe at the time, whose universities had shown very little interest in business studies, Spain became one of the pioneers in encouraging the creation of Business Schools. The following quotation from a 1963 OECD report well illustrates the general situation in Europe in the early 1960s: "Outside North America management training is nowhere fully integrated into a national system of higher education. Substantial sections of the business community remain skeptical. Generally the initiative has not been theirs. It is difficult to find any commitment on either side" (Platt, 1963, quoted in Byrkjeflot, 2001:90).

One proof of the pioneering nature of Spanish schools was their early inclusion of the MBA in their programme portfolio. In 1962, only three years after NSEAD, the first European school to introduce the MBA model created in the United States, EAE had already started to offer this programme. It was followed in 1964 by ESADE and IESE in Spain, and by Dublin University in Ireland. The ten years that followed saw most of the major business schools in the United Kingdom, France, Italy, Belgium and Switzerland launching MBA programmes (Byrkjeflot, 2001).

Unlike universities, which were directly regulated by the state, business schools were not subject to regulation. This meant that by adopting organisational and teaching models that differed from those of public universities, they were free to adapt themselves to market demands and learn from the experiences of other countries.

During the 1970s and 1980s, the main Spanish business schools consolidated their position both in graduate education through MBA programmes, in full-time and

part-time formats, and in the field of Executive Education. Their success led to the appearance of a significant number of new schools and training centres, and to the proliferation of MBA programmes and specialist Masters of quite variable quality and nature (as we have seen, Master qualifications were not official and therefore not regulated, so in practice the barriers for entering the sector were set very low).

To tackle this situation, in 1989 the Spanish business schools with the longest tradition founded the AEDE - *Asociación Española de Escuelas de Dirección de Empresas* (Spanish Association of Business Schools), whose mission was to establish what principles and quality standards should be observed in business education in Spain. Therefore, given the absence of state regulation, AEDE member schools opted for self-regulation by the sector. A few years later, this step proved crucial in some of these schools becoming the first in Europe to achieve the main international accreditations in the sector, initially AMBA (Association of MBAs), then EQUIS (European Quality Improvement System) and later still AACSB (Association to Advance Collegiate Schools of Business).

Another notable feature of the Spanish business school sector is the high level of internationalisation reached by some members, an aspect analysed in greater detail in the following section. This internationality is all the more remarkable when compared with the Spanish university system as a whole. According to a recent study by the Graduate Management Admission Council, out of a total of 29 Master programmes taught in English in Spain during the 2003/04 academic year, in absolute terms very much lower than the number in other European countries like the Netherlands or Germany, no less than 24 were business-oriented programmes (GMAC, 2006).

**Table 2.- The Business School sector in Spain**

	2000	2005	Variance 2000-2005
# of Business Schools and Training Centres	340	320	- 5.9%
Total sector revenues(in million Euros)	367	500	+36.2%
Market-share top 5 B-Schools	34.3 %	41.4 %	+20.7%

Source: DBK, 2007

As Table 2 shows, over the present decade business schools in Spain experienced sustained growth (in contrast to the fall in demand experienced by universities). However, over the last two years a gradual slow-down has been observed, accompanied by a greater concentration both in school numbers and in the market share of the top 5, unmistakable signs that the sector is entering a phase of consolidation and maturity.

A final point of interest in the current scenario of Spanish business schools is that four main strategic groups can be identified. In the first group are business schools competing internationally and appearing in the top places in the main international rankings (ESADE, IESE and Instituto de Empresa). The second group is made up of schools that, although developing some international programmes, operate primarily within Spain (EADA, EOI and ESIC). Forming the third group are schools that have built up a sound position within their regions (e.g. Instituto Internacional San Telmo in Seville, ESTE-Universidad de Deusto in San Sebastian, and Caixanova in Vigo). In the fourth group are some of the universities with the longest tradition in the economics field that are now opting to create graduate business schools (e.g. the Universidad Carlos III, the Universidad Pompeu Fabra and the Universidad Autónoma de Madrid, amongst others). Lastly, it should be noted that this is a dynamic classification, as some schools and universities are trying to change their profiles, primarily to achieve greater international projection.

### **III. How the top Spanish Business Schools became international**

Spanish business schools consider themselves to be amongst the pioneers in Europe in internationalising their activity. This concern for international projection has formed part of the vision and strategy of the leading schools in Spain for more than thirty years. Their active participation in the main international associations of business schools bears witness to this. For example, in the early nineteen-seventies, ESADE, EADA and IESE, along with other European schools, became founder members of the European association of business schools, the European Foundation for Management Development (EFMD), whose first annual meeting was held in Barcelona.

In this internationalisation process followed by the top Spanish schools three main stages can be distinguished. At each stage the schools have used different levers to

foster their international development. Levers that can serve as mutual reinforcement. Let us look at this in greater detail.

At the first stage, internationalisation aimed to strengthen a school's competitive position locally by differentiating its provision of education. The lever here was the establishment of student exchange agreements with prestigious schools in other countries. By the late nineteen-seventies the top Spanish schools had many exchange agreements with European and American schools, later extended to schools in the rest of the world. This was accompanied by a second lever, hiring young professors who had completed their doctoral studies in Europe or the United States, often with the support of the schools themselves (given the lack of doctoral programmes in management in Spain at the time).

In the mid nineteen-eighties, Spanish schools saw an opportunity to internationalise their full-time MBA programmes. This initiated a second, much more ambitious and demanding stage: to internationalise their graduate programmes beyond the Spanish-speaking countries. A new series of levers was brought in by this process.

To attract international students, Spanish schools used their communications policies to emphasise the advantages of: *a)* their location in Barcelona and Madrid, two cities well-known for their international projection and business dynamism, *b)* the attraction of Spanish as the second international business language, and *c)* the strategic position of Spain as a bridge between Europe and Latin America. Secondly, they offered the chance to follow an MBA programme taught entirely in English. The use of these two levers gave positive results, and Spanish schools began to attract growing numbers of students from other countries.<sup>4</sup>

A third lever was recognition of the quality of their programmes through international accreditation. During the second half of the nineteen-nineties and the start of the present decade, Spanish schools were among the first in Europe to obtain the three main international accreditations: EQUIS (4 schools), AMBA (4 schools) and AACSB (2 schools). So, as well as strengthening their international position, Spanish schools greatly enhanced their commitment to quality and continuous improvement.<sup>5</sup>

The third stage of internationalisation for the Spanish schools was marked by the realisation that in an ever more globalised management education sector, their first

levers were proving increasingly ineffective for competitive differentiation. From the start of the present decade, Spanish schools have been using five additional levers to reinforce their international position and to compete with the best international establishments:

- Internationalisation of their faculty, both as regards their country of origin and the countries where they took their doctorate or acquired their professional experience.
- Pedagogical and curricular innovation, to help contribute a European perspective on management.<sup>6</sup>
- Reinforcing research activity to position it at internationally competitive levels. It is important to emphasise here that all three international Spanish schools offer a PhD programme in Management imparted in English throughout.
- The development and strengthening of their alumni networks throughout the world. This is a key long-term success factor for internationalisation, since alumni not only are an important source of prescription to potential candidates in their countries of origin, they also encourage their companies to recruit from the school where they studied.
- Participation in the most prestigious international rankings (Business Week, Financial Times, The Wall Street Journal and The Economist), where the Spanish schools occupy some of the top positions, has had a major effect on the international profile of these schools.<sup>7</sup>

It is important to underline how the progressive and accumulative use of these ten levers has allowed Spanish schools to reconstruct their entire educational value chain and to turn themselves into international schools.<sup>8</sup> The table below summarises what we have said so far.

#### **IV. Looking to the Future: Most Important Challenges Facing Spanish Business Schools**

Since the mid-1990s, Spanish business schools have experienced a very favourable environment and growing demand, above all from domestic sources but also international ones. All signs indicate that the long-term demand for business

education will maintain this rising trend worldwide. However, it is also true that schools in mature European countries like Spain face significantly more rivalry and competition, and the need for change to satisfy a more complex environment, with its sophisticated demands from both students and their employers.

In a recent and very insightful article, Gabriel Hawawini (2005) summarised a number of the most pressing issues facing business schools worldwide. They include: *a)* the effects of globalisation on business education and how schools could internationalise to respond to this phenomenon; *b)* the shortage of highly qualified faculty (AACSB, 2003); *c)* the need to introduce softer skills into the curriculum while preserving the more analytical and concept-based courses; *d)* the effects of information and communication technologies on teaching and learning methods; *e)* the need to achieve

**Table 3. Stages and levers of internationalisation**

Internationalisation goal	Internationalisation levers	Value chain activities impacted
To strengthen the School's competitive position in the local environment	<ul style="list-style-type: none"> <li>• Active international policy (student exchange agreements)</li> <li>• Supporting faculty to pursue doctoral studies abroad</li> </ul>	<ul style="list-style-type: none"> <li>• Learning process</li> <li>• Learning process</li> </ul>
To attract international students	<ul style="list-style-type: none"> <li>• Marketing locational advantages</li> <li>• Programmes delivered in English</li> <li>• International accreditation</li> </ul>	<ul style="list-style-type: none"> <li>• Admissions</li> <li>• Learning process</li> <li>• Admissions&amp;learning process</li> </ul>
To compete with the top international B-Schools	<ul style="list-style-type: none"> <li>• Internationalising the faculty</li> <li>• Curricular and pedagogical innovations</li> <li>• Strengthening research</li> <li>• Developing an international Alumni network</li> <li>• Brand building through participation in international rankings</li> </ul>	<ul style="list-style-type: none"> <li>• Learning process</li> <li>• Learning process</li> <li>• Learning (content currency)</li> <li>• Placement &amp; Alumni</li> <li>• Admissions &amp; Placement</li> </ul>

financial balance and the sustainability of alternative funding models (executive education and fund-raising); and *f*) the need to strengthen reputation and build up the school brand in order to secure their long-term competitive position (Hawawini, 2005:771).

With the exception of including soft skills in the curriculum, an aspect where Spanish schools normally excel, the other five issues identified by Hawawini represent important challenges. We feel that the two aspects that will prove more difficult are those linked to Spain's lack of a tradition of fund-raising, and to internationalisation of its Executive Education programmes, particularly those targetted at senior managers of multinational companies.

Three further issues must be added to this list, all particularly relevant for Europe-based schools: *a*) the Bologna process; *b*) the strength of the Euro against the US dollar; and *c*) the medium and long-term demographic trends in Europe and the rest of the world.

The first issue deserves further comment. By creating a common degree scheme, the new European Higher Education Area resulting from the Bologna process will represent a significant increase in Master level student mobility between EU countries. This harmonisation movement may also positively influence attraction of non-European students.<sup>9</sup> This is a great opportunity for Spanish business schools: Spain is the EU country that receives most students under the Erasmus exchange programme. However, successive delays by Spanish governments in implementing the Bologna process mean that the Spanish schools are arriving several years behind the other European schools at this new market.

To sum up, Spanish business schools are looking to the future with guarded optimism, in the knowledge that the new global scenario they are entering is more challenging than ever.

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#### Notes (Endnotes)

<sup>1</sup> The education system in Spain is structured into the following stages: kindergarten or pre-primary schooling, compulsory primary education (6 years), compulsory secondary education (4 years), *b a chillerato* (2 years, required to access to university) or alternatively vocational training, university studies (official degrees) and postgraduate studies.

<sup>2</sup> Private universities are a recent phenomenon in Spain. It was not until 1991 that the Law of Universities established the mechanisms for the creation of private universities. Before that there had only been four private universities, all dependent on the Catholic Church.

<sup>3</sup> In the 2005/6 academic year Spain had 1,442,811 students enrolled in higher education (excluding those enrolled in PhD studies) and 498,679 students enrolled in vocational training. This represents a schooling rate of 55.5% of the population aged between 18 and 20 and 31.6% of those aged between 21 and 24 (MEC, 2006b; INE, 2006).

<sup>4</sup> These days, the internationalisation of students in the top Spanish schools is very high. According to latest data available, the percentage of foreign students on the MBA Full-Time programme is 76% at ESADE, 78% at IESE and 76% at Instituto de Empresa (Financial Times, Jan. 29, 2007).

<sup>5</sup> AACSB, AMBA and EQUIS accreditations are valid for five years. The obligation to renew the accreditation provides a powerful incentive for schools to commit to quality and continuous improvement. Once a school has been accredited, the costs to its reputation of a loss of accreditation would be so high that, a priori, no school would be prepared to take this risk.

<sup>6</sup> For example, among the most important innovations brought in by ESADE were the incorporation in its MBA programme curriculum of aspects of corporate social responsibility, and a module designed for the systematic development of managerial competencies and 'soft' skills throughout the first year of its Full-Time MBA. Several years later, both these innovations have been adopted by the main European schools.

<sup>7</sup> According to the latest international rankings published up to January 2007, the top three Spanish schools (ESADE, IESE and Instituto de Empresa) appear amongst the top 10 in Europe and the top 25 in the world.

<sup>8</sup> Following an input-process-output logic, the educational value chain could be considered to consist of the following primary activities: *a*) marketing and admissions; *b*) the body of activities comprising the learning process (curriculum design, course delivery, extra-curricular activities, support services like IT infrastructure and access to knowledge resources, etc.); *c*) professional careers service (guidance and placement);

and *d*) alumni services. Among specific support activities are: *a*) faculty policy and management; and *b*) international relations administration.

<sup>9</sup> For a detailed analysis of the Bologna process and what it entails and its implications for management education, you are recommended to consult the report published by the GMAC (2005): *The future of Graduate Management Education in the Context of the Bologna Accord*.

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