

## **The Strategic Value of AACSB International Accreditation in Start-up Overseas American Business Schools: Two Case Studies**

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**Abstract:** - International business education has reached an unprecedented level of importance, and notoriety. There remains much debate about precisely what – and how – should be taught in international business programs, particularly at the MBA level. AACSB International is a professional accrediting body that accredits business schools throughout the world. Only about 15% of all business schools worldwide are so accredited. This is an elite group and membership equates with quality. More specifically, what is the strategic long-term value added to start-up overseas American business schools from the strenuous, time-consuming and costly AACSB five-year accreditation process? Presented here are two case studies that illustrate why two start-up business schools in American universities located overseas have decided to embark on the AACSB International accreditation process. Both cases highlight the strategic value of AACSB International accreditation and how this process is helping them gain a competitive advantage over other local, more well-established academic competitors.

**Key-Words:** AACSB; strategic value; business schools; international education; overseas American universities

### **1 Introduction**

For much of the decade of the 1990s, business schools around the world – and especially in the

USA and Canada – were taking initiatives to internationalize the business curriculum, mainly in response to a directive by the Association for the

Advancement of Collegiate Schools of Business (AACSB), the prime international accreditation agency for business schools. A global survey of business schools conducted in 1992 [1] found that only a small majority (57%) made specific reference to internationalization in their mission statement, and very few schools had a requirement for a “foreign experience” – defined in the survey as a study or an internship experience in another country. The most commonly offered foreign experience was study tours, followed by study abroad and internships abroad. However, the number of institutions that actually required an overseas experience was still very small: just 5% of bachelors programs and 11% of masters programs. Data on the number of students who had completed a foreign experience were not available [2].

The decade of the 1990s also witnessed the rise of emerging markets – nations whose economies were opening up to trade and foreign direct investment and were becoming more integrated with those of the richer nations. It was no accident that business schools were increasing their efforts towards internationalization at the same time, since it was apparent that emerging markets – especially the “Big Ten” [1] – were becoming key players in the new global business environment, so an awareness and understanding of the impact of emerging markets on global business was essential. In these markets, the onset of trade liberalization, privatization of state-owned industries, deregulation, the flood of inward foreign direct investment – and, more recently in some cases, economic recession – have left the business environment in a state of flux. The old ways of doing business are no longer valid as new ‘rules of the game’ are being written and re-written. In this situation, the challenge of training students for global competence has become even more acute [2].

Approximately ten years ago, a new trend emerged. Rather than US business schools waiting for foreign students to arrive on their shores, these schools began starting up overseas – and locating themselves directly within the foreign student

market. This trend intensified after 2002 with the tightening of travel and visa regulations for foreign students entering the US. The overseas academic marketplace and the race for admitting the best and brightest business students, of which most were highly demanding consumers, became entrepreneurial and highly competitive [3].

With the worldwide proliferation of American business schools and the lack of enforceable international standards of quality provision, it has become increasingly difficult for potential students to determine where best to study. In recognition of the need to provide a global seal of quality for business educators, AACSB International has embarked on an ambitious quest to take its accreditation system to the world’s business schools. One of the challenges for such a quest is convincing the proliferation of start-up American business schools overseas that view themselves already as quality providers, that accreditation is truly a value added activity to their current operations. Accreditation for such schools must clearly improve their reputation or status [4].

## 2 Review of the Literature

AACSB International – The Association to Advance Collegiate Schools of Business – is a not-for-profit corporation of educational institutions, corporations, and other organizations devoted to the promotion and improvement of higher education in business administration and accounting [5].

Organized in 1916, AACSB International is the premier accrediting agency for bachelors, masters, and doctoral degree programs in business administration and accounting. Among its founding members were Columbia University, Dartmouth College, Harvard University, New York University, Northwestern University, University of California at Berkeley, University of Chicago, University of Illinois, University of Pennsylvania, University of Pittsburgh, The University of Texas, and Yale University. AACSB International began its accreditation activities in 1919 [5].

AACSB International is a professional accrediting body that accredits business schools throughout the world. AACSB's accreditation process is a voluntary, non-governmental review of educational institutions and their business programs. Institutional accreditation review processes apply to the entire college or university. As a specialized accrediting agency, AACSB International grants accreditation to undergraduate and graduate business administration and accounting programs [5].

In addition to its accreditation function, AACSB International conducts an extensive array of development programs for faculty and administrators; engages in research and survey projects on topics specific to the field of management education; maintains relationships with disciplinary associations and other groups; interacts with the corporate community on a variety of projects and initiatives; and, produces a wide variety of publications and special reports on trends and issues within management education. AACSB International also maintains close relationships with its counterpart associations worldwide [5].

### 3 The Value of AACSB Accreditation

As business becomes more and more global, so does business education. Graduate education in business administration was once a primarily American and Western European phenomenon, but programs are now springing up all over the world. And as more top US schools open international campuses and partner with international firms, foreign business schools are responding to the competition by improving the quality and breadth of their programs. Today, you can get an MBA just about anywhere. But the sheer number of choices makes it difficult to find programs that offer the right combination of name recognition, networking opportunities, and quality education [6].

One measure of quality is accreditation. The AACSB International (Association to Advance Collegiate Schools of Business) is recognized globally as the premier seal of excellence in

business education and accredits only 554 programs worldwide. Of these, 480 are in North America, thirty-eight are in Europe, seventeen are in Asia, six in the Middle East, one in Central America, five in South America, and seven in the Pacific region. AACSB International accreditation standards are the highest standards for business schools globally. To meet these standards, schools must adopt a commitment to quality and a philosophy of continuous improvement. The process itself requires a rigorous self-assessment followed by an equally rigorous and comprehensive assessment by a peer review team [7].

The result of the rigorous AACSB accreditation processes is an assurance that an AACSB accredited school adheres to the highest standards of excellence in business education. This assurance of quality provided by AACSB Accreditation symbolizes to key internal and external constituents such as faculty, students, and employers that the school has achieved the highest standard by demonstrating their ability to:

- Manage resources to achieve a vibrant and relevant mission
- Advance management knowledge through faculty scholarship
- Provide quality teaching and current curricula
- Cultivate meaningful interaction between students and a qualified faculty
- Produce graduates who have achieved specified learning goals
- Make a statement to external communities about its commitment to quality and continuous improvement [7].

AACSB International thus offers business schools the opportunity to gain an international stamp of approval as well as a mechanism to benchmark their performance against peer institutions. Worldwide, just 15% of business schools are currently accredited. Therefore, to gain that stamp of approval places a business school in a very elite group. It requires schools to demonstrate a

commitment to program quality and continuous improvement. By ensuring that the learning environment is goal oriented and interactive, the process also ensures outcome based performance prevails over simplistic audited input program provision [8].

### **3.1 The Strategic Value of AACSB International Accreditation**

The AACSB International accreditation offers business schools an independent systematic process to both identify their current status and map a navigable way forward to improve. As a specialized accreditation system of institutions and individual programs, the process examines in detail and in an integrated manner the relative and substantive factors that equate to a schools standing or status.

By gaining accreditation, a schools status is immediately enhanced by the assurance from an independent agency, AACSB, that it has clearly demonstrated the ability to manage resources to achieve its mission, that they ensure a level of faculty scholarship which, in turn, advances the business and management knowledge of its faculty. Assurance is also provided regarding the quality of teaching and currency of curriculum. This, together with meaningful interaction between the students and faculty, produces graduates who have achieved specific learning goals.

AACSB accreditation is achieved by a school demonstrating that it can meet the accreditation standards as judged by a team of peers. Those standards have three main areas of focus: strategic management, participants, and assurance of learning.

Strategic management standards focus on mission, goals, and objectives, looking at them to see how a school is guided to the future and how choices it has made have been guided by what is articulated in its planning documents. The standards require that the reviewers look at financial strategies, infrastructure, and use of resources.

The participant standard looks at students and the faculty and how characteristics of those groups assist the school in achieving its mission. Staff and administrators cannot be ignored as they too influence the learning environment. Details include admissions, processes for retention, characteristics, qualifications, and deployment of the faculty.

The assurance of learning standard has been developed to measure how the learning goals of the institution are achieved. Is the curriculum designed to allow that learning to occur, and how is that measured? Detail of the standard looks at curriculum and the tools in place to measure that learning has taken place.

In addition to the demonstrable enhancement to business school status, AACSB accreditation provides higher level networking with Deans becoming involved in Peer Review Teams. Apart from networking, such teams provide opportunities to critically review benchmarked best practices. A more long-term benefit of international accreditation is that schools around the world can be in a common dialogue regarding what constitutes quality and continuous improvement.

### **3.2 AACSB Accreditation: Raising the Bar of Competitive Advantage for Overseas American Business Schools**

The role of accreditation is to improve the quality of education globally. The more players are brought to the table and the more institutions that achieve accreditation, the better all institutions can reach that goal of improving business higher education around the globe. Global perspectives will be present in discussions much more readily as member schools outside the US and Canada become part of the committees, teams, and task forces of the organization.

A specific category of schools now being looked at by professional accreditation agencies is the growing number of business schools starting up operations overseas. A growing trend for US and European business schools is to examine ways to

extend their reach into the highly competitive education market by opening up overseas branches, campuses, and alliances with already established business schools.

The impact of international peer review on the internationalization of US schools locating abroad is a significant next step in the accreditation process in general. Because of the centrality of accreditation and the peer review process to AACSB, the inclusion of these overseas US schools is going to mean the globally-minded student will have more US institutions located overseas with an international curriculum that are accredited and active participants in the deliberations of AACSB. For many of these business schools, with low-name recognition in their local markets, AACSB International accreditation will give them a comparative advantage along with other high-name recognition, local, and other international schools (The premier ESSC and INSEAD from France, for example, have gone through the AACSB accreditation process for their Singapore operations) [5].

Participation of overseas US members will affect both the decision-making process and the outcomes of program accreditation. One of the key outcomes of this process for US-based and overseas business schools is that in the long run, internationalization is now critical to the success of any business school. Isolation and success is impossible in today's academic marketplace.

Following are two brief case studies that illustrate why two start-up business schools in American universities located overseas have decided to embark on the AACSB International accreditation process. Both cases highlight the strategic value of AACSB International accreditation and how this process is helping them gain a competitive advantage over other local, more well-established academic competitors.

#### **4 CASE 1: HELLENIC AMERICAN UNIVERSITY, Athens, Greece**

The Association to Advance Collegiate Schools of Business International (AACSB International) is committed to its role in setting worldwide standards to enhance the quality of management education. The organization is expanding its brand presence in Europe, where business schools are beginning to seek AACSB International accreditation. In the United States, an increase in the number of business schools seeking AACSB International accreditation is also occurring. Business school leaders not only see the transcendent importance of AACSB International accreditation, they also realize the challenges that are involved in the accreditation process.

AACSB accreditation is a worthwhile investment for any business school for many reasons. First and foremost, it supports the school's mission. Accreditation would serve as a driver for continuous improvement within the Business Program. Furthermore, AACSB-mandated continuous improvement activities would help the school maintain its competitive position, and therefore attract better pools of student applicants, superior faculty and administrators, and achieve more community visibility and therefore better status and image.

Hellenic American University (HAU), which was founded in 2004 by an Act of the State of New Hampshire legislature in the United States, is an overseas American institution whose urban campus is located in Athens, Greece. The University is overseen by the New Hampshire Post Secondary Education Commission which is the regulatory body of the State of New Hampshire, US. The University's school of business offers undergraduate (Bachelor) and graduate degrees (MBA and PMBA) in business administration. The University is in the process of becoming a member of AACSB and eventually starting the accreditation journey.

In starting the AACSB process, the School of Business (SB) is addressing several key areas:

- 1) faculty sufficiency, intellectual contributions, and assurance of learning;
- 2) the administrative structure; and,
- 3) a commitment on the part of the University's administration to obtain accreditation.

Furthermore, the SB, in order to successfully pursue accreditation, will have an:

- Increase over the accreditation period of scholarly activity across the board by faculty, particularly in peer-reviewed journals.
- A stronger structure, with someone heading the SB (with authority over both undergraduate and the graduate programs), spearheading the accreditation effort, and ensuring forward movement on the goals determined.
- A commitment of sufficient financial resources from HAU to support the change in structure and the faculty development activities, providing adequate support and incentives for faculty research. AACSB accreditation requires hard work and commitment by the faculty members; to support and make possible the kind of work they need to accomplish, a commitment of financial resources from the University is necessary.

The lack of AACSB accreditation might place the school's business program in an increasingly weak competitive position. This is particularly true with regard to entering freshmen, and the MBA program. High school seniors who look at business programs soon learn that one of the major distinguishing characteristics of a business program is whether or not it has AACSB accreditation.

More specifically, what is the strategic long-term value added to HAU's business school from the strenuous, time-consuming, costly, and sometimes frustrating AACSB five-year process? Here below, we present some of the most important positive impacts:

- **Attract and retain quality faculty and administrators**

Potential faculty who are committed to their own continuous development tend to seek AACSB schools where they are able to find colleagues interested in research and other development activities, as well as financial resources to support their professional growth. Administrators also tend to prefer AACSB schools due to prestige and the availability of funding to these accredited business programs.

- **Faculty motivation and readiness**

AACSB accreditation would be an investment in the future of HAU. This investment is similar to other University-wide investments in faculty, science laboratories, structures, student housing, and technologically proficient classrooms considered necessary to maintain the University's position of leadership in education within Greece and the region. AACSB requires a single administrator with authority over both the undergraduate business and MBA programs, charged with responsibility for the accreditation effort. Furthermore, the AACSB process requires a strong faculty committee structure and a more developed business advisory board.

- **Build a foundation of success and legitimacy**

Faculty members will be required by the AACSB accreditation standards to build a publication record and become known as scholars and they should also focus on developing new courses and introduce innovative pedagogical methods in the classroom. After building a foundation, faculty can and should pursue organizational change based on their dreams, hopes, and aspirations.

- **Emergence of faculty leaders**

Whether a faculty member holds a formal leadership position or not, the AACSB process

allows faculty members to participate in the process and emerge as leaders within their own discipline, department, the University, and the community at large. One of the most important facilitators of faculty leadership is a network of like-minded people. Not only does the group help remind faculty of their purpose, but it also becomes a source of support and resiliency over the course of a career.

- **More visibility and improved image**

Due to the intense global competition among business schools, accreditation itself has become and is increasingly becoming a “must” rather than a “may be”. AACSB is perceived to be the oldest and most prestigious accrediting entity of business schools not only in the US, but all over the world. That is the reason we see more and more business schools outside the US seeking AACSB accreditation. Having the accreditation is gaining sustainable competitive advantage over business schools that do not have it.

Some of the stakeholders in the business school arena, namely, students, parents, faculty, employers, etc. are becoming more and more knowledgeable and sophisticated in terms of assessing a business school’s curriculum, programs of study, quality of faculty, students, facilities, etc. Therefore, they become more demanding and whenever they see the AACSB label they view it as quality of education. The overall status and reputation of the SB will increase in the eyes of the public.

In conclusion, what will HAU’s school of business gain from achieving AACSB International accreditation? AACSB International accreditation represents the highest standard of achievement for business schools worldwide. Institutions that earn accreditation confirm their commitment to quality and continuous improvement through a rigorous and comprehensive peer review. AACSB International is the hallmark of excellence in management education and it will assure HAU’s stakeholders that the institution through its school of business:

- Manages resources efficiently and effectively to achieve a vibrant and relevant mission.
- Advances business and management knowledge through faculty scholarship.
- Provides high caliber teaching of quality and current curricula.
- Cultivates meaningful interaction between students and a qualified faculty.
- Produces graduates who have achieved specified learning goals.

The old adage “the more things change the more they stay the same” appears to hold true for business school accreditation. HAU, through AACSB International accreditation, will attempt to respond to the demands of business school stakeholders in an effort to force management education to become more relevant in the Greek and the regional business communities.

## **5 CASE 2: DUBAI AEROSPACE ENTERPRISE UNIVERSITY, Dubai, United Arab Emirates**

### **5.1 DAEU - Organizational Context**

Dubai Aerospace Enterprise University (DAEU), a creation of Dubai Aerospace Enterprise, was established in 2006 to provide a first-class US-style, career oriented aviation and aerospace educational opportunity for students throughout the world. The new university, in which all instruction is in English, is a private institution focused on serving culturally diverse students – particularly from the Middle East, Asia, and the Indian subcontinent – seeking careers in global aviation and aerospace. Ideally located at the intersection of three continents, Dubai, UAE, is the fastest growing city in the world and a booming aerospace market. Programs of study are engineering, flight and aviation management, air traffic and maintenance management, logistics, airport and airline management, and, a business college with an MBA program. DAEU opened as a fully accredited institution by the UAE Ministry of Higher Education in the fall of 2007. Twenty-one students

and 6 faculty members joined a total staff of about 40 for the launch. The University plans to have 350 students for Fall 2008, with an enrollment goal of 6,500 by 2015.

## 5.2 DAEU's Strategic Interest in AACSB-International Accreditation

International management education, especially at the MBA level, has practically become higher education's version of a commodity. Ubiquitous in location and scope, potential students and their families have a very hard time distinguishing between one program and another, outside of a very limited number of high quality, high cost brand name programs. For their part, schools have a difficult time differentiating their programs from the competition, and this is even more so the case when schools are both new and eager to attract an international student population. These are the exact conditions which face DAEU in its quest to become one of a few very high quality aviation and aerospace related educational institutions. Fortunately, for international management education, AACSB accreditation offers a universally recognized 'seal of quality' which students, employers, and other important constituent groups can use as a proxy for quality and reputation. AACSB accreditation has become, therefore, one of the strategic assets which a school can obtain in order to meet its mission and achieve its vision. For DAEU, a new school in the Gulf region, the question of AACSB accreditation has been asked and answered in the affirmative because we see it as a necessary competitive advantage and a tool which can be used to lever high quality outcomes in a number of areas.

## 5.3 DAEU will obtain AACSB Accreditation for the following reasons:

- Only about 15% of all business schools worldwide are so accredited. This is an elite group and membership equates with quality
- Accreditation provides numerous opportunities for benchmarking

- Provides a template and matrix within which to consider strategic decision making
- Validates program quality, especially for those in the international community
- Provides information in the form of decision support for better resource management
- The long run effect is to raise image, establish a solid reputation, and create brand awareness
- Huge and positive learning effects upon which continuous improvement can be grounded
- As the international labor market becomes more integrated, AACSB accreditation will provide a kind of degree certification and recognition of management programs so that consumers of graduates can better make decisions
- 1<sup>st</sup> Mover Advantages – we wish to be among the regional leaders in obtaining AACSB accreditation, to be in the position of having others follow us
- AACSB accreditation compares favorably with, and can even be superior to, those standards established in the EU via the Bologna Education Accords

## 4 Conclusion

International business education has reached an unprecedented level of importance, and notoriety. There remains much debate about precisely what – and how – should be taught in international business programs. The range of opinion is large. Some go so far as to argue that 'business' is not something that can be taught and learned, at least not in the sense that, say, statistics can. Given this, what role can accreditation agencies play in ensuring that international business programs are, in fact, special and of high quality? AACSB has asked and answered this question. The current standards focus on process more than content. To be sure there is a prescribed "core" of management science topics that every manager needs in his/her tool kit, but beyond this the standards focus on assuring that



learning occurs, that resources are aligned with mission, and that the participants – students and faculty mainly – are of sufficient quantity and quality to ensure that schools do what they promise at an acceptable level of quality.

AACSB International provides a professional accreditation process that accredits business programs offered by universities in 30 different countries. The process to achieve accreditation is rigorous and based on the business school's demonstrated ability to achieve its mission. AACSB accreditation symbolizes to key internal and external constituents that the school has achieved the highest standard by demonstrating they are among the best business schools in the world.

With the proliferation of start-up overseas American business schools in the past few years, adopting a strategic focus of AACSB International accreditation for these schools can meet the challenges of clear demonstration of quality with finite minimal resources. The strengths of AACSB accreditation include an independent assurance that quality resides in a business school. It ensures there are processes of continuous improvement and assurance of learning. AACSB accreditation has name recognition amongst many business schools and gives a distinction to those recognized as such.

With the current challenges facing international management education at overseas sites, of dwindling support, the competition for qualified staff, increasing demands of staff time and accountability, American-based business schools are finding it more difficult to remain competitive in their local overseas environments, attract good students, and compete with AACSB-accredited local competitors. AACSB accreditation gives these start-up overseas American business schools the leverage to be more competitive in their local and regional marketplace. It provides an independent verification and assurance of excellence in international management education.

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