

# Affluent millennials mingle with artists The MBA and innovation in the twenty-first century.

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**ABSTRACT** ‘MBA fever’ in China needs to be understood in the wider context of forces driving structural change in China’s relation to the global knowledge economy. The rise of a ‘new middle class’ in China is connected to the new claims for cultural leadership of an emergent ‘creative class’, which generates new issues about the relevance of the MBA in China, in terms of its relevance to Chinese economic circumstances, its flexibility and its capacity to respond to accumulation strategies that emphasize innovation, creativity and entrepreneurship. ●

**KEY WORDS** ● China ● created in China ● creative industries ● creativity ● globalization ● intellectual property ● knowledge economy ● Masters of Business Administration (MBA)

Introduction: ‘MBA fever’ in China

China has experienced average annual economic growth in excess of 8 percent from the early 1980s to the mid-2000s, through a growth strategy centred upon the fortuitous combination of expanding domestic markets, high levels of foreign investment and massive growth in exports. In particular, the Chinese economic boom has been fuelled by exports of low-value-added manufactured goods, through exploitation of the comparative advantage of abundant supplies of low-cost labour, and many now refer to China as the ‘world’s factory’ (Deloitte Research, 2003). Among the many consequences of this economic boom, there are two that are of interest in this article. The first is the rise of a *new middle class*, particularly in the booming urban centres. The second, which is related to the first, is the growth in enrolments in Masters of Business Administration (MBA) programmes in Chinese universities.

The 1990s and 2000s have seen massive growth in MBA education in Chinese universities, which has been termed ‘MBA fever’ (Rosen, 2004). The number of universities providing MBA programmes grew from nine in 1991 to 87 in 2003, and the number of students applying for entry into MBA programmes grew from fewer than 1000 in 1993 to more than 38,000 by 2001, and as many as 82,000 by 2003 (see Table 1).

Business schools and MBA programmes are a relatively recent development in Asia, with the first major schools emerging in the 1970s (Thrift, 1998: 177–78). Historically, the MBA degree has aimed to provide a synthesis of business skills, and is typically undertaken as a second degree by working professionals in private companies or government organizations, who are motivated to advance their careers. Thrift (2005) has argued that the MBA has come to specialize in reflexive knowledge, involving the systematizing of existing business

knowledge (such as the famous Harvard case-study method), the synthesizing of academic knowledge into practical formulae that can be applied in business organizations, and knowledgecreation that results from the 'testing' of academic knowledge against practical business experience.

**Table 1** Growth of MBA education in China 1991–2003

<i>Year</i>	<i>Schools</i>	<i>Applicants</i>	<i>Recruited</i>	<i>MBAs graduated</i>
1991	9		144	0
1992	9		149	0
1993	26		408	49
1994	26		1424	105
1995	26		1172	139
1996	53		2410	509
1997	53	23,018	2552	1192
1998	54		7086	1186
1999	54	30,435	8773	1949
2000	62	35,416	10,709	3332
2001	62	38,126	12,173	3580
2002	64	>52,000	>15,000	-
2003	87	>80,000	>20,000	-

Source: Goodall et al., 2004.

In China, the period of *gaige kaifeng* ('reform and opening up') and the 'Four Modernizations' of the Deng Xiaoping era from the late 1970s saw a priority placed upon the development of western-style business management skills in state-owned enterprises (SOEs). After 30 years of Maoist economic policy and a largely closed economy, China's enterprise managers had very little knowledge that was suitable for their new roles in a market economy. In particular, there was a notable lack of skills in strategic areas of business such as marketing, financial planning and human resource management (Southworth, 1999). The Chinese Industrial Technology Management Training Centre, established at the Dalian University of Science and Technology in 1984 in the northern Liaoning province, was the first MBA-type training programme in China, and was followed by other training cooperation programmes with overseas organizations. The most famous and lasting of these was the cooperation agreement between the Chinese government and the European Community (now the European Union) in 1985, which led to the development of the China–Europe International Business School (CEIBS) (Southworth, 1999; Goodall et al., 2004). In 2006, CEIBS was ranked 21st on the *Financial Times* Top 100 Global MBA rankings, the highest ranking for an Asian MBA programme on this list.

In a study of MBA programmes at three leading Chinese universities (Guanghua School of Management, Peking University, Beijing; Tsinghua University, Beijing; and the China–Europe International Business School, Shanghai), I have identified that the profile of MBA students and the nature of course offerings has been slowly changing. Southworth (1999) and Goodall et al. (2004) observed that early joint ventures in business management education in China, such as MIT's partnership with Fudan University and McGill University's arrangement with Renmin University, largely functioned as 'train the trainers' programmes, where local faculty undertook MBA programmes from the overseas institution. Beyond this level, three recurring problems emerged: the need to translate English-language course materials in order to deliver courses on a sufficiently large scale to be viable; the difficulties in adapting western business knowledge and frameworks to the distinctive social, cultural and commercial environment of China; and the need for a more interactive and contextualized approach to teaching and learning than was characteristic of the Chinese educational system (Southworth, 1999: 326; Goodall et al., 2004: 321).

We found that the leading MBA programmes had moved beyond their original 'transmission belt' function of training Chinese managers in western management techniques, so that foreign companies investing in China could employ local staff that could combine a global perspective with an understanding of Chinese business realities (Goodall et al., 2004). Indeed, programmes such as those at Guanghai and CEIBS are now recognized as leaders in Asia in developing reflexive and contextualized business education, and are increasingly developing their programmes beyond the core generic management skills in accounting and finance, human resources, marketing and so on that have been the staple of MBAs worldwide, towards new interdisciplinary courses in innovation, leadership, entrepreneurship, communication and creative problem-solving, as well as encouraging students to set up their own businesses. Responsiveness to globalization is being addressed by the growth of International MBAs (IMBAs), such as the Special International MBA (SIMBA), offered by the Guanghai School of Management at Peking University in partnership with the National University of Singapore (NUS) and the ESSEC in Paris, France. Guanghai, Tsinghua and CEIBS have also been very active in developing more elite Executive MBAs (EMBAs), which now have at least 4000 enrolments in China. There has also been a focus on 'fast-track' management education programmes such as the Executive Development Programme at Guanghai, the Open Programmes at CEIBS and the development of the Tsinghua University Training Centre of Professional Managers as a 'just-in-time' provider of management training. As will be discussed below, however, broader shifts towards a global knowledge/creative economy present a further set of questions for the development of MBA programmes in China, particularly around the relationship between 'textbook' knowledge, creativity and innovation, and the adaptability of these programmes to changing local circumstances.

### The 'new middle class' in China and 'creative class' debates

China's three decades of rapid economic transformation have seen a new middle class emerge, and there is much debate about its size, social composition, values and political allegiances. A study undertaken by the Chinese Academy of Social Sciences estimated that the 'middle stratum' – consisting of managers, private entrepreneurs, professional and technical workers, and clerical workers – accounted for 15 percent of the Chinese workforce in 1999, and was expected to grow to 19 percent by 2003 and 25 percent, or about 170 million people, by 2010 (CASS, 2001). These figures have, however, been contested by other researchers who claim that if a mix of factors such as profession, income, consumption and lifestyle, and subjective identity are introduced, the figure is closer to 10 percent of the workforce (Xin, 2004; Li, 2003). Goodman (1999) argued that the new middle classes in China included managers of state-owned enterprises, independent owner-operators, 'social capitalists', urban executives, service providers and professional administrators. This is a very heterogeneous group, largely marked more by its desire to 'get rich' (*facai*) than by a commitment to entrepreneurship and 'jumping in the ocean' (*xiahai*), as expounded in official and popular discourses. Dickson's empirical work on the values of China's so-called 'red capitalists' (Dickson, 2003) suggested that the new middle class primarily identify their own material economic interests as coinciding with those of the CCP party-state, even if their preference was for more 'arm's length' or networked relationships. Their political position, in other words, was not one of challenging the hegemony of the CCP, but rather one of modernizing its mechanisms of governance.

In terms of class theories more generally, Frow (1995) has argued that it is useful to draw a distinction within the new middle class between the *professional-managerial class* and the *knowledge class*. Frow argued that the *professional-managerial class* has always been internally stratified between upper-level managers and supervisors, small business-people

and the self-employed, and needs in turn to be distinguished from the knowledge class. For Frow, the *knowledge class* are those who derive personal and professional identity from their ability to access, produce, distribute and use knowledge, to define what constitutes legitimate or useful knowledge, and to derive an income from their ability to offer such knowledge to others. Frow's theory of the knowledge class is relevant to the Chinese context, as it asks how this class's 'vocational complicity . . . with modernity' intersects with the role that its cultural practices play as exercises in class formation and self-identification (Frow, 1995: 96-7). Frow's work implies that the knowledge class is particularly likely to make claims to cultural leadership and, in so far as it seeks influence in the political and economic domains, it does so in part through 'culturalizing' them (see du Gay and Pryke, 2003, on 'culturalizing' the economy).

It is in this context that interest in Richard Florida's *The Rise of the Creative Class* (Florida, 2002) makes sense. Florida proposes that the 21st century will mark the hegemony of the *creative class*, whose point of strategic leverage lies in the paradox of creative capacity in a knowledge economy: while creativity is increasingly valued as human capital, it can never be captured by organizations as it fundamentally resides in people. For Florida, this emergent class grouping, which he argues may constitute as much as 30 percent of the US workforce,<sup>1</sup> can use its possession of this core economic resource to promote its values agenda, which includes a commitment to individuality, meritocracy, mobility, diversity, openness and the self-formation of identities. Florida's highly influential text can be seen as a direct attempt to shape economic and political agendas by 'culturalizing' them, and is therefore consistent with the wider positioning strategies of what Frow terms the knowledge class.

While aspects of Florida's arguments would be difficult to apply in the Chinese context – most notably, the classification of the creativity of cities according to the number of gays and bohemians in them (Florida, 2002: 255-63) – the broader 'creative class' agenda emerges at a point that is pertinent to China's political-economic directions in the 21st century. There is an emergent body of opinion which suggests that China needs to move beyond the 'world's factory' model to maintain economic momentum in the global knowledge economy, and needs to focus not just upon the volume of economic production, but on both the quality of inputs and outputs.<sup>2</sup>

### China between accumulation regimes: implications for MBA programmes

Peter Nolan (2004a, 2004b) has argued that China's rapid industrialization since 1978 can be understood in terms of classic economic development models such as the 'two-sector' model (see Todaro, 1989: 67-73 for an overview of the 'two-sector' model). The 'two-sector' model proposes that developing countries with large populations can achieve economic development through the inflow of large amounts of externally sourced capital into industrial production, which leads to the movement of labour from agriculture to low-wage manufacturing jobs, typically located in large urban centres. China has been able to access large amounts of capital and technology from abroad, first from Hong Kong and the Chinese diaspora and, from the early 1990s, through direct foreign investment from around the world. Moreover, the proportion of the workforce employed in agriculture in China only fell from 70 percent to 50 percent between 1978 and 1995, even though the contribution of agriculture to Gross Domestic Product fell from 40 percent to 20 percent during the same period, suggesting that the potential surplus labour pool remains substantial (Department of Foreign Affairs and Trade, 1997: 25, 28).

While this rapid growth model of industrialization generates new wealth and jobs, as well as a significant new middle class of professionals, managers and administrators, it typically comes at substantial economic, environmental and social cost, including rising income inequality, environmental pollution, overcrowded urban centres, and growing discontent among workers, peasants and 'excluded' classes. There is an additional issue for China in the

context of globalization and the transition to a knowledge-based or creative economy, which is that being the 'world's factory' means that it is at the low-value-added end of the global production chain, where wealth increasingly resides in intangibles such as ownership of copyright, trademarks, patents and designs, rather than industrial infrastructure (Howkins, 2001; Rifkin, 2005). This, in turn, may have adverse implications for its future economic sovereignty. Shalini Venturelli has developed this argument that culture and ideas are the 'gold' of the global creative economy, and that this requires a very different approach to questions of development strategy:

Cultural wealth can no longer be regarded in the legacy and industrial terms of our common understanding, as something fixed, inherited and mass-produced, but as a measure of the vitality, knowledge, energy and dynamism in the production of ideas that pervades a given community . . . The challenge for every nation is . . . how to construct [an environment] of creative explosion and innovation in all areas of the arts and sciences. Nations that fail to meet this challenge will simply become passive consumers of ideas emanating from societies that are in fact creatively dynamic and able to commercially exploit the new creative forms. (Venturelli, 2005: 396)

It is important to note that Venturelli is not talking here about giving greater policy recognition to the arts and cultural sectors, even though that is one implication of her argument. It is also more than advocacy of the *creative industries* (*chuangyi gongye*) concept, although it points to a need for policy discourse to transcend a historic divide between innovation (*chuangxin*) agendas that have been traditionally associated with the science and technology sectors, and the cultural industries (*wenhua chanye*) that have been seen as the provenance of the CCP party-state, and associated with mass cultural education (Lewis, 2002; Wang, 2004). Rather, it stresses the need for a rethinking of creativity as an economic asset, where the new 'wealth of nations' in the global knowledge economy resides in culture and individual creativity and talent. This is similar to Florida's arguments, as well as those of Mitchell et al. (2003), who argue that creativity is displacing productivity as the central driver of national performance in the global economy, as 'creative inventions ("better recipes, not just more cooking") are increasingly recognised as key drivers of economic development' (Mitchell et al., 2003: 1).

### Challenges of the global creative economy for Chinese MBA programmes

The challenges presented to MBA education in Chinese universities arising from the growing importance attached to creativity in the knowledge economy can be clustered into four elements.

#### The party-state and higher-level education

While MBA programmes in China have a high degree of autonomy, this nonetheless remains conditional on state agencies choosing not to intervene, rather than being an expectation of market-oriented professional degree programmes. The areas in which there has been the most significant growth and programme innovation in recent years, such as Executive MBAs (EMBA), International MBAs (IMBA) offered in partnership with elite overseas universities, and highly tailored short courses designed for particular industry clients, are operating at a level that is almost a stratosphere

away from such state-driven micro-management of academic curriculum. Interestingly, the Chinese Communist Party (CCP) is itself moving into MBA-style leadership education, with the establishment in 2005 of the Chinese Executive Leadership Academy Pudong (CELAP), in the Pudong region of Shanghai.

#### The global and the local

While the MBA has emerged as something of an international business education 'passport', its template has nonetheless remained US-based management education. Most Chinese universities and institutes do not have enough qualified teachers or suitable textbooks and case studies that represent Chinese business and management conditions, and use US textbooks and case study materials. Students frequently complained that they had few opportunities to work with Chinese case studies, and the very different Chinese business environment, in their MBA courses (Goodall et al., 2004: 321). Partnerships with leading North American and European universities have been an important mechanism for addressing this perceived 'gap' between Chinese MBA programmes and international best practice, as has been the presence of overseas academics, sometimes termed the 'grey-haired American Professor', as a source of up-to-date content knowledge and, no less importantly, international contacts and networks.

### Relevance of the MBA in China

The third set of issues concerns the relevance of the MBA qualification in China. This was partly related to resistance on the part of Chinese enterprises, particularly in the state-owned enterprise (SOE) sector, to employ graduates whose mission was to change long-established management practices. As there is a turn from MBAs being focused on the management of existing large, vertically integrated enterprises, towards the need to be innovative, entrepreneurial and creative in an ever-changing global business environment, and as specialized qualifications such as EMBA and IMBA continue to grow, such questions will emerge more sharply. What our research into some of the leading MBA programmes in China did not find was a particularly strong focus on creativity and its relationship to innovation in a knowledge economy.

### A 'new humanism' in Chinese business education?

While responses to the question of whether creativity was important to a business qualification today have so far tended to generate *pro forma* responses, the actual connection between such priorities and the content of the MBA programmes surveyed remained tenuous and somewhat obscure.

This may, however, be changing. The MBA programme at the Cheung Kong Graduate School of Business in Beijing, established in 2002, places the humanities at the core of its business education programme, while also stressing the need to work collaboratively and recognize social obligations as a core element of Chinese business culture, in contrast to what is seen as the 'dog-eat-dog' individualism of western business models (Chan, 2005). This may mark an interesting development of what I have elsewhere (Flew, 2004b) termed the 'new humanism' in business education, which is strongly enmeshed with the identification of creativity as a core 21st-century economic asset, as well as a new assertion of claims by the fraction of the new middle class which constitutes itself as a knowledge class.

### Notes

Florida's calculations are based on a distinction between a super-creative core, which includes all of those involved in the generation of new ideas, new technology and new creative content (and includes people in science and engineering, as well as artists, entertainers, teachers, architects and designers), and associated creative professionals in business and finance, law and related fields (Florida, 2002: 8). The extent to which these two groups can be meaningfully linked around the concept of creativity has been the subject of some debate (see Flew, 2004a for a summary).

Research and development expenditure in China was 0.66 percent of global R&D expenditure

in 2001, which is low by comparative international standards, indicating the profile of a dependent economy, transforming the intellectual property (IP) of others into manufactured goods ('Made in China'), rather than being a significant independent generator and exporter of knowledge and IP ('Created in China'). By contrast, the Republic of Korea, which was a similarly dependent economy in the 1980s, now accounts for 2.8 percent of global R&D expenditure, which is considerably higher than most western European economies and equal to the United States (Dahlman and Aubert, 2001: 13).

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