



# Crisis Management and The Higher Education System

*Benjamin Waldhart* - "Nothing sustainable can develop in isolation anymore. [...] To effectively operate in such a networked and dynamically changing world demands perspectives on managing organizations that go far beyond traditional methods."

(Prof. Dr. Mariëlle Heijltjes, Universiteit Maastricht Business School)

Be it the Oil Price Shock in the 1970s, the Chernobyl nuclear reactor disaster in 1986, the Exxon Valdez running aground in 1989 or the 9/11 terrorist attacks in 2001; no matter how far we go back in time, crises have always occurred and probably will always occur as recent events on the world's stock exchanges have shown. However, it remains interesting whether there are

ways to prevent or even plan for such crises NOT to occur and what universities contribute to this issue. To find out more about this present concern, two representatives from the Maastricht University, Dr. Mariëlle Heijltjes and Dr. Marc van Wegberg, both working for many years at Maastricht University and interested in the topic of Crisis Management, were consulted. Their in-

teresting views on the role that Higher Education plays in this important and now omnipresent role of making business students aware of 'the unexpected' will be presented in this article. Prof. Heijltjes is the current Director of the Universiteit Maastricht Business School (UMBS) and Professor of Managerial Behavior in graduate and post-graduate programs. Dr. van Wegberg is an

Assistant Professor in the Organization & Strategy Department at the Faculty of Economics and Business Administration (FEBA) and teaches both bachelor and master courses.

Given the fact that human beings are always crisis prone, one may ask what we can do in order to raise our awareness when such crises occur, in other words, to become 'crisis prepared'. First, we need to understand that most crises are unpredictable dramatic cases but most of them are human-induced. Thus, we as students, employees or managers can study ways to prepare, equip and anticipate such events and train how to respond to them. More importantly, we can learn from prior crisis experiences. Questions addressing this issue are exactly what Crisis Management is all about. Since business schools are the cradle of tomorrow's managers, 3MAGazine was particularly interested in the current crisis discussion and how it is being dealt with in the Higher Education context and more specifically at UM.

For our understanding, what exactly is a crisis? – Looking up the Crisis Management literature, one will find that



crises are high in magnitude, require immediate attention, entail an element of surprise, deserve the need for taking action and are often outside an individual's or organization's complete control. If we look at organizations and what they do to put such theory into practice, myriad cases can be observed in all sorts of organizations because they are vulnerable in limitless types of crises. In this regard, researchers have particularly studied so-called high reliability organizations (HRO's) such as in the oil and gas industry, in nuclear power plants or on airliners or aircraft carriers, all being constantly prone to high risks factors and complexity. This implies that even the smallest mistakes could lead to catastrophes, accidents or environmental disasters. Therefore, standards help to identify cases where management fails to take necessary precautions, as for the current economic crisis. All of this seems to be easier said than done because the theory seems to be in place and, still, crises do occur.

The crisis we are facing today is of an economic, not an environmental nature and does not only affect big corporations but also individuals, families, small businesses and even universities. Some

industries such as the financial services sector were the first victims of what has become known as the 'Subprime Crisis' and which is originally rooted in the US mortgage market. Huge investment banks such as Lehman Brothers had to file bankruptcy, millions of shareholders lost their equity literally 'over night' and even relatively normal people have not remained untroubled by this historical downturn. The bad news about this is that most economists believe the bottom has not been reached yet. The situation is gradually becoming worse and it will take years even for the healthiest economies to recover fully.

On this occasion, we were particularly interested in how representatives from UM realize the current crisis and how it affects Higher Education. As a Professor of Managerial Behavior and as the Director of UMBS it is, according to Mrs. Heijltjes, impossible not to be affected by the current economic and financial crisis because it affects UMBS clients as well; and those are the "organizations that enable their employees to take courses with us (either through open executive programs, in-company programs that we design together with those organizations or by being enrolled



in our International Modular MBA program) and therefore it affects us.”

Another important question remains. How could a crisis of this magnitude happen and what can a business school, such as the UMBS, do to ‘help’? – Prof. Heijltjes finds the role of leaders and leadership intriguing. “What guides their behavior and what are the assumptions on which they base their decisions? To what extent do they have the courage to let sustainability be a guiding force rather than short term shareholder profit?”

Apart from raising sustainability aspects, Dr. van Wegberg highlights that education has to be in place to prepare people for eventualities and the need to act. On the same level of consideration should be standards to guide planning and decision-making because they are the best means to prevent crises at the level of individual organizations and communities, so-called ‘micro-crisis’. “A prepared mind is more ready to act and can act more appropriately.” Bearing that in mind, knowledge generated from events in the past should be used to improve our current processes. He further elaborates in the light of the current economic crisis, “A crisis is the way in which capitalism solves problems that have accumulated over the years. Economists see these macro-crisis in a positive light, not as a problem itself but as the beginning of redress. See how the current subprime credit crisis uncovered the fraud by Bernard Madoff. The best way to manage the crisis is to solve the problems that caused it to happen in the first place. – A defensive approach that lightens the crisis by shifting the burden to foreigners or future generations is in the longer term

not as good as one that tries to heal the excesses that caused it.” In his view, avoiding crises is impossible but what we can do is alleviate the consequences for human beings by social security, solidarity instead of protectionism, collaboration such as knowledge sharing practices and fact-based policies that work, even if they are controversial.

Prof. Heijltjes shares this view to a certain extent as she thinks that the current events can be regarded as a ‘wake-up call’ that the current way of operating is reaching its limits of further improvement. This means the better one understands an organization’s operating assumptions the more successfully one will be in handling the crisis. She also points at the most recent literature on crisis management suggesting a shift from the dominant shareholder to a more crisis-effective stakeholder perspective because the shareholder model does not fully address what efficient and ethical corporate governance should look like under crisis conditions, e.g. when some stakeholders are victimized, and the interests and concerns of others change drastically.

Prof. Heijltjes further believes that the governing assumptions, which have governed our management thinking for too long, have become outdated as most of them have been developed at the beginning of the 20th century. In those days, she argues, problems were different and concentrated on obtaining efficiency and scale with semi-skilled employees. Today, a different mindset is required to effectively manage the shifts in economic and financial climate in our increasingly globalized, interconnected and dynamic world. Mrs. Heijltjes explains what it takes for organizations to succeed in this context, “To

effectively operate in such a networked and dynamically changing world demands perspectives on managing organizations that go far beyond traditional methods. It demands an understanding that connection and connectedness is at the core of all operations and that nothing sustainable can develop in isolation anymore. It demands mindsets and skills of leaders as well as followers that surpass traditional command and control thinking and that allow co-creation and responsibility at all levels. It demands management structures and systems that allow flexibility within existing hierarchies. It demands management methods and tools that facilitate the building of community of pro-active, creative and responsible employees. It demands a significant shift in the dominant management paradigm; the same paradigm that the majority of organizations have successfully employed until today.”

What can be done at universities? – There is a lot that can be done in higher education, be it in bachelor, master or MBA programs. At the University of Maastricht for instance, Dr. van Wegberg mentioned that there are courses which use experiments to simulate real-time events and the need to act spontaneously, which he thinks is the closest one can get to in an artificial setting. However, the extent to which universities can influence the occurrence or even the prevention of such crises is in both representatives’ view very limited. One thing that needs rethinking though is the prevailing focus of business cases on success stories. Researchers should also study failures and increase the contact to practitioners in order to learn from real crises, according to van Wegberg.

Prof. Heijltjes sees a crucial role and even an obligation of universities and especially business schools to be involved in the ‘Crisis Management Agenda’ without particularly pointing at the need for a specific course in this regard. The causes of the current problems, she believes, are too complex for academics to simply distribute knowledge in an academic course telling ‘what is right or wrong’ when dealing with crises. “Solutions to today’s problems can only be found when diverse sources of knowledge interact: academics, business people, professionals and students.”

Since universities work with (future) employees and leaders of organizations, they should also create a learning environment in which all participants can “(1) explore and understand individual values and norms that guide behavior in one’s personal life and in a business environment, (2) co-create state of the art knowledge based on the interaction of students, researchers and business people that help identify the guiding operating assumptions of today’s organizations and society and (3) instill an awareness in students that everybody

has an impact on and responsibility for what is happening around them (for example by introducing projects with social returns in the education process).”

What is the status quo at UM? – Currently, Crisis Management does get attention at UM but more in Executive Education and MBA programs rather than in graduate or undergraduate studies. They concentrate on building strong personal development components that help participants to gain insight in what drives their (professional) behavior. Together with building self-awareness, there is a strong focus on building a community of pro-active, creative and responsible employees, both being crucial elements in dealing with the current crisis. “Furthermore, the programs have a strong action learning component built in, in which participants work on their current business problems using theories provided. This allows the understanding of current business problems and the creation of new solutions by having academic knowledge interact with practical expertise.”

One must never forget that our university is already a good step forward with its small-group problem-based learning approach, so Mr. van Wegberg. Students are from the very beginning required to take on responsibility in designing their tutorial meetings, to cooperate effectively in small project groups and to react spontaneously to events. Since the outside world of organizations continuously changes, Mrs. Heijltjes knows that there is always room for improvement, also at the business school she is head of. At UMBS she is currently working on integrating the aspect of creating more societal value in its study programs. The objective of this is twofold, she explains. “On the one hand, society benefits from the academic and professional knowledge present in our programs allowing a real contribution to alleviating some of the current problems. On the other hand it allows participants to be exposed to non-familiar problems in non-familiar settings, creating experience in working from (very) different perspectives. To generate relevant social questions and to create appropriate learning environments within programs, cooperation



with organizations working in this field (NGO's, development aid, charities and voluntary organizations) are sought.”

The lessons learnt from our representative's views draw a clear picture. Universities in general and business schools in particular must prepare their students to think creatively about the unthinkable so that the best possible decisions will be made in times of a crisis. In doing so, a shift in education from traditional management theories such as the shareholder model to more sustainable approaches will be required to face the challenges ahead. Another important point made is re-

flecting on past experiences. Success stories seem to dominate the literature and are without a doubt more popular in practice. However, there is a call for learning from failures or 'what went wrong' in certain situations. Finally, Dr. van Wegberg concludes with the following advice on leadership and the importance of fundamental business education. "Let's not follow every trend and in-topic. Students need to follow basic courses to get a broad overview over business and economics. The basic point about crisis management is about leadership, a topic touched upon in nearly every specialization. Every course should include awareness that

reality never works as planned, that individual people need to take responsibility, and that leadership is not a function or a title on someone's office but a real-time process which involves every individual including low-level ones as well as whole teams.“

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Special thanks to Dr. Mariëlle Heijltjes and Dr. Marc van Wegberg for taking their time and showing their interest to cooperate. We appreciate them sharing their experience and knowledge which were both essential for writing this article. Thank you!

