

Management Education and Research in Germany

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Abstract

This paper about “Management Education and Research in Germany” has been submitted and accepted for publication as part of a European book project about future scenarios for business schools in Europe by Thomas Durand and Stephanie Dameron*. ‘Business School’, however, is not a common term in German management education and research. Therefore we first provide a brief look at the historic roots of the management field, its educational institutions, research journals and scholarly associations in German speaking countries. The following sections overview German higher education institutions and programs, with a special emphasis on preparation for academic careers.

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I. Historic roots and current status of German Betriebswirtschaftslehre

“The system of education embodied in the German business schools (originally Handelshochschulen) has distinct historical origins and differs significantly from the system of higher education in business economics and management sciences that developed in other European countries.”

(Robert R. Locke, 1985)

The key term “Betriebswirtschaftslehre” describes the discipline of business administration and management – a discipline that did not emerge before the end of the 19th century. Usually the year 1898 is seen as the starting point of the discipline in German speaking countries; this is the date when the first Handelshochschulen¹ were founded as educational institutions in Aachen, Leipzig, St. Gallen, and Vienna. Additional Handelshochschulen were founded after the turn of the century in Cologne and Frankfurt/Main (1901), Berlin (1906), Mannheim (1907), Munich (1910), Königsberg (1915) and Nuremberg (1919). These institutions were later extended to full universities (Cologne, Frankfurt, Mannheim), integrated in state universities (Aachen, Berlin, Munich, Nuremberg), or re-established as private institutions for higher management education (Leipzig²).

¹ “Handelshochschule” can be directly translated as “commercial high-school”, but stands for a university-level educational institution, not a secondary school. For a more comprehensive historical overview of Betriebswirtschaftslehre in the German-speaking countries see: Albach 1990.

² HHL-Leipzig Graduate School of Management, founded in 1898 as the Handelshochschule Leipzig, was the first German business school to be granted university status and is the only one which still runs under its historic label.

A few scholars, like Eugen Schmalenbach (1873 – 1955), Heinrich Nicklisch (1876 – 1946) and Fritz Schmidt (1882 – 1950), strongly influenced the field by establishing the first academic journals for the German speaking research community³. These journals have remained the key publication outlets and are still the dominating journals in the German speaking research community.

Similarly, today's dominating scholarly associations were all established in the early years of the discipline. The Schmalenbach Gesellschaft (SG) describes itself as a "Forum of Dialogue Between Science and Business" – following the early commitment of Eugen Schmalenbach to develop business economics into an applied science by creating a close link between theory and practice⁴. SG represents both management researchers and executives. Its membership and executive board represents both, and each of its 25 committees is presided over by both a university teacher and a representative from industry. Currently SG counts about 1600 individual members and roughly 350 corporate members. Almost all of the 100 largest German companies are represented in the Schmalenbach Gesellschaft. It is a registered institution, non-profit oriented, and politically independent.

The Association of University Professors of Management (VHB - Verband der Hochschullehrer für Betriebswirtschaft e.V.) had its first meeting in 1914 and was formally founded in 1921 in Frankfurt / Main. It has more than 1500 members today and a clear focus on professors and research associates at research universities. This organization is generally considered to be the most influential academic association for higher management education and research in the German speaking countries.

³ In 1906 Eugen Schmalenbach founded the "Zeitschrift für handelswissenschaftliche Forschung (ZfhF)", now called "Zeitschrift für betriebswirtschaftliche Forschung (ZfbF)" and recently complemented by the „Schmalenbach Business Review (sbr)“ for the english-speaking audience. In 1908 Heinrich Nicklisch founded the „Zeitschrift für Handelswissenschaft und Handelspraxis (ZHH)“, which has changed its name to "Die Betriebswirtschaft (DBW)". In 1924 Fritz Schmidt started the "Zeitschrift für Betriebswirtschaft (ZfB)" which retains its original name.

⁴ See www.schmalenbach.org.

The development of Betriebswirtschaftslehre as an academic discipline has so far been a strong success story in Germany. Research and teaching staff in the academic system have more than tripled since the early 1980s. Even stronger than the rise in employment, is the increase in student numbers. There were more than 160,000 students registered for Betriebswirtschaftslehre in 2004, compared to less than 40,000 in the early 1980s (see Figure 1).

	Research and Teaching Staff	Professors	Students
1938		15	3,297
1953		26	11,223
1970		128	22,755
1982	2,193	646	36,016
1986	2,689	799	92,409
1995	5,402	1,170	139,209
2004	7,308	1,826	162,608

Figure 1: Development of German Betriebswirtschaftslehre⁵

The rise in number depicted in Figure 1 goes hand in hand with a process of diversification in terms of players involved with management education. As a next step we therefore look at the range of supply-side institutions, academic roles and other types of employment within these institutions, and the unique characteristics of the German academic system.

⁵ FSOG 2006; Rühli 2002, p. 115; Schneider 2001, p. 237.

II. Higher education institutions in the German academic marketplace

„(...) we cannot understand the rise of the US business school century without recognizing the dominance of the German, or rather the Prussian, administrative models. Ironically Wharton's personal fortune was the direct result of Bismarck's currency reforms. Wharton had cornered the nickel market and made huge profits supplying this metal for the new German state's coinage (...) As a skilled metallurgist Wharton had learned to read and speak both German, the language of all scientific scholarship at that time, and French, the language of diplomacy and politics.”

(J.C. Spender, 2000)

To understand supply-side institutions of German Betriebswirtschaftslehre, we have to distinguish between educational actors that are in public or private ownership and indicate whether they are at university-level or at the level of a university of applied science. In the following discussion, we will look at these supply-side actors and mention exemplary German institutions that offer higher management education in each of these different institutional formats.

Currently more than 80 university institutions and more than 140 institutions at the level of university of applied sciences offer Betriebswirtschaftslehre as a study program. Out of the university-level institutions, less than 10% are privately held, while roughly 20% of the institutions of applied sciences are in private ownership. Figure 2 provides examples of institutions in each category.

	Universities of Applied Sciences (<i>"Fachhochschulen"</i>)	University-level institutions (<i>"Wissenschaftliche Hochschulen"</i>)
Private Ownership	<ul style="list-style-type: none"> ▪ Fachhochschule für Ökonomie und Management (FOM) ▪ Hamburg School of Business Administration (HSBA) ▪ Munich Business School (MBS) 	<ul style="list-style-type: none"> ▪ EBS – European Business School Oestrich-Winkel ▪ HHL – Leipzig Graduate School of Management ▪ WHU – Wissenschaftl. Hochschule für Unternehmensführung Koblenz-Vallendar
Public Ownership	<ul style="list-style-type: none"> ▪ Fachhochschule München (FHM) ▪ Fachhochschule für Wirtschaft, Berlin (FHW) ▪ Hochschule Reutlingen – European School of Business (ESB) 	<ul style="list-style-type: none"> ▪ Dept. of Business and Economics, FU Berlin (FU) ▪ Munich School of Management at Universität München (LMU) ▪ TUM Business School at Technische Universität München (TUM)

Figure 2: Selected institutions in the German academic marketplace

An important distinction between university-level institutions and universities of applied sciences is that only the former are allowed to enroll doctoral students, offer doctoral programs, award doctoral degrees, and also offer the “Habilitation” degree that is the traditional career path for future German professors. A strong research orientation and research-based study programs are part of their typical profile. Professors at university-level institutions on average have a higher salary and lower teaching load than their counterparts at the universities of applied sciences. While 8 to 9 hours teaching per week during the semester is the common teaching load for university professors, 16 to 18 hours is a typical teaching load for a professor at a university of applied science⁶. As the German term “Universität” is restricted to university-level institutions, universities of applied science are not allowed to use the term and are called “Fachhochschulen” in German speaking countries.

Both types of institutions traditionally offer a Diplom program in Betriebswirtschaftslehre, but only participants in programs at university-level institutions and outstanding candidates in programs at universities of applied sciences can qualify for writing a doctoral thesis.

⁶ BMBF 2003

While this can be a disadvantage for those wanting to continue academic work, the corporate sector sometimes prefers graduates from Fachhochschulen as their study programs are seen to be closer to business reality and the entry-level salary of graduates from Fachhochschulen is usually lower than salaries for university graduates.

Traditionally there has been a very clear distinction between these two types of institutions and the professors working for them. This clear distinction, however, is now blurring. Most Fachhochschulen have been much faster in switching to study programs and outside communication in English than university programs; one advantage of the language switch is that it makes it possible to present Fachhochschulen as “universities”. Fachhochschulen have also been fast and effective in moving from the traditional German Diplom to the Bachelor and Master degree structure required by the Bologna process – a switch that allows them to award degrees that qualify for doctoral studies.

Traditionally there has also been a clear distinction between universities in public and private ownership. State universities were and still are the dominant players in the German speaking world. They account for more than 80% of the institutions and for more than 90% of all business graduates. However, public universities are currently faced with the fact that private sector institutions dominate quality rankings. As private institutions raise tuition fees and state universities have not been allowed to do so (though it appears they will be required to do so in the future), it is the private sector institutions that usually offer much better service quality for students and by doing so allow for shorter study times as well as superior salary levels and higher satisfaction levels of their graduates – all important criteria in business school rankings.

On the other hand it is still hard for institutions in private ownership to retain faculty in competition with the public system that is typically seen as more prestigious by the public, has higher reputation within the German academic

community, and can offer life-time positions as civil servants often with a strong resource base that is guaranteed for a life-time (or at least long term, independently of short-term performance measures).

Currently this traditional distinction between public and private institutions is also blurring. Some state universities are setting up separate private institutions in parallel to their departments of business administration and economics, which serve as umbrella organizations for MBA and executive offerings. The Mannheim Business School gGmbH⁷, for instance, provides the MBA programs and customized company programs on offer from the University of Mannheim's faculty for business studies. This non-profit organization has limited liability – the typical legal form chosen by institutions of higher-education in private ownership.

1. University-level institutions in private ownership⁸

The smallest category of university-level institutions in private ownership comes closest to the common international understanding of a Business School or Graduate School of Management. These private schools usually offer an MBA, Part-time MBA and/or Executive programs. Many also offer the traditional German Diplom program in Betriebswirtschaftslehre. According to the Bologna process they now often offer Master of Science programs as well (and sometimes Bachelor programs for undergraduate students). As university-level institutions they typically offer the doctoral degree level as well as the Habilitation process for future professors. Figure 2 shows the European Business School Oestrich-Winkel (EBS), the HHL – Leipzig Graduate School of Management as well as the WHU – Wissenschaftliche Hochschule für Unternehmensführung Koblenz-Vallendar as exemplary top-ranking institutions for this category.

⁷ <http://www.mba.uni-mannheim.de/>

⁸ Wissenschaftliche Hochschulen in privater Trägerschaft.

2. University-level institutions in state ownership⁹

University-level institutions in state ownership are usually departments of larger multi-disciplinary universities. These university departments, however, are not the lowest operating unit within their universities. The organizational structure of a German university is based on the chair (Lehrstuhl)¹⁰. Muller-Camen & Salzgeber (2005) have discussed in depth the specifics and consequences of the chair regime and point to its potentially “profound effect on change in academia” (p. 274). A chair holder in the German academic system is usually a civil servant with a tenured position. In addition to the chair holder, who concentrates responsibility and power, a Lehrstuhl usually supports one or more secretaries and some number of research and teaching associates. On average, chairs in Germany have about four or five junior or senior associates, but especially in technology-related fields of management research (like innovation management, information systems, production management, logistics or supply-chain management) teams of up to 50 researchers can be employed by one chair. In 1998, there were 633 chairs in the field of business administration and management, in Germany (580), Austria (39) and Switzerland (14)¹¹. This kind of chaired professorship only exists at university-level institutions. In addition, there are non-chaired professorships -- usually members of a chair at university-level institutions or faculty at universities of applied sciences. As Muller-Camen & Salzgeber (2005) note, a chaired professor is guaranteed maximum freedom in teaching and research by the German constitution¹²:

⁹ Departments at Wissenschaftliche Hochschulen in staatlicher Trägerschaft.

¹⁰C.f. Muller-Camen / Salzgeber 2005: In the following we will summarize key aspects of their analysis

¹¹Oechsler 1999, p. 2 (As university professors in the German speaking countries – Germany, Austria, Switzerland – feel and are organized as one academic community, e.g. in the Association of University Professors of Management (AUPM), we extend our view to all three countries whenever it makes sense.).

¹²Clark 1983, p. 111ff.; Dorf 1999; Engwall 1999; Muller-Camen / Salzgeber 2005, p. 276.

“German professors still operate within a reputational-based work organization (Whitley 1984), which is controlled from within its own rank and which resembles the traditional British system before the advent of managerialism and the increasing marketization of higher education in the UK. Chairs have a wide discretion as to how they fulfil their job and have full responsibility for research and teaching. Management is absent and there is almost complete autonomy from external, non-collegiate influence. Financial certainty and complete job security are guaranteed by the tenure system.”¹³

3. Universities of Applied Sciences in state ownership

Within the German higher education system universities of applied sciences (Fachhochschulen) are the largest and youngest organizations. Representing a new type of higher education institution, they were initiated via a Basic Declaration of Minister-Presidents of the Länder (States) in 1968:

“In establishing Fachhochschulen, the Länder responded to new challenges in the workplace – resulting from scientific and technical progress – and pertinent new training requirements. The Fachhochschulen in Western Germany, most of which were established between 1969 and 1971, have their roots in the area’s former engineering schools, academies and higher technical schools for design, social work and economics. The New Länder began establishing Fachhochschulen in 1991. From the outset, they profited from experience gained throughout the 20-year history (at the time) of Fachhochschulen in the old Länder.”¹⁴

Complementary to research- and teaching-oriented universities, the new universities of applied sciences have a clear teaching orientation and provide

¹³Muller-Camen / Salzgeber 2005, p. 277.

¹⁴BMBF 2003, p. 6.

educational programs that combine higher education qualifications and practically oriented training. Currently German universities of applied sciences offer Diplom, Bachelor and Master programs, train almost all of Germany's social workers and social educators, some two-thirds of all its engineers and about half of its students of business administration, management and computer science¹⁵. That means that of 21,750 business management graduates in Germany in 2004, 11,756 graduated from a German Fachhochschule¹⁶. This highlights the special importance of universities of applied sciences within the German higher education and employment system.

4. Universities of Applied Sciences in private ownership

Recently a number of private institutions at the level of Fachhochschule have emerged. The Hochschulrektorenkonferenz (HRK)¹⁷ currently lists 46 of them. Figure 2 shows the Fachhochschule für Ökonomie und Management (FOM), the Hamburg School of Business Administration (HSBA) and the Munich Business School (MBS) as selected examples. As for universities of applied sciences in general, the programs they offer usually lead to the degree of a Bachelor of Arts (not Bachelor of Science) and Master of Arts or Master of Business Administration (not Master of Science) and do not automatically qualify for doctoral studies in Germany.

Today, the traditional negative image of universities of applied sciences, especially from the perspective of university professors, is more and more often challenged. In 2006 the CHE, a think tank funded by Bertelsmann Foundation¹⁸, teamed up with dapm, a professional association of leading

¹⁵ BMBF 2003, p. 17.

¹⁶ FSOG 2006, see also Figure 3.

¹⁷ see: www.hrk.de (university rectors conference).

¹⁸ The Bertelsmann Stiftung was established by Reinhard Mohn as a charitable foundation in 1977. It is a majority shareholder of the German media corporation Bertelsmann AG.

German corporations that focuses its activities on HR development and marketing, and started the first ranking for Bachelor programs in business administration in Germany¹⁹. Fachhochschulen turned out to be the clear winners in this ranking that rated programs in terms of their expertise in teaching methods, people skills, practical orientation, and degree of internationality. The rankings also revealed that while universities of applied sciences had quickly moved towards offering Bachelor programs, most universities are still hesitant. Of the 100 programs rated less than 20% are in university level institutions. This fits with the suggestion by some leading visionaires in university management who have postulated for some years that a clear division of labour is potentially desirable. The suggestion is that universities of applied sciences focus on bachelor education, while university-level institutions provide the post-graduate range of educational programs including Master of Science, MBA, part-time MBA and Executive programs. It goes without saying that this proposition is not easy to accept for policy makers and many professors at universities of applied sciences. The current tendency therefore is not to push for distinctive profiles between the four types of institution, but to blur institutional boundaries even further, with representatives of the universities of applied sciences frequently claiming the right to award doctoral degrees in the future and some private institutions at the level of Fachhochschule applying and sometimes qualifying for being accredited as “wissenschaftliche Hochschule”, in order to acquire university-level status and academic reputation.

¹⁹dapm / CHE 2006.

III. Higher-education programs offered in the German marketplace

„To understand knowledge it is necessary to understand the institutions in which it is produced..”

(Gibbons, et al. 1994)

In the field of business administration and management the key programs offered in higher education in German speaking countries are: the “Diplom program” in Betriebswirtschaftslehre, the Bachelor of Arts and Bachelor of Science, the Master of Arts and Master of Science, the MBA and part-time MBA, Doctoral programs, and Executive programs.

1. The Diplom program in Betriebswirtschaftslehre

Up to now, the Diplom program was chosen by the majority of students enrolled in Germany. It is subdivided into three or four semesters of undergraduate courses followed by graduate courses, which should be finished in four to five additional semesters. The emphasis of undergraduate courses is usually on the acquisition of basic knowledge in business administration, economics, statistics and law as well as examinations (Propädeutika) in subjects such as information systems and programming, mathematics, and techniques of cost accounting.

During the graduate courses specialization takes place and students typically have to decide for two electives from a broad range of possible specializations, while also taking additional coursework in general business administration and general economics. In addition students have to prepare and often also to defend a diploma thesis that is usually written over a three to six month period. Some institutions, like HHL and TUM Business School, also include an intense “practical project” as a mandatory module of the study program, which requires that small teams of four to six students address a focused problem posed by an external organization. The project is completed

under the supervision and guidance of a university professor as mentor and a high-level representative of the external partner organization (either a private business or a public sector organization) as tutor of the project. These practical projects usually take three to six months and can be the starting point for an academic challenge that is subsequently addressed in the diploma thesis.

2. Bachelor and Master programs in Betriebswirtschaftslehre

Most higher education institutions have or are about to set up bachelor and master program offerings according to the Bologna standards. The shift from the traditional German Diplom program to the new Bachelor-Master structure has to be implemented by 2010 according to the Bologna agreement. This shift not only implies a major change for higher education institutions in Germany, but also a significant change for students and their future employers as well. There is no shortage in publications about this change, and therefore we do not have to go in detail here.

We would add just one comment: Within the German and even international market place the intended “transparency” of the Bologna process has definitely not been achieved. Instead, a vast range of programs have been newly established, with different foci, depth and breadth. The situation currently leads to much confusion. Even accreditation is not a solution to this problem. While traditional diploma programs had to be set up according to clear standards and accredited by the ministry of science and education of the German Länder, the accreditation process for the new bachelor and master programs provides minimum standards. The range of national, European and international accreditation bodies adds further confusion in the market place.

In our opinion, the strongest immediate impact of the Bologna process is not the intended supply-side transparency, but an enforced institutional change in the German higher education market, for the first time since WWII.

All higher education institutions have to rethink their offerings, their profile, role and positioning. Some are taking the Bologna process as an opportunity for strategic thinking and strategic decision making, a number of others appear to be caught in political turmoil or are proceeding with un-reflected actions. As a result this situation is strengthening the move to differentiate the higher education institutions that have so far been formally defined as being “equal” with little chance for quality distinctions.

3. Doctoral programs in Betriebswirtschaftslehre

Doctoral programs are not common in the German academic system. Usually doctoral candidates are fully employed as research and teaching staff at a chair and work under the supervision of the chair holder. They have typically been trained in a Diplom program and sometimes have already worked for a chair as research assistants during earlier studies. While doctoral students they assist the professor in his or her teaching and research activities and are also involved in administrative duties. In parallel they work on their doctoral thesis which ideally is linked to key questions of a research project they are involved with. As part of the chair’s research team they are part of a constant exchange of ideas, especially in chairs with a large research effort they have a natural group of counterparts with whom they can discuss their academic ideas and the progress of their doctoral research.

This approach to doctoral education is based on a “learning on the job” model of academic socialization. It naturally fits with the research funding approach of the German government which through its ministries (e.g. the German Federal Ministry of Research and Education) funds large scale projects that typically run for a three-year timeframe and usually have a research budget that allows employment of perhaps three or four doctoral candidates at one or more chairs. Many chair holders also supervise so-called “external doctoral candidates”. These are not employed at the chair, but typically work in the corporate sector. These doctoral candidates add practical knowledge and experience to the research pool. The fact that they

are often not closely integrated in the chair's research team and also do not get additional education in research methods, however, often leads to a relatively negative assessment of the work by the academic community despite their strong grounding in managerial problems and often excellent organizational data.

Recently – and further encouraged by the Exzellenzinitiative of the German Federal Government – many university-level institutions have started doctoral schools and programs to provide substantial additional research training for doctoral candidates. Among the early players in offering a formal doctoral program are the Universität München, HHL – the Leipzig Graduate School of Management, and FU Berlin. Each program has a distinctive profile and the three therefore can be used as examples of a broad range of approaches in this relatively young segment of the German academic marketplace:

- The Universität München offers a postgraduate program that leads to a Master of Business Research (MBR) and prepares doctoral candidates for their doctoral research project. Within the 24-month program internal and external doctoral candidates are trained in research methods, philosophy of science, and specific content areas of business administration and management. The focus of the program is more on internal than external candidates. The results of the MBR program plus a doctoral thesis lead to the doctoral degree of a Dr. oec. publ.
- HHL – Leipzig Graduate School of Management, offers an integrated postgraduate three-year program for their internal and external doctoral candidates. The program includes course work and seminars on research methods and approaches as well as an international summer school. It is offered in a part-time mode and requires a doctoral thesis. The primary target group of this program is external candidates with solid management experience. Building on and in cooperation with the FENIX program that was successfully established in the late 1990s by academics of the Stockholm School of Economics, the Chalmers

University of Technology in Gothenburg, the Ecole des Mines de Paris, and the Institute for Management of Innovation and Technology, the HHL program aims to provide an education that is more academic and reflective than existing leadership development programs and more focused on knowledge for practice than a traditional PhD education. The multi-institutional program with FENIX and the Institut für Wirtschaftsforschung Halle (IWH Halle) in Germany, aims to create a cross-border environment for industry and academia. The objective is to achieve research-based knowledge of both scientific and practical value²⁰. The results of the course work, the research colloquia, the summer schools, as well as the doctoral thesis and its defense, lead to the doctoral degree of a Dr. oec.

- At FU Berlin we find a third and again distinctive form of doctoral program. This effort is purely topic focused and funded by the Deutsche Forschungsgemeinschaft (German Research Foundation). The emphasis is on “Research on Organizational Paths”, and the program explores the processes of path dependence, path breaking, and path creation in and between organizations. While in the first two doctoral programs described there is a broad range of disciplinary research foci within the field of business administration and management ranging from accounting, auditing and controlling to marketing, finance and strategic management, the FU Berlin doctoral school is a focused research and teaching program for about 15 to 20 doctoral candidates concentrating on a specific research area under the supervision of 8 to 10 professors.

The three examples of clearly distinct doctoral programs show the range of offerings in this fast growing market segment. Only the future will show which type of program will gain the most widespread dissemination.

²⁰Huff / Huff 2001; Starkey / Madan 2001; Bradley et al. 2004.

IV. Career steps in the German academic marketplace

„Scholars and educators who create and disseminate management knowledge through their writing and teaching, regardless of where they are located, need perhaps to recognize that no divine rule or secular scientific law exists that dictates what constitutes management knowledge or who should shape this discourse.”

(Stuart R. Clegg and Anne Ross-Smith, 2003²¹)

Advancing in the German academic hierarchy is typically a well organized, closely mentored, but still challenging process. If we briefly compare the system with the US-based career model, we would notice the absence of formal doctoral programs, publication output in international academic journals, formal evaluation systems, and career path definitions. The German academic system and its community as a whole is much more rooted in the medieval guild model, as Clark (1983) pointed out. Socialization is the driver of knowledge creation and transfer, rather than formalized departmental evaluations focused primarily on double-blind peer reviewed academic output. Further details are provided in the following discussion of steps in the academic career ladder.

1. The Doctorate as a first step into the academic or business community

Pursuing a doctorate in Betriebswirtschaftslehre is seen as a quite attractive option in German speaking countries. In 2004, 463 scholars were awarded a doctoral degree in Betriebswirtschaftslehre in Germany. The acquisition of a doctorate requires handing in a doctoral thesis (Dissertation) and an oral exam (Rigorosum) and/or a critical academic discussion (Disputation) as part of a public defense. The doctoral thesis has to be published and made widely available and visible to the community.

²¹Clegg / Ross-Smith 2003.

Most successful candidates do not plan to stay in academia, rather the doctorate is seen as a good first step towards top level management positions. There is an ongoing discussion in Germany about the merits of an MBA as an alternative way to improve career prospects and raise salary levels. There is obviously a fashion cycle supporting the MBA, but the doctorate in Germany still seems to be a reliable foundation for a career in management practice. The positive role of the doctorate for individual candidates as well as positive recognition by firms can also be seen in entry positions that guarantee some kind of “sabbatical” arrangement to pursue a doctorate in parallel with the corporate assignment. These are quite common in top consultancies, as well as many industrial firms.

As mentioned above, internal as well as external doctoral candidates are always linked to a full professor at a university-level institution who serves as supervisor, mentor and first examiner. Integration with the Lehrstuhl or chair system is usually a close one, which not only determines the disciplinary focus of the dissertation, but also socializes the candidate into a specific school of thought with associated theoretical and methodological foundations. Quality therefore depends on the culture, norms and values of the chair. Up to now the German academic community in Betriebswirtschaftslehre and related associations like the Association of University Professors of Management (VHB) and the Schmalenbach Gesellschaft have not offered any systematic platform or format for academic discussion, training, or exchange at the doctoral level. While academic associations like the Academy of Management, the European Academy of Management, and the British Academy of Management (as well as German academic associations in fields like engineering and computer science) have membership open to doctoral students, this is not the case for the equivalent academic associations in the field of German Betriebswirtschaftslehre. In 2007, however, VHB will for the first time offer pre-conference workshops for doctoral students and early-career scholars.

As part of the research team of the chair, doctoral candidates in the role of research associates are primarily socialized by their more experienced colleagues, senior associates, and the professor. Larger chairs support seminars and international exchange. Through growing international connections and networking within the German academic community, the lack of systematic training at a local, regional, or national level is motivating ambitious individuals to participate in international conferences and workshops. In addition, the implementation of more formal doctoral programs at some universities is compensating for the fact that the switch from the German Diplom to the Bachelor means a lower entry-level qualification for candidates pursuing a doctorate.

2. The Habilitation as the traditional qualification step for a tenured professorship

After finishing the doctorate, the next qualification step towards a tenured professorship is the Habilitation (from the Latin word “habilis” or “adequate”). While the PhD is the highest academic degree and considered proof of the ability to carry out independent research, the Habilitation is a qualification step that does not lead to a degree but to the title of “Privatdozent,” which opens the way for a full professorship at a university-level institution. The result of the Habilitation process is a simple “passed” or “not passed”. In order to pass the Habilitation process and to obtain the “*venia legendi*” in Betriebswirtschaftslehre the successful candidate has to show that he or she can represent a broad field in research and teaching. The Habilitation thesis (Habilitationsschrift), is expected to draw upon a broad review of the literatures in multiple fields that relate to the chosen topic. The document, the candidate’s CV, a full list of publications, and evidence of experience in academic teaching, are the key elements for the first formal evaluation step in the Habilitation process, which is carried out by a committee appointed by the faculty consortium. A candidate who successfully passes this step is invited to prepare an oral Habilitation Colloquium as the final step of the evaluation

process, which is on a topic assigned by the faculty consortium that is typically not related to the subject of the Habilitation thesis.

The real Habilitation process, however, starts much earlier than the formal process of document preparation and colloquium. Usually candidates for a Habilitation are fully employed senior associates for a chair. This allows them to learn what it means to be a chair holder, and step by step to get involved in all the tasks and duties that are linked to the role of a chair holder. Habilitands usually have four to five hours teaching responsibility per week during winter and summer semesters, are responsible for writing research proposals and acquiring research funding. They are involved in the academic administration of the chair (which includes HR issues, accounting, controlling, and design of the research and teaching strategy of the chair). The Habilitand is likely to be involved in the chair's connections with an academic department (e.g. participation in professorial selection committees) and the university as a whole (e.g. involvement in strategic initiatives of the university and cross-departmental task forces). They also would replace the chair holder during his or her sabbatical or on shorter absences. The chair holder decides how much freedom and space for independent decisions is given to the Habilitand. Therefore the educational process depends very much on the individual chair holder and the relationship between the Habilitand and the chair holder. At its best, the Habilitation is an incredible chance for mentored individual learning, personal growth, and maturation.

In order to make the process less dependent on the individual discretion of chair holders, two innovations have recently been established in the German academic system. First, the alternative path of "Junior Professorship" has been established, which is discussed in more detail below. Second, Habilitation regulations have been revised to add some structure to the early phase of the Habilitation process. A team of mentors is put in place to guide the process and evaluate the candidate and his or her achievements, usually after two or three years of the four to six years typically required to complete a Habilitation. In addition, the new Habilitation regulations usually allow for a

cumulative Habilitation thesis based on a more or less coherent bundle of published journal papers as an alternative to the integrated monograph traditionally required for a Habilitation. It is still too early to fully assess the advantages and disadvantages as well as the career implications of these new paths.

3. Junior Professorships as a recent alternative step towards a tenured professorship

The so-called junior professorship was introduced in 2002 by the social-democrat government under the German Federal Minister of Education and Research, Edelgard Bulmahn. It is an attempt to abolish the seemingly old-fashioned Habilitation and to renew the academic system. The intention was to replace the Habilitation with a new model following the idea of the American tenure track system and to no longer require a successful Habilitation as the qualification and prerequisite for obtaining a tenured professorship. Following the American model of assistant and associate professorships, the appointment of a junior professor in Germany requires a formal position announcement and a selection process through an appointment committee. The idea is to offer a tenure track for those who are appointed as Junior Professors. Today a small number of junior professorships are in place, but they have not replaced the Habilitation model. Less than 10% of all current junior professor positions have a tenure option in their contract. Their salary level is set at W1, which is compared to other levels in further discussion below.

Despite strong support and funding by the Federal Government, with the declared goal of implementing up to 6,000 junior professorships by 2010 across all disciplines and universities, the introduction of the new model is currently not seen as a success story. Since 2002 only about 1,000 of the intended 6,000 junior professorships have been implemented. At the end of 2006, there are not more than 10 position openings per months across all disciplines and all universities in Germany²². While the model seems to work

²²Hartung 2006; CHE 2004

well for some disciplines (including engineering and some natural sciences) it is far less accepted by others (especially in the humanities and social sciences). The junior professorship comes with a teaching load that is slightly higher than the teaching load of a traditional Habilitand and does not provide the very personal and responsible one-to-one mentorship of a chair holder. It offers, however, more rights for the individual to apply for research grants. Still, the model is widely rejected by universities and senior professors but also by potential candidates themselves. Today, some junior professors even pursue a Habilitation in parallel to their professorial role in order to improve their chance when applying for a tenured professorship at a later point in time. Despite the small numbers, low enthusiasm, and unclear career implications of the model, most individual junior professors who successfully pass the necessary evaluations as part of their qualification process, are well qualified and thus are strong candidates for a tenured professorship.

4. Tenured Professorships and the German chair regime

In Germany there are two key categories of tenured professorships at university-level institutions: first, professors as chairholders (salary levels C4 or W3; see figure 3) and second, professors with similar rights and duties but a lower salary level and usually no research and teaching staff (salary levels C3 or W2; see figure 3)²³. The different salary schemes are described below. Both groups are formally called “Universitätsprofessoren”. Their appointment requires a Habilitation or equivalent outstanding scientific achievement in addition to a PhD. There also are professors at universities of applied sciences. Their appointment usually requires on top of the PhD a minimum of five years of practical work experience (out of which at least three years should have been spent outside the university system). In addition they should show special achievements in the application or development of

²³In addition there were traditionally a relatively large number of temporary and permanent C2 professors. We do not include details about this job category since it is no longer an available category in most settings and thus not an interesting career aspiration for academics reading this chapter.

scientific insights and methods. Their usual salary level is C3 or W2. In general the German system prohibits a candidate from receiving a first appointment at the same institution that provided him or her with the qualification for a professorship (this rule is called “Hausberufungsverbot”).

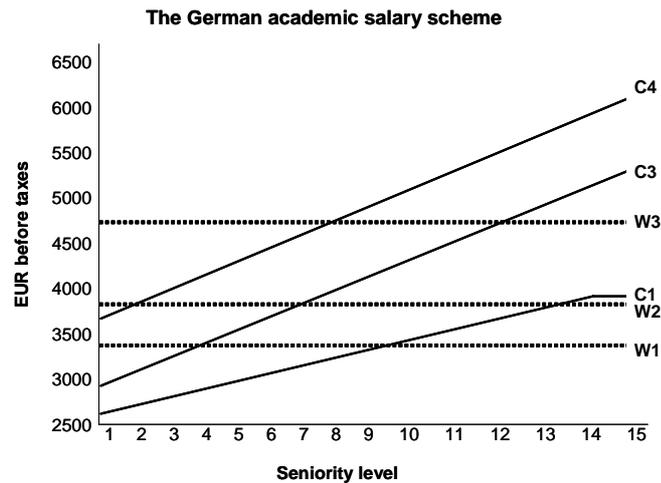


Figure 3: The German academic C and W salary scheme

The traditional academic C salary scheme differentiated between C1 (Habilitation), C3 (professorship without chair), C4 (full chaired professorship) and linked salary increases to seniority levels (see figure 3). The new academic W salary scheme differentiates between W1 (junior professor), W2 (professorship without chair) and W3 (full chaired professorship) and tries to link salary increases solely to performance instead of seniority. Figure 3 shows the base salaries in the C as well as the W salary scheme. Figure 3 also shows the seniority based increase in the C scheme in comparison to the fixed base salary in the W scheme. The key question is what kind of performance based add-ons professors in the W salary scheme can expect. It turns out that this highly depends on the employment negotiations with the president (or rector) and the chancellor of the university that runs the appointment process. Universities have to make sure that their overall spending for salaries does not exceed their former average spending. Given the on average higher salaries of the older colleagues appointed under the C scheme, there is usually not much room for negotiating add-ons for

newcomers. On the other hand, the W system definitely allows for unequal salaries and in certain cases even a young newcomer might negotiate a high surplus.

As pointed out earlier, the add-ons in the new salary scheme are meant to be performance based. Based on initial experience, however, it seems that the most attractive and relevant “performance aspect”, is the performance to accept a position. For this single aspect of convincing a promising candidate to join the university, it is now possible to add a fixed sum on top of the monthly salary for a lifetime (irrespective of the performance on job). As a rule, this fixed add-on can increase the monthly W3 salary up to an overall maximum amount of 10,004.01 EUR before taxes, which would lead to an annual salary of a little more than 126,000.00 EUR per year. This amount can be seen as the theoretical maximum of professorial salaries in Germany. For strong research-active professors in the core fields of management at the leading schools of the country an average salary of 100,000 EUR per annum is not uncommon.

Figure 4 shows the growth in the key professorial categories C4/W3 and C3/W2 over time. It is also interesting to have a look at the relatively late emergence of female professors in German Betriebswirtschaftslehre and their small representation at about 7 % of the C4/W3 category of chair holders shown on this table.

Professors in Betriebswirtschaftslehre in Germany				
	C4 / W3	Female professors among C4 / W3	C3 / W2	Female professors among C3 / W2
1982	124	-	297	8
1989	232	1	359	10
1994	263	8	502	28
2004	429	31	770	80

Figure 4: Development of German professorships in Betriebswirtschaftslehre²⁴

²⁴FSOG 2006; Rühli 2002, p. 115; Schneider 2001, p. 237.

V. Demand for German Betriebswirtschaftslehre

So far we have looked at the institutional supply-side of German business administration training, including the programs offered and the academics providing management education. We will now briefly sketch two demand side issues, sources of revenue and the impact of regulatory bodies, before confronting the input dimension of third party research funding using the output indicator of publication intensity.

1. The demand for educational programs

In winter term 2004/2005 in Germany 22,986 prospective students applied for 10,084 available university places in Betriebswirtschaftslehre²⁵. At that time the central distribution office for these university places (Zentralstelle für die Vergabe von Studienplätzen, ZVS, www.zvs.de) had the unique and Germany-wide responsibility to match individual applications against state administered supply. Students who were unable to secure a place in business administration usually started their studies in economics hoping to switch to business administration at a later point of time in their studies. Beginning in 2005 the picture has slightly changed. University places for Betriebswirtschaftslehre are no longer centrally managed for all universities across Germany and students are in most cases allowed to directly apply at the university of their choice. However, the supply side is still subject to governmental capacity regulations that try to provide as many university places as possible with current public funding. As of October 11, 2006 the Senat of the German University Presidents Conference (Hochschulrektorenkonferenz, www.hrk.de) publicly proposed changing the current university capacity regulations along the following lines:

- (1) introduction of target setting processes between the German Länder and their universities for determining the number of university places offered,
- (2) confirmation of the result by the Länder Parliament,

²⁵ZVS 2005, p. 2.

(3) guarantee by the universities to provide at least the minimum quality standards recommended by the German Science Council (Wissenschaftsrat, www.wissenschaftsrat.de) for the capacity defined through the target setting process,

(4) optional additional provision of university places or higher quality standards by the universities with additional funding from third parties and future tuition fees.

Year	Total	Degrees Awarded				
		Bachelor	Master	Degree at Univ. of Applied Science	Diplom (and equiv.) at university-level inst.	Doctorate
1989	11.538	-	-	4.945	6.359	226
1994	18.419	-	-	6.688	11.356	362
1999	17.940	-	-	8.543	8.869	510
2004	21.750	457	340	11.756	8.702	479

Figure 5: Degrees awarded in "Betriebswirtschaftslehre" in Germany (1989-2004)²⁶

Given that capacity regulations are still valid as we write this chapter, we can best assess the overall situation in the German educational "market" for Betriebswirtschaftslehre by looking at the outcome of the degrees awarded across the different programs offered (Bachelor, Master, Diplom, Doctorate). Figure 5 gives a rough overview of degrees awarded over the 15 year time span since the German reunification.

2. Sources of revenue and the distribution of third party research funding

State universities in Germany can still – in many ways – be described as "nachgeordnete Behörden" - substructures of the public administration. Basic funding for research and teaching is therefore public funding that usually covers the overall institutional structure as well as the employment contracts

²⁶FSOG 2006

of faculty and staff. Berghoff et al. (2005) reviewed additional third party research funding spent by individual institutions between 2001-2003. They found that the top institutions listed in Figure 6 raised more than 1 Mio EUR of additional third party research funding per year. The average third party research funding spent by individual researchers ranges from less than 13,000 EUR per annum up to more than 65,000 EUR per annum per person for the top institutions listed.

Third party funding spent in the field of "Betriebswirtschaftslehre" at research-oriented universities		
University	Third party funding per annum (in TEUR)	Avg. third party funding per researcher per annum (in TEUR)
TU München (TUM)	3,558	64.1
Univ. Frankfurt / Main	2,535	27.1
Univ. Oldenburg	2,343	65.7
Univ. Saarbrücken	2,232	28.5
Univ. Mannheim	2,189	21.7
TU Dresden	1,496	34.7
Univ. Hohenheim	1,435	39.9
Univ. Trier	1,408	40.8
Univ. München (LMU)	1,359	12.6
Europ. Univ. Frankfurt / Oder	1,184	37.8
Univ. Köln	1,077	12.8
EBS Oestrich-Winkel	996	15.5
HHL Leipzig	972	33.5
Univ Duisburg-Essen	951	18.9
TU Chemnitz	873	28.5
HU Berlin	829	19.5

Figure 6: Third party funding spent in the field of Betriebswirtschaftslehre at research oriented universities²⁷

Where does this funding come from? Figure 7 shows the sources of third party funding for Betriebswirtschaftslehre in German research universities. The German federal government (Bund), industry, and foundations are the three main sources of additional funding for business and management research, followed by funding from the German Research Council (DFG) and state governments (Länder). As we can see from figure 7, federal government funding and funding from the regional state governments account for more than 32 % of overall additional research funding.

²⁷Berghoff et al. 2005

Foundations (16,4%) and the corporate sector (17,4) add another 33% to the overall cake. The German Research Council (DFG), which is seen as the most prestigious funding institution for management research, however, contributes less than 10% to the overall picture.

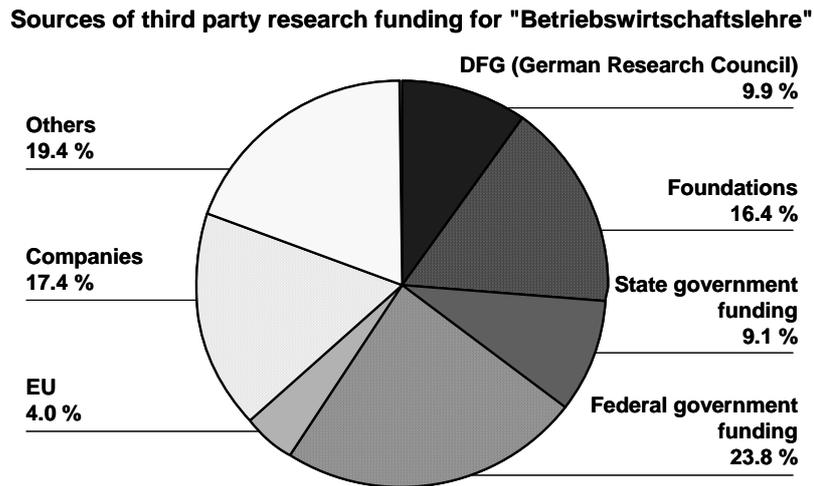


Figure 7: Sources of third party research funding for Betriebswirtschaftslehre²⁸

3. The impact of regulatory bodies

The German education system has a tradition of governmental accreditation. Historically the Länder governments were responsible for approving all kinds of study and examination regulations for study programs offered by German universities. Recently however, a broad spectrum of accreditation agencies has emerged. For the purpose of approving ("accrediting") these accreditation agencies, in 1998 the German Accreditation Council was established. Currently four accreditation agencies carry the quality seal of the German Accreditation Council and are formally accepted as accreditors of business school programmes:

- AQAS (Agentur für Qualitätssicherung durch Akkreditierung von Studiengängen),
- ACQUIN (Akkreditierungs-, Zertifizierungs- und Qualitätssicherungs-Institut),

²⁸Berghoff et al. 2005

- FIBAA (Foundation for International Business Administration Accreditation) and
- ZEvA (Zentrale Evaluations- und Akkreditierungsagentur Hannover).

In order to fulfill students expectations, business schools also have a growing interest in acquiring additional accreditation by international accreditation bodies like: AACSB (Association to Advance Collegiate Schools of Business) and EQUIS (European Quality Improvement System). The diversity of regulatory bodies currently creates high uncertainty for all players in the German management education market – students and institutions as well. The dominant and formally accepted players (like ACQUIN) accredit individual programs instead of institutions (as does AACSB). The large top-class universities in Germany that in some cases would have to run more than 200 accreditation processes for one single institution therefore sometimes are resisting this kind of accreditation on the level of individual programs. It would require an investment that is hard to accept given the fact that the accreditation bodies can only certify the accordance of study programs with existing minimum standards and also would not necessarily approve innovative programs with a profile off the beaten track. Therefore, universities of applied sciences which have a clear incentive to carry the quality seal of the German Accreditation Council are currently far ahead of state institutions in terms of accreditation of their study programs.

4. Third party research funding and publication intensity

An important evaluation criterium for academic research institutions is the publication intensity of its members. In its research ranking of German university-level Betriebswirtschaftslehre institutions for 2005, CHE reviewed this issue in detail²⁹. The basis for their bibliometric analyses was four public databases³⁰:

²⁹Berghoff et al. 2005.

³⁰Solis (IZ Bonn), HWWA (Institut für Wirtschaftsforschung Hamburg), ECONIS (Institut für Weltwirtschaft Kiel) and BLISS (GBI Munich).

For the years 2001-2003 the publication output of all professors employed in the top 17 institutions were reviewed. The identified publications were weighted based on the number of pages in the publication divided by the number of authors involved³¹. “Publications per year” in figure 8 indicates the cumulative weighted number of publication points for each respective school or department. “Publications per professor” shows the average weighted publication points for individual professors at this school or department.

Top institutions rated by publication intensity per year		
University	Publications per year (weighted publ. points)	Publications per professor (avg. weighted publ. points)
WHU Vallendar	218	40.9
Univ. Mannheim	159	23.8
Univ. München (LMU)	144	28.8
Univ. Münster	139	19.9
TU München (TUM)	128	15.4
Univ. Saarbrücken	124	24.9
EBS Oestrich-Winkel	117	18.5
Univ. Erlangen-Nürnberg	113	22.5
Univ. Duisburg-Essen	106	19.9
FU Berlin	105	24.3

Figure 8: Top institutions rated by publication intensity per year³²

In a recent study, Klaus Macharzina, Joachim Wolf and Anne Rohn did a journal-related quantitative evaluation of German research output in business administration³³. Their study spans a time frame from 1992 to 2001 and focuses on the six major German-speaking journals, replicating and extending an earlier analysis conducted in the mid-nineties. In sum, their analysis shows that (1) the overall ranking of business schools in terms of their publication intensity has not changed very much and (2) the percentage of full professors and practitioners who contribute to these journals has decreased while the share of junior researchers has increased compared to the time period of the earlier study³⁴.

³¹There are controversial views about this method of measuring weighted publication points as it only focuses on quantity, not quality of the research output.

³²Berghoff et al. 2005.

³³Macharzina / Wolf / Rohn 2004.

³⁴Macharzina / Wolf / Rohn 2004, p. 335.

Based on the study by Berghoff et al. (2005), figure 9 compares the input dimension of third-party funding with the output dimension of publication intensity for university-level institutions in Germany. The highlighted triangle symbols add “high reputation of the business school” as a third dimension. Reputation in this case was assessed using a survey among German university professors that aimed to evaluate which universities are the leading institution in terms of research in business administration and management. (Ranking one’s own institution was not an option.) The top rated group was made up of those institutions that attracted at least 5% of the votes: University of Mannheim, University of Munich (LMU), University of Cologne, University of Münster, University of Frankfurt / Main and Humboldt University Berlin. Though there is clearly not a great deal of consensus, all top-rated institutions in terms of research in business administration and management are traditional multi-disciplinary research universities in public-ownership. The top three (Mannheim, Munich and Cologne) are a well-established triangle where many of the founding fathers and leading thinkers of German Betriebswirtschaftslehre in the last century were based, including Eugen Schmalenbach (1873 – 1955), Erich Gutenberg (1897-1984) and Heinrich Nicklisch (1876 – 1946).

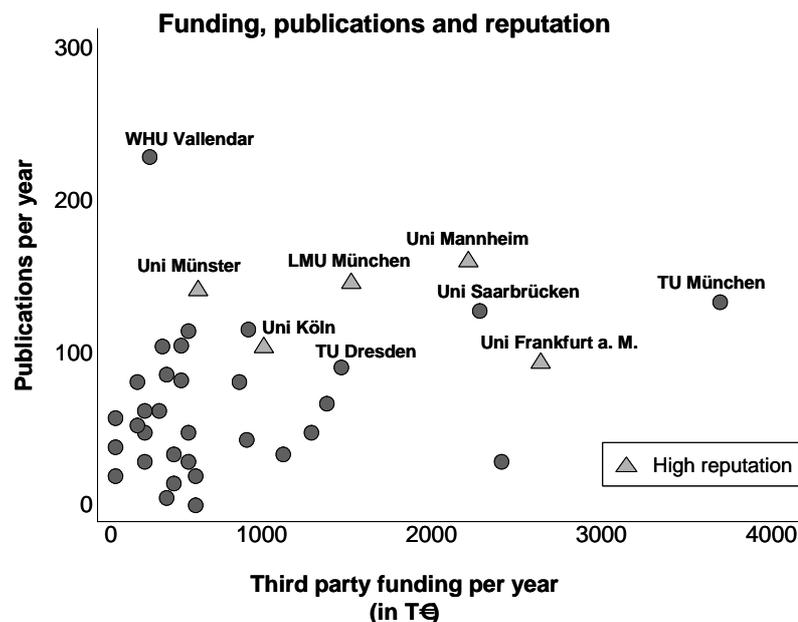


Figure 9: Confronting third-party funding and publication intensity in German Betriebswirtschaftslehre³⁵

³⁵Berghoff et al. 2005.

Figure 9, however, also shows two untypical “newcomers” in the German business school scene. WHU Vallendar, one of the few single-disciplinary, university-level institutions in private ownership, is the leading star by far in terms of publication output. TU München, with its newly founded TUM Business School, shows up as the outstanding institution in terms of third-party research funding. Both institutions are usually also top rated when students or company representatives are involved in ranking. It might take some time until they show up in the subjective reputation rankings by university professors in Germany. What we see already today, however, is the emergence of new and strong competitors in the German higher-education market for business administration and management.

Institutions with a clear business school mission, international outreach, and a strong unique profile like WHU as a focused private institution or TUM Business School with its distinctive focus on linking management research and teaching to technology-related developments might be the precursors of change in the German academic institutional landscape for Betriebswirtschaftslehre.

VI. Outlook for the Future of German Betriebswirtschaftslehre

The authors of this chapter have an interest in the global development of business education and research and have some experience in US, UK, and German universities. The German system of chairs with life-time employment is comparable to arrangements in most university systems around the world, but its implementation is closer to that seen in science and engineering in the US and the UK than in business. German professors also tend to be more closely connected to companies than most of their US or UK counterparts. We believe the scale and scope of the Betriebswirtschaftslehre system is an important strength as business schools try to create knowledge about organizations that are increasing in size and complexity³⁶.

³⁶ See f.i. Möslein 2005; Ivory et al. 2006.

A further strength of the German system is that it has educated managers and consultants who have experience with research through the diplom system, while a significant number also have PhDs. These practitioners are more likely to be interested in and appreciate interaction with their university counterparts, and a large number also sponsor student projects and give lectures in business courses. Business schools in the German speaking system thus tend to have multi-layered contacts with companies that support meaningful exchange.

Of course, every system has its weaknesses. Most of the problems we see in Germany are shared by other programs around the world. For example, as the number of students has increased, class sizes have grown and there have been difficulties in adequately supervising individual student work, notably the theses required by the diplom system. As with all tenure systems, there is the waste associated with professors who do not perform. More uniquely, the German system has also been relatively insular. After the early history of influence on US and European thinking about business education summarized by Spender³⁷, in the Post WWII period most German professors have published very little outside of the German speaking system. In comparison to the United States, there are also fewer connections among academic institutions within Germany that promote exchange. Participants in the German education system, especially newcomers, are confused about career paths and a significant number seem to be opting for employment abroad where advancement paths are more clearly defined. A critical question for the future has to do with the theoretical and empirical foundation of research. We are very positive about increased awareness in Germany of business research in the English language, along with serious efforts to methodologically prepare students for independent research. But there is much of value in the German theoretical and empirical tradition as well. Relative isolation had an unanticipated plus: German business research and education developed a unique point of view. As the third largest economy in

³⁷Spender 2000.

the world, these insights are important. A growing number of scholars are in the position to translate this knowledge into English-language publications.

In terms of research, one question is whether the introduction of assistant, associate and full professorships without research support will grow, and whether they will fragment attention. The current "Excellence Initiative" – a € 1.9 billion initiative set up by the German federal and state governments for the period 2006 through 2011 to promote top-level research in Germany – might add speed to the ongoing change in the German university system and offers the chance to make the current strengths of the German university system more visible. The initiative aims "to strengthen science and research in Germany in the long term, improve its international competitiveness and raise the profile of the top performers in academia and research"³⁸. The focus of the initiative is very much on technology, engineering and natural sciences. However, it also pushes the technology- and management-oriented type of Betriebswirtschaftslehre that is a relatively unique strength of the German business-school system. By selecting TUM with its concept "The Entrepreneurial University" as one of three Elite Universities in Germany³⁹, the initiative further strengthens the technology- and management-oriented Betriebswirtschaftslehre with its focus on entrepreneurial innovation strategies in organizations and markets⁴⁰.

³⁸http://www.dfg.de/en/research_funding/coordinated_programmes/excellence_initiative/general_information.html

³⁹Decision as of 13th October 2006.

⁴⁰For details see Reichwald 2006; Witte 2003.

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