



**INCAE**

APARTADO POSTAL 9485  
MANAGUA, NICARAGUA, C. A.



TO: Central America

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SUBJECT: Termination Report -- INCAE

FROM: Charles H. Savage, Jr.

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One of the privileges of the departing official is to reduce to writing his unfulfilled hopes for the institution that he served. The attached report represents my personal estimate of where INCAE had arrived at the time of my departure, the directions which it might take to secure its purposes, and the obstacles that it might encounter en route. I have emphasized institutionalization problems because they represent my area of special competency. Moreover, I believe that an adequate institutional climate will attract and sustain the talented people who will solve the institute's educational problems in their own manner.

INCAE has at hand the talent it needs to build its future.. Many talented young people already in the picture are in the process of deciding whether they can afford to link their careers with the institution's future. Its growth also coincides with a favorable teacher market in the United States and elsewhere. Without the input that these groups represent, the program outlined in this paper is doomed. To risk their careers, these people require a solid prospect that INCAE will succeed, where all others have failed, in the task of institutionalizing quality management education in Latin America.

Let me add a personal word of appreciation for the confidence extended to me by all parties -- Central American, HBS, ROCAP and, now, Colombian -- in the fellowship of commitment and concern which has brought INCAE to its current condition of vibrant prospects. It has been my observation that all parties, those listed in the opening paragraph and many more, gave the undertaking the best they had to give. Ernesto Cruz comes to mind as one who displayed a willingness to experiment during the difficult times that I worked with him. All of us, I think, wished that we had more talent, more time, more imagination to cope with the many shortcomings that we observed. But the idea was bigger than any of us and survived our personal inadequacies. It may be that the program outlined in this memorandum is beyond the capability of any one of us or any group of us. In which case Latin America will have to limp into a difficult future deprived of another of its key instrumentalities. But I think not. At least let it not be said that we shrank from the risks and the opportunities that the times imposed upon us.

None has been able to mount an authentic research program. Employers of top executive talent in Latin America have to look abroad for their requirements, and capable young Latins must settle for foreign MBA programs which are neither language- nor issue-relevant.

These tender mutant starts fall victim to unexamined nationalistic premises which are difficult to contest. Pre-existing institutions exert leveling pressures to bring the late entry into line, to eliminate the threat of excellence. In Colombia, adjacent university pressures are at work dismantling one promising start which was lovingly and expensively put together. A Peruvian venture is being throttled by the elimination of foreign talent and the committing of Peruvian personnel to a specific political posture. This story is repeating itself at all of the other sites, and there exists no supra-national standard by which the leveling pressures may be countered or even questioned. The process has been abetted by U.S. collaborators who have compromised their standards of excellency out of some misguided desire to respect local cultural sensibilities. But basic educational technology knows no frontiers. The totality that we refer to as the case method -- together with the administrative climate on which it feeds -- is not geographically appropriate or the reverse. As with other technologies, it is the product of Western experience whose most recent expression only happens to be housed in North America. Indigenous willingness to be satisfied with the form without the content of equivalent education has combined with this external misassessment. With manifest support from neither direction, the other CLADEA Schools have had to make their peace, and the association itself has come to endorse the compromise.

INCAE has been able to postpone compromise because of two unique features which it alone enjoys. The first is the expansive back-up perspective already cited. While all parties unwittingly participate in the leveling process, they secretly hope that it will not succeed. An important part of the INCAE success formula to date has been the possibility that the Harvard input will somehow forestall the entropy experienced elsewhere. The second factor is more complex. The leveling process described above takes place within the context of a single national culture. In a period of rapid change, the need to institutionalize the teaching career stands little chance when it comes up against the talent requirements of the commercial and political establishments. By unintentional processes, these second-order requirements preclude the institutionalization of an academic role which the national culture desperately requires. Young nationals expensively trained to staff the CLADEA institutions can expect only a few years teaching before they are siphoned off by other entities with higher priority talent requirements. INCAE has been able to avoid these entropic processes to date only because of its multinationality. It started as a truly regional venture subject to six national cultures, none of which has been dominant. Of late it has started to experience the typical leveling pressures from the national culture in which it is set, but these remain manageable.

The more pressing concern is that INCAE's current posture is unstable, its advantages fleeting and its options tentative. The gradual withdrawal of Harvard assistance and of U.S. government financing is already well advanced. The matter of a more permanent financial design is immediate.

Financial planning has been complicated by a massive although understandable flaw in original planning. INCAE was conceived of as a 120-student institution that would produce 50 MBA's annually. The basic parameter was the capability of the Central American market to accommodate holders of the advanced degree. If a 120-student institution is non-economic in the more affluent U.S.A., it is even more so in capital-short Central America. The overhead distribution base is just too narrow. A fairly rapid growth to a 400-man student body is essential. This may be accomplished by means of (1) diversification into such allied fields as public administration, economics, law or union management, or (2) expansion of the MBA specialization into a broader Latin American market.

(1) It is difficult to make a case for the diversification option. It compounds the overhead distribution problem. Parallel facilitation must be provided for the new programs in such areas as teaching materials, recruiting, public relations and so forth. Moreover, it dilutes to the point of precluding any possibility of leading management education in Latin America over the equivalency threshold. Top administrative talent is INCAE's scarcest commodity, and this talent has little time to develop competency in the development and promotion of secondary academic offerings. Most importantly, diversification requires that each element in the diversified complex face the leveling pressures noted earlier but without the support of scale and wide geographical back-up.

(2) MBA specialization extended to a wider polity, on the other hand, exploits the advantages inherent in the institution's current stance -- competencies already acquired, the HBS alliance, the expectations of its public. Moreover, INCAE would exploit these advantages under monopoly conditions. The void in equivalent management education reaches from the Rio Grande to Tierra Del Fuego. By filling it, the institution would acquire exclusive access to financial support and the attention of qualified students throughout all of Latin America. In seeking such support and student attention, the institution would not be competing with the other CLADEA affiliates which offer less-than-equivalent programs. It would be, rather, strengthening the long-range prospects of these schools by providing them with an up-grading precedent and formula which would be ultimately theirs to replicate, and by serving as a source of academic and administrative talent to staff their up-grading activities once they are ready to undertake them. The premises that support the specialization option received massive validation this year with the success of the Medellin (Colombia) venture. INCAE's first assay beyond its original geographical limits saw 45 non-Central Americans paying \$2,000 each for a six-week INCAE advanced management program largely taught by HBS personnel contracted for on an individual basis.

INCAE's first-stage success has equipped Central America with a unique proficiency to place at the disposal of the entire Latin American community. The region has everything to gain from serving as the management education mecca for the larger community. A "first" for the region would result in a spillover effect with benefits far beyond that of management enrichment. It should be noted, however, that the current posture is unstable and the unique advantage fleeting. To avoid the issue or to hedge is to adopt the lesser alternative which would find the institution falling back into the more

comfortable CLADEA mold but without the support of scale and national interest which the other CLADEA affiliates enjoy. The nature of this retrogression can be predicted from negative pressures already being experienced. On the one hand, the need for a broader overhead base together with the current tightening of U.S. government money will force both diversification and more dependence on Nicaraguan recruiting. This process will be compounded as a diversified and predominantly Nicaraguan community proves less attractive to the kind of student and faculty that the current posture requires. The academic operation will lose the distinctive edge required to enlist financial support and the interest of qualified applicants. Concurrently, as the local dependence becomes apparent, the pressures towards Nicaragua-ization already being experienced will gain ascendancy. The institution will make its compromises and move back from the equivalency threshold following the classic CLADEA pattern, Central America will have forfeited its unique opportunity to score a solid "first" in inter-American affairs and Latin America will be required to await the juxtaposition of the combustible ingredients at another site.

In what would an affirmative resolution consist? Basically it involves public and general commitment to the broader goal. However, public commitment is not sufficient. Most of the CLADEA associates have made such claims. Some still do. The commitment gains credibility only through evidence of its operational implementation by some such program as that suggested below and by a clear subordination to it of other claims made on the institute. It is this credibility which will preclude retrogression on the part of support, including student registration already on hand, and move potential support waiting on the periphery confidently into the circle. The suggested program is purely speculative but is valid as regards indicated scope of the required buildup.

#### 1. MBA Recruiting Goals

1970 -- 120 student body, 70 new

1971 -- 160 student body, 90 new

1972 -- 210 student body, 115 new

1973 -- 270 student body, 145 new

1974 -- 340 student body, 180 new

1975 -- 420 student body, 220 new

#### 2. Expansion Strategy

The expansion strategy requires the creation of geographic recruiting and support centers using the goodwill created by high quality advanced management programs staffed with HBS teachers:

1970 -- Medellin, Colombia, in collaboration with INCOLDA, to create a recruiting and support base to service Colombia, Venezuela, Ecuador and Peru

1971 -- Argentina, in collaboration with IDEA, to create a recruiting and support base to service Argentina, Uruguay and Chile

1972 -- Mexico, in collaboration with a Mexican management institution at a locale away from Mexico City (Monterrey), to create a recruiting and support base to service Mexico

1973 -- United States, in collaboration with a U.S. management association oriented to Latin America, an AMP for U.S. nationals focused on the issues of business in Latin America in order to create a support and recruiting base for students from the United States who wish to equip themselves with an MBA in the Latin context.

NOTE: Medellin established the validity of this approach. I have assigned Argentina precedence over Mexico because of the level of industrial activity in the southern countries and the absence of strong efforts to service this activity educationally. Jet travel renders distance unimportant and, if the objectives of the program are granted, the cost of such travel is incidental. Some of us at HBS will be aware of U.S. interest in a Latin American-oriented AMP here with support from David Rockefeller and Elliot Richardson, while Central Americans will be aware that the pace of Japanese, German and, possibly, British activity in the area would make parallel programs attractive in those countries. What is required to fill the void is a valid vision, commitment that cloaks it with credibility and administrative finesse.

### 3. Institutionalizing the Broadened Concept

Again, the status of INCAE support in Medellin provides the guideline. The international board must be expanded to include representatives of additional areas as they are opened up. While the institution will remain Central America-based, added areas will require equal participation. Compensation for board service will exist in the prospect that the board will rapidly become one of the most important business groups in Latin America. Meetings of the international board should be programmed one year in advance to provide attendees the opportunity to service other interests en route. To symbolize the broadened objective, the name of the institution should be changed just as soon as action can be taken. Already in Columbia distress has been experienced arising out of the parroquial nature of the current designation. A simple, non-pretentious, non-alphabetized name should be chosen such as "La Escuela de Gerencia." I see no advantage in lengthening the title with non-functional adjectives such as "Latin American," "Pan American" or "Inter-American" which confuse the trade identification without adding clarification once the context within which the designation will used is considered.



4. Institutionalization of the Academic Component

The institution must pursue staffing and recruiting standards typical of equivalent institutions elsewhere in the world while concurrently countering with unaccustomed vigor the tendencies towards Nicaragua-ization already being experienced.

The typical CLADEA formulae have no relevance in the pursuit of the broader vision. The practice of subsidizing the doctoral training of ones own graduates to serve short-term periods as teachers before they are siphoned off into the political or commercial establishment has no place in the threshold-surmounting routines. Nationality and bi-linguality should not be recruiting criteria. Library, teaching materials and classroom procedures should be in either language. The institution should move consciously into the network of equivalent schools, currently centered in North America, which focus on research, publication, professional visibility and job mobility as means of recruiting and sustaining vigorous teaching. As it de-emphasizes the CLADEA link, INCAE will experience some malaise from members of the association. This must be accepted on the premise that, by achieving its own goals, the institution provides a far greater service to its CLADEA associates. A successful INCAE will provide them with the promise that the barrier can be broken plus the formula and the trained leadership to break it.

The leveling processes that have crippled previous attempts at institutionalizing equivalent management education elsewhere in Latin America are already being experienced by INCAE in the form of pressures towards Nicaragua-ization. Trends afoot at Monte Fresco, mostly attributed to temporary financial considerations, have converted INCAE into what is, at the moment, a predominantly Nicaraguan community. Professors and students from other countries have been aware of this process and its entropic consequences although they find the matter a delicate one to broach. They do so indirectly as in recent joking references to the institution as "INNAE" (Nicaraguan Institute of Business Administration). Yet Nicaraguans are the first to recognize that they get less out of a class which is predominantly Nicaraguan, that their degrees are devaluated when too many of them are put on the employment market each year and that Nicaragua's true advantage resides in housing a truly international institution.

These very normal pressures must be specifically identified and vigorously resisted if the pursuit of the broader objective is to be fruitful. The institution must bolster its multi-national image whatever the temporary costs. A five-year moratorium on the hiring of Nicaraguan teachers and policy-level administrators should be instituted, to include the rectorship should this office become vacant during the period. Nicaraguan faculty should not be given assignments in culturally-sensitive organizational and environmental areas. The multi-national complexion of entering classes should be

prospects will be noted. A network of authentic and equivalent graduate schools of management will come into existence. The network will feature a distributed research and reporting capability which is language- and issue-relevant. The area will have achieved a management education instrumentality which will be commensurate with its development needs.

This instrumentality will also be self-reinforcing. Teaching management is not now a viable long-range career for a Latin American. A teacher without research involvement can only remain competitive for the few years that it takes the principles he learned as a student to become obsolete. It is a recognition of this fact that causes him to use his short-term academic post to paddle himself to the commercial or political establishment. The North American teacher of management operates under a different set of rules. He undertakes research which will result in research reporting that will gain him professional visibility. He uses this visibility to promote a better work situation with his own institution or to sell his services to another institution. Thus the key to research productivity is the existence of job options.

At the moment the Latin American management professor enjoys none of these research-stimulating job options. He knows that a Peruvian institution, for example, sensitive to adjacent leveling tendencies and deprived of the support of over-sensitized visiting consultants, will not seek the best marketing professor to teach in Peru, but the best Peruvian to teach marketing. Under these circumstances, time devoted to research is time devoted to cultivating personal competency for which no market exists. Better to foster his image as a potential future employee in the local establishment. This same factor holds true for the academic administrator.

These are not the pre-conditions which will bring management education in Latin America over the equivalency threshold. It is for these reasons that INCAE must cultivate, at least for the time being, inclusion in the North American management school circuit and hire only that faculty, Latin American or other, which is capable of circulation through this circuit on a three-year term basis. Once the integrity of the formula becomes validated and other CLADEA affiliates choose to replicate it using INCAE-trained administrative and academic talent, the institution will be in a position to shift its orientation southward without subjecting itself to the deterioration noted earlier.

The time required for the full barrier-surmounting cycle is probably less than might be expected. Granted INCAE's postural instability, long time requirements are out of the question. But instability is a feature of all of the CLADEA affiliates, even those which have compromised for lesser goals. This instability lends itself to rupture and re-expression on a more functional basis once the precedent, the formula and the talent become available. I would assign five to ten years to the full

continent-wide cycling, at least to the prospect of success in such cycling which may be all that the first stage requires in order to achieve the academic and administrative commitment.

Let me speak of the prospect of success which is vital to the success of this venture. The young Latin American talent which I taught at INCAE has a spirit of altruistic enterprise unmatched elsewhere. It has also learned to question the visions with which it is deluged. Those individuals whose services are a pre-condition to the program which I have outlined have heard the aspirations that I have cited; they recognize the institute's unique potential; they are willing to take reasonable risks. What they require is reasonable assurance of success. They are monitoring the manner and the mood in which small matters are decided to see if the larger vision has operational credibility. The threshold-surmounting program requires the career commitment of a handful of key individuals now on the INCAE periphery and these commitments will come only after hard-headed assessment of the credibility of the institute's functionaries and manner of functioning.

#### 6. Funding the New Concept

It would appear that the above program would provide an eminently fundable package. Despite a shrinkage in U.S. government funds for Latin America, some temporary assistance might be expected from this source. Ford Foundation support for the Spanish-speaking world's first doctoral program in management seems a natural when one thinks of the economics in such an eventuality plus the impact it would have on the CLADEA chain. It would certainly reinforce the institution's research capability which will be determinant in attracting high quality faculty. As regards operating and capital requirements, I am personally partisan to the fund-raising formula experimented with briefly but never given full scope during INCAE's peak activity, soliciting financial gifts using volunteer national committees of business men and full-time manager. I like this arrangement because business participation in professionally-organized fund drives provides not only money but also builds support at the local level. It is one of the few practical outlets for the interest of key business people created during AMP sessions. Conversely, I am not sanguine about tying a legitimate Latin undertaking to purely U.S. government financing especially when such support is on the decline. It seems to me demeaning especially when there is every evidence that Latin American companies are in a position to fund the devices by which their future articulation and management needs will be serviced once they are convinced that the program that they are supporting is authentic and equivalent. U.S. companies should be invited to participate in proportion to their future management requirements in the area and not for unspecified altruistic motives.