



INCAE: Success Story In Central America

By David C. Korten¹

The Central American business school, started with Harvard's help along HBS lines, is now on its feet and running independently.

[This article was prepared and submitted prior to the disastrous earthquake of December 23, 1972, which destroyed more than 80% of Managua, Nicaragua's capital city. Professor Korten has since reported that the INCAE faculty and staff survived the disaster without serious injury, and that the INCAE campus, located several miles from the center of the quake, suffered only superficial damage. INCAE resumed normal operations on January 23, 1973. — Ed.]

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“WHETHER or not the Harvard name is on our diploma is not the important issue. I find INCAE is a place to learn and to develop my management ability. We will prove ourselves and our school by our performance as managers — not by the name on the diploma.”

These words came from a member of the INCAE MBA Class of 1973. They put to rest an issue which had come up repeatedly since INCAE's founding. To me, they signaled more clearly than any-

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thing else the coming to maturity of an institution which has been one of Harvard's most challenging overseas development projects.

The idea for the institution which has come to be known as INCAE (from its name in Spanish, Instituto Centroamericano de Administración de Empresas) was born in early 1963 during a meeting attended by President John F. Kennedy and the Presidents of the Central American Republics. Upon returning from that visit, President Kennedy wrote to George P. Baker, then Dean of

the Business School, asking that Harvard undertake a study of the feasibility of establishing a management education program for the region. The final survey, carried out by a nine-man Harvard research team under the direction of Professor George C. Lodge, eventually led to a commitment by the Business School to start a high-quality graduate school of management in Central America.

Nine-Year Contract

The contract relationship between Harvard and INCAE, financed over a nine-year period by the U.S. Agency for International Development (USAID), formally came to an end on June 30, 1972. The ceremonial conclusion had come two weeks earlier at the graduation of INCAE's fourth MBA class.

It seemed especially appropriate that the closing ceremonies were attended by Former Dean Baker, whose vision of the School's capability and of the potential of Central America were originally instrumental in the founding of INCAE, and by Professor Robert W. Merry, who served as the senior Harvard Faculty advisor to INCAE during the final two years of the USAID contract. The phase-out of the contract was smooth, uneventful, and indeed almost imperceptible — a fitting testimony to the success of Harvard's role in developing what is now widely recognized as one of the leading educational institu-



DAVID C. KORTEN
Three years on INCAE's faculty.

The Business School's decision to help establish a management school in Central America was not made easily. Even with its prior experience in overseas management development in Turkey and India, it was clear that this would be one of the School's most difficult overseas ventures.

Difficult Beginnings

Several well-informed members of the Faculty questioned the wisdom of undertaking a project that seemed to have so few prospects for success. Among them was Professor Abraham Zaleznik, who made an independent visit to Central America and in a highly accurate and insightful memorandum outlined the conditions which could be expected to impede the success of the proposed project.

He noted that: (1) the major economic activity of the region was agriculture, whereas the major expertise of the School was in industry; (2) the population was small, largely illiterate, living outside the money economy, and suffering from disease and malnutrition to a

degree that seriously reduced potential work output; (3) the social systems were rigid and hierarchical with little opportunity for mobility and with a suspicion between the major ruling groups which seriously limited possibilities for cooperative effort; (4) entrepreneurial risk-taking was limited to projects with no more than two-year payouts, and the wealthy kept their savings in foreign bank accounts; (5) standards of education in local universities were low and provided little of the relevant academic tradition or preparatory training; (6) tight family control of enterprise and the distrust of nonfamily members seriously limited opportunities for trained outsiders; (7) enterprises were small with little need for the sophisticated organizational methods in which the School was expert; (8) with limited exceptions the support for management education in Central America came from young and relatively noninfluential members of the community; and (9) there was no existing multiplier institution which could be used to form a bridge between the Harvard Business School and Central America.

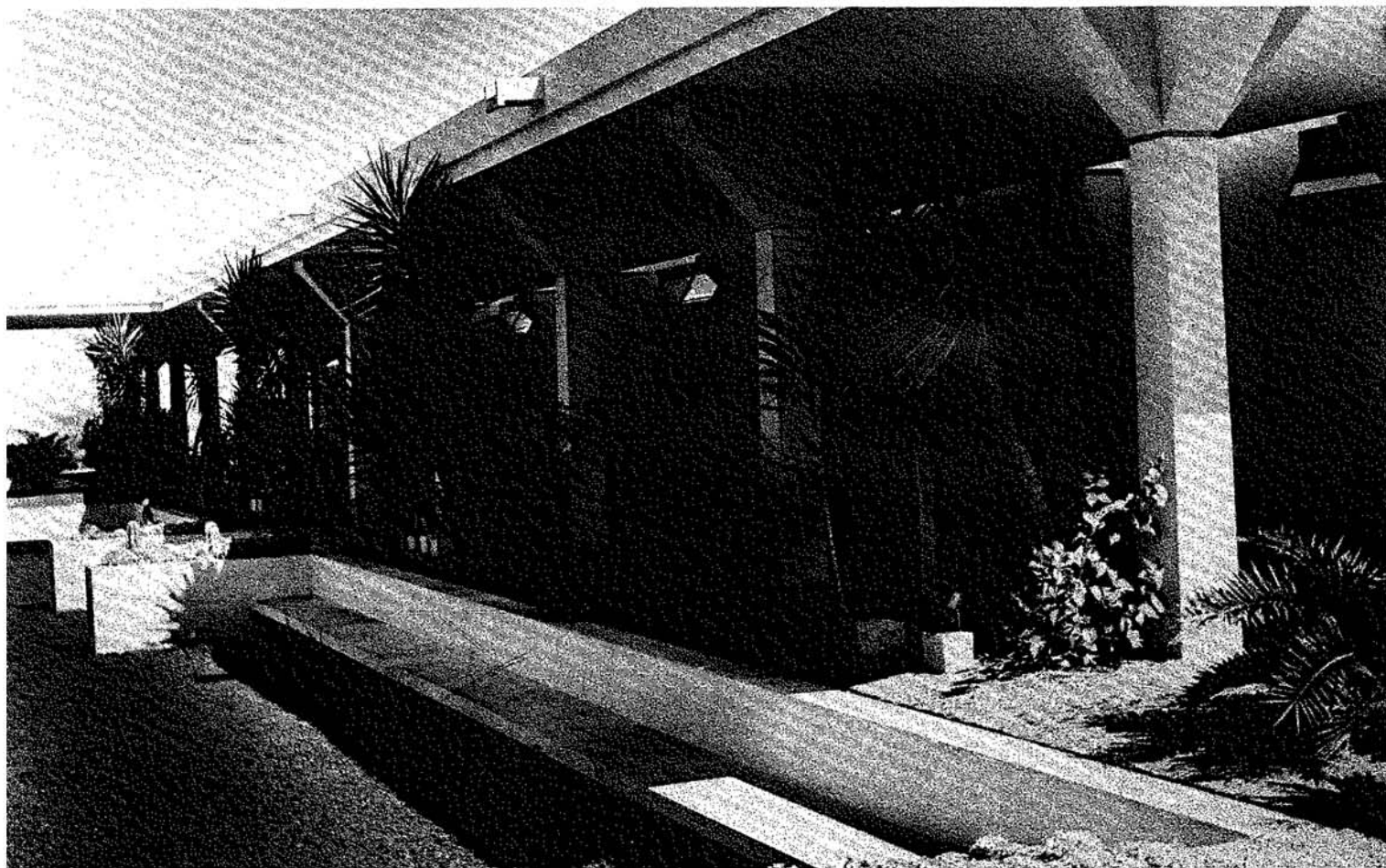
Two additional obstacles which his

memorandum did not mention were no less formidable. The project would need the cooperation of the six highly diverse Central American countries, all with long histories of conflict and poor communication. Also the new institution would eventually be heavily dependent on private contributions in a region with no tradition of giving to nonreligious private education.

In reflecting on the decision to move ahead in spite of the many obstacles, Dean Baker observed:

"It was the time of the Cuban missile crisis. There was concern in the State Department that the only real hope for stability in Central America was to form an effective middle class through the formation of a cadre of professional managers. We felt that the job needed to be done and knew that Harvard had more experience in advanced management education than any other school in the world. We were obviously in a better position than anyone else to do the job.

"Also we were just phasing out of the Turkish program and wanted to maintain our level of overseas involvement. Many of us felt that developing in-depth Faculty overseas experience was im-



THE MAIN CLASSROOM BUILDING
Serving 126 students from 19 countries in the two-year MBA program.



AERIAL VIEW OF THE INCAE CAMPUS

The main Institute facility is in the center; residence buildings are behind and to the left.

portant to the enrichment of the programs on the campus. The team which did the official survey believed that we could do it — so we decided to go ahead in spite of the obvious obstacles.”

As it turned out, the project was at least as difficult as had been anticipated, and at times it was only barely kept alive by the individuals who believed so strongly that it could work. Among the many important figures in INCAE's early history, in addition to those already mentioned, were Senior Associate Dean George F. F. Lombard, who spent countless hours on INCAE problems and who, in the words of Dean Baker, on several occasions pulled the project through with “mouth-to-mouth resuscitation”; Don Francisco de Sola, the Chairman of the INCAE Board and member of the Business School Visiting Committee, whose broad vision and devotion to the project were critical in mobilizing and sustaining the support of the Central American business community; Professor Clark Wilson, who served as the first Rector of INCAE and personally persuaded the first entering class of MBAs to risk their future in an untried school; the late Professor Charles Savage, who as INCAE's first Academic Advisor created the vision that INCAE could be an academic institution of first-rate quality; and Dr. Ernesto Cruz, the Harvard-trained Nicaraguan lawyer-

economist who followed Clark Wilson as Rector and helped to build the strong institution INCAE is today. Two other members of the HBS Faculty also made major contributions in the development of INCAE: Professors Wickham Skinner and Robert Merry, who served as advisors during critical stages, taught in various of its programs, and coordinated INCAE matters on the Soldiers Field campus.

Growing Strength Today

Today, ten years since the idea was born, INCAE is a recognized regional center for management education in Latin America. It is also an important and highly successful experiment in multinationalism—the world's only truly multinational graduate management school located outside the European continent.

INCAE is housed in modern facilities located on 170 acres of land in the cool foothills of Managua, with a spectacular view of Nicaragua's beautiful lakes and volcanoes. In the four years since the campus was built, growth has been so rapid that a major expansion program is already under way, financed with a loan of \$3.9 million from USAID.

At the present time 126 students from 19 different countries are enrolled in INCAE's two-year MBA program,

studying under standards, intensive schedules, and educational methods long familiar to HBS students. However, at INCAE there is an important difference: the classes and materials are all in Spanish. Extensive use of local cases increases the relevance of the curriculum to local conditions. And specially designed courses — such as the one I have been teaching which deals with social change intervention strategies for Latin American managers — help prepare the students for leadership roles in their own societies.

Most of the students who enroll in INCAE's MBA program have had one or more years of work experience in addition to their undergraduate degrees. They are an unusually mature group with an average age of 27 years. While a large majority of INCAE's students are graduates of Latin American universities, the fact that nearly 25% have graduated from leading universities in the United States suggests that many students who clearly have the option of U.S. study have chosen INCAE because of its direct relevance to their future professional needs.

A majority of INCAE's MBA graduates have moved almost immediately into positions of top-level management. The title of general manager dominates the INCAE alumni roster. Indeed, a graduate of the Class of 1970 was re-



FRANCISCO de SOLA, GEORGE BAKER, AND ERNESTO CRUZ
At degree-granting ceremonies.

cently appointed Minister of Education in El Salvador.

INCAE has also had substantial success with its executive development programs. During the summer of 1972, 115 top-level managers from 10 Latin American countries graduated from six-week programs in Managua, Nicaragua, and Medellin, Colombia. Those sessions were taught largely by members of INCAE's own faculty supplemented by representatives of the HBS Faculty. This brings the total to 524 Latin American executives from 15 countries who have been trained in INCAE's executive programs since the first session, staffed entirely by Harvard Faculty, was offered in 1964. Plans are currently being implemented to establish a regional executive program based in Quito, Ecuador, to serve top-level executives from the Andean bloc countries of South America.

INCAE is also generating an impressive research output and is attracting significant project funding from international institutions such as The Ford Foundation, USAID, and the Inter-American Development Bank. More than 50 new field cases from some 9 Latin American countries were produced by INCAE faculty and case writers during the past year alone.

A specially funded program in agribusiness management is generating new course materials and a variety of project research efforts; among the latter is a study being carried out jointly with HBS Professor Ray A. Goldberg on the export of non-traditional agricultural products from Central America. Three Harvard doctoral candidates have completed theses at INCAE on Latin American topics during the past two years: Assistant Professor Nicolas Marí, who now heads INCAE's finance area; Assistant Professor Harry Strachan, who was recently appointed Academic Di-

rector at INCAE; and Assistant Professor James Austin, who recently left INCAE to accept an HBS appointment. Two other Business School doctoral theses are in process at INCAE.

Recently The Ford Foundation funded a new INCAE project to study the management needs of the national family planning programs of Central America. Other important projects being initiated include a regional program in the management of development banking funded by the Inter-American Development Bank.

INCAE's growing role of leadership in the improvement of management education throughout Latin America is reflected in its establishment of a Latin American case clearing house for Spanish-language management training materials. This center, established at the request of the Latin American Council of Schools of Administration, will be run as an affiliate of the Intercollegiate Case Clearing House located at Soldiers Field.

With the exception of occasional private contracts with Harvard professors to assist in the teaching of weekend seminars and to supplement the INCAE faculty in the executive development programs, all these activities are now carried out entirely by INCAE's own professional and highly qualified multinational staff. A total of six nationalities are represented on the full-time rolls, which include a twelve-member MBA teaching faculty, four full-time researchers, and five professional administrators.

Of the teaching faculty, nine already hold the doctoral degree (five from Harvard) and two others are completing DBAs at the Business School. All the research and administrative staff members hold MBA degrees — most from INCAE.

The development of INCAE as an institution began during the course of the

initial survey with the establishment of national committees and the appointment of a board of directors for INCAE in the summer of 1963. This action clearly established the commitment of the Central American business community to the new institution.

The Harvard Business School then committed itself to a one-year contract to prepare some Central American case materials and conduct the first six-week Central American program for senior executives in Antigua, Guatemala, in the summer of 1964. This program was to test the concept of modern management education in Central America to determine whether there could be real acceptance.

Many of the leaders of Central American business attended — thus confirming their commitment to managerial improvement and modernization. Concurrently, a number of young Central Americans were sent to Harvard for training in the International Teachers Program as a first step in developing potential future teachers for the new institution.

The success of the Antigua program, and the reaffirmation of the support of the Central American business leaders who attended it, led to a decision to continue a three-part strategy aimed at preparing Central America for the creation of a permanent institution with its own staff. First, there was continuation of case-writing efforts to create relevant indigenous teaching materials and to acquaint Business School Faculty with Central American management problems. Second, there was continuation of the six-week executive program on an annual basis. Third, additional contingents of Central Americans were sent to the HBS International Teachers Program each year to develop potential teachers.

By late 1965, the decision had already been made to establish a permanent campus for INCAE in Nicaragua. The decision to situate the new school in Managua recognized the aggressive efforts of the Nicaraguan business community to bring to Nicaragua its first regional institution. These business leaders donated the large and attractive parcel of land on which INCAE presently stands.

The initial plans for INCAE were much more modest than the eventual reality. At first it was planned that INCAE should offer only a nine- or ten-month Master's degree or certificate program. These plans called for a student body of 50, a faculty of 6 drawn

...the graduates of the one-year ITP, at an annual operating budget of about \$50,000.

By July 1, 1967, however, when Dean Baker attended ground-breaking ceremonies for INCAE, the decision had been made that INCAE, rather than compromising on the quality of its program, should raise its sights and offer a full two-year MBA program equivalent in standards to the Harvard program. This decision had many implications. It doubled the cost of the student's education and created the need for more assistance from the HBS Faculty than had originally been anticipated while a Latin faculty was being trained to a level appropriate for teaching in this more advanced program.

Frequent Crises

On January 8, 1968, when INCAE enrolled its first class of 42 MBA students, its campus facilities were not yet completed and makeshift classrooms were created in the Nicaraguan Central Bank building. It was, nonetheless, the real birth of INCAE as a permanent institution which could begin to develop its own staff.

These were INCAE's most difficult years as the faculty sought to implement an entire MBA curriculum and develop

a functioning administrative structure while completing the construction of its new campus. Students had to be begged to enroll in this new school, enticed with a combination of the Harvard name and a number of scholarships and loans. Continuing doubts of students regarding this untested institution led to frequent requests that Harvard's name appear on the INCAE diploma.

Crises were frequent. It was the time of frequent "mouth-to-mouth resuscitation" as referred to by former Dean Baker. Numerous requests were received by Dean Lombard and others for temporary teaching assistance or materials on an emergency basis. Life was often uncertain.

When I was assigned to INCAE by the Business School in 1970, it was ready for transition to a major new phase in its growth to maturity. Its program was established. Its graduates had obtained good jobs and the basic INCAE concept was accepted within the local community. INCAE was ready to seek its own identity and reduce its reliance on Harvard.

Six new faculty members were hired directly on long-term contracts to reduce the dependence on Harvard for emergency inputs. Steps were taken to strengthen the MBA curriculum, to develop more effective communication

with students, to increase the emphasis on research, to increase the general level of institutional discipline, to strengthen internal administration, and to develop a long-range plan for INCAE's growth as a basis for a loan request to the U.S. Agency for International Development.

A special program was established to give emphasis to course development and research in agribusiness management — reflecting the dominant character of the Central American economy. When the USAID contract expired in 1972, INCAE was ready to move ahead on its own as a strong independent institution.

As INCAE has reached a stage of independent maturity, it is now in a position to provide Harvard with an effective colleague in Latin America in carrying out future research and training activities. INCAE has taken steps to maintain ties with the Business School in a number of ways. For example, Professors Ray A. Goldberg, Robert W. Merry, and Wickham Skinner have agreed, on a private basis, to serve as an academic advisory group. Professor Skinner will chair that committee. Former Dean George Baker has agreed to assist in the formation of a high-level advisory council, on which he will serve as chairman. Use will be made of Harvard programs for advanced training for INCAE faculty, and occasionally Harvard Faculty members may serve at INCAE on leave of absence — as I am doing this year.

Return Benefits

Harvard has made an important commitment to INCAE over the years since its establishment. A question may, quite properly, be raised as to whether Harvard benefited in return. While it is difficult to measure the full extent of the benefits, the basic answer must be a positive one. The returns extend substantially beyond the institutional pride and satisfaction for Harvard in having faced a major challenge and successfully met it.

Over the entire period of the project, nearly 50 members of the HBS Faculty and research staff have come into contact with Central America as a direct result of INCAE. All that has added to the Business School's experience in and exposure to Latin America. The current work of Professor Lodge on national ideology grew out of the research on change which he originally carried out in Central America under the INCAE contract.

A number of cases produced under the INCAE contract are used regularly



A FIRST-YEAR CLASSROOM
Professor Enrique Alvarado (standing) teaches Control.

at the Business School, and several have found their way into collections published by HBS Faculty members. INCAE has also provided a valuable source of financial support for Harvard DBA candidates with an interest in Latin America, some of whom have completed their thesis research while serving on the INCAE faculty. A research grant of \$180,000 received by the School's Agribusiness Program was a direct result of Harvard's relationship to INCAE and the existence at INCAE of the capability to carry out the Central American component of the proposed research.

Looking to the Future

What does the future hold for INCAE itself? At this point, the Institute is experimenting and exploring to find the appropriate role for itself in Latin American development. It is seeking to retain the strength of its Harvard heritage, while simultaneously creating its own identity as a significant institutional engine of change for Latin American social and economic development.

As we see it now, this will involve major efforts to bring INCAE's expertise in management education, research, and consulting to bear on this region's most critical problems — population, nutrition, employment, income generation, and regional economic integration. Undoubtedly this will bring about more direct involvement in the community than has been characteristic of more traditional management schools. It will also mean a sharper focus in the application of the institution's resources and a concern for public- as well as private-sector management issues.

For the near future, INCAE's greatest problem will be to expand its faculty rapidly enough to respond to new opportunities, while maintaining the quality and case method focus which are central to its institutional strength. The present problems are, however, miniscule compared with those faced ten years ago when the first team of Harvard researchers returned from Central America to tell their colleagues of the need for their assistance in creating a new school of management.

The results of the work of the early project are now a matter of record — a proud record of successful international cooperation. How far-reaching they will be in their eventual contribution to Latin American development only time will tell. But INCAE has come of age, and the prospects for its continued success are high. ■