PROLOGUE

INTRODUCTION TO THE BOOK: BUSINESS SCHOOLS AND THEIR CONTRIBUTION TO SOCIETY BUSINESS SCHOOLS AS USUAL?

Mette Morsing and Alfons Sauquet Rovira

CBS and ESADE

Business schools are one of the most influential institutions in contemporary society, and have a particular role to play in setting high ethical standards for trust and fairness. They influence the way in which most socio-economic activities are conducted, inasmuch as they contribute to shaping and transforming business decisions, and how businesses develop their identities to face the challenges presented by globalization. Business school norms and values can help to provide a standard and professional grounding for thousands and thousands of young people educated to lead and form businesses tomorrow. How business schools in practice integrate values into research, education and outreach programs influences the way in which socio-economic activity is conducted over generations. Like other education institutions, business schools have a responsibility. However, recently, their handling of this responsibility has been questioned and challenged.

Strong critique has been raised from outside and inside business schools. It has been suggested that business schools might do more harm than good (Ghoshal 2005; Antunes and Thomas 2007), and that they neglect the human dimension of business and their responsibility to society (Navarro 2008). Business schools have been accused of causing increasing distrust in business because they develop a narrow shareholder thinking as the underlying value permeating education, while they neglect other aspects of importance to business such as collaborative skills, intercultural abilities, trust and social responsibility (Mintzberg 2004; Blasco 2009). Businesses themselves have even complained about narcissistic, interculturally and socially inept business school graduates (Feldman 2005; Blasco 2009) as they have indicated how business schools have forgotten to help students develop their 'moral muscles' (Salbu 2002, cited in Starkey and Tempest 2004: 1625). While many business schools have developed courses on ethics and corporate social responsibility and some have

introduced voluntary oaths of honor (e.g. Thunderbird and Harvard Business School) and the annual Responsibility Day for all first semester undergraduate students (e.g. CBS) as a reply to the critique after Enron, Andersen and the subsequent financial crisis, such efforts have been critiqued for being decoupled and not integrated into mainstream 'business school as usual' and for simply enforcing a 'slavish commitment to narrow business values' (Starkey et al. 2006: 1522). The Harvard Business School MBA students' 'MBA oath' promises to pay equal attention to 'shareholders, co-workers, customers and the society in which we operate', with a final goal of 'sustainable prosperity'. This action has been criticized for being 'simply an effort by students to shield themselves from the populist rage at the role of MBAs played in the current financial crisis and that the ethics push will fade once the economy stabilizes' (*Business Week*, 11 June 2009). Nevertheless, the MBA oath may possibly be one more of much larger changes that are about to surface in transforming business school identities and values. For instance, it seems to have inspired other grassroots and student-led initiatives that have developed in different places around the world with one common purpose: all of them pressure business schools to rethink and integrate issues of ethics, corporate social responsibility (hereinafter CSR) and sustainability into the curriculum by way of placing these issues at the center of business school policy and strategy.

A group of business school deans and rectors decided to make a strong and collective voice to address the questioning and challenging of business school legitimacy. They wanted to emphasize that management education is inherently a normative endeavor in which assumptions about right and wrong ways of managing people, profits and businesses underpin the curriculum. They wanted to draw attention to the fact that good management virtues are also developed in informal ways – in what has been referred to as the hidden curriculum (Blasco 2010) – in business school settings influencing student beliefs and behavior. They wanted to emphasize in the public debate that management decisions have to do with interactions of people and social institutions with respect and understanding for context. And that such understandings and skills build on taking 'the human factor' seriously among business schools.

This group of business school deans has taken the challenge very seriously. Important ideas and activities stemming from their work and thinking are presented to you in this book. Here, they express their thinking about business school contributions to society, and share some of their experiences and experiments, while also revealing the problems and challenges with systematically promoting and embedding social virtues of trust, fairness and responsibility into their business school identities. At that meeting in Cologna in December 2009, the deans decided to make their voices heard collectively in the public debate on business school legitimacy with the aim of stimulating debate on approaches and challenges of that legitimacy. The general acknowledgment of the legitimacy crisis of business schools and the public interest in debating the issue has so far been led by US scholars and practitioners. While the latter may have very good reasons to engage, the non-US business school deans decided to contribute to the debate in a collective and comprehensive way. They agreed that business schools are globally faced with a legitimacy crisis, but they also agreed that it is a crisis that has different characteristics, challenges and solutions at local and regional level. For example, the Asian, Latin American and European geo-political and socio-economic contexts provide other points of departure for business schools than their Anglo-Saxon counterparts – the fact that the MBA program has been less central to the development of business schools operating within Asian universities, the fact that some business schools in Europe receive considerable support from state and public institutions,

or less institutionalized frameworks of business education in some other regions like Latin America, offer the possibility of adding to the discussion a different perspective that at first sight stems from a more classical university ethos.

However, this book does not intend to serve as a comparison between Anglo-Saxon and non Anglo-Saxon models, or any other business school models. Rather, it serves to provide a global voice and insight to the experiences, approaches and perspectives of business schools' legitimacy as expressed by the deans and rectors' own voices. We also want to emphasize that none of the contributions in this book claim to represent 'best case' practices. Rather, authors agree that such 'best case' practice can only be unfolded and assessed in its local context. There is no one recipe for how to achieve business school legitimacy. We think this book provides a collection of thought-pieces in which how to stimulate business school self-reflection, learning and engagement with society is a permeating theme.

BUSINESS SCHOOLS: WHAT VIRTUES?

Economic thinking has assumed that generating shareholder value is the main goal of economic activity, and this has dominated business school values in recent years and thus heavily influenced business school education. The theories and methods taught in business schools are often seen as almost hands-on instruments to enhance business growth and reputation, and in substantive ways shareholder thinking has served as the value furnishing business schools with arguments stimulating knowledge production. Often, those values underpinning theories and methods are not surfaced and debated. But they inform the moral and political choices graduates make, as they become leaders of corporations.

The debate around the role and values of business schools has taken many turns. It has existed as long as these organizations have been perceived as powerful and influential social actors, and it has been raised when business schools have been deemed as not complying with the challenges to provide sound education. In that regard, the current economic crisis has not generated the debate, but accentuated a concern and stimulated a renewed global discussion on the issue. The criticism has been that business schools have pushed mainstream business thinking rather than foster critical and diverse thinking, narrowing the focus of management theory and fuelling practices overly concerned with short-term results. In a seminal paper, Professor Sumantra Ghoshal (2005) provocatively argued that 'bad management theories are destroying good management practices' (2005: 75). With reference to John Maynard Keynes, Ghoshal emphasizes the importance of ideologies for business and society and points at their often implicit nature:

> *… the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is run by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence are usually the slaves of some defunct economist … It is ideas, not vested interests, which are dangerous for good or evil. (Keynes 1953: 306, cited in Ghoshal 2005: 75)*

Ultimately, Ghoshal's arguments form an idealism that certainly opens up the possibility for an in-depth discussion, and the fact that there are many references to Ghoshal's paper

throughout this book is a good indicator of its influence for stimulating debate. Ghoshal argues that prevalent theories in business schools may be uncritically disseminated. He states that business schools systematically teach students that managers cannot be trusted to do what shareholders expect of them, and therefore managers' incentives and interests must be controlled to be aligned with those of shareholders (Ghoshal 2005). According to Ghoshal, this distrust has led to a transaction cost economics that promotes the need for tight monitoring and control of people to prevent 'opportunistic behavior' (Williamson 1975). One of the main explanations for managerial behavior is business school education, where 'thousands – indeed, hundreds of thousands – of executives who attended business courses have learned the same lessons, although the actual theories were not presented to them quite so directly' (Ghoshal 2005: 75). In particular, Ghoshal finds a lack of social virtues, that seem to have been decoupled from business school logics which he critiques for having reduced managerial work to 'a kind of physics' where economic, social and psychological laws inevitably shape people's actions' (Ghoshal 2005: 77).

Business schools have, in various ways, replied to the criticism of narrow shareholder thinking, tecnification or neglect of the human factor and lack of relevant knowledge generation. This is a serious critique for the business school as an institution that acknowledges its role for contributing to social virtues such as trust, fairness, responsibility and accountability. The critique does not indicate that business schools intentionally teach their students to be socially irresponsible. The question is rather that whatever is done at business schools has a relevant impact on the professional behavior of graduates.

BUSINESS SCHOOLS AS REFLECTIVE LEARNING ENVIRONMENTS

It has been suggested that students should be exposed to ethically challenging situations in school, otherwise they will be unprepared for and likely to fail in providing leadership for decision making in corporations (Evans and Marcal 2002). Perhaps we should suggest the same training to scholars who teach and research at business schools? Perhaps scholars should meet 'real' business challenges and make 'real' business decisions with ethical implications before we allow them to teach students? Recently, we have seen a number of journals dedicating special issues to the question of business schools' contribution to society, for example *Academy of Management Learning and Education* (2009, issue 8) and *Journal of Corporate Citizenship* on 'Designing Management Education' (2011, issue 39). These special issues focus on bringing not only academic reflection and discussion but also examples from the classroom.

Regardless of the actual role business schools play – or think they play – in causing the economic crisis, business schools are perceived by the general public as the embodiment of managerial thinking and economic development in contemporary society, and thus directly involved in any transformations these undergo. With that in mind, business schools need to respond to the lack of trust and growing scepticism. On a positive note, this provides a perfect opportunity to carry out a self-reflective exercise among business schools.

Many business schools have already begun a reflective process, as can be seen by the increase in the number of initiatives, codes of conduct and declarations that have been

developed to show that business schools are listening to the critiques, and that they take seriously their responsibilities towards producing a better society. To this end, deans, rectors and professors seem to acknowledge the need for a reflective and systematic evaluation of business schools' curricula, but more specifically for a more profound debate on the values on which theories and thinking behind business school activities are constructed. In this respect, the internationalization process via accreditation systems is a clear step in that direction.

In this volume, we will not bring examples from the classroom in any detail. Rather, we take the rare opportunity of exploring the views of the deans of some of the most important business schools from around the world and around three dimensions: (1) the legitimacy of business schools from a historical perspective; (2) the future of business schools in terms of different visions; and (3) the role of business schools in shaping and transforming ethical conduct.

THE STRUCTURE OF THE BOOK

In this volume, we explore how business schools contribute to sustaining the distinctiveness of themselves as legitimate business schools in global society and how they work to infuse a 'corporate logic' that significantly addresses concerns about current economic models and theories. While the individual contributions will overlap and blend the themes of the three parts, we uphold them as thematic directions, as each contribution will take an overall point of departure in one of the three themes. Each part of the volume consists of several contributions. The authors of these contributions are deans, rectors and distinguished scholars at business schools, and in some instances to provide additional views of key stakeholders of business schools, we also invited a number of relevant expert institutions with a special interest in and knowledge about business school development to assist the role of business in society. Contributing deans, rectors, professors and business school experts have contributed because their business schools in various ways have addressed, explicitly or implicitly, the new challenges for business schools in the wake of the financial crisis. In doing so, they are already beginning to shape the contours of how to address this new problematic in practice. The invitation to contribute to this volume prompted these authors to express their views of business schools' responsibilities to society in an explicit, systematic and empirically grounded manner. Each contribution, therefore, illustrates a particular perspective on business schools' responsibilities to society, taking its point of departure in a particular business school context and framing this in a broader global approach, reflecting critical future challenges for business schools' theorizing, economic models and contributions to society.

To provide insightful reflection as well as an overall coherence, each contributor was asked to discuss a specific and different issue and simultaneously analyze two common issues: (1) the current legitimacy crisis of business schools; and (2) the future vision and challenge of the future of business schools. Furthermore, to provide some additional and different perspectives of organizations or individuals directly involved with business schools, we have also asked for a contribution from a student organization, some business leaders, and prominent scholars of the business school debate. This way, the volume aims to address gaps

in knowledge by scanning the landscape of business schools from several regional and organizational perspectives, to debate how deans and rectors push and steer the frontiers of business school identity in new directions in collaboration with key stakeholders in different contextual settings. The contributing business schools are all currently engaged in developing new strategies and policies towards developing 'globally responsible citizens' and, as such, the edited volume will explore cutting-edge development within the business school world.

Part 1 – Takes its point of departure from the historical raison d'être of the business school as an institution that has developed into a powerful global institution influencing economic, institutional and cultural development. The philosophical underpinnings of business schools are outlined and contextualized. This first part of the book provides a general overview of the development globally while it also contributes more focused chapters from different regions: Europe, the USA, Latin America and Asia. Contributions discuss how the phenomenon of business schools has developed regionally, and how it has contributed to setting a new global agenda for business, and how business schools – in a variety of ways – have produced those economic theories which they themselves teach as the mainstream business school philosophy, based on shareholder thinking and criteria of success measured by what we may here refer to as 'old business school' thinking.

Part 2 – Towards a new legitimacy for business schools in global society – addresses how business schools are one of the most influential industry sectors today in educating managers and setting the agenda for global business logic and development of international markets. Yet, in this process, business schools increasingly depend on market economic dynamics turning them into businesses driven by market logics rather than universities characterized by independent thinking and research. This part discusses how the 'marketization' of both privately and publicly funded business schools influences the legitimacy of business schools, and how business schools respond as a new economic reality has created mistrust in business schools, and business schools experience a need to demonstrate themselves as responsible institutions. One important element is how business schools approach, select and interact with stakeholders in society, i.e. policies and strategies of business schools' stakeholder management to achieve trust and confidence from the general public.

Part 3 – Business schools' role in shaping and transforming ethical business conduct – addresses the impact of business schools on corporations in terms of the current economic logics, norms and values driving theorizing and educational programs and their influence on organizations and their managers. Whereas Part 1 focuses on the trust of business schools, Part 2 focuses on how business schools may serve to create trust in business. Contributions in this part focus explicitly on how business schools directly influence leadership in corporations and how concrete approaches to program and curriculum development, as well as the selection of topics, courses, and pedagogies, set norms and directions for future managerial decisions, rhetoric and actions. Contributions in this part discuss and exemplify how business schools may develop alternative ways of educating tomorrow's leaders as they entrust students with critical and complex ways of approaching ethical dilemmas for business in a globalized world, taking inspiration from, for example, the social and human sciences.

For us, it has been a pleasure to serve as editors of this book. We hope that readers will appreciate and learn as much as we have from reading and discussing this unique collection of important voices on business schools' contribution to society.