

Post Global Crisis A Clarion Call to Re-define Business Studies

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ABSTRACT

The repercussions of recent financial crisis still affecting the world, Business Schools are accused of being responsible for the meltdown.. Pluralists agree that laying the blame on management educators is unfair, but requires reflection of business education. United Nations (UN) reciprocated by initiating Principles for Responsible Management education (PRME), reflecting a transformation to inspire and propagate responsible management education, research and thought leadership globally. It is debated globally to embed business curriculum, research and teaching methods, with values of sustainability and corporate social responsibility, to develop a new generation of business leaders capable of managing complex challenges of business and society in the 21st century. This paper through literature review attempting to throw light on the recent developments in Business Education is addressed to business educationists, students and professionals.

Key words: B-Schools, corporate social responsibility, global crisis, leadership, responsible management education, sustainability.

INTRODUCTION:

The Global Foundation for Management Education estimates that business schools are home to 25 million degree-seeking students and countless more participate in executive education and management development programs. Therefore, what we teach and what we research to inform, how we teach them, matters.

'The MBA trains the wrong people in the wrong ways with the wrong consequences' writes Mintzberg (2005). The recent economic global crisis and its cascading global repercussion till

date, has not only challenged the pillars of global financial system, but also questioned those responsible for driving the system, banking institutions, regulators, governments and of course the business schools. It calls for an insightful reflection by all social and economic participants including business schools. In multiple forums, schools have been accused of being responsible, directly or indirectly of the global crisis, remarks, Joel M. Podolny (2009), as those academic institutions have educated the pilots who run the financial system.

“Every generation needs a new revolution”, Thomas Jefferson.

Apparently every century brings a revolution. Revolution in management education initiated in late fifties through Ford & Carnegie Report, produced a ‘golden standard’ of academic management education model, and still prevails. Again discernibly, a major societal shift, economic crisis, technological development, changing values and conflicting forces of globalization and local diversity are revolutionizing lifestyle. It is a crucial time for testing true leadership, to identify new opportunities or reinvent existing businesses. In Darwinian terms, time for survival of the fittest, again paraphrasing Dickens, the worst of times provides the best of opportunities too.

GLOBAL CRISIS: Blame Game Vs Arguments

Until late 2007 or early 2008, when world’s major economies, financial markets expanding, business students’ world-over dreaming of lucrative investment banker positions, when the growth cycle seemed too good to be true, ironically, the storm of global crisis!

The Economist, the Financial Times and the New York Times have all questioned business schools’ responsibility to financial crisis. Opinions strongly vary amongst B-Schools.

‘Business schools are accused of being partly responsible for the current economic crisis because they have failed to seriously integrate reflections on ethical values into their curricula’ remark, Holland (2009); Jacobs (2009).

‘Academic research related to conduct in business and management has had some very significant and negative influences on the practice of management.by propagating ideologically inspired amoral theories, business schools have actively freed their students from any sense of moral responsibility remarks Ghoshal (2005: 76).

Although, B-Schools are not exclusively responsible but cannot deny having educated many leaders who contributed to this crisis. Most institutions have been defensive on responsibility issue. But professors Rakesh Khurana and Nitin Nhoria cautioned of failures within schools and the need to redefine MBA as ‘Profession of Management’. The leader-managers were short-sighted, greedy or simply didn’t understand the impact of their decisions in a global world.

Overemphasis on market mechanisms and the importance of companies' stock prices failed to teach students that they are part of a profession which is responsible for more than shareholder value remarks Khurana (2007). Management, as Khurana substantiates, is as much a profession as medicine or law. Business schools, however, never taught students that they were part of a

profession and expected to uphold basic ethical values. The current crisis is evidence that management as a profession carries with its decisions, social impact both positive and negative.

Many raise concerns whether business schools adequately prepare students for the ethical challenges they face in their career. The New York Times remarks 'the way business students are taught may have contributed to the most serious economic crisis in decades' (Holland 2009). Therefore, one cannot deny that business schools have a responsibility to train students more responsibly. As James Post (2009) remarked in the financial Times, "schools must now reinvent themselves as part of the solution".

Pluralists argue, this economic crisis, as those preceded it, are unfortunately a distinctive feature of capitalism. As Marx, Schumpeter, Keynes etc., pointed out, free market economies are fundamentally dynamic and evolving. Most often, adjustments to market processes are fairly smooth, aided by appropriate macroeconomic policies, generating growth and prosperity. Milton Friedman's tenet "the business of business is business" reflects a singular focus on shareholder value. Over-emphasis on shareholder value as the purpose of business and insufficient attention to managers' personal responsibility and greed resulted in financial crisis. When expectations by consumers, firms and financiers get misaligned amid crisis of confidence, depression such as those from 1893-1897 or that of 1930s' occurs.

TIME FOR REFLECTION, RE-DEFINE & TRANSFORMATION:

Post crisis is time for reflection. After the Enron and WorldCom corporate scandals, business schools responded by introducing or increasing courses on business ethics and corporate governance. But, the recent financial crisis has provoked a range of useful but difficult questions about the purpose and function of business education and research as it shapes business practice and calls for re-visiting the curriculum on social issues.

Climate change and sustainability issues being global crucial concerns, every decision affects globally. "Like it or not, the responsibility for ensuring a sustainable world falls largely on the shoulders of the world's enterprises, the economic engines of the future," writes Stewart Hart (1997: 76). Therefore, education should offer a holistic view of the company within a global context, as geopolitics, economy and society are inter-linked and inter-challenging. The Schools need to adopt integrative thinking through dialogue with other fields of knowledge and business, because the global agenda is interlinked with issues of climate change, water, energy, depleting natural resources, poverty, corruption, terrorism, redefinition of the global financial system, responsible business practice etc., Obviously, need of the hour is the 'integrative thinking' approach.

Minister of State for HRD, D. Purandeswari speaking at the golden jubilee celebration of IIM Kolkata (2010) remarked: Critics of management education in the country feel that the recent corporate scams have raised serious question about usefulness of management education. Critics maintain that management education in leading business schools create profit seekers who have scant respect for social development'.

Financial scandals are issues closely linked to ethics, integrity and financial engineering. What is needed is not just refreshing the curriculum., but a deeper reflection about business education for the future, what kind of managers we want for the 21st century, how schools can contribute for prosperity worldwide. Therefore, the mission, identity and contribution of B-Schools should be focused on society holistically.

- The business schools need to reflect on this historic economic collapse through intensive research devoted to diagnosing in detail the causes and prevent future global economic meltdowns.
- Need to continue and integrate ethics and social responsibility of business in the curricula sensitizing students of the consequences of their decisions.
- To teach business within a global context since economic challenges impact globally.

Despite efforts to emphasize corporate social responsibility (CSR), sustainability, ethics, they have not yet become embedded in business education, lacking critical view to address real changes. Business schools need to create understanding and sensitivity to this new and changing world of *socially responsible-sustainable* business. Infusing sense of responsibility in future leaders and professionals about ethical, social and environmental impact of management decision-making is a challenge and a central concern in business education.

Given this reality, under the coordination of the UN Global Compact and leading academic institutions, the PRME (Principles for Responsible Management Education) task force developed a set of six principles, creating a global platform for responsible management education, driving scholarly debate on curriculum, teaching, research, partnerships and multi-stakeholder dialogue to reinforce organizational practices aligned with the new sustainability agenda. Schools innovating towards sustainability are expected to be the fore-runners creating great opportunities for future management leaders.

Business Schools on the threshold of unprecedented change due to globalization:

Report of the AACSB Globalization of Management Education Task Force asserts that with rising expectations from business and society for graduates with global competencies, coupled with the increasing complexity and global connectedness of higher education, the imperative for change is clear. Report focus on curriculum design, faculty development, and the cultivation of strategic partnerships, and challenges all business schools to embrace globalization that are mission-appropriate, manageable within resources, and meaningful to the stakeholders being served. It is imperative for all business schools to respond by developing approaches that will positively impact globalization within the business community and broader society.

WAY FORWARD: Socially Responsible Curriculum:

The philosophy of Max Weber (1864-1920), a noted German political economist and sociologist's maxim, "when we do business, we are building society", is being re-invented through curricula focused on society.

Business institutions dimension for people in the 'business of making money', is getting redefined to people in the 'business of managing issues and concerns of society'. B-schools have started to

sensitize future business leaders to issues of sustainability, ethical and socially responsible business practice, by redefining curriculum on corporate governance, corporate social and environmental responsibility, corporate citizenship.

CONCLUSION:

Being a good corporate citizen has never been more relevant than it is today. As the world faces serious economic, social, and environmental challenges, companies are beginning to address these challenges strategically in their operations. A company's ability to compete proactively, gain trust mitigating risks and viably sustain is today more clearly linked to socially responsible, ethical business behavior and accountability. This necessitates new ways of doing business which benefit both the company and society.

With corporate sector seeking new solutions, business schools, are at a critical inflection point. Prime time to respond positively, by developing approaches to impact globalization within the business and society through socially responsible value based management curriculum to preserve the values of ethical, socio-ecosystem nationally and globally for a sustainable growth.

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