Management as a Calling: A Blueprint for Management Education in the 21st Century

Andrew J. Hoffman
Stephen M. Ross School of Business
University of Michigan

Ross School of Business Working Paper
Working Paper No. 1387
September 2018


This paper can be downloaded without charge from the Social Sciences Research Network Electronic Paper Collection:
http://ssrn.com/abstract=3244003
Management as a Calling:

A Blueprint for Management Education in the 21st Century

Andrew J. Hoffman
Holcim (US) Professor of Sustainable Enterprise
University of Michigan
701 Tappan Street, R4472
Ann Arbor, MI 48109 USA
734-763-9455
ajhoff@umich.edu

4. https://ssir.org/articles/entry/management_as_a_calling
Management as a Calling:

A Blueprint for Management Education in the 21st Century

ABSTRACT

Business’s capacity to transform society is only as great as the schools that train its future leaders. This demands that business schools reform their vision to promote values of business serving society in order for students to see business as a true calling rather than simply a career. Here is a blueprint for management education in the 21st century that teaches students that they will possess awesome power as business leaders, and with that power comes great responsibility and an obligation to create benefit for all of society.
On July 13, 2005, WorldCom CEO Bernie Ebbers, who had been convicted of fraud and conspiracy four months earlier, was sentenced to a 25-year prison term. It was the largest accounting scandal in US history, until Bernie Madoff’s Ponzi scheme was uncovered in 2008. I remember Ebbers’ sentencing well, because I had just joined the faculty at the University of Michigan’s Ross School of Business and was struck by the fact that no one was talking about it. Ebbers was a man that would have been held up as a model of success for our students, building the second-largest long-distance phone company in the country. But now he was a disgrace.

It was not until the end of the day that the silence was finally broken. I walked onto an elevator and overheard a memorable conversation between two senior colleagues of mine: “What do you think of the Ebbers’ sentence?” one professor asked. “I think it’s ridiculous,” the colleague replied. “It’s not like he killed someone.”

This remarkable response signified to me the disconnect between the power that business executives possess and the accountability to which they are held. Maybe it wasn’t murder, but Ebbers had caused extraordinary harm to the company’s employees, customers, suppliers, buyers, and investors, as well as to the reputation of the business community in general. WorldCom’s stock lost 90 percent of its value in just days, dropping from 83 cents to 6
cents per share, and its Chapter 11 filing made it the largest bankruptcy in history. Despite my colleague’s response, legal experts deemed the sentence fair (Henning, 2006).

What does unethical and illegal behavior like that of Ebbers say for MBA education in the 21st century? How might we assure that future business leaders protect the public interest and not just their own profit?

One might argue that we should work harder to teach MBA students about the legal implications of corporate wrongdoing, but that only sets a worst-case baseline and does not inspire future business leaders to be their best; to achieve great things for their companies and for society while setting the standard for ethics and integrity. We could ask graduating MBAs to sign an oath—like a management Hippocratic Oath to do no harm—that commits them to “create value responsibly and ethically” for the greater good (MBA Oath, 2018). But that would come late in the education process and with little preparation for what such an oath means. In truth, such an oath may mean little more than virtue signaling with no real accountability.

Without question, what we need to do is amend the MBA curriculum to teach students that they will possess awesome power as business leaders, and with that power comes great responsibility and an obligation to create benefit for all of society (Hoffman, 2017). We should expect the same values from business managers as we do from doctors and lawyers. This means amending the MBA’s attention to the basics of business management with an expanded focus on management as a vocation—one that moves away from the simple pursuit of a career for private personal gain toward a calling to serve society.
We face great challenges as a society today, from environmental problems like climate change, ocean acidification, and habitat destruction, to social problems like income inequality, unemployment, lack of a living wage, and poor access to affordable health care and education. Solutions to these challenges can only come from the market, the most powerful institution on earth, and from business, which is the most powerful entity within it. Though government is an important arbiter of the market, it is business that transcends national boundaries, possessing resources that exceed those of many nations. Business is responsible for producing the buildings that we live and work in, the food we eat, the clothes we wear, the automobiles we drive, and the energy that propels them.

This does not mean that only business can generate solutions, but with its unmatched powers of ideation, production, and distribution, business is best positioned to bring the change we need at the scale we need it. Without business, the solutions will remain elusive. And without visionary and service-oriented leaders, business will never even try to find them.

7 Ways to Build the “Whole Manager”

The core thrust of my proposal to amend the MBA curriculum is not an appeal to corporate social responsibility or corporate sustainability. For many, these labels have become stale and merely relegate the challenge to the sidelines of a niche discipline. Instead, the MBA must reflect the new context in which business is and will increasingly become engaged. MBA education should therefore focus on developing the whole manager, one who both exerts a powerful influence on society and also is a member of the society that is shaped by his or her decisions. Taking on this renewed sense of responsibility will yield individuals who see new
kinds of opportunities in domains that other managers may not. What we need to do is provide
MBA students with the intellectual building blocks with which to use the power of business to
find creative solutions to our emergent problems. Below I offer seven such blocks as a
foundation upon which others may be built.

**Pre-program guided discernment** | The process of exploring one’s vocation requires
reflection and discernment. Yet, MBA education is a whirlwind experience in which MBA
students have no time to reflect at all. Classes, clubs, social activities, and the hunt for that all-
important first summer internship, dominate their attention from the moment they arrive on
campus. I have seen many students with no clear sense of their calling upon graduation
exhibiting a weird ambivalence towards the sector of their first job—focusing instead on salary
and career track, no matter the field. Sadly, most pursue jobs in consulting and finance for the
simple fact that they offer the highest salaries (Deresiewicz, 2014). But some guided
discernment at the beginning of the MBA program—expert-directed reflection guided by
professional career counselors—will help to create more focused, balanced, and mature
students who will be thoughtful about why they are pursuing this education and how they
might choose to direct it towards a career that is personally, professionally, and socially
meaningful.

**Offer critical education in the nature, evolution, and future of capitalism** | Most
business education does not question the form and function of capitalism. But that is an
enormous mistake. Our society may possess a bizarre knee-jerk phobia about any questioning
of capitalism, but the truth is that it is worthy of examination, as it is neither static nor a
monolith. On the one hand, capitalism is, in fact, quite malleable. It is designed by humans in
the service of humans, and it can evolve to meet the changing needs of humans. Through
the 19th and 20th centuries, rules have been established to block monopoly power, collusion,
and price-fixing—there is absolutely no reason to believe that capitalism will be dutifully
adjusted to address the challenges we face in the 21st century. On the other hand, there are
many possible forms of capitalism from which to draw. Japanese capitalism differs greatly from
American capitalism, which differs from Scandinavian capitalism, on such issues as the role of
government, collaboration among companies, or the responsibilities of companies. Future
business leaders must be taught about the form and trajectory of capitalism(s), the underlying
models on which they are based (Beinhocker & Hanauer, 2014), and the ways in which they
both serve and harm society if they are to assume any kind of role in shaping necessary
improvements.

**Teach responsible government lobbying** | One of the most important domains in which
business leaders can shape capitalism is through responsible government engagement. Yet, the
public perception of lobbying is generally negative, and few business schools offer courses on
collaborative and constructive lobbying; fewer still offer them in conjunction with schools of
government, law, or public policy (which most also lack positive courses on constructive
business-government collaboration). For this to change, we need to teach ideas about lobbying
as a public service that upholds obligations toward the collective good and not just individual
gamesmanship. Lobbying is basic to contemporary democratic politics as governments seek
guidance on how to set the rules of the market and ushers reforms. That said, any such training
should also include an education about the evolution of corporate influence in policymaking
and the negative aspects of what that influence can create. For example, many forms of lobbying were banned through the 19th century, and it was not until the early 1970s that major corporations began to lobby aggressively on their own behalf (Mounk, 2018). Tomorrow’s business leaders must be taught this history and the contemporary context for participating constructively in the policy-formation process.

**Offer more critical examination of the “purpose” of the corporation** | The dominant idea of the purpose of the corporation as simply to “make money for its shareholders” is one that, like direct lobbying, emerged in the 1970s (Stout, 2012). It was advanced by Milton Friedman (1970) and the Chicago School of free market economists, and later by others like Michael Jensen (Jensen & Meckling, 1976), but is now being subjected to scrutiny, as the narrow pursuit of shareholder value leads to market problems such as excessively short time horizons for investment planning and measures of success. It also leads to a focus only on the type of shareholder who is, in the words of Lynn Stout (2012), “shortsighted, opportunistic, willing to impose external costs, and indifferent to ethics and others’ welfare.” Even historic acolytes of shareholder value like former GE CEO Jack Welch are beginning to turn against it (Denning, 2014). Yet, just about any MBA student will unthinkingly parrot an acceptance of this belief. However, there are other models, like those offered by management education leader Peter Drucker (1954), that present a more compelling and accurate depiction of corporate purpose: “The purpose of a company is to create a customer” and serve it well. Profits are only one metric of how well the company performs this purpose. Ultimately, Drucker notes that “the business enterprise … exists for the sake of the contribution which it makes to the welfare of society as a whole.” Echoing Drucker’s words, BlackRock CEO Larry Fink sent a letter to CEOs of
public companies in 2018 telling them that they have a responsibility not only to deliver profits, but also to make “a positive contribution to society.” He wrote that “without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders.” This is a powerful statement from the world’s largest asset manager ($6.3 trillion AUM). It represents a kind of shift in the purpose of the corporation that will lead to a concurrent shift in the role of the corporate executive in leading it.

**Add natural science to the MBA curriculum** | The natural environment is undergoing unprecedented and rapid changes in response to human activity. More specifically, it is the market that is changing the global atmosphere, restricting the availability of clean water, warming and acidifying the world’s oceans, and causing species to go extinct. So great are these changes that scientists have proposed that we have entered a new geologic epoch, leaving the Holocene and entering the Anthropocene (Crutzen, 2002), to acknowledge the catastrophic effects of the world’s 7.5 billion people on the planet. Given that there will be nearly 10 billion people by 2050, the market’s impact will only grow. But business students are offered very little education on the mechanisms through which business activities affect the natural environment—resource extraction, supply chains, manufacturing, consumption, and disposal. MBA students must be provided with some degree of scientific literacy to responsibly manage their companies. One useful tool is what scientists have defined as the nine “planetary boundaries,” (Steffen et al, 2015) “thresholds below which humanity can safely operate and beyond which the stability of planetary-scale systems cannot be relied upon” (Gillings & Hagan-Lawson, 2014). Lancaster University Professor Gail Whiteman calls these the “key performance
indicators” (KPIs) of the planet, and business leaders would do well to understand them and how we are changing them. In this way, we may begin to examine and alter notions of unbridled consumerism that are setting society on a collision course with the ecosystem. At the root of it, the belief that perpetual economic growth is either desirable or even possible comes into question, to be replaced by offering products and services with a mindset of sustainable consumption that provides for human needs in ways that are not tied solely to the accumulation of material goods (WBCSD, 2011). (The sharing economy is one such example.)

**Add social and political science to the MBA curriculum** | One disservice that we offer to MBA students is the implicit assumption that business is disconnected from any responsibility to its social environment. Yet, the actions of companies have a direct bearing on the stability of societies. Unemployment, income inequality, and lack of access to basic needs are extremely dangerous for the future of society and the future of capitalism. Nobel laureate economist Joseph Stiglitz has warned that the worsening of these problems is destroying both our economy and its moral foundations (White, 2015). Instead, he argues that the rules of America’s economy must be rewritten to benefit everyone, not just the wealthy. Such a concern takes on additional weight, as business takes a stronger role in civic foundations of our society, like health care and education (Bruni, 2018). To enter such domains responsibly, business managers need to be taught the full social implications of their actions and the ways in which the simplistic motivations of scale efficiencies and lower costs can lead to social instability as wealth is accumulated into fewer hands: workers lose their jobs, their livelihoods, and their well-being; large retailers kill local business and export profits to a headquarters elsewhere; or financial traders move large investments from one country to another in search
of more favorable payback but cause economies to collapse (such as the Asian Financial Crisis of 1997). Each of these actions has moral implications for both local and national economies (Soros, 1998), but the ramifications for such actions are missing in the standard MBA curriculum.

Post-program guided aspirations | Before signing any oath to “create value responsibly and ethically” for the greater good, future business leaders would be well served by a final self-examination of what kind of life they want to live in the name of continuing their chosen calling after leaving graduate school. What kinds of companies do they want to run? What will be their leadership and management style? What kind of legacy do they want to leave? How does that legacy include their impact on the world’s people and environment? Such self-examination should go beyond their professional selves. These students, for example, will likely earn significant salaries. To what end shall they devote them? Will they use their earnings to buy a home in a gated community, isolating themselves from society, or will they involve themselves in the world around them? Will they become philanthropists (to causes other than donations to their alma mater)? Will they sit on the boards of organizations in the nonprofit, health care, or other service-oriented fields? What are the expectations and obligations of such service? Will they run for elected office or play a role in local administration? These questions are rarely, if ever, touched upon as we train our future business leaders. But a continuation of the guided reflection throughout their MBA education may conclude with some final considerations for how they might like to guide their careers in ways that are more civic-minded.

Training Tomorrow’s Business Leaders
Many of the ideas presented here may seem heretical in today’s world of business education. Yet, present-day heresies often become the dogma of the future—and we can see some of these dogmas beginning to emerge in multiple domains. In the words of William Gibson, “the future is already here—it’s just not very evenly distributed.” Some will say that there is no room in the curriculum for such additions. Yet, leaving aside space that is taken up for clubs, social activities and group vacations, the emergence of new forms of education tools (such as those utilized on social media) and innovations in curriculum design (such as moving beyond standard semester-long courses) can open up possibilities for introducing new topics. In fact, many of today’s MBA students can already see the changes that their education does not address, and they are hungry for the chance to become the business leaders that will usher them further into today’s world (see the powerful critique by MIT MBA student John Benjamin (2018)). They are very receptive to the idea of a calling or vocation motivating their professional and personal lives. It is the business school faculty and curriculum that are not keeping pace.

Twenty years ago, graduate students who wanted to change the world turned to schools of public policy and nonprofit management for their training. Today, many are turning to schools of business management. One survey shows that 88 percent of business school students think that learning about social and environmental issues in business is a priority (Net Impact, 2014). Another survey shows that 67 percent want to incorporate environmental sustainability considerations into whatever job they choose, and, when looking for full time employment, 83 percent state they are willing to take a salary cut for a job that makes a social or environmental difference in the world (Yale University/WBCSD, 2015).
“We are entering a very interesting period of history where the responsible business world is running ahead of the politicians,” Unilever CEO Paul Polman says, and business needs to take on a broader role to “serve society” by placing “the greater good ahead of self-interest” (Saunders, 2011) Now that he is stepping down as CEO, the question becomes, who will take his place? If business schools do not train the next generation of business leaders to continue this vision, the answer is uncertain. Maybe these leaders will emerge despite an incomplete graduate training program. But why leave that to chance? Business schools have an obligation not only to business but to society and their students to provide up-to-date training that includes a full recognition of responsibilities that business has towards solving the challenges of the 21st century.
References


