Business Education as if Society Really Matters

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ABSTRACT
Mounting concern over capitalism’s inability to address systemic challenges in our natural world (i.e. climate change) and social world (i.e. income inequality) are prompting disenchantedment among the general public, politicians and business leaders. This has prompted some powerful reassessments of the role of the corporation within multiple business groups. Yet, such reassessments have not been prominent within the nation’s business schools. This article proposes that this is an opportunity to address this crisis by reexamining the foundations and philosophy of business education. In line with recent statements by the Business Roundtable, BlackRock and the World Economic Forum, it is time to move away from training simply for a career to earn a living and towards one of discerning a calling in management. This shift would prioritize wisdom alongside knowledge and augment management science with natural and social science to help students understand the full scope of the impact that business has on the worlds of which they are a part. To do this, business schools must first discard the exploitive principles that animate the present curriculum and articulate a clear statement of aspirational principles that will guide all aspects of the education they provide. These principles will prepare students to become stewards of the market, creating and not exploiting wealth, understanding the balanced purpose of government and examining their role as citizen in a world in which they will have much power and therefore much responsibility.

The paper also discusses obstacles to such a grand revisioning – inertia, business school rankings and professorial reward structures– and warns of the consequences if the challenges of this “great work” are not met.

Keywords:
Business Education, Climate Change, Income Inequality, Vocation, Calling
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In 2019, 200 chief executives from the Business Roundtable issued a statement that redefined “the purpose of a corporation” as investing in employees, protecting the environment and dealing fairly with suppliers to assure “the future success of our companies, our communities and our country.”¹ That same year, Laurence Fink, CEO of BlackRock, the world’s largest asset manager, sent a letter to CEOs telling them that they have a responsibility to make “a positive contribution to society.”² In 2020, the World Economic Forum published a “manifesto” after its annual Davos conference that redefined “the universal purpose of a company” as one that “serves society at large...supports communities...pays its fair share of taxes...acts as a steward of the environmental and material universe for future generations.”³ None of these statements rejected the idea that companies need to deliver profits, but all reexamined the role of the corporation in society and questioned the notion that shareholder values is its primary and over-arching purpose.

These aspirational statements are markers of what Intel cofounder Andy Grove called a “strategic inflection point” in the market.⁴ Realizing that inflection point by putting them into practice will require far more than incremental adjustments to business practice. It will require systemic changes that go deep into the foundations of business practice, overcoming existing foundations that presently compel business executives, in the words of corporate attorney James Gamble, “to act like sociopaths,” running their company as “a textbook case of antisocial personality disorder” in which it “is obligated to care only about itself and to define what is good as what makes it more money.”⁵ Yet, as the business world grapples with this challenge, a comparable and systemic reassessment within the foundations of business education has yet
to be engaged. Where academics are often a lag indicator of what is happening in practice, it is
time for business schools to be a leader in understanding and articulating the inflection point
before us. The world of practice needs this leadership and the next generation of business
leaders are demanding it.

There is an opportunity before the business school world to respond to critiques that
had been happening for years,6 and answering a challenge that Harvard Business School
Professor Rakesh Khurana presented in 2010: “The time has come to rejuvenate the intellectual
and moral training of future business leaders.”7 The opportunity arises today because society is
faced with two systemic challenges that are creating a crisis in capitalism which threaten to
undermine our planet and our society. The first is unprecedented climate change that is
inflicting misery on increasing numbers of people as storms, droughts, wildfires and other
environmental instability threaten food supplies, water availability, safe living environments
and a stable economy. The second is alarming levels of income inequality that is inflicting
hardship and hopelessness on increasing numbers of people, leading them to distrust the
market as unfairly favoring the rich8 and looking with increasing interest to populist anti-
corporate messages or socialism.9

To counter these worrying trends, business must play its proper role in solving the crises
that society faces. The market is the most powerful institution on earth and business is the
most powerful entity within it. One may lament that fact but it is a fact. Business transcends
national boundaries, possesses resources that exceed those of many nation states and has
unmatched powers of ideation, production, and distribution. Indeed, if there are no solutions to
society’s challenges coming from business, there will be no solutions at the scale we need. And
without visionary and service-oriented leaders, business will never even try to find them. While
Anand Giridharadas is offering compelling arguments that this will not happen, that present-
day business leaders (whom he calls “plutocrats”) will not implement any systemic remedies
that would alter their source of wealth, business schools have an important opportunity to
prove his prognosis wrong.

But to do that, systemic changes are needed. Incremental changes such as adding new
electives, co-curricular content, or an oath at the end of the program will not be enough. To
teach business as if society really matters, there must be a fundamental shift in the philosophy
of business education. Business schools must develop a new kind of leader, one that is focused
on mastering the domains of commerce and also serving society in the practice of that craft. To
develop such a leader, business schools must cultivate the individual notion of a calling in
management, one that augments individual economic gain with the responsibility to steward
the natural, social, political and economic worlds that serves us all. Future business leaders
must be assisted in cultivate an attuned sense of wisdom, judgement and character to guide
the application of the traditional skills of management. Rather than exploit a flawed or broken
market or political system for personal gain, future business leaders must take ownership for
maintaining balanced and sustainable institutions in which business is transacted. This is an
enormous challenge but whether we respond is a choice that is ours to make. Business schools
will either be part of the solution and a force for constructive and aspirational change or a part
of the problem by maintaining the status quo.
The Challenge for Capitalism

Capitalism, the system that raised the standard of living for millions of people over the course of centuries, is now in crisis. This concern comes, not just from critics outside the market, but from many within it. In the words of economist and Nobel Laureate Joseph Stiglitz, capitalism is in need of being “saved from itself.” 11 Marc Benioff, CEO of Salesforce, warned that “capitalism, as we know it...with its obsession on maximizing profits for shareholders...is dead.” 12 Former Unilever CEO Paul Polman, called capitalism “a damaged ideology” that “needs to be reinvented for the 21st century” 13 to “serve society” by placing “the greater good ahead of self-interest.” 14 In 2019, The Washington Post noted that capitalism’s future is “for the first time in decades...a source of growing angst for America’s business elite.” 15

The critique of modern capitalism generally centers on two key failures: the deepening climate crisis and widening income inequality. But, these two issues are each markers of something far bigger. They are not simply externalities that can be addressed through incremental adjustments to the present system. They represent deep systemic failures in our economic and political institutions which will require proportionally deep structural changes.

**The market’s failure in our natural environment.** Scientists have set a boundary limit for atmospheric CO₂ at 350 ppm to maintain a stable environment and we are now at 400 ppm and climbing. These elevated concentrations are increasing the frequency and intensity of wild fires, droughts, hurricanes, temperature fluctuations, seal-level rise and more. In fact, scientists are now beginning to realize that they vastly underestimated the speed at which climate change would make its presence known. 16 Naturalist David Attenborough warned business leaders at Davos in 2019 that global economic growth is “possible because for millennia, on a
global scale, nature has largely been predictable and stable. Now in the space of one human
lifetime - indeed in the space of my lifetime - all that has changed...the Garden of Eden is no
more.” The Intergovernmental Panel on Climate Change has warned that if we don’t come to
terms with this issue by 2030, damage to the global climate will be irreversible.

But climate change is one marker of a more expansive systemic shift that scientists
believe represents a new reality for humanity. They have proposed that we have left the
Holocene and entered the Anthropocene - the Age of Humans - to note the dominating
influence that the world’s 7.5 billion people, soon to be 10 billion by 2050, are having on the
planet. To empirically describe this shift, they have identified nine “planetary boundaries,”
which represent thresholds beyond which we should not go if we want to maintain a safe
environment for life on Earth (see Figure 1). We’ve crossed three already: climate change,
species extinction (scientists set a boundary limit of 20 species per million per year and we are
presently over 100) and nitrogen pollution (a boundary limit of industrial and agricultural
fixation of N₂ has been set at 35 teragrams per year and we are presently at 121). Scientists are
monitoring another five: deforestation, fresh water use, atmospheric particulates, chemical
pollution, and ocean acidification. One is on the mend: ozone depletion has been reversed after
the Montreal Protocol on Substances that Deplete the Ozone Layer was enacted in 1987,
leading to an expected recovery of the ozone layer by the middle of the 21st century.

As these boundaries make clear, the Anthropocene is not an environmental problem
like those we have faced in the past. It is a systemic market failure, leading some to suggest
that this new epoch be called the “Capitalocene,” as it is the market that accelerates raw
material extraction, energy use, material consumption and waste releases in its continuous
pursuit of profit and economic growth. And now, climate change threatens the continued stability of that market as costs to the US economy alone could reach hundreds of billions of dollars per year in lost labor productivity, declining crop yields, food shortages, early deaths, property damage, water shortages, air pollution, flooding, fires, and more. In 2020, a survey of the World Economic Forum at Davos found that climate-related risks were listed as the top five concerns, the first time that has happened in the survey’s 14-year history. The Bank for International Settlements, an umbrella organization for the world’s central banks, warned that same year that climate change could be one of the largest economic dislocations in history and “our community of central banks and supervisors cannot consider itself immune to the risks ahead of us.” 16-year-old Swedish climate change activist Greta Thunberg put the charge on more blunt terms at the United Nations Climate Action Summit in September 2019, accusing world leaders and executives that, “We are in the beginning of a mass extinction. And all you can talk about is money and fairy tales of eternal economic growth.” Her charge could be leveled, not only at business leaders, but at business schools as well.

- Insert Figure 1 here -

The first place to look is income disparities. Between 2009 and 2012, 91% of all income growth was enjoyed by the wealthiest 1% of Americans, and they still pushed for more tax relief in the present administration. In 2018, nearly 100 companies in the Fortune 500 had an effective federal tax rate of 0% or less. At the same time, CEO compensation grew at double the pace of ordinary workers’ wages; between 2017 and 2018, the median CEO salary increased by 6.3% to $18.6 million. That caps off a period when the share of income earned by the
richest 1% of Americans increased from 10% of the total economic pie in 1979 to 20.1% in 2013.28

A more startling imbalance in assets draws a picture that is even more bleak. In 2014, the top 1% of American households possessed 38.6% of the nation’s wealth, while the bottom 50% possessed -0.1% (that is not a typo).29 Data suggests this will only get worse as the problem is chronic. Of Americans born in 1940, 90% ended up richer than their parents. Of Americans born in 1980, only 50% are expected to do the same as the wage-quality of jobs steadily declines, with younger workers (aged 18-34) seeing the highest decline.31 Today, the 3 wealthiest Americans have more wealth than the bottom 50% (one-fifth of Americans have zero or negative net worth).32

And this trend is being repeated around the world. The World Inequality Report found that “income inequality has increased in nearly all world regions in the recent decade”33 and the wealthiest 26 people in the world now own as many assets as the bottom 50% of people on the planet.34 The World Economic Forum reported that “most economies are failing to provide the conditions in which their citizens can thrive, often by a large margin.”35

The ultimate outcome of these disparities is that shocking numbers of people now lie perilously close to economic calamity and this is a breeding ground for discontent, anger, resentment, disengagement and possibly violence. Nearly 40% of Americans are unable to pay for a $400 emergency36; 78% live paycheck to paycheck37; 44% earn about $18,000 per year38; and 42% have saved less than $10,000 for retirement.39 A recent study linked this inequality with the 3 year decline in life expectancy for Americans between 2015 and 2018. While suicide and opioid addiction are the direct cause of the decline, the study concluded that it is economic
insecurity and despair that is the underlying cause. And underlying that economic insecurity are systemic market and political failures as Joseph Stiglitz pointed out, “inequality is a choice—not by those who suffer its pernicious effects, but by those who create the game and decide, or at least influence, how it is played.... The U.S. as a country needs to ask, and answer, some basic questions—Who gets to set the rules? What values should they reflect? What’s fair? What do we owe to one another—and reshape our society accordingly.” Increasingly, it is powerful interests that are creating the game and deciding how it is played, and corporations are an increasing part of those interests.

**Growing corporate power.** Adam Smith warned in *The Wealth of Nations* that corporations are “an order of men whose interest is never exactly the same with that of the public; who have generally an interest to deceive and even to oppress the public.” James Madison wrote in *The Federalist Paper No. 10* that special moneyed interests “grow up of necessity in civilized nations, and divide them into different classes, actuated by different sentiments and views. The regulation of these various and interfering interests forms the principal task of modern legislation.” Today, their warnings appear to be ignored as corporations grow in power and governments have been weakened in their ability to control them.

Corporations spent $3.4 billion for lobbying in 2018. Of the $1.3 billion spent by super PACS in the 2018 election cycle, corporations in the finance, insurance and real estate sectors gave a combined $595 million. And corporate executives also give as individuals; casino magnate Sheldon Adelson singlehandedly gave over $100 million to political candidates in 2018. This level of influence is straining government’s ability to set even the most
A study from Northwestern and Princeton Universities found that economic elites and narrow interest groups were very influential in the establishment and form of federal policy between 1981 and 2002 while the views of ordinary citizens had virtually no independent effect at all, concluding that “the preferences of the average American appear to have only a minuscule near-zero, statistically non-significant impact upon public policy.”

This is dangerous for a stable society. Ray Dalio, founder of Bridgewater Associates, the world’s biggest hedge fund, calls income inequality an “existential threat,” warning that we could face increased populism, conflict and “revolution of one sort or another” if the system is not fixed. That is a challenge, not only for business, but also for business education.

**The Challenge for Business Education.**

Business schools have a role to play in reshaping capitalism and the market in ways that will avoid the social and environmental catastrophes we now face. In the end, if we want to change business to be more responsive to society’s needs, we must change how tomorrow’s business leaders are trained. But the business school has not met that challenge and many of the critiques for that failure come, not only from outside, but also from with the ranks of business school graduates themselves. “Elite business schooling is tailored to promote two types of solutions to the big problems that arise in society: either greater innovation or freer markets,” M.I.T. Sloan School of Management MBA student John Benjamin wrote in a 2018 *New Republic* article, adding “Proposals other than what’s essentially more business are
brushed aside” as the curriculum stifles discussion of the common good while emphasizing the over-riding objective of profit maximization as unquestioned. Rather that cultivating open-minded stewards of the economy, he argued, they are taught to ignore shareholder capitalism’s obvious ethical lapses and avoid any kind of systemic analyses of it. In a 2019 *American Affairs* essay, Harvard Business School graduate Sam Long described an educational system that produces “a business elite dominated by financiers and their squires, presiding over a disordered economy gutted of both its productive energy and the ability to generate mass prosperity.”49 Many students feel the same way wrote Mariana Zanetti, a graduate of the Instituto de Empresa Business School in Madrid but will not express those views out of fear of hurting their careers.50 A business student at Michigan quietly told me that she feels that her values are under attack every time she walks into the business school building. Another told me that her peers have questions about the form and role of business in society but are frustrated to find no opportunity to discuss them within the curricular structure.

This value tension may not be so unusual. Craig Smith, a professor of ethics and social responsibility at INSEAD, told the *Financial Times* that “students come in with a more rounded view of what managers are supposed to do but when they go out, they think it’s all about maximizing shareholder value.”51 Business journalist Duff McDonald wrote that the MBA classroom is devoid of normative viewpoints, “has always cared less about moral leadership than career advancement and financial performance” and as a result, creates “a generation of corporate monsters” who lack “a functioning moral compass.”52 In 2018, business professor Martin Parker argued in *The Guardian* that “we should call in the bulldozers and demand an
entirely new way of thinking about management, business and markets.”\textsuperscript{53} It may be that the bulldozers have arrived.

**The MBA’s decline may be an opportunity for change.** Applications to American MBA programs have fallen every year between 2014 and 2019, by 9.1% between 2018 and 2019 alone.\textsuperscript{54} Explanations for the decline vary. Some are exogenous to the MBA: shifts in US immigration policy, trade and political tensions with China, the strong economy and competition from business schools in other parts of the world. But some speak to problems in the MBA itself. In the words of Chris Bones, former dean of the Henley Business School, “The core product of an MBA has hardly moved at all and the sector is failing to create new products and services that can make a real difference to business in the 21st century.”\textsuperscript{55} In 2018, Steve Denning asked in *Forbes* magazine why do “today's business schools teach yesterday's expertise?”\textsuperscript{56}

For many, the degree’s primary value is becoming more about screening and access to a network. A consulting firm recruiter once quipped that she would much rather hire from the acceptance list at a top business school than the graduate list and save the student a lot of money. Stanford Business School Professor Jeffrey Pfeffer noted that, “a degree has a value only if the degree is scarce, and the MBA is completely unscarce,” adding that unless you go to an elite school “an MBA is a complete waste of money.” Irakli Berdzenadze, CEO of I.B. Capital Management is even more dismissive, warning that if you wish to become successful in business “don’t waste your money and time on an MBA.”\textsuperscript{57}

In such a declining market, one faces two predominate response strategies. The first is to exit the market and that seems to be happening. The number of schools offering MBAs
dropped 9% between 2014 and 2018 and many predict a continued drop in the top 100 American MBA programs in the years ahead, with even more closures among second- and third-tier schools.58 The second strategy is to innovate and differentiate, recognizing the crisis facing capitalism and providing the kind of training that business leaders need to address the systemic challenges of the 21st century.

The second strategy is to innovate and differentiate, recognizing the crisis facing capitalism and providing the kind of training that business leaders need to address the systemic challenges of the 21st century.

Such a strategy would seem to be consistent with the changing market. Today’s business students and future business leaders are increasingly drawn to business in order to channel the power of the market towards addressing society’s challenges, hungry for a model of business that looks beyond shareholder value as the sole purpose of the corporation. According to a 2014 survey, 88% of business school students thought that learning about social and environmental issues in business should be a priority.59 A 2015 survey found that 67% wanted a job that made a social or environmental difference in the world and, when looking for full time employment, 83% stated they would be willing to take a salary cut to do it.60 A 2019 survey found that business ethics entered the top 5 most popular subjects for the first time, nearly 25% of incoming students wanted a job focused on social impact after graduating, and nearly 50% wanted to do so later in their careers.61 This is creating pressure on business schools to change, but the primary innovation thus far has been the creation of new electives, not a reevaluation of the overall curriculum. Meeting the needs of this segment of the market will require a reexamination of the foundations of business education.
Reinventing Business Education

Rakesh Khurana wrote that, though business schools were “originally founded to train a professional class of managers in the mold of doctors and lawyers to seek the higher aims of commerce in service to society,” the modern business school format has “effectively retreated from that goal, leaving a gaping moral hole at the center of business education and therefore, management itself...Professional and moral ideals that once animated and inspired business schools have been conquered by a perspective that managers are merely agents of shareholders, beholden only to the cause of share profits.” 62

The consequences are dire if business schools do not begin to seek the higher aims of commerce in service to society. Organizational scholars Dick Scott and Jerry Davis wrote that the action of corporations, “affects - some would insist that the proper term is infects - virtually every sector of contemporary social life.”63 They decide how we will live and adapt in a world that climate change, income inequality and other social and environmental issues are altering. Corporations can, at their best, “be vehicles of social progress and the solution to basic problems” or, at their worst, “provide the tools to multiply the effects of the darkest of human impulses.” The crisis of capitalism in which we now find ourselves is an opportunity to take this warning seriously and rejuvenate management education to create business leaders that will embrace the former and challenge those who strive for the latter. Creating such leaders will require a significant transformation in the business school structure, pedagogy and ultimately purpose; a kind of innovation that has not been performed for decades.
The consequences if business schools do not rejuvenate their intellectual and moral training are dire.

Reexamine the “why” of business education. Why do people come to business school? Unfortunately, a business degree is increasingly measured by “return on investment” with “return” measured as some “vaguely understood objectives: status, wealth—‘success’” which usually translates into money.\(^6\) That, sadly, leads many to jobs in consulting or finance\(^6\) because that’s where the highest salaries are.

But business schools could train business leaders in a new mold, one that includes the basics of business management but also teaches about the vast power that business leaders possess to shape and guide our society, and the responsibility that comes with that power. In that pursuit, they must be encouraged to look deep inside themselves to consider management as a calling — a move away from the simple pursuit of a career for private personal gain and towards a higher professional and moral purpose of leading commerce in service to society. This involves bringing the whole person into the education process, developing a deeper sense of personal conscience to help them better manage the power they will possess. For example, while there may be economic value for a company in shirking tax responsibilities, dumping pollution or exploiting vulnerable labor markets, a strong education in personal purpose can create the strength of character to reject such strategies, serving not only the company, but also the community and the country.

The process of developing that conscience and exploring one’s calling cannot be accomplished by integrating new considerations into the existing core curriculum. It requires a new approach to and structure of the curriculum, one that begins with a process of
discernment by which students are both charged with a system of aspirational principles and encouraged to explore their own. Unfortunately, today’s business education allows no such reflection. Classes, clubs, social activities, and the hunt for the first summer internship dominate their attention from the moment they arrive on campus. Guided discernment would counter the herd mentality that this pressure creates, leading to 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.

Move beyond teaching knowledge and instill wisdom. At present, business schools teach knowledge. This is what fills our research journals and it is driven by theory and analysis that helps us first turn data into information and then turn that information into knowledge. The first step takes data in the form of artifacts, symbols and information and examines relations for creating categories of information for analysis. The second step takes that information and examines patterns that allow us to develop useful “know-how” (see Figure 2). But to turn that knowledge into wisdom requires one more step of an appreciation for principles. And that is something that business schools have not addressed well.

Before World War II, business education was based primarily on business executive’s career reflection and experience. It was seen as lacking rigor, providing undemanding training for students of limited talent. Beginning in the 1950s, the focus shifted away from pragmatic experience and more towards the scientific method in its training. Theoretical models began to replace practical experience. As a result, theories like principal-agent theory and neo-classical
economics were elevated as tools for explaining corporate behavior, out of which came the
notion of shareholder primacy. The business school critiques being raised today signal a call to
rebalance theoretical analyses with pragmatic realities, both for the business manager and
society. Wise business leaders do not make decisions based solely on patterned information,
regression analyses and p-values. Instead, she or he assesses that knowledge and makes a
decision based on wisdom, character, judgment, and integrity. Many of the problems we face
in today’s world are caused by applying knowledge without wisdom; “we act but we do not act
wisely.” We apply economic or technocratic solutions to problems that require a broader
understanding of spillover effects and unintended consequences. When business logic
becomes the only logic for evaluating decisions, something is lost and our approach becomes
incomplete.

For example, economic thinking may lead us to see the value of a forest in terms of its
market value as lumber or a carbon sink. But that means that it will only be protected until a
higher economic value is found. Such reasoning, though logical, ignores the many values of the
ecosystem that is a forest, which includes its ability to absorb carbon dioxide to forestall climate
change as well as the complex array of life forms within it and their intricate interconnections
and dependencies. It also ignores any deeper meaning and purpose that may be inherent or
derived. So, the simple act of cutting down a forest and replanting it with acres of corn, wheat,
barley, or even more trees is not equivalent; it destroys the ecosystem and its many known and
unknown values. Instead of a purely self-interested and economic approach to issues like these,
wisdom will lead us to ask deeper questions, as author Duane Elgin does about climate change,
“When will humanity express its moral outrage that it is wrong to devastate an entire planet for
countless generations to come, just to satisfy the consumer desires of a fraction of humanity for a single lifetime?” But when someone prefaces a statement with “speaking as a business person,” they are excluding the possibilities of applying this kind of wisdom and the broader moral, cultural and social values that it entails.

**Make a stand on aspirational principles.** Teaching wisdom requires a set of aspirational principles. This is not a call for a “value statement” on which to “brand” a business school in a differentiated market. And it is not a call for more electives on ethics as an add-on to an overall curriculum that professes a different set of values. It is a call to make a clear declaration of aspirational principles that guide all aspects of the business school structure: how it selects and socializes its students; structures the curriculum, co-curriculum and pedagogy by which they are molded; invites recruiters for placing them in positions of leadership; chooses the role models to elevate as exemplars of the principles they seek to reproduce; accepts donations that often leave a physical and cultural imprint on their facilities; and guides the research and rewards of its faculty.

Teaching a set of aspirational principles is something that many of my colleagues are uncomfortable doing. They question whether business faculty have the legitimacy to enter such a value based domain. But, we often fail to recognize that we are already professing a set of principles whether we acknowledge it or not. For example, we teach that the purpose of the corporation is to make money for its shareholders, paying far less attention to the fact that there is no solid basis in corporate law for this idea and that it leads to negative outcomes such as short term thinking and a focus on only the type of shareholder who is, in the words of Cornell Law professor Lynn Stout, “shortsighted, opportunistic, willing to impose external costs,
and indifferent to ethics and others’ welfare.” Instead, Peter Drucker offered a different view that the purpose of the corporation is to identify and serve a market and that “the business enterprise...exists for the sake of the contribution which it makes to the welfare of society as a whole.” This view is more in-line with recent statements from the Business Roundtable, BlackRock and the World Economic Forum.

Going further we teach that economic efficiency is an undisputed good and that cheaper products are always in our best interests, even if local communities are damaged by outsourced jobs or the introduction of big-box retailers hollows out Main Street commerce and destroys local civic and entrepreneurial capabilities. We teach that continuous economic growth is possible; that government has only a limited role in the market; that the environment is an unlimited source of materials and a limitless sink for waste; that people are largely driven by avarice, greed and self-interest; that work is merely a supply chain input and the worker is merely a human resource. And we use testosterone laden metaphors, particularly in the core curriculum, of capturing market share, eliminating the competition and engaging in a Darwinian competition to win at all costs. Before teaching new aspirational principles, we must recognize and stop teaching exploitive principles such as these.

Exploitive principles lead to a way of thinking that is contrary to the aspirational statements of serving society that opened this essay. Indeed, Joseph Stiglitz is critical of the ways in which we conceive of the market today, “the neoliberal fantasy that unfettered markets will deliver prosperity to everyone should be put to rest...The rampant dishonesty we’ve seen from Wells Fargo and Volkswagen or from members of the Sackler family as they promoted drugs they knew were addictive — this is what is to be expected in a society that
lauds the pursuit of profits as leading, to quote Adam Smith, ‘as if by an invisible hand,’ to the well-being of society, with no regard to whether those profits derive from exploitation or wealth creation.”

The shift from exploitive to aspirational principles requires that we take a normative stand on what kind of world we want and what kind of leaders we want to take us there. It is a shift in focus from “wealth extraction” to “wealth creation,” moving away from “wealth grabbing or rent seeking, trying to steal a larger fraction of the economic pie” and towards a recognition of “the true sources of wealth of a country and…the ability to get wealthy by creating wealth and contributing to society.”

This will require some deep structural changes in the curriculum. To focus on wealth creation, we need business leaders who can balance their corporate interests with their role as stewards of the market, knowing when it should change and how to effect such change. To prepare for such a role, the curriculum must critically examine the role of businesses in society, the role of the manager in leading them and the system in which they will practice their craft - capitalism. This means that we can no longer take the form and function of capitalism as unquestioned, but instead guide students in a clear understanding of how multiple capitalism(s) are structured, the underlying models on which they are based, how they have evolved into the form we know today, where they have failed and what multiple forms might they take in the future. Only with this kind of deep education in the foundations of capitalism as a set of human-made institutions that are meant to serve humankind can they properly guide and amend it to address the systemic problems we face today and will face in the future. As Fox News commentator Tucker Carlson put it, capitalism is “a tool, like a staple gun or a toaster.
You’d be a fool to worship it. Our system was created by human beings for the benefit of human beings. We do not exist to serve markets. Just the opposite. Any economic system that weakens or destroys families is not worth having. A system like that is the enemy of a healthy society.”

Part of this education must include education on the important role of government in the market. While the current public and political debate over collusion between government and large corporations, “crony capitalism” and unfair competition leads to questions of more or less government, business education should focus on the search for a balanced and collaborative level of business-government engagement. As Jerry Taylor, President of the libertarian Niskanen Center, pointed out, “where ever we look around the world, when we see inconsequential governments with limited power, as libertarians would prefer, we see ‘failed states.’ How much liberty and human dignity can be found there? Very little.” In proposing solutions to capitalism’s crisis, Joseph Stiglitz made clear that “The prescription follows from the diagnosis: It begins by recognizing the vital role that the state plays in making markets serve society...Markets don’t exist in a vacuum; they have to be structured by rules and regulations, and those rules and regulations must be enforced.” The development of those rules and regulations has and will continue to be influenced by corporations and the executives that lead them. Therefore, they must be taught to think of government influence in general, and lobbying in particular, as a service in the interests of making a fair, equitable and sustainable economy for all and not just the wealthy few.

Part of curriculum redesign must also include an understanding of the broader social and environmental implications of business decisions for the rest of society, both now and into
the future. For example, future business leaders should have enough natural science literacy to understand how business activities affect the natural environment through resource extraction, supply chains, manufacturing, consumption, and disposal. With such literacy, they may begin to examine notions of sustainable consumption that disentangle profits from material or energy use or approaches to greenhouse gas emission reductions which strive for carbon neutrality, something that increasing numbers of companies are attempting, and carbon negativity, a goal that Microsoft announced in 2020. Similarly, future business leaders should have enough social and political science literacy to understand the implications of tax policy, wage requirements, health care and other ways in which the market and policy affects the daily lives of the people that rely on them.

Finally, it is critical to help future business leaders examine citizenship. Business students earn significant salaries – the median starting salary for an MBA graduate in 2019 was $110,000, while the top consulting firms offered an average starting salary of $165,000 per year with a starting bonus of $65,000 – and their salaries will continue to grow; the median CEO salary in 2018 was $18.6 million. To what end shall they devote this wealth? Will they use their earnings to buy a home in a gated community, cutting themselves off from the society of which they are a part? Or will they involve themselves in the world around them? Future business leaders should be made aware of the opportunities to serve by sitting on the boards of organizations in the non-profit, health care, or other service-oriented fields; running for elected office or playing a role in local administration, and; become philanthropists (to causes other than donations to their alma mater). These roles for the corporate executive are rarely, if ever, touched upon as we train our future business leaders about the entirety of the role they are
about undertake. But a guided reflection on these questions, including exposure to business leaders who have answered them in socially and environmentally positive ways, can help yield business leaders who are more civic-minded and less self-oriented.

The obstacles are large. Reimagining business education will be hard and will face enormous amounts of resistance, for which a paper could be written about each, but only three will be touched on here. The first is inertia. The MBA has been packaged as a product and its form differs in only minor ways among business schools. Professors know how to teach their core courses and the curriculum remains as it has for decades. Expending the social energy and economic cost to restructure such a known and familiar commodity will be resisted by many who are familiar with how it has been done for years or even decades. Further, the curricular changes proposed here require a thrust that moves away from the traditional examination of how firms can create competitive advantage, and begins to examine critiques of capitalism as a way to improve it. The second is differentiation. Any deviation from the all-powerful business school rankings will be a bold move by any dean. Rankings heavily influence the number and quality of applications, the types and prestige or recruiters, the desirability among faculty recruits, and the influx of contributions from donors. But rankings also place schools in a “commodity trap,” tending to homogenize education content, stifle innovation and provide wildly misleading scorecards that synthesize the quality of an educational experience into an inaccurate single number. Yet, many deans and schools will be hesitant to buck them by making radical departures from their standards of business education. The third obstacle is the metrics of academic success in annual reviews and promotion & tenure decisions. These
metrics prioritize the production of theoretical academic research for narrow academic audiences over work of more direct interest to students, businesses and society.

But these obstacles are being eroded from various directions. MOOCS, online education and social media are already creating flux in business school pedagogy. Accreditation boards, like the AACSB, are moving towards adding practical relevance to its review processes. Journals are under pressure to change the kinds of research they publish - the Responsible Research in Business Management network, for example, is pushing academic journals to produce more work of social and political relevance.

All of these efforts blend the aspirational statements of today’s business organizations with the aspiration statements that could guide business education. In 1998 and again in 2017, AAAS President Jane Lubchenco called on academic scholars to fulfill “scientists’ social contract” with society and use research and teaching to address society’s needs and yield a better and more informed world. If we do not adopt this ethos, University of Michigan President Mark Schlissel, warned that the entire academic enterprise “is going to suffer in society’s eyes…the willingness of society to support us will decrease.” That may be already happening; a 2017 Pew Research Center survey found that 58% of Republicans and Republican-leaning independents say “colleges and universities have a negative effect on the way things are going in the country.”

Conclusion

This essay is intended as a provocation to guide business schools back to their early aspirations of training the pillars of commerce to serve society, in a similar spirit we use to train
doctors and lawyers. It is about embracing a revitalized set of professional and moral ideals that, in many ways, were once the foundation of higher education more broadly. If there was ever a place that those ideals are needed in today’s world, it is in our business schools. Business leaders must be economically literate enough to create successful enterprises, but they must also have the scientific literacy and wisdom to understand how those enterprises are causing damage to our natural and social worlds. Only these kinds of leaders can create a strong economy that “serves society at large...supports communities...pays its fair share of taxes...acts as a steward of the environmental and material universe for future generations” as the World Economic Forum aspired in its 2020 Manifesto.

With such business leadership, we can envision a far better world than the one we may be heading towards. Production processes could become circular in nature, eliminating both the use of virgin materials and the disposal of waste. Communication processes could be transparent, where all corporate activities (such as political lobbying, workplace conditions, fair wages paid, environmental impacts) are visible to all so that the “invisible hand” or the market can guide all aspects of fair competition. Marketing tools and capabilities could inform consumers on the collective social, environmental, political and economic impacts of their individual consuming choices. Organizations could be structured in a variety of ways that empower employees (ESOPs), the community (COOPs), or social and environmental considerations (Benefit Corporations). Human resource, job design and reward systems could help employees flourish and gain greater meaning and purpose through their work. Accounting and finance models could incorporate social and environmental considerations alongside economic metrics to inform management decisions that fully consider the corporation and
society. We could rethink consumption, disconnecting revenues from materials, energy or human exploitation. We could learn how to be a net positive influence on the environment instead of always trying to reduce our impact. We could fund the government through a tax structure that is fair, provide health care to those who need it, bring more people out of poverty and provide work that gives people meaning and purpose.

Changes in business education that lead to these kinds of outcomes may be idealistic. But the potentially catastrophic consequences of doing nothing in the face of our present crises are very real in terms of environmental calamities and social unrest. Doing nothing could also spell trouble for the future of business education. Roger Martin, former Dean of Toronto University’s Rotman School of Management, warned that if left unchanged, the business school model itself may face “bankruptcy.”84 This is the challenge before us. As cultural historian and eco-theologian Thomas Berry explained it, it is our “great work.” He wrote that “The success or failure of any historical age is the extent to which those living at that time have fulfilled the special role that history has imposed upon them...The nobility of our lives, however, depends upon the manner in which we come to understand and fulfill our assigned role.”85 The next generation of business leaders will be judged by how they respond to the challenges facing capitalism. Today’s business schools will be judged by how well we prepare them to meet that challenge.
Figure 1: The Planetary Boundaries of the Anthropocene


Figure 2: The Data, Information, Knowledge, Wisdom Pyramid
Endnotes

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