

# Business Education

*Towards Surviving and Thriving*

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I had the honor to be invited to give a speech on the survival and thriving of business schools at the European Foundation for Management Development (EFMD) conference for international and external relations, marketing, communication, and alumni professionals in Edinburgh, UK on April 13, 2016. I was grateful for the opportunity to draw on my recent study of business school development, my experience as an associate dean and a faculty member of one of Europe's largest business schools, and my experience in the Chinese and American education sectors.

I am very happy that EFMD was willing to raise the questions I address here: Do business schools face a threat to their survival? And what exactly do we mean by "survival" in the case of business schools? This inquiry also complemented the optimistic focus of the Association to Advance Collegiate Schools of Business (AACSB) at its 2016 ICAM conference—in Boston in the same month—on the future of business schools. Indeed, I believe we do have grounds for optimism, but only if they are rooted in a clear and honest review of the past and present.

This paper, based on my studies, was developed from my speech at the EFMD conference.

***What is survival?*** The dictionary says that to survive is to continue to live or exist, especially in spite of danger or hardship. Is business education in fact facing any danger or hardship that threatens its existence? If so, what is it? To answer these questions, I propose to use the lenses of ecosystem, stakeholder, and social entrepreneurship to look first at the present, then at the past, and finally at the future of the business school sector. In other words, I propose to examine (1) where we are—the internal and external environment and challenges; (2) who we were—the original roles and functions of business schools; and (3) where we are heading.

## WHERE ARE WE?

Before talking about who we are, we need to clarify where we are; that is, what internal and external challenges we face. Taking business education as a form of professional education, there are four features of our economic climate we need to consider:

- (1) The business of business schools is booming, with more and more business schools and diversified education programs.
- (2) The price of a business education is going up.
- (3) The price is being driven up by intensive competition, as measured by accreditation and ranking.
- (4) The price is also strongly influenced by economic structure (including socialist capitalism, market capitalism, and state capitalism) before and after the 2007-2008 economic crisis.

Let's examine these four features from the perspectives of the known stakeholders: students and their families, faculty, administrators, and business.

- (1) Students find it harder and harder not just to be admitted to a business school, but to afford it. Higher education has become a luxury service.

Most students have to pay tuition with a student loan or, less often, with financial aid. Recent cohorts of students bear enormous debt. In the United States, according to data from the Federal Reserve Bank (Figure 1), college loans have overtaken credit card debt and mortgage to become the most expensive of loans.

[insert figure 1]

Table X shows that to acquire a business education in the US, each student needs, on average, to borrow around \$US 100,000 with at least five percent interest. According to USA FederalStudentAid, the interest rate for unsubsidized loans for a professional education (such as law and business) was set at 5.84 percent in 2013. Due to the standardization of business education, tuitions for an MBA are typically similar in Europe, driven not only by brand and quality differentiation, but also by the student's expected socio-economic status after

graduation. Table 1 gives a rough view of the situation. For comparison, I chose the third-ranked of the top five business schools from each country.

[insert table 1 here]

The situation is similar in Europe. Even with many countries (such as the Netherlands) offering tax refunds for higher education, students who want to join MBA programs still have to prepare very well financially and calculate the opportunity cost of their MBA. In many European business schools, over half the students are foreign. European students studying business in Europe have to consider either a loan or a bonded company pay-back contract. Business education is even more expensive and competitive in China, where the ratio of tuition to income per capita is more than five times greater. For the same quality of business education that a student would get in Europe, it could take a family's entire savings in China.

It is an unhealthy phenomenon that, while unemployment is rising and economies are sluggish worldwide, the "business" of business education is booming, supported by the idea that it can help the student "change track" by increasing his or her chances of (a) finding a "decent" job, (b) avoiding layoffs, or (c) earning a promotion. Ironically, business education has been promoted as a product to invest in, given the return—in terms of salary a few years after graduation—on the investment.

(2) Faculty are the engine of business education, delivering the science of management directly to students and other stakeholders. Theoretically, to educate students is understood to include not only passing on knowledge, but also mentoring, stimulating, provoking, and engaging students, scholars, practitioners, and other stakeholders in a collective process of creating and exchanging knowledge. In recent decades, however, with thousands of business schools in operation, they have directed much effort into aspects of competition such as ranking, revenues, and socio-economic status. Faculty have had to do their part to boost these indicators, directly and indirectly, by satisfying the "academic matrix" and "teaching matrix." Academic achievement counts much more than ever, largely measured by publication in top academic journals. While the schools' desire to increase their markets results in heavier teaching loads, especially for junior faculty, the content and quality of all that teaching is less emphasized and monitored. In their battle for survival, business schools pay less attention to creating value and more attention to creating a prestigious brand and coming in higher in well-known rankings. Faculty are caught between the imperative to "publish or perish" and the challenge of making their research and their teaching relevant to practice. Yet they find it hard to use an

understanding of past phenomena to explain current phenomena and forecast future phenomena. Because they were not trained to connect their academic knowledge to business practice, they find it hard to build up and offer the practice-relevant knowledge necessary for a business education. Thus, while being on the faculty of a prestigious business school confers relatively high social status, the business education being provided at that prestigious school has not necessarily caught up with what is really going on in business.

While business schools agree that “student satisfaction” is extremely important, in practice it doesn’t count as much as attempting to boost or maintain the school’s rank by offering cutting-edge infrastructure, a career development center to help graduates find jobs, programs that are innovative in format and geographical coverage, and administrators dedicated to treating their student-customers like royalty. For the schools, this enormous effort to keep the customers satisfied—or better yet, delighted—is exhausting. It is not surprising that business schools worldwide offer pretty much the same curriculum, rather than designing their curricula to serve the local culture and community, as other types of professional school typically do. A law school, for example, must serve local (at least, national) needs, even if it then incorporates an international element as part of its particular value proposition. Because business schools do not adhere to such requirements, they have been failing to produce practice-relevant research and their faculty have little or no practical foundation for their research and teaching and can therefore only transmit academic knowledge. Can you imagine that a medical school would entrust a person who had seldom or never performed surgery to teach medical students how to do it?

It follows from all this that business schools cannot teach their students how to pursue any particular business, be it running a bank, a factory, or a hotel. This forces students to develop practical business capacity through internships and then through experience, which of course often results in failure. A number of business schools have begun to try field/experience-based education; examples include Harvard Business School’s 12-week fieldwork program and Boston University’s project-based learning program. But the value of such programs is still limited due to the aforementioned shortcomings of the faculty and the discipline-based curriculum. So no matter how “innovative” a business school’s particular programs, students are still restricted to learning mainly from case studies and papers, rather than from experience and failure. Indeed, it is of the utmost important to let both students and faculty learn from experience and failure.

(3) Businesses and industries find it very hard to make use of academic publications, which they typically find irrelevant. (And that’s if they can even make sense of the academic jargon.) A

former Harvard Business School professor and senior associate dean, Jay Lorsch, pointed out that there is too much emphasis on one's own discipline and too little cross-disciplinary collaboration. Business school faculty need to be trained, as science faculty are, not only to observe phenomena and extract useful and predictive generalizations, but also to interpret fast-changing business practice and convey this understanding in the classroom. The failure of many business schools to do so has led to a justified push-back from business practitioners, who increasingly question whether the content of a business school education is relevant and who are attaching less and less significance to an MBA.

(4) With the global economy as sluggish as it is, many governments have diverted more money to rescuing banks and significantly less to higher education. Private colleges and universities face challenges as well; corporations worldwide are struggling to survive and are therefore less willing to invest in business education for their employees and fewer investors are willing to donate to business education. Many private business schools carried out capital campaign after the 2008 economic crisis. The sad thing is that when we look into the causes of that disaster, we see that most of the key people had a business school education. What, we might well ask, have we been teaching our students? The wonders of the financial matrix? Sophisticated strategies to lead and manage people? Apparently, we did not teach them to pursue their careers in business with much concern for others. I think we should seriously reflect— who we are?

## WHO ARE WE?

Asking “who we are” leads us to rethink business school as a professional educational institution.<sup>2</sup>

When Harvard Business School was established in 1909, the founding dean, Edwin F. Gay, said that “we believe that there is science in business, and it is the task of studying and developing that science in which we are primarily interested.” In the 1920s, a university business school was meant not only to deliver the science of management to students, but also to make them more aware of themselves as a coherent occupational group, distinct from labor and capital (Khurana, 2007). The curriculum was therefore based on Frederick Taylor’s work on scientific management and Hugo Munsterberg’s work on industrial psychology for managing workers. It was assumed that a business school graduate would be the “brain” of his organization, while workers were the “brawn”—a conception that is still a factor in hierarchy, status, and discrimination. However, with business evolving from being efficiency-driven to being innovation- and entrepreneurship-driven, the boundary between an organization’s brains and its brawn has blurred.

From the start, both the university and society understood business school to be a type of professional school, similar to medical and law school. As sociologists and historians of science have noted, professionalism is a function not just of expertise but also of a community of interests and inquiry. “The idea of professionalizing management grew from not just the economic interests and social aspirations of managers but also the ideational interests of both business leaders and academics with rational commitment to social reform and in particular, to management as an institution for establishing social order” (Khurana, 2007).

The question now, as it was 100 years ago, is whether or not we are offering a professional education that fulfills the intended purpose. As C. P. Biddle, Harvard Business School’s assistant dean, asked 100 years ago: “Do business schools exist to give students technical skills that would help them find employment, or to educate them about the nature of our modern business and industrial system and its social significance?” For over a century, business schools have succeeded at the former, but failed grievously at the latter and more important goal.

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<sup>2</sup> For a comprehensive grasp of the history of business education, I recommend *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession*, by Rakesh Khurana, formerly a professor at Harvard Business School and now a professor at Harvard University and Dean of Harvard College. His work was extremely helpful to me in conducting this study.

Henry Rand Hatfield, the first dean of the business school at the University of Chicago, also stressed the comprehensive scope of a business education: “Stated in terms of subject matter and method, the collegiate school of business should devote itself to the study and presentation of the fundamental processes, conditions, and forces of business with but incidental attention to minor techniques. Stated in term of vocational preparation, such a school should aim to prepare its students ultimately to become (1) responsible business executives, or (2) professional or technical experts such as accountants, statisticians, commercial secretaries, and members of governmental regulatory bodies; or (3) teachers of business subjects. Stated in terms of social outlook, a collegiate school of business should encourage students to see business tasks in the larger perspective of social values.” Wallace Brett Donham, the second dean of Harvard Business School, believed that the primary task of a professional school in a university could not simply be to train students for an occupation (Khurana, 2007). A truly professional school should be granted special privileges and, in turn, be bound by special obligation to society.

The social responsibility of business schools was again stressed during and after the Great Depression. For example, the dean of Northwestern’s School of Commerce, Ralph E. Heilman, concluded that “business education is facing a crisis. In particular, business schools are falling far short of their professional objectives, especially with respect to training students to meet their social responsibility” (Department of Education, 1929). To face this challenge, Wharton tried to include science and the humanities in the business school curriculum. It was important, Heilman granted, to “enable our students and graduates to increase their earning capacity.... But it is of utmost importance to remember that every college and university is primarily a public service institution. All activities, whether in instruction or in research, presumably must contribute to social well-being. In that respect, business schools are to be measured by the same criteria which apply in the case of law, medical, engineering, and other professionalization schools” (Bossard and Dewhurst, 1931). Harvard professor Clyde O. Ruggles argued that business schools should have done something—as medical and law schools did—to study and raise their profession’s standards of conduct (Association to Advance Collegiate Schools of Business, 1933). If they did not accept this challenge, they would not only fail to justify their existence as part of modern university education, but would also fail to make the greatest possible contribution to business itself. Both the Great Depression and the recent financial crisis demonstrated what Wharton’s dean Joseph H. Willits stated in the 1930s: “The crisis in the American economy had made it clear that business needed help from business schools, rather than vice versa, in charting the way ahead.” University of Illinois professor Hiram T. Scovill was more blunt: “The best way for business schools to justify their existence in view of the apparent ills and evils in business is to train the business men of the future so they will

recognize their obligations to society” (University Training for Business, 1920). Coctor P. Morris, the dean of the University of Oregon’s business school, stated in 1933: “Most economic wreckage today comes not from ignorance of the physical phases of business but from ignorance of the human elements.” All agreed that business schools needed a revolution that was, in fact, aligned with the reason they had been established in the first place; that is, a revolution to “broaden the service of the universities and to extend their field of usefulness” (Association to Advance Collegiate Schools of Business, 1933).

In 1936, AACSB unveiled significant changes in business school curricula. In response, Harvard launched a required course to teach a practical social philosophy emphasizing the public responsibility of business and the role of business leaders in contributing to the social order. Chicago taught students the principles of foundational social science disciplines, especially economics. Dartmouth’s Tuck School emphasized the relationship between “business and society.” Stanford set up a social science research council to align business school research more closely with the social sciences, including economics, sociology, and psychology. On the assumption that the economic crisis was a result of business’s laissez-faire market ideology and that “management should be taking responsibility for misrepresentation and for mismanagement” (Association to Advance Collegiate Schools of Business, 1933: 253), it was believed that promoting business ethics and a socially oriented curriculum in business schools would require collaboration by government and higher education in order to change the economic structure, regulation, and social norms of American business.

In order to expand enrollment and stabilize their financial situations after the Great Depression, many schools that had attracted investment from corporate foundations (such as the Ford Foundation) in order to improve the quality of business education and research (emphasizing disciplinary foundations and quantitative methods) switched their focus from the well-being of society to vocational preparation. This focus obtains today, with business schools competing to gain economies of scale through enrollment while also charging extremely high tuition. Education—supposedly a public good—has become one of the most expensive luxury items on the planet.

The evolution of business schools is tied to the evolution of business; in particular, the evolution of theories of the purpose of corporations, such as transaction-cost economics and agency theory. Such economics theories are derived, through abstraction and mathematical modeling, from the observation of phenomena, not from the intention to achieve an ultimate goal. Research in agency theory, for example, emphasizes three mechanisms: monitoring managerial

performance, providing comprehensive economic incentives, and promoting an active market for corporate control. Business school curricula and research disciplines were arranged accordingly, causing research methodology to shift from the inductive approach which foundations such as the Ford Foundation had in mind to a deductive approach. Sadly, most business schools still take this approach.

Should business schools be acting to bring about a more healthy and sustainable society? Was the original social impulse correct? Even if it was correct 100 years ago, is it still? To me, it is sad that that the purpose of business education seems to be shifting from serving the society to serving the corporations. One of the most popular elective courses developed at Harvard Business School in the 1990s, building on agency theory, was “The Coordination and Control of Markets and Organizations.” Its stated goal was to “provide a general framework for analyzing organizational problems, and a better understanding of how the internal rules of the game affect organizational performance” (Khurana, 2007). This course was said to help students become more “tough-minded” and shift them away from the stakeholder model of organizational purpose. Many students claim that this course challenged their deeply felt beliefs and influenced how they would think about a wide range of issues, including motivation, information and decision-making, the allocation of decision rights, performance measurement, organizational and personal rewards and punishments, corporate financial policy, and governance (Khurana, 2007). Courses like this, based on agency theory, were meant to train students to become self-interested “utility maximizers” (Ghoshal and Moran, 1986). The prevalence of such courses around the world amounts to an experiment which has provided strong evidence for three conclusions:

- Students’ minds and “deep beliefs” can be shaped quickly by their education, which means that we *could* provide education that results in social responsibility rather than strict utility maximization.
- Business education is too aligned with economic studies aimed at increasing the efficiency of market capitalism and the personal wealth of an elite, rather than striving for equal and sustainable value maximization for the future.
- Such a short-sighted view of the aims of business and of business education will spoil our economy for a generation by turning the most influential economic actors away from a social point of view.

In the 1950s, the Ford Foundation played an important role in the development of business education by helping specific schools become “centers of excellence” through funded programs and scientific research. In 1988, however, a threat to this progress arose with *BusinessWeek*’s annual ranking of business schools, focusing on factors such as the quality of teaching and the number of job offers and eventual starting salaries received by graduates. Other media joined in, applying different ranking methodologies: *Forbes* focused on the financial return on an MBA, the *Financial Times* stressed the average salary increase from prior to MBA enrollment to three years after graduation, and the *Wall Street Journal* heavily weighted general reputation and the opinions of corporate recruiters. A study commissioned by AACSB and conducted by Lyman W. Porter and Lawrence E. McKibbin in the late 1980s reported that “employers were criticizing elite business schools for graduating students who lacked knowledge of how the business world operates in practice as well as in theory and exhibited relatively low levels of so-called soft, or people skills such as leadership and interpersonal relationship.” In response to such criticism, business schools started to reallocate their resources and realign their cultures to better serve recruiter and student needs (Khurana, 2007), to gain credibility, and to attract resource investment. On the one hand, it was argued that the active intervention of media ranking “help[ed] business education to focus on their two primary customers—students and corporations” (according to John Byrne, the enterprising journalist behind the creation of *BusinessWeek*’s rankings). On the other hand, ranking has created an uncontrolled proliferation of MBA programs with increasing specialization, undermining the orderly academic system envisioned by the Ford Foundation, in which elite “centers of excellence” would be orbited by numerous smaller and less prestigious—but still-research-driven—satellite schools. As Jerold Zimmerman, an accounting professor at William E. Simon Graduate School of Business Administration at the University of Rochester, commented in 2001, business schools are “locked in a dysfunctional competition for rankings” and “are mortgaging their future” (Zimmerman, 2001). And as Khurana observed, the changes wrought by media-based ranking “ would have been important but not transformative” without the broader change in how business schools conceptualize and communicate their purpose as a market institution with a market logic and a unique normative structure in which, as Sullivan (2005) put it, “the only moral obligation of any enterprise is to maximize its economic well-being.”

## WHERE ARE WE HEADING?

A study by Wilkinson and Pickett (2009) shows that education scores, trust, social mobility, and other indices of socio-economic well-being are higher in countries with greater income equality (see Figure 2). Unfortunately, the causes of income inequality are still unclear.

[insert figure 2 here]

In most countries where there is either state capitalism or market capitalism, the intention was to reach equality but the result was inequality. The socio-economic problems of inequality in most countries with non-social-capitalism are stunning. A majority of public believe that this is a political failure, but the question remains: who are the people making these mistakes and why do people in different countries value equality so differently?

I, too, take inequality in education to be the result of the inequality in income, but I want to take a further step by arguing that inequality in education is also the cause of other forms of inequality. As Jennifer Hochschild, a professor of government at Harvard, stressed, racism can be the cause of educational inequality, which can, in turn, contribute to other forms of inequality (cf. *Harvard Gazette*, 26 May, 2016, Vol. CXI, pp 39), James Ryan, dean of the Harvard Graduate School of Education, commented that “the ideal of American education is equal quality for all, but it has never been achieved” (*Harvard Gazette*, 26 May, 2016, Vol. CXI, pp 39). Education should not be a way to signal one’s socio-economic status or one’s ability, nor just a transfer of information, but rather should be a process of developing people’s hearts and minds. Almost all the courses in an MBA program are designed primarily to help the student achieve better financial performance for an organization, rather than to serve the wider population of employees and other stakeholders. Many business schools have incorporated courses on social responsibility—for example, on sustainability or authentic leadership—yet the impact remains quite limited because the schools’ overarching socio-economic structures and goals are still geared to financial outcomes such as return on investment and return on assets. As long as business education is set up to supply the existing system with the human capital needed for inter-country competition along economic dimensions such as GDP, of course it will not be able to educate future leaders to bring about long-term improvements in social well-being. Clay Christensen, a professor at Harvard Business School, proposed the capitalist’s dilemma (Christensen *et al.*, 2014) and the innovator’s dilemma (Christensen, 1997), based on the reality that economies are too focused on the financial matrix and economic return determined by the short-term return of capital investment. This focus cultivates efficiency innovations in terms of

reducing production and distribution costs and offsets the number of new jobs (for which it is called “jobless innovation”), rather than using long-term invested capital to create more real capital and new jobs (that is, empowered innovation). Starting from Christensen’s insight, I want to argue that it is business education that needs to take major responsibility for beginning the process of resolving these dilemmas; for example, by redefining the measure of corporate success and the standards for business and economic behavior.

Following the notion of inequality, the economic structure of a country can be categorized in terms of capitalism, with China as an example of state capitalism, the United States as an example of market capitalism, and most Western European countries as examples of welfare/social capitalism. Due to the lack of localization in business education—a result of the demands of internationalization and competition—business education in each of these places encounters many obstacles to surviving and thriving:

- *China* has largely public education. In the economic transition from socialism to state capitalism, higher education has evolved from being an independent institution focused on research to focusing on education, connection with corporations, and connection to other parts of the world (internationalization). Competition amongst Chinese business schools is much more severe domestically than internationally, as a result of their categorization into elite and non-elite universities and their geographic-economic advantages. State capitalism both does and does not give Chinese business schools leeway for innovation and for independent decision-making on what to pursue and how to pursue it. Regulations tightly define what to do and what not to do. There is a general common direction, yet many individual differences are allowed. Therefore, the administrators of Chinese business schools need strong sense-making and forecasting abilities.
- In *Europe*, as in China, most education is public and faces the resulting constraints. In attempting to attract and maintain faculty, it suffers the disadvantage of “local pay but global competition.” One downside of the international standardization of business education is that faculty have greater job mobility, making compensation one of the three top factors in the business education employment market, along with standard of living and job security. To compete with business schools in North America and Asia (such as those Singapore and Hong Kong) and with private schools, which usually pay their faculty much better) in the “red-ocean” arena, European business schools have a

lower proportion of international faculty input and a lower level of academic output per capita (in terms of the quantity and quality of publications per capita).

- The *United States* is truly the center of business education, but it is also the center of the capitalist's dilemma. American business education has to take a short-sighted approach in order to survive and thrive, both financially and socially.

Although each country and each economic structure has its own problems, one problem is common to all: our planet is crowded with 7.2 billion people, with significant income inequality amongst them. People at different levels of wealth seek different levels of well-being, but due to our unsustainable economic activities (Sachs, 2015), our shrinking resources are being consumed very unequally. We face environmental threats such as climate change, scarcity of fresh water, changes in the ocean's chemistry, and the reduction or destruction of the habitats of other species. Key geological processes—for example, the cycles of water, nitrogen, and carbon upon which life depends—are changing (Sachs, 2015). Beyond economic development, we need a Sustainable Goal Development (SGD) to manage the interactions of three complex systems: the world economy, the global society, and the earth's physical environment.

[insert figure 3 here]

In the SDG framework, education plays the most important role. Higher education (including professional education) must fulfill not only its traditional roles in endogenous growth and catching-up phenomena, but must also help identify and solve local problems of sustainable development; for example, by developing customized solutions for local poverty, disease, climate change, new information technologies, and developing a mindset of equality and authentic morality. In particular, this third role requires professional schools to reset their educational goals ("who are we?") and to rearrange their educational inputs, processes, and outputs in order to help bring about a more sustainable economy and society. In January 2016, the United Nations Development Program issued 17 sustainable development goals to be reached over the next 15 years (see Figure 3 above). All individuals and organizations—but most especially business schools—need to take them seriously.

In order to create a business education system that will survive and thrive while contributing to the Sustainable Development Goals, the concept of a natural ecosystem will be very helpful. In theory, a natural ecosystem is a community of organisms in conjunction with the non-living components of their environment (Smith and Smith, 2012), with a network of interactions

between different organisms and between organisms and their environment (Schulze *et al.*, 2005: 400). Practically, an ecosystem is controlled by both internal and external factors. Internal factors include the organisms and their interactions, which are often subject to feedback loops (Chapin *et al.* 2002: 11–13). External factors include climate, soil, topography, time, and biota. A natural ecosystem requires a management approach that can maintain it efficiently and make ethical use of its natural resources.

If we think of a business school as part of an ecosystem—that is, part of its community—we should acknowledge and respect that system’s internal and external factors, which will determine its management principles (see Table 2 below).

[insert table 2 here]

For a business school, the external factors include the local and global macro-economic climates as the first tier and external stakeholders—such as governments, industries, and local communities—as the second tier. Internal factors—the “organisms” in a business school’s ecosystem—include internal stakeholders such as faculty, students, alumni, administrators, students’ parents, and investors, and internal systems such as structure, process, culture, and rules for resource distribution.

A clear identification of this ecosystem’s internal and external factors and their roles will help us understand what an ideal, well-functioning business education system should be and how it should work. That is, how it should efficiently maintain its resources and use them ethically, controlling resource input with external factors and controlling resource availability with internal factors. It would also help us better understand how this dynamic ecosystem is subject to periodic disturbances and how to recover from them (i.e., Chapin *et al.*, 2002: 281–304).

A well-functioning business education ecosystem should nurture its internal stakeholders (faculty, students, alumni, administrators) and coordinate them with external factors (government, industry, community, the economy), always aiming for the maximum *collective* value while managing the periodic disturbances. In other words, a sustainable feedback loop in this system means that business education should not only lead the economy by creating and distributing knowledge, techniques, and standards of conduct, but should also collaborate with external stakeholders to collectively create value for the community in the form of a sustainable economy.

[insert Figure 4]

As shown in Figure 4, if the proposed ideal business education is to carry out a collective vision of social value and to improve the well-being of stakeholders, it must take a network approach to its inputs, processes, and outputs. This approach requires internal and external stakeholders to collectively contribute to the philosophy and morality of education and to design a curriculum that combines theory with actual practice and that includes the interactive experiences students need to develop their knowledge and their practical capabilities. Put another way, a business education should provide students not only with scientific intellectual property—by transferring outside knowledge (Chinmayananda, 1975)—but with what we might call inner knowledge (Chinmayananda, 1975)—by educating the heart and mind to build positive “moral property” and “emotional property.”

This system, to truly qualify as a professional business education, must work out a hybrid of knowledge and experience from both academia and practice and must be able to draw from and contribute to both. Its administrators must not only devise a strategy to provide a business education for a global economy, but even more importantly, must serve and communicate with the social and commercial components of the school’s own local community. This will, in turn, enrich the faculty with new theoretical knowledge and practical experience, making them better qualified to educate their students.

Thus, the fundamental question of whether business schools will survive and thrive is this: “Are business schools able to adapt their missions, moving beyond vocational preparation for the elites and back to the academic and social missions for which business schools were originally created?”

I am not, by the way, arguing that new models of business education—for example, based on customer relationship management—are wrong. But I do want to encourage business schools to consider a stakeholder-based social entrepreneurial view and a hybrid enterprise model.

A social entrepreneurial orientation should motivate both faculty and students to approach their work from the perspective of social value. Research should be open to both inductive and deductive approaches and should focus not only on the functions of management but also on its relevance to the future of society. There should be an integration of social and commercial motivations, but with the stakeholders coming before the shareholders. Cross-disciplinary collaboration with other types of professional school will be helpful in defining standards of conduct for business (as has been done for medicine and law) and in incorporating cutting-edge research into classroom teaching. Many schools, such as Emlyon, Rotterdam School of

Management, and the Fox School of Business and Management at Temple University, have done well by launching research centers to carry projects from academic study to stakeholder practice.

What model shall we build? How shall we design standards of business conduct? I recommend a disruptive innovation model, first in a separate unit but designed primarily to enable the business school to offer education to a larger population by being able to lower the cost. To properly leverage the pervasive ranking by the media, use it to identify challenges and opportunities for transformation rather than being enslaved by it. Being competitive has advantages, but the competitive drive needs to be paired with a spirit of alliance with local and regional resources.

It is important that education educate the heart as well as the mind. Education—even professional education—should help us know what really makes for a happy and well-spent life. George Vaillant, a psychiatrist and researcher who directed Harvard's Study of Adult Development for several decades, followed men from the Harvard classes of 1939–44 to see what makes people flourish over a lifetime. His finding was that the secret to a successful and happy life is not biology and genes, not social privilege or education, not IQ or even family upbringing. It is thriving in warm relationships in a supportive environment. You need to build networks, taking a stakeholder-oriented approach to your own life. I believe that this same notion is the proper starting point for reforming business education so that it will survive and thrive and help our world and all the people in it to survive and thrive.

## Epilogue

Over the past several decades, education has produced a huge amount of human capital around the world. In this regard, the performance of business education has been outstanding, with ever more business schools producing ever more graduates. However, the trajectory that business education has been on does not seem to lead to what was once seen as its fundamental function: enriching social value and serving both the local and global communities. External economic and political forces, asymmetric information flow between market and education institutions (supply–demand), and severe competition across regions have brought about a convergence: a world of business schools with fewer organizational idiosyncrasies and less-differentiated value propositions. Pressured by globalization, standardization, and the income inequality typical of capitalist economies, business schools are now better equipped to compete with each other in offering vocational preparation than to help bring about a more sustainable way of life. Uneven resource distribution across countries and regions also contributes to this phenomenon, as do drastic inequalities in education. Will business education be able to survive and thrive?

A business school's ranking says more about its ability to prepare students to find a high-paying job for themselves than its ability to prepare students to create jobs for others. Research, publications, faculty, teaching, and even program presence are more focused on learning from cases of success than from cases of failure. Business schools are therefore pushed into a rat race, each one chasing standardization in order to survive while trying to generate a bit of differentiation in order to thrive, but doing so more in the manner of a business than in the manner of an educational institution. This leads to a very serious *paradox of business education*; namely, that what is needed is differentiation for different local communities but what is supplied is standardization for the sake of comparison. For example, most business schools have saddled themselves with a research model that emphasizes narrowness of scope and rigor of methodology, while producing little in the way of insight about the dilemmas facing actual managers running actual businesses (Khurana and Spender, 2011). It then falls to the school's administration to come up with more diversified and innovative programs and formats. This is the "Matthew Effect," by which those business schools with strong brands and high rankings attract funding with which to upgrade, while the rest are left to struggle and will find it hard to thrive—and possibly even to survive. This is the downwards spiral driven by the "signaling effect of wealth-related indicators." This is what comes of designing and developing business education for the sake of shareholders' interests rather than those of the stakeholders and the community at large.

Rarely do we see business schools able and willing to pursue an integrative hybrid model to carry out both a social and a commercial mission at the same time in the same place. This capacity has been eroding for decades. The efforts to integrate social and economic missions were always separate and independent rather than systematic. Business education gradually lost its ability and its will to offer holistic, social answers to the questions “who are we?” and “where are we from?”

In these circumstances, I propose that business education should adopt an ecosystem philosophy, attaching a great deal of relevance to a sustainable society and specifically to authentic behaviors, standards of business conduct, and how the human race can survive and thrive. Business schools have much to learn from their institutional peers, such as medical schools (though they, too, are in transition), about how to design a hybrid, ecosystem-based model for addressing social and economic needs at the same time. Setting up entrepreneurship centers or innovation labs is a worthwhile step, but the next step needs to be more embedded and integrative; for example, building up an embedded “business hospital” to diagnose local business problems, much as medical schools often provide their communities with clinics which benefit the medical students who gain experience by serving in them, the patients whom they serve, and the faculty, who have the opportunity to develop new medical knowledge, bring it to the patient’s bed, structure it, deliver it in the classroom, and ultimately publish it in good medical journals”(Nueno, 2012). A business hospital, well integrated into the curriculum, would help MBA students and their professors review and extend their knowledge while contributing to the local economy.

I believe that if business education were structured in this way, with all its stakeholders connected, served, fully engaged, and treated fairly, whatever obstacles it faced would be resolved by the system itself automatically, just as they are in a healthy natural ecosystem. The wasteful and self-defeating aspects of the current competition would be transformed into cooperation, coordination, and collaboration. Business schools and the societies in which they operate would all be better for it.

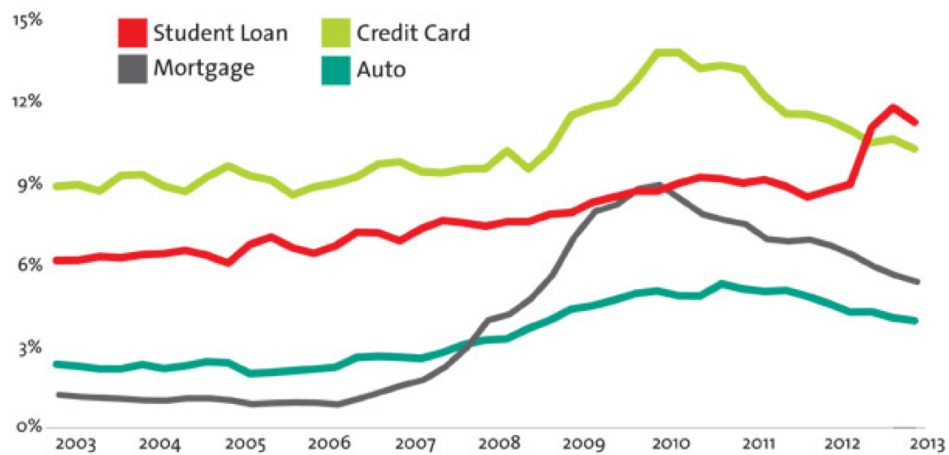
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## Underwater

Borrowers with loans that are 90+ days delinquent



Source: Federal Reserve Bank of New York

Mother Jones

Figure 1 Interest rates for various types of loan in the United States, 2003-2013

	months) in 2013	program	school	(constant 2005 USD) in 2012	per capita
USA	64,059 USD	24 months	Kellogg School of Management, Northwestern University	45,008	1.423
UK	72,438 USD	12 months	University of Oxford, Said Business School	39,954	1.813
Australia	54,867 USD	24 months	College of Business and Economics, Australia National University	37,241	1.473
Singapore	43,213 USD	12 months	Singapore Management University	36,482	1.185
Canada	34,830 USD	16 months	Lauder School of Business, University of British Columbia	37,445	0.93
China	17,346 USD	21 months	School of Economics and Management, Tsinghua University (Tsinghua-MIT Global MBA program)	3,377	5.137
Data Source	<i>School websites</i>	<i>Federal Student Aid Tsinghua website</i>	<i>Federal Student Aid Tsinghua website</i>	<i>World Bank</i>	<i>Author's calculation</i>

Table 1. Tuition and Duration of MBA Programs across Countries, 2013

Figure 2 The consequences of income inequality



Figure 2.1 Educational scores are higher in countries with less income inequality.

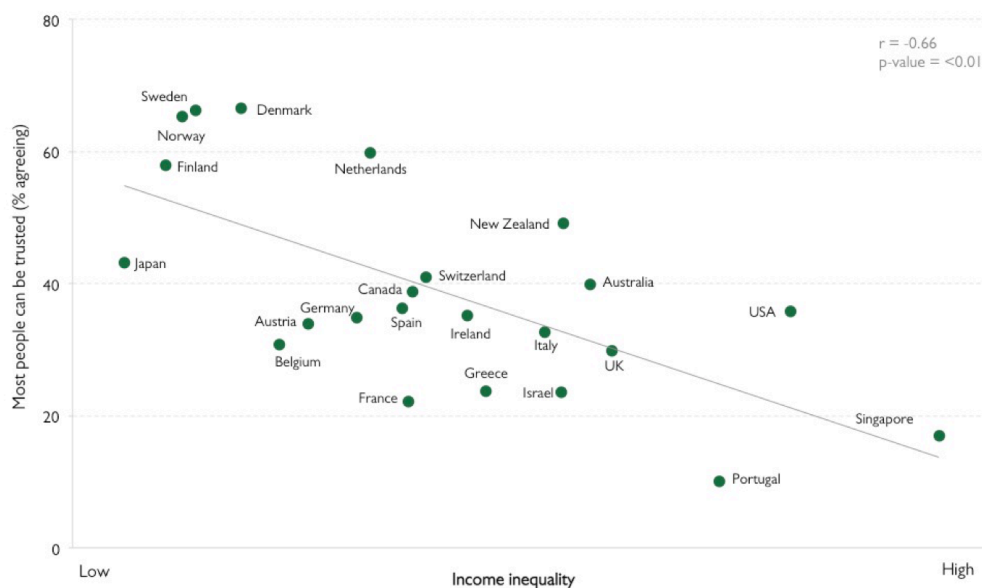


Figure 2.2 Trust scores are higher in countries with less income inequality.

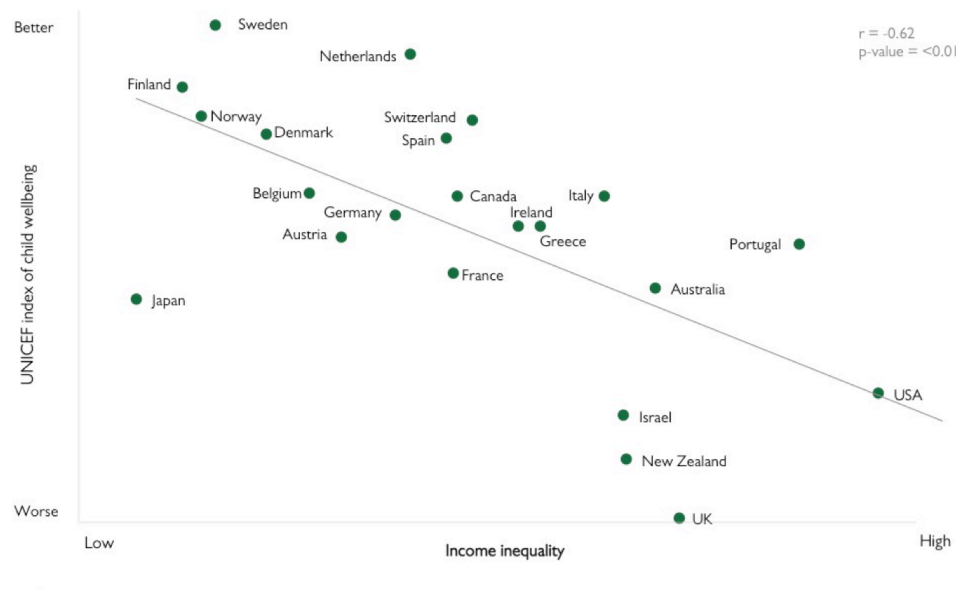


Figure 2.3 UNICEF index of child well-being is higher in countries with less income inequality.

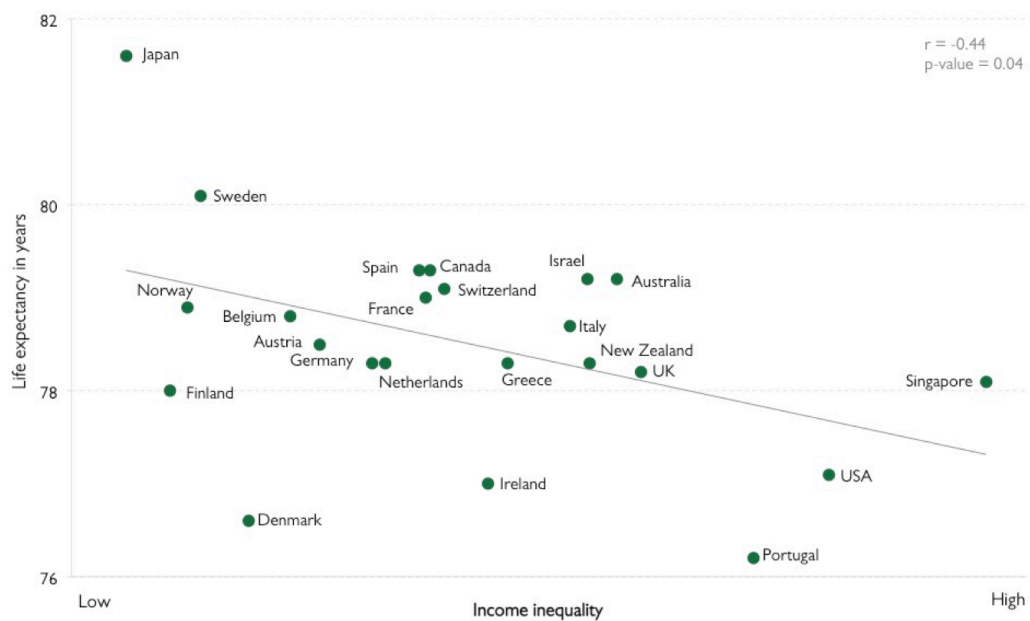


Figure 2.4 Life expectancy is longer in countries with less income inequality.

Source: Wilkinson and Pickett (2009), *The Spirit Level*

Figure 3. 17 sustainable development goals issued by United Nations



Source: United Nations

Table 2. Comparison between natural ecosystem and business education ecosystem

	Internal factors	External factors	Ecosystem management
<b>Natural ecosystem</b>	Biotic and abiotic components, disturbance, succession, and types of species present.	Climate, the parent materials, and topography.	Efficient maintenance and ethical use of natural resources. Management approach include: <ul style="list-style-type: none"> <li>- adaptive management</li> <li>- natural resource management</li> <li>- strategic management</li> <li>- command-and-control management</li> </ul>
<b>Business education ecosystem</b>	Internal stakeholders such as faculty, students, alumni, administrators, students' parents, and the internal system.	Macroeconomic climate; external stakeholders such as government, industries, and the local community	Efficient maintenance and ethical use of organizational resources. In this system, ethical use of resources is required. Corresponding strategy approach highlights building an education ecosystem and adaptive management that can help the world reach sustainable development goals.
<b>Function</b>	Control resource availability.	Control resource input.	Manage internal and external factors harmoniously.

Figure 4 Prosperous business education process: inputs, processes, and outputs

