

I Introduction

Our concern in this book is to examine the business school in depth, placing it in its various contexts: as part of the university system, the practice of business and, ultimately, society as a whole. We feel that this is necessary and interesting for a pair of different but interlocking reasons.

The first stems from a simple reflection on the state of the literature. It is unarguable that business schools are very significant players in today's world. One recent study talks about their 'irresistible rise', characterises their milieu as 'a sphere of immeasurable influence' and argues that they are 'among the great institutions of our age'.¹ The point is well made. Business schools have a degree of authority that stretches surprisingly far and wide. Many leading chief executives and directors, it almost goes without saying, have the schools' prime Master of Business Administration degree. Prior to its victory at the 1997 election, the United Kingdom's Labour Party sent members of its shadow Cabinet to Oxford for business school training. George W. Bush is the first American president to have an MBA, this from Harvard.² It may even be true that the business school and the MBA are defining characteristics of what it is for a country to have arrived at the global top table.

Yet, despite their importance, the schools have rarely attracted the serious study that they so manifestly deserve. There is, of course, a lot of coverage in the press, but much of this on closer inspection turns out to be spin. All the schools are in deadly competition, and, like universities in general, now waste few opportunities to promote themselves. With one eye on their circulation figures, newspapers and periodicals (with some honourable exceptions) largely play ball more often than is healthy, recycling public relations handout material as fact. The

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more we have immersed ourselves in the business school world, the more we have become aware of the fact that appearances and reality can significantly differ. At one level, therefore, what we have set out to do is simply to fill a notable gap – in other words, provide a clear-eyed, analytic and empirically informed corrective to the cacophony of claim and counter-claim, the siren voices of self-interest.

We also have more ambitious aims, however. We believe that there is an urgent need for imaginative and creative thinking about how business schools should evolve in the future. The current range of opinion about the schools and their functioning is broad and vociferous. The tenor of comment is often critical. It is obviously important, from a purely practical standpoint, to determine what is perceptive and realistic in this clamour, and what is not. We also want to go beyond current controversies, however, and believe that, if we are to do so, we must consider a raft of much wider issues, up to and including such important considerations as equality, fairness and social purpose. In the following paragraphs, we expand briefly upon these observations.

CURRENT CONTROVERSIES

It might be thought that opinions about business schools, and their place in the world, would be fairly homogeneous. After all, they are by now omnipresent, and a pretty standard part of life. But in fact there is little real consensus, even about some fairly basic questions. The business school establishment is, not surprisingly, decidedly upbeat. The sector, it asserts, has never been in better health. There are more schools, in more places, with more students, than ever before. In addition, the importance of the schools in the context of higher education as a whole has undoubtedly mushroomed. Many are at the leading edge of innovation, pioneering new methods of teaching, spearheading the growing internationalisation of student recruitment and experimenting with wholly new institutional forms – for example, overseas campuses, subsidiary operations that are closer to the heart of key markets. Most make a highly significant, perhaps

crucial, financial contribution to their mother institutions. In the language of management consultancy, of the Boston Consulting portfolio matrix, business schools are often the 'cash cow', without which a significant proportion of other university activity, including the very survival of some departments, is potentially unsustainable. Beyond this, it is claimed, the schools are also greatly benefiting the economy, fuelling innovation and growth. In short, the cheerleaders maintain, the position is entirely rosy. The business school has become both vibrant and indispensable, an integral part of higher education systems and economies worldwide.³

Yet others are far from convinced. There are several kinds of criticism. One insistent claim is that the whole business school world has lost its educational soul, and become enthralled by money.⁴ It is observed, for example, that a striking number of schools recently have been (and, in some cases, still are) embroiled in high-profile and rather unseemly altercations. In the United States, applicants to the elite MBA programmes at Harvard and Stanford were discovered hacking into confidential admissions files, thus prompting an anxious and very public debate about what such behaviour said about the prevailing business school ethos.⁵ Across the Atlantic, in the United Kingdom, controversy has simmered about an equally important matter: the ways that schools finance themselves. One case in particular has provoked comment. In 2000 London University's venerable Imperial College accepted a gift of £27 million from Gary Tanaka, and used it to build and equip a new management school facility. In May 2005 Tanaka was arrested in the United States, and during the course of the next few months charged with conspiracy, securities fraud, investment adviser fraud, mail fraud, wire fraud and money laundering.⁶ At the time of writing, in early 2006, all the charges against Tanaka remained entirely unproven, his good name untarnished.⁷ But the whole episode has left many perplexed, a feeling that is exacerbated by a UK broadsheet's contemporaneous claim that problems with donors are 'a surprisingly common phenomenon'.⁸

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Other critics, including several respected insiders, have called into question an even more elemental matter: the business schools' very reason for being. The onslaught started in 2002, when Stanford's Jeffrey Pfeffer and Christina Fong published a widely noticed article that argued vigorously that the schools were actually far less proficient at creating value than they habitually claimed. The usual propositions, Pfeffer and Fong noted, were that the schools provided relevant teaching for careers in business, and at the same time added greatly to the stock of management knowledge through research. Yet none of this, they believed, was actually supported by the evidence. Possession of an MBA did not correlate with career success. Most business school research had demonstrably little impact, either in the academy or – and this was really the clincher – in business. The clear conclusion, Pfeffer and Fong suggested, was that the schools were simply not delivering as promised.⁹

During the course of the next couple of years further, and harsher, criticisms were voiced. The allegation now was that business schools were not just failing to live up to their promises but also actively doing harm. In a much-trailed book entitled *Managers not MBAs*, the Cleghorn Professor of Management Studies at McGill University, Henry Mintzberg, claimed that most business school teaching had over-prioritised dry, functional disciplines, and thus produced generations of managers who were largely incapable of dealing with the ingrained messiness of day-to-day business life, let alone its moral challenges.¹⁰ During a parallel series of interviews and articles, the London Business School's Sumantra Ghoshal was even more scathing. In his view, there was a direct link between business school teaching and the spate of corporate scandals that were currently erupting in the United States, most obviously, of course, Enron. The schools had propagated pernicious ideas and techniques for the previous thirty years or more, Ghoshal maintained, and these were now coming home to roost. The absolute imperative, he believed, had to be an open admission of failure, followed by no less than root and branch reform.¹¹

What makes these various broadsides so noteworthy is the fact that they have often been picked up and discussed in the mainstream media. Pfeffer and Mintzberg, in particular, are not only senior and well-respected academics but accomplished public performers as well. Periodicals and newspapers, including *Business Week*, *The Economist* and the *Financial Times*, rightly take them seriously and discuss their views with interest. In no time at all, elements of the different indictments have echoed through the wider culture, chiming in with anxieties about corporate greed, globalisation and overbearing US power. A 2004 British press story about the MBA started with a telling illustration of the growing mood of disenchantment:

A recent American television advertisement for the courier firm Fedex features . . . [a] young man on his first day at work . . . His boss tells him that there's a problem. 'We're in a bit of a jam,' he says. 'All this stuff has to get out today.'

'Yeah, er . . . I don't do dispatch,' the new recruit replies.

'Oh no, no, it's very easy,' the boss says. 'We use Fedex.

Anybody can do it.'

'You don't understand. I have an MBA.'

'Oh, you have an MBA?'

'Yeah . . .'

'In that case, I'll have to show you how to do it.'

The voice-over delivers the punchline: 'Fedex makes shipping so fast and easy, even an MBA can do it.'¹²

Of course, stepping back a little, it is clear that some of this opprobrium can be taken with a pinch of salt. Many business schools are well run, with educational standards fully enforced and monetary matters properly policed. In all the clamour about deficiencies in curricula and research, it is often overlooked that much of what the schools do is uncontroversial, a matter of steadily collecting, codifying and then disseminating useful knowledge about business practice, real and desired. Finally, the attempt to yoke the schools to

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concurrent corporate wrongdoing is not always fully convincing either. At an elementary level, as *The Economist* has observed, the evidence simply does not stack up. Enron was full of MBAs, it is true, but most other recent scandal-hit US companies were not.¹³ Anyway, as contemporaneous events in Belgium, France, Germany, Italy, Japan and Sweden amply demonstrate, corporate misbehaviour is emphatically not unique to the business-school-rich Anglo-American demi-monde.¹⁴

Nevertheless, with such reservations accepted, the critics certainly cannot simply be dismissed. Beneath the surface there seems to be deep unease in much of the business school world, a widespread anxiety about how events are unfolding. In a column appearing in mid-2004, *Financial Times* columnist Michael Skapinker quipped: 'Most organisations have their worst enemies outside. There are small shopkeepers who detest Wal-Mart, anarchists who kick in the windows at McDonald's and environmentalists who boycott Exxon. Only at business schools are the most vociferous critics the paid employees.'¹⁵ As we have travelled round business schools, and talked to faculty, we have become increasingly impressed by his perspicacity. Some lecturers complained to us of burgeoning workloads, and the 'industrialisation' of teaching, while others explained that they felt trapped into doing research that is essentially meaningless. A much-respected dean told us, off the record, of his belief that business schools were facing no less than a crisis of legitimacy. If his peers did not necessarily go that far, they were all in one way or another apprehensive. As for students, they worried about the real value of their degrees, and the fact that some employers' valuation of the MBA is clearly declining. Several informed journalists spoke of an impending institutional 'shake-out', which might even send some household names to the wall. We could multiply similar anecdotes many times over. Given this accrual of disquiet, it is certainly timely to ask what the future holds, and in particular how the situation might be changed for the better.

BUSINESS SCHOOL FUTURES

In thinking about the prospects for business schools, we have been struck by just how complex the issues are. The business schools are hemmed in by different but inevitably weighty pressures. Few of the key conundrums are merely technical. Many raise questions about socio-economic relationships, politics and even ethics. We can illustrate this point by looking in a little detail at two of the major challenges that the business schools will inevitably have to negotiate in the near future.

The first is the relationship between the schools and their mother institutions, the universities. We need to begin with some background about higher education systems as a whole. At one time, it was generally agreed that the university should aspire to be concerned only with knowledge and truth – that it was, in a much-repeated characterisation, an independent community of scholars, dedicated to studying and learning, and nothing else. Now, however, the position is rapidly changing. The key development has been driven from within the political economy. As governments everywhere retreat from subsidising public services, so universities, just like many other similar institutions, are forced to take commercial performance far more seriously, and this in turn has inevitable knock-on effects on the quality of education that is being offered. The new axioms are indicative. Courses are to be assessed not only in terms of their intrinsic worth but also in terms of their value for money; research must add to knowledge but also have identifiable pay-offs; each institution (and, in some cases, each constituent subunit within that institution) should not just break even but explicitly earn a surplus; and so on.

The University of California Professor of Public Policy, David Kirp, has recently charted how this trend is proceeding in the United States.¹⁶ His analysis is at once sober and sobering. He recognises that money has always been important for universities to some extent, but believes that recent trends add up to a step change. American higher education is being ‘transformed’ by the power and

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the ethic of the marketplace. The essence of his argument is as follows:

New educational technologies; a generation of students with different desires and faculty with different demands; a new breed of rivals that live or die by the market; the incessant demand for more funds and new revenues to replace the ever-shrinking proportion of public support; a genuinely global market in minds: taken together, these forces are remaking the university into what has variously been called the site of 'academic capitalism', the 'entrepreneurial university', and the 'enterprise university'.¹⁷

On the other side of the Atlantic, a variety of commentators, on both the left and the right of the political spectrum, have produced rather similar observations.¹⁸ There is no doubt that they are describing very real trends.

The question for us is what this means for the business school. University administrators, we have already suggested, tend to view business schools as 'cash cows'. In one scenario, they may simply take their current approach and drive it to its logical conclusion, extracting the maximum commercial benefit from courses such as the MBA, regardless of what this means for pedagogy and learning. But there could be more positive outcomes. Thus, for example, deans of business schools might be encouraged to use their hard-won experiences to develop a new synthesis, say something along the lines of 'commercialisation with a human face', which would simultaneously satisfy both educational and financial imperatives, and provide a beacon of hope for those in other, harder-pressed, parts of the academy. Much depends, quite clearly, on exactly who is in charge of decision-making. Ultimately, then, how this problem is solved is less to do with educational policy as such and much more to do with bigger issues of politics.

Our second illustration concerns the question of 'Americanisation'. The business school and the MBA were, of course, initially developed in the United States, and it is unsurprising to find that,

in subsequent developments all over the world, this fact has continued to cast a long shadow. Thus, when pioneers in Europe, for example, developed their own early initiatives in the 1940s, 1950s and 1960s, they often explicitly built on American foundations, using US textbooks and the case study teaching method, which was strongly identified with Harvard. Inevitably, too, they espoused, to a greater or lesser extent, similar basic values. Fairly typically, when the early champion of INSEAD, George Doriot, was selling his proposition to potential supporters in the 1950s, he emphasised that it was crucial that 'young Europeans' were 'brought up with a good conception of American ideals and the free enterprise system'.¹⁹

For most of the later twentieth century, little of this was very contentious. The United States economy was strong and vigorous, the powerhouse that fuelled global economic growth. It made sense to proselytise about its key constituents and secrets. In any event, there was no real alternative – the Soviet system had such obvious and crippling disadvantages. Latterly, however, an increasing number of voices, particularly in Europe, are urging a rethink. American capitalism, so their argument goes, is changing, mutating into a new and rapacious form, and in the process revealing a dark and threatening agenda of global domination. Events such as the dot.com bubble, the Enron scandal and the spectacular rise and fall of such figures as Michael Milken, Ivan Boesky, Albert Dunlap ('Chainsaw Al' or 'the Rambo in Pinstripes'), Bernard Ebbers and Kenneth Lay are taken to be deeply revealing. A system that once largely aimed to satisfy ordinary people's everyday needs is now apparently fixated on short-term financial gains for directors and shareholders, won regardless of consequences or ethics. If, in the name of profit, the environment is despoiled, communities shattered and developing countries robbed, that is just too bad. At an extreme, the most pessimistic suggest, the threat is of impending descent into 'a dog-eat-dog Mafia world of might being right'.²⁰ What sane person, it is quite reasonably asked, would want to teach *that*?

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This, of course, raises the difficult question of alternatives, however. If the pace of change, as everyone agrees, is accelerating, and the current configuration of capitalism, as Will Hutton and Anthony Giddens point out, is becoming at the very least ever ‘harder, more mobile, more ruthless and more certain about what it needs to make it tick’,²¹ how can business schools meaningfully react? One obvious step is to make the curriculum more critical, using a much broader array of linkages with the social sciences, the humanities and perhaps the natural sciences. But who is to lead this change? And will the rest of the university sector, let alone the business community, agree? Beyond this, should the non-US worlds develop general models and pedagogies of their own? Should European schools, for example, hone and promote a particularly ‘European’ form of management, based around alleged ‘European values’, principally perhaps social solidarity? Is such a thing intellectually possible and defensible? Might the Indian and Chinese schools follow suit? What would be the implications for the newly emerging schools in Latin America and Africa? So, once more, as we approach the nub of the issue, it becomes bewilderingly complex, and leads us back to fundamentals. A concern with one problem has opened up a Pandora’s box of others. Ultimately, in this case, at least, it appears that we must in the end confront the basic question: exactly who or what are the business schools for?

THE CHAPTERS THAT FOLLOW

The thrust of what ensues takes its shape from these remarks. We do not – and cannot – provide full answers to all the questions that we believe are germane, but we do hope at least to sketch in what we see as the main agenda. We begin with a group of five chapters that trace the rise of the business school, follow its diffusion and then analyse in detail how it functions today, exploring in particular the institutional pressures that are present, the prevalent kinds of education and research, and some contemporary innovations. We then turn to the future. Chapter 7 is written in a rather different register from the rest of the book, and takes the reader through an imaginary MBA class. Our