

Can business schools rescue business?

Did business schools cause the economic crisis?
No, says **Gerard van Schaik**, but they have a key
role in determining what comes next





We are in a global economic mess and we know it is man-made. If we want to get out of the present chaos we will have to manage it ourselves; nature will not do it for us.

Crises come and crises go and during any period of insecurity there is invariably an outcry for “change”; change to the law, the rules, the system, our behaviour – you name it.

From all quarters of society come suggestions for what should be done to lead us back to our previous affluence and success.

We see a lot of opportunistic patchwork, not well thought-through legislation, regulation and restructuring. There is a lot of “quick fixing” done so change will mostly be superficial and of a temporary nature.

Having spent my active life in the corporate world I dare to say that approach is partly explained by the fact that line managers – who take the operational steps in organisations – are in general quickly bored with lengthy analyses and time-consuming research.

Moreover, the present generation of managers has been educated to act fast, to “diagnose and cure” quickly using sophisticated toolkits and is conditioned to go for optimal results (both for the business and for themselves) in the shortest period of time.

The call for change is also heard in the world of business education. Business schools ask themselves what the impact of the ongoing crisis is on their own future and the products they bring to market.

Self-reflection is positive. It is very necessary that the academic world looks hard at what it is doing from time to time and probes whether there is cause for revision or drastic overhaul of programmes.

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I am convinced, however, that the outcome of this process will not be that the knowledge and skills acquired at business schools inevitably produce managers who are doomed to create the type of mess we are now in. Fortunately, we know that is nonsense. If it were not we would be in a sorry state and schools would have a serious problem.

Much of what has happened in the recent past has to do with dishonesty and immorality. Business schools cannot be blamed for unknowingly having trained and educated a limited number of crooks among tens of thousands of honest, incorruptible managers.

What they could ask themselves, however, is whether they are inclined to sometimes too easily accept as a given the business fads and fashions of the day. Indeed, they may even wonder if they actually help to develop them further without properly researching where it might ultimately lead. Taking the recent past, one can think of such trends as shareholder focus, reward systems, financial product development and others.

I am not in a position to judge what action business schools should take to better serve their customers (their customers being society as whole not just their students) in years to come. I feel that reputable schools around the world have served business and public institutions well in the past and supplied the type of managers business asked for.

The crazy excesses that we saw (and still see in some quarters) in management behaviour such as large scale-fraud, environmental crime, exhibitionistic remuneration and so on are not the product of management education but of the business community itself.

If you introduce business philosophies that focus on short-term gain and then link them to pay packets that benefit from inflating financial results you should not be surprised that some characters will use every trick in the book to foster their own wealth. If social control on such behaviour is virtually non-existent it is just a matter of time before things blow up in your face. Codes, rules and regulations may make it more difficult in future for people to behave excessively in this respect but will not prevent it.

During the last decade the shareholder was the idol that had to be served unconditionally as the sole owner of the corporation. Although this is legally true, we all knew that with this approach business created its own problems.

The shareholder is the least faithful of stakeholders in a company and are in nine out of 10 cases corporations or institutions that strive to maximise their own profits. They are interested in share value and dividend and not in the market position or strategic direction of a company they invest in. If they can do a better deal somewhere else they move out, not caring a dime what the long-term consequences are for the corporation when they say goodbye to it.

Although the negatives of abandoning the stakeholder approach and the beatification of the shareholder were already publicly noted in the early 1990s it took two crises before the focus on stakeholders – shareholders being one

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of them – was actively reintroduced in business schools.

In 2000 the concept of global social responsibility was launched, highlighting the fact that the manager of the future would have to consider the strategies and actions of his or her corporation or division in a societal context and not only on a company or industry basis.

We are almost 10 years down the road and we are still discussing how the idea should be made operational both in teaching programmes and at a corporate level so that it does not become just a “show” chapter but an integral part of the business plan.

Although it is now – thanks to the crisis – generally accepted that social responsibility is a core focal point in business a great number of business schools seem to have missed an opportunity to take a lead by being too slow on the uptake.

Business life has always known many “fads”. In my active corporate life we have had the period in which production was core, then marketing, financial control, logistics, human resources – each discipline got its turn in prominence. Consultants and business schools were quite often the instigators of the temporary focus on a certain discipline. But at a certain moment the financial discipline started to overshadow everything. In the process



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corporate “money” became an “objective” instead of a “means” and it still is.

If one wants to judge the role of business education in these developments one can ask the question whether business schools have been close enough to their customers to be able to influence or criticise thinking or have they limited themselves solely to their student body? Have they tried to be a counterweight in situations where in their view corporate policies and government actions in general were to the detriment of the long-term welfare of society and the business community?

Most people would say this is not the mission of a business school. It should just deliver well-trained managers who are sensitive of the place in society of the entity they are serving. I think the latter view is narrowing the field of responsibility of a business school too much.

But how far the business school community should go in trying to participate actively in the operational implementation of the social responsibility concept in the corporation or a public institution is for me an open question. I think they should try to play some role in future through some form of partnership but research will have to help us find out whether such a thing is possible and desirable.

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One thing that this crisis is making abundantly clear is the question of whether the business school community (as part of our society) should play a more missionary and a more pro-active role in future. Should it play a “guiding” function with regard to the do’s and don’ts in the business community? I think so.

Business schools have a lot to offer through their international networks, their experience with people from different occupations and different cultures and their expertise in enhancing the “quality” of people. Apart from the many other channels through which they can make their views known, their executive education programmes give them a direct link to a variety of businesses and they should capitalise on this.

These contacts should be exploited to see what’s brewing in society, what new ideas and approaches are developing in the business world, and try to play a role in the discussion. The relationships that are cemented with students of executive development programmes should be used to exchange mutual experience, knowledge and research to discover how the spectrum of the school can be widened and its role in the business world can be enhanced.

If the business school community wants to stay connected and exercise influence on the way our community is managed – and after all their core business is educating managers – then it is essential that they are outward looking and heard in society.

In the world of business and government no-one cares how business schools are organised internally, whether they publish sufficient articles in reputable journals, what liaisons they have and what research is being done. That’s their problem.

The outside world is only interested in the variety and quality of the products they offer, the quality of their graduates and their contribution to society. The present crisis has highlighted that there is ample room and reason to play a role in the debate on how businesses should be restructured and run during and after the economic recovery.

There is no doubt in my mind, though, that in spite of all the indignation about moral excesses and the calls for change the moment the economy really picks up again most of that will be forgotten. The corporate world will continue restructuring and control the development of costs but will be busy again with its day-to-day worries and, apart from isolated cases, little if any fundamental change will take place in society.

If we are not careful, steps taken in the field of social responsibility at the company level may drop out of the system and we will chase profits and bonuses in the way we used to.

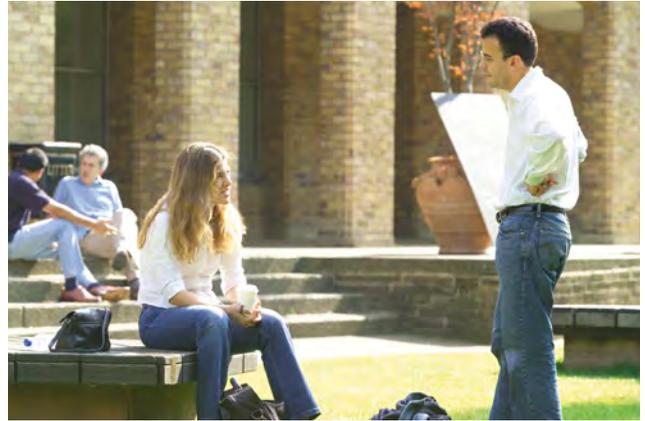


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So now is the time to make it abundantly clear that management as before is no longer acceptable. We want to ensure that the view that the company is part of society and has responsibilities to society at large is preserved. It cannot just consider the interest of its own industry or a limited number of stakeholders.

Business schools have a role to play here. They educate the future generation of managers and can convince them that by managing differently to their predecessors they can secure both the continuity of their business and the trust of society.

We should avoid at all costs governments telling us how we should run our businesses, though the present situation may be tempting for them.

This means: taking the company out of its isolation and putting it slam in the middle of society; demonstrating that by managing a company in a socially responsible way you can still maximise profits, and can still contribute to the welfare of interested parties but also to society at large thus winning the trust and acceptance of the general public and securing the continuity of your business.

Many things need to be revisited in the programmes that are being taught in business schools if we want to take into account the things we learn from the chaos we are in. But little of it has to do with management techniques. It is more a matter of bringing soft skills more to the fore and emphasising which things are relevant in managing and running a company or an institution that cannot be worked out on a computer.

It is desirable that in the rethinking process that will take place in the business school world creative thinking will dominate and that the “soft” side of business will not be caught and taught in rigid formats but with adequate room for cultural differences and personal convictions.

After all, techniques are a help but ultimately you manage with your guts. Now more than ever.

Whatever is revisited it is to be hoped that the end result will make business schools more outward looking than ever before, will bring them in permanent close working contact with their market (business or government) and make sure their views are heard in society. **gf**

ABOUT THE AUTHOR

Gerard van Schaik is Honorary President of EFMD, Former EFMD President and Former Chairman of the Executive Board of Heineken NV.