courage and wisdom to supply intellectual leadership for the long-run grounded in a clear vision of where we stand relative to larger cycles and trends.

In contrast to traditional orientations in business education, which tend to focus narrowly on an inward look into established disciplines, and on specific techniques, a *cura personalis* orientation, it has been urged, will look beyond these disciplines and focus on ways to question, engage, and hopefully transform our business students’ world—our shared, complex, and deeply imperiled world—into a lasting and better one.

**Endnotes**


6. This critique of the mathematization of economics has been advanced by such thinkers as Friedrich Hayek, Robert Heilbroner, and John Maynard Keynes.


10. As Nobel Prize economist Myron Scholes stated, “[t]here are models, and there are those who use the models,” referring to the distinction between “ivory tower”
economists who concoct models and financial engineers who apply the models to the actual business world. “Efficiency and Beyond,” *Economist* (July 18, 2009): 368. Of course, a number of economists who embrace the efficient markets hypothesis posit some modifications to it as a consequence of their readiness to accept findings from other fields of study, such as psychology, in an effort to account for seemingly irrational economic behavior on the part of both individuals and institutions.


12. Ibid.

13. The term “scientism” refers to a philosophical notion which refuses to accept the validity of any form of knowledge besides positive science. Scientism deems values to be mere byproducts of emotions and relegates the question of the meaning of life to the realm of the irrational or illusory.


26. Throughout the history of Western civilization, one repeatedly finds business ventures embodying humanitarian endeavors. Monasteries dating back to the Middle Ages were, in effect, incipient institutions of economic activity, in which *ora* (culture) and *labora* (work) were coupled. Likewise, as far back as the fifteenth century, the Franciscans had established the *Montes Pietatis*, precursors of modern banks, which grew up not directly seeking profit, but instead trying to battle usury and provide the impoverished with new beginnings in the wake of economic hardship. The nineteenth century also provided for a merging of economic and humanitarian objectives as the bulk of European welfare establishments and hospitals emerged out of spiritual associations. Luigino Bruni and Amelia J. Uelmen, “Religious Values and Corporate Decision Making: The Economy of Communion Project,” *Fordham Journal of Corporate and Financial Law* 11 (2006): 657–568.


29. Ibid., 3.

30. In Jesuit education, “cura personalis” sometimes carries a more specific reference to a Magis approach, which centers around cultivating the following dispositional elements: *communia* (relationship to others), *caritas* (love as responsibility for others), *creatio* (work as creative act), *dignitas* (respect for dignity of the human person), *fides* (faith in someone or thing), *humilitas* (humility in being and doing), *vocation* (work as a calling or vocation). Although the Jesuit approach is largely harmonious with the ideas developed in this article, the author intends to be inclusive, not restricting the concept of “cura personalis” to any particular faith tradition, but to broadly encompass the world’s wisdom traditions, including secular ones.


35. To be sure, some business school colleagues will choose to continue their pursuit of scientistic agendas.


40. Ibid.

41. Ibid.

42. Ibid., 67.

43. Ibid., 72.

44. Ibid.

45. Ibid., 74.


53. Wade, *Changes of Mind*.
the connection between virtue and sustainability, and portraying the primacy of market values, acquisitive culture, and individualism as virtue-deficient phenomena).


66. Ibid.


69. Interdependence and interconnectedness, as well as global citizenship, can be taught. Attendant to the dimension of relatedness is a disposition for reverence. A pedagogical approach for cultivating reverential relatedness is taken at the Center for Ecoliteracy which stresses building such competencies as “a sense of wonder, a capacity for reverence, a deep appreciation of place, a feeling of kinship with the natural world, and the ability to invoke that feeling in others.” Michael K. Stone and Center for Ecoliteracy, *Smart by Nature: Schooling for Sustainability* (Healdsburg, CA: Watership Media, 2009), 4.


Business Schools as a Positive Force for Fostering Societal Change

Meeting the Challenges of the Post-Crisis World

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Abstract: The purpose of the article is to encourage (and in certain ways to initiate) an intellectual debate on how business schools can meet the intellectual challenge resulting from the financial crisis. We argue that this will involve questioning the traditional paradigms of management research, will require broadening the intellectual foundation of business school activities, and will trigger revision processes to incorporate the derived learning points into degree and non-degree programs. European business schools have to cope with these challenges during a phase of intense financial pressures, which may create the temptation of adopting myopic development strategies. The points made in this article may appear to be explicitly prescriptive, but they should be taken as an attempt to foster an open debate on the issues vital for the future development of the business school sector.

Key Words: business school, competition, financial crisis, management education, management research, sustainable development

1. Introduction

Business schools have without any doubt reached some legitimacy in the field of education, above all by their vocation to train corporate elites. This legitimacy is,
however, now being challenged in the fall-out of the recent financial crisis. Once more, Drucker (2001) proved his prophetic instincts by stating, “In the next society, the biggest challenge for the corporation may be social legitimacy, its values, its missions.” The same clearly applies to business schools given their role in training tomorrow’s leaders of private enterprises. While it may appear for some that the financial crisis is just a blip in the evolution of financial markets—after all, there have always been periods with excessively cheap credit followed by large-scale downgrades of asset values—one cannot ignore the social disruptions created by financial market turmoil. Over the course of the past two decades, business schools have increasingly focused on their role in teaching students formal methods and tools and, by doing so, have performed less well in conducting practically relevant research and in preparing future managers for their role as drivers of social cohesion. Subsequent sections will provide a more detailed discussion on where business schools have departed from their historical mission and what needs to be done for them to regain their focus.

The purpose of this article is to encourage a debate on how business schools can meet the intellectual challenge implied in the financial crisis. As will be further discussed below, this will in our view involve questioning the traditional paradigms of management research, will require a broadening of the intellectual foundation of business school activities, and will trigger revision processes to incorporate the derived learning points into degree and non-degree programs. Especially European business schools have to cope with these challenges during a phase of intense financial pressures resulting from crisis-related drops in revenue, public funding reductions, and investment needs created by the widening of market boundaries (Cornuel 2007; Hawawini 2005). Hence, deans must above all resist the temptation of tilting the pendulum too far away from delivering an academically meaningful service to stakeholders and towards over-emphasizing the commercial dimension of business school activities. While some of the points made in this article may appear to be explicitly prescriptive, they should really be taken as a contribution to an open debate, which we hope to foster with this article. From our perspective, the arguments developed in this paper have general relevance, but they are best understood in the European context. The remainder of the article reflects this view.

The primary objective of any higher education institution—and therefore also of university-level business schools—should be the delivery and continuous enhancement of excellence and relevance in research, teaching and learning. In our opinion, this necessitates (Western) business educators to not just pass on the
professional qualifications required in a global economy but to also emphasize the traditional values of a liberal education. The end of the Cold War and the subsequent wave of deregulation as well as privatization has created an enormous “peace dividend” for the developed world. As we know today, we have not managed this treasure wisely but have seen the emergence of a culture of individualism and consumerism. It has led to a progressive disconnect between how individuals (and in particular managers) are defining their roles professionally and as members of the society-at-large. The challenge implied by the recent crisis is to reconnect what should really form an inseparable unity. Business schools must play a key role in tackling this challenge. The European Foundation for Management Development (EFMD) has always supported such a wider role of business schools in society, which is also reflected in its mission to act as a catalyst for the promotion and enhancement of excellence in management development.

The financial crisis poses special challenges to European business schools (as well as to higher education institution in Europe in general) by exacerbating some sectoral trends. On the institutional level, European business schools are struggling with changes in the sources of funding triggered by fiscal cutbacks and the resulting pressure to develop proprietary revenue sources. This goes hand in hand with the need to respond to demographic changes and global growth dynamics by increasing the non-European reach of educational offerings (Iniguez and Carmoña 2007). Funding restrictions and professorial appointment restrictions are also challenging European business schools to compete in the increasingly global market for qualified faculty. Institutions on the Continent are also struggling with lacking transparency and excessive fragmentation in key markets (e.g., (E)MBA and M.Sc. programs). Top-tier institutions may not feel the effects of these developments very much or may even gain market share as lower-tier institutions have difficulty in coping with the increasing tournament-like competition in their home markets.

These trends are complemented with a number of developments on the faculty level affecting the way business schools are operating in degree and non-degree markets. The past decades, for instance, have been characterized by a progressing erosion of academic tenure with academia becoming increasingly a part-time profession (Cross and Goldenberg 2009). Governance trends imply that it is also developing more into a managed profession. The growing revenue orientation on the institutional level has triggered a shift toward budgetary performance indicators and has supported the commodification of the faculty-student relationship (Slaughter and Rhoades 2004; Rhoades and Slaughter 1997). Casual empiricism
suggests that this trend appears much more pronounced for lower-tier teaching-led institutions.

The remainder of the article is structured as follows: the next section will offer reflections on the future role of generally accepted management paradigms for research and teaching, which will be extended in section 3 with a discussion on how business schools can broaden the intellectual foundation of their research and teaching activities. Section 4 will derive key learning points for program delivery and design. How the rising commercial pressures may lead business schools to adopt counter-productive short-termist strategies is discussed in section 5, while section 6 concludes by offering some preliminary thoughts on how business schools can become more effective agents for societal change.

2. Addressing Ideological Biases in Management Research and Teaching

It is a long-standing debate within the academic community, whether management should be treated as a science or as a profession (Khurana 2007; Iñiguez 2010). While, in the early days, business schools had focused on their role of advancing first-best management practices, management researchers have since then succeeded in leveling the playing field with other university faculties, in particular with the “hard” sciences (e.g., Starkey and Tiratsoo 2007). Axiomatic research has assumed a dominant role in knowledge production (Lorange 2008) with performance increasingly being measured quantitatively in terms of publications and citations in peer-reviewed journals, which in turn are rated on the basis of impact factors. In many sub-fields of management, high-quality research is by now essentially synonymous to the employment of complex mathematical modeling techniques or advanced empirical methods, while qualitative/holistic research is increasingly a scarce commodity in the leading academic journals of the field. It is therefore not surprising that top-ranked business schools are by now largely populated by researchers who have invested years in honing their methodological skills but who lack any first-hand experience in the practice of managing companies.

Pettigrew (2008) argues that research can be academically meaningful and practically relevant at the same time (the so-called “double hurdle”). Nevertheless, research formalism has led to an increasing detachment of research content from business realities (Lorange 2008; Mintzberg 2004; Bennis and O’Toole 2005). Theoretical work aims at showcasing the researchers’ command of mathematical modeling skills with the model design all too often governed by the need to maintain analytical tractability. In fact, whenever simplifying assumptions are justified with unsubstantiated statements such as “without loss of generality,” it all
too often means exactly the opposite. Empirical work needs to cope with at times severe limitations in terms of data availability and data quality. The widespread availability of U.S. data has effectively created a culture of analyzing business phenomena in the U.S. context—in many instances with insufficient reflection to what extent institutional differences limit the generalization of the results. In addition, richer U.S. datasets allow the usage of more advanced empirical methods and the derivation of more robust results, both highly valued by the peer review community.

In sum, the way business academics nowadays conduct research implies a variety of biases—in terms of what is analyzed, how it is analyzed, and how results are ultimately interpreted. Most critically, the business school community appears to suffer from a severe case of “measuritis,” which goes well beyond limitations in terms of focus and methodology. It also expresses itself in the widespread practice of managing research with quantitative indicators such as faculty input allocations and productivity indicators (as part of institutional faculty management systems) as well as with journal point scores and faculty/institutional research rankings (as market-wide reputational measures). The rising importance of research performance for ranking positioning and institutional accreditations implies that the traditional split into research-led, teaching-led and exec-ed-focused business schools is increasingly diluted—at least in Europe—with institutions of all categories striving toward improving research productivity based on commonly accepted performance indicators.

Biases in research have a tendency of creating corresponding biases in academic teaching. This is largely driven by the business faculties’ desire to establish a congruency between research and teaching. It is exacerbated by the need to downscale theoretical frameworks to palatable proportions that can actually be understood by students. As a consequence, business graduates embark on their management careers with a rather crude set of tools, which have mostly been designed by “experts” with an “outside-in” view. It is therefore not surprising that Abraham and Karns (2009) identify a mismatch between the competency that business schools develop and competencies that businesses are actually seeking.

Pre-experience students are particularly susceptible to the false pretense that there exists a proper quantitative tool for every business problem and that “good” management is equivalent to acquiring a sufficient expertise in the use of the “managerial tool box.” In comparison, the development of managerial intuition (gut feeling or street smartness) is nowadays under-emphasized in classroom teaching, which is also reflective of the comparative advantage of traditionally
trained academics in conveying generic textbook and case study content to their students (see also Starkey and Tiratsoo 2007). The implications for program design and delivery are further discussed in section 4.

3. Broadening the Intellectual Foundation for Business School Research and Teaching

As suggested in the previous section, producing globally responsible leaders requires more than the simple acquisition of functional and hypothesis-driven deductive knowledge. Experiential, presentational, propositional, and practical ways of learning must be integrated into degree curricula to prepare future managers for the complexities of the real business world and to enable them to cope with the increasing frequency of structural change. The key issue of management education and research remains its reliance on the trappings of functional disciplines, when in reality managers need to operate in a multidisciplinary environment. Business schools should address the prevalent flaw of mapping organizational principles based on disciplinary silos into their educational offerings. As suggested by Goshal (2005), the profession needs to create new research pathways to legitimize new intellectual orientations. In short, management research needs less “Popper” and more “Feyerabend” (Cornuel 2008b). Following Pettigrew (2008), successfully passing the double-hurdle of creating scientific relevance as well practical impact is the obvious prerequisite for mastering this challenge.

Casual empiricism suggests that there is a tendency for lower-tier business schools to replicate the “business model” of the lead competitors within the constraints defined by their institutional and regulatory environments. They are seeking excellence in different functional areas, which—if developed consistently—should then lead to corresponding service offerings within the broader concept of life-long learning and to a standard set of key performance indicators in teaching as well as research. Special twists may be applied, but mostly by adding sectoral competence centers or by linking up with other university faculties to initiate interdisciplinary endeavors.

Few Western business schools have attempted to embed their activity portfolio into a broader intellectual or philosophical framework enabling them to cope with market challenges such as the financial crisis in a different way. Positive examples are, for instance, business schools affiliated with Catholic universities. These institutions employ Christian teachings as the intellectual underpinning for their activities and do so in a non-prescriptive manner. As Cornuel et al. (2010) explain, Catholic social thought contains a considerable variety of practical wisdoms with
direct relevance for management education (see also Abela 2001; McCann 1997). In effect, business schools operating in the Christian tradition present themselves as learning partners to a select group of stakeholders with a corresponding set of beliefs and values. As part of a supply-push strategy, they are de facto enhancing their “intellectual sustainability” by potentially sacrificing some market share.

Developing activities consistent with a broader philosophical/religious framework can however also be the result of demand-pull phenomena. It is for instance an open question whether the developing global reach of Asian business schools will also foster approaches to management education shaped by Buddhist, Hindu and other thought. The rising prominence of Islamic banking and finance represents another example of European business schools engaging in activities tailored around the belief system of a particular class of stakeholders. It may still represent largely a niche activity in mainstream finance departments, but the ensuing intellectual discourse is likely to enrich more traditional research and teaching in due course. As Lorange (2008) points out, these paradigms are shifting already as a result of globalization and accelerated growth of the business school sector in Asia and Latin America, requiring us to challenge the general approach of researching and teaching “Western business practices.” Along the same lines, business school faculties are increasingly engaging in research with linkages to other fields such as philosophy, psychology and are borrowing from psychoanalysis, drama studies and Eastern religions in teaching. These developments may help to counterbalance overly mechanical approaches to knowledge production and knowledge transfer.

The heterogeneity of ethical values and traditions driving research and teaching activities can be expected to increase significantly in the coming years, not least because of the systematic underproduction of qualified junior faculty by Western (and in particular U.S.) business schools (Cornuel 2007; AACSB 2002, 2003). As a consequence, leading providers of management education are by now bidding for faculty talent on a global scale. Fresh Ph.D.s are clearly welcoming these professional opportunities—reflected by marked increases in cross-border mobility in recent years. One may wonder in this context whether the rising numbers of professors of European descent employed by U.S. business schools will ultimately lead to a greater acceptance of diversity in research and teaching (in line with Europe’s educational tradition).

Faculty shortages have, however, also the tendency of generating short-term problems resulting from overburdening the academic standard bearers of a business school. For one, they may trigger higher degrees of specialization with respect
to faculty activities in research, executive education, specialized graduate-level teaching, and undergraduate education. If such developments lead to an effective disconnect between different classes of activities, then intra-organizational learning processes can be seriously disrupted.

Second, business schools in certain geographical regions may suffer from a significant “brain drain” as the best talents sign up to work with institutions offering higher salaries and fewer commitments beyond producing top-level research (which again reinforces the problems discussed in a previous section). In line with this argument, it can be expected that professorial talents will increasingly gravitate toward Asian business schools as well, which are currently developed as strategic resources by local businesses and governments. Hence, European policymakers need to develop a greater awareness of the long-term costs implied in the funding cutbacks for university-level management education and research. In particular, one should not underestimate the threat that globalization will lead to the emergence of global players in business education, which ultimately may even shift their headquarters to Asian countries. After all, there is per se no reason why Western institutions could not operate as effectively with an Asian headquarter and with faculty spread over several campuses around the globe. Ultimately, the geographical spread of institutional growth will be shaped by regional demand dynamics.

Ultimately, European business schools need to tackle this issue at the root—by expanding their activities in doctoral education and research. It is, however, likely not to happen without significant financial support from third parties. As fresh Ph.D.s have a tendency of moving on to other institutions (which is even an explicit requirement in some European countries), capacities for doctoral education suffer from a negative externality problem (given that investment returns are captured by the investor’s competitors). Young researchers will, however, only seek employment at home if the conditions of employment are comparable to alternative opportunities. And they will only accept to operate on the basis of a different model, if it is developed as a credible and sustainable long-term alternative to the one that just rewards publications in top journals. Unfortunately, Europe still suffers from a shortfall in the general awareness that the “global war for professorial talent” may drastically limit the role of European business schools in the production of future managers and may eventually even jeopardize their systemic relevance for the production of managerial talent. As stated before, this problem is not unique to research-led business schools as the prominent role of research productivity in defining ranking positioning and accreditation outcomes
is also leading traditional degree-teaching and Exec-Ed institutions to focus more strongly on the development of research capabilities.

Many business schools have begun to offer degree and non-degree programs in foreign markets with on-the-ground operations. While surplus generation is often the pivotal motive of such investments, faculty learning can be a potential added benefit. It counters the threat of intellectual inbreeding resulting from faculty operating out of the comfort zone of their home campus. Once an institution’s core faculty transitions out into foreign markets on a regular basis to interact with local students and business partners, they will develop a general awareness of different cultural traditions in management education (which applies particularly to Asia). Ultimately, business schools will acquire the ability to successfully operate on a global scale by faculty incorporating these experiences into their intellectual endeavors in the classroom and beyond. In order to succeed on a broader scale, Western business schools must however credibly withdraw from an approach of intellectual hegemony and must focus on structuring their activities in geographically and culturally distant markets as a two-way learning experience. It certainly requires that business schools and the staff on the ground overcome barriers of ethnocentrism, which may lead to “preaching” rather than true mutual learning.

Organizational learning will also increasingly take place in collaborative networks. Especially European business schools can be expected to ultimately move beyond joint/dual degree offerings and build more far-reaching strategic alliances to achieve scale and to meet the resource demands of developing multicultural/ cross-border capabilities. Many of them appear to be operating at sub-optimal capacities and will therefore struggle to meet the demands resulting from widening market boundaries. The logical response will be to create strategic alliance clusters, which may for instance resemble an academic “Airbus.” It will foster the development of long-term partnerships emphasizing the importance of developing heuristic intellectual capabilities as well as social capital and, in general, of focusing on holistic learning/research models. It appears that cutting-edge business schools have begun to travel on this development path already. Successful implementation of such strategies will require a true sharing of intellectual resources and must therefore move beyond a narrow revenue focus.16

4. Learning Points for Program Design and Delivery

Business schools are above all learning organizations (Lorange 1996) and, hence, management needs to define the precise ways in which the institution is learning,
what learning platforms it intends to maintain for its stakeholders and how it is interacting with stakeholders to produce learning outcomes (see also Osborne and Cowen 1995). Following Lorange (2008), they must maintain a two-way learning approach based on the principle “lead and be led” (see also Lorange 2005). Doing so will allow the business school and its learning partners to utilize their respective comparative advantages—the production of “propositional” knowledge by academics and the provision of “prescriptive” knowledge by the school’s learning partners (Mokyr 2002). Hence, teaching environments represent “hubs” of learning with “spokes” going out to all other school activities including the formulation of strategic objectives by senior management. Executive education represents the most important entry point for prescriptive knowledge, which then has to be systematically disseminated to the other learning activities of the institution. While the business model of institutions focusing on post-experience teaching is conducive to developing such learning processes, it is ultimately a challenge for all business schools to develop such linkages to the practitioner community in the context of delivering relevance in teaching.

EFMD accreditation practice shows that most business schools are not applying a learning approach to explicitly structure the intellectual backbone of their activity portfolio. This is partially owed to the fact that academics tend to be very protective of their (in some countries even legally guaranteed17) freedoms of teaching and research. Business school managers have also a tendency to apply a structural approach to manage their faculty, emphasizing quantitative input/output indicators such as teaching loads and student feedback scores, research time allocations and research impact scores, consultancy and applied research revenues, or involvement in internal governance measured by number and time weights of project-specific/ongoing assignments. Without a doubt, managing this dimension is important in order to ensure that workloads are allocated fairly, that faculty is not consistently overburdened, and that sufficient time is left to engage in knowledge production. It is, however, just as important to manage the process of faculty involvement in school activities as it is to manage time inputs and intellectual/service outputs. To be fair, business school rankings enforce the linkage between “structure” and “performance” and, in comparison, tend to neglect the “conduct” dimension.18 Similarly, accreditation agencies are struggling to move beyond the “measurable” and to evaluate the learning dimension of program provision in terms of intellectual conduct. It certainly represents a continuous challenge for the operation of EQUIS and EPAS, EFMD’s accreditation systems for business
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Schools and management programs. They, however, address this issue directly by relying on a holistic approach.

Focusing on the intellectual core of education has effectively become more difficult for European business schools as a consequence of the Bologna reforms. National higher education authorities have started to prescribe a diverse set of administrative requirements for degree programs regulating, for instance, student workloads based on annual input hours (European Credit Transfer System or ECTS) or program structures based on the module/course principle. Higher education institutions are now also forced to manage their students’ intellectual progression on the basis of intended learning outcomes (ILOs), which, however, all too often seem to be generically engineered *ex post* to satisfy accreditation requirements.

It is not feasible to delineate a one-size-fits-all blueprint for the design and delivery of academic programs. Educational excellence can be the result of a diverse set of approaches. We however see a number of guiding principles for program delivery and design, which should help to achieve satisfactory outcomes.

**Principle 1 (Fostering Intellectual Curiosity).** First, program structure should allow for sufficient flexibility to acquire specialized knowledge. Second, students should be encouraged to use the in-class learning experience as a starting point for their personal journey of intellectual discovery. This will not happen if programs are overloaded with in-class hours, if programs are too fragmented (as they often are in the post-Bologna module/course environment) or if faculty is not assuming a mentoring role (by, for instance, being too focused on training in the use of quantitative tools rather than on fostering critical thinking). Business schools should try to strike a balance between implementing formal structures to ensure the achievement of learning outcomes and providing “unstructured” (but nevertheless appropriately managed) “breathing space” for independent student learning.

**Principle 2 (Fostering Integrated Learning).** Degree programs are frequently developed using a guided bottom-up approach with the academic subject areas (aka departments or groups) supplying functionally specialized modules. While such an approach is very much in line with tool-oriented teaching, it nurtures an intellectual silo approach. Add-ons such as a final thesis requirement (which may, however, also lead to functionally specialized output), workplace learning opportunities, or an integrated capstone module are typically provided to link the different silos. In contrast, few business schools have dealt with this issue more comprehensively by, for instance, adopting a business process view or by employing a cross-functional team-based teaching approach. Helping students to connect
“the dots on the i” should however be the very core of management education in order to prepare them for solving real-world business problems, which almost by definition have a cross-functional character (Datar et al. 2010).

Delivering integrated content provides unique challenges to faculty. Realistic business scenarios typically serve as starting points of course design rather than generic textbook chapters or case studies. Faculty groups then need to decide how to bring their different perspectives to bear on the issue and how to interlink them in actual teaching.

**Principle 3 (Emphasizing Practical Relevance).** From the very beginning, EFMD Accreditation Systems have emphasized employability as a key quality dimension in management education. Every degree program prepares students for a range of career pathways. Determining the target pathways must therefore be the starting point of program design and then, following the backward induction principle, all the relevant pieces must be added to puzzle ranging from organizing the placement process to organizing program admission and marketing (see also Augier and March 2007). University-level business schools frequently deviate from this principle as a means of differentiating themselves from pure teaching institutions. By doing so, they ignore that there does not exist a negative (implicit) tradeoff between the educational value delivered in terms of career qualifications and a program’s level of academic depth and rigor. As the discussion above has illustrated, the focus on integrated learning can represent an important step toward enhancing the employability of program graduates in this context.

**Principle 4 (Prioritizing Pedagogical Innovation).** While some business schools systematically invest in pedagogical training of faculty (in particular of junior hires), most academics still acquire their pedagogical skills on the basis of on-the-job learning-by-doing. As an added problem, program managers receive only scant evidence on teaching quality, mostly in the form of student feedback scores (see also Valsan and Sproule 2008). The faculty typically commands significant degrees of freedom in distorting the scoring outcome, while students have *per se* great difficulty in evaluating teaching performance—given its “credence good” character. Hence, it is not surprising that many business schools do not systematically invest in pedagogical innovation or even consider the mix of pedagogical methods as a source of competitive advantage (see also Datar et al. 2010). Priorities clearly change once business faculties consider teaching to be part of the core of their profession. And priorities should change if business schools are serious about providing a rewarding learning environment.
By implementing these principles, the outcomes of the intellectual discourse propagated in sections 3 and 4 are naturally carried into business school classrooms and students may be even put in a position to contribute to the debate.

5. Sustainable Business School Growth—Resisting the Temptation of Developmental Short-Termism

The competitive environment of business schools can be best characterized using the economics of tournaments (Konrad 2009). Ranking positioning and internationally relevant accreditations represent key drivers for institutional reputation and the availability of financial resources. Business school managers have a natural tendency to undertake ambitious (and costly) growth initiatives in order to capture future returns of improved market positioning. These gains will, however, only materialize if the institution is effectively (and convincingly) out-competing its market rivals. The overall fairly stable ranking ordering of business schools at the top represents evidence for the limited success of such strategies. In effect, business schools are driving up their cost base with a large share of the delta representing (quasi-)fixed costs. In contrast, revenues frequently grow at lesser rates, mainly because business schools are struggling with the added complexity of scaled-up operations. The consequences are worrisome—expected budgetary surpluses as a percentage of total turnover are falling and, hence, the exposure to market volatility is increasing. It can therefore be hardly surprising that the financial crisis has forced a rising number of business schools into the adoption of sometimes painful restructuring programs or has even triggered defensive mergers with competitors.24

The globalization of the market for management education has created additional learning opportunities for business schools (Lorange 2003). It has, however, also heightened the competitive pressures to develop cross-border reach, e.g., by recruiting students and faculty abroad, by producing internationally relevant research, by developing internationally relevant educational offerings, or by delivering educational services in foreign countries.25 In effect, the widening market boundaries have increased the commercial pressures associated with tournament-like competition. Following the financial crisis, many business schools have experienced an abrupt drop in demand for their services, in particular for non-degree executive education and employer-funded part-time degree offerings. As a consequence, these institutions are struggling to achieve revenue targets, which have been defined on the basis of past resource commitments.
Commercial pressures create an incentive to pursue shortsighted strategies of institutional development. And many business schools respond to these pressures by engaging in practices that appear to represent an unfavorable tradeoff between short-term financial returns and long-term reputation building (Hommel 2009b). Some examples are:

- A rising number of business schools are offering degree programs, which in effect represent collections of non-degree offerings—typically administered by executive education sub-units. It leads to a blurring of the boundary between degree and non-degree education with business schools (AACSB 2002) using academic degrees as sale enhancers for their executive education activities (Hommel 2009a).

- In order to enlarge student enrolment and tuition revenues, business schools are relabeling traditional M.Sc. programs as MBA programs, often coupled with sectoral (and increasingly also functional) specializations. Along the same lines, they are showing greater willingness to offer MBAs to pre-experience students and to reduce the required work experience for Executive MBAs.

- Lower-tier (private) business schools are especially prone to impose restrictions on knowledge production by packaging faculty research time into consultancy projects for corporate partners. While this approach enhances the relevance of research, it limits academic freedom and typically reduces the quality of output from an academic perspective.

The art of university-level business school management is to appear as effectively run as a private company to the outside world and, at the same time, maintaining the organizational fabric of an academic institution on the inside (see also Weisbrod et al. 2008). Replicating the modus operandi of private enterprises inside university walls, for instance by employing a profit center approach for the management of school sub-units, will shift the school community’s attention away from their educational mission and toward concentrating their capacities on activities with immediate revenue relevance. It may even stifle cooperation within the organization if sub-units can achieve their financial objectives by cannibalizing others in the school (which of course implies that senior management has failed to defined proper incentives to encourage cross-selling activities). Problems along these lines appear to be empirically more relevant for lower-tier institutions and institutions focusing on non-degree teaching. They
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Sustainable business school growth necessitates a careful matching of core competencies with the portfolio of educational service offerings. In this context, the quality of school management is probably just as much characterized by the project proposals ultimately rejected as by the ones actually implemented. There has to be a consistency between the school’s mission and vision—typically defined in terms of desired educational outcomes—and the chosen balance between reputation building and surplus generation. Authenticity and credibility are in this context of key relevance as well—educating responsible managers (as most business school claim to do) requires school management to act as responsible caretakers of the institution they have been entrusted with (see also Keohane 2006). Deans in particular need to resist the temptation of trying to achieve too much in too little time. Sustainable improvements in competitive positioning are more often than not the result of gradual change rather than triggered by radical innovation.

While business schools generally perceive the financial crisis as a negative outlier event, they should also view it as an opportunity to re-evaluate the general direction of school development (see also Starkey and Tempest 2009). The proper lessons will not be learned by simply paying lip service to business school critics, who view the “bankers’ educators” as among the main culprits of the crisis. Introducing an oath for business school graduates, offering extra mandatory courses on ethics and corporate social responsibility, or initiating the occasional community project will not solve the puzzle. What is needed is an honest and open intellectual debate within the business school community, which involves all key stakeholders and which links research, teaching, and general school development.

6. Concluding Remarks—
Business Schools as Positive Change Agents in Society

Business schools, as universities in general, must serve a higher purpose (Shapiro 2005). They educate future business leaders whose actions have a profound impact on our daily lives and on our economic well-being. Business schools make a critical contribution to ensure that private enterprises remain an integral part of society and that they live up to their responsibilities for society at large (Cornuel 2005, 2008a). Going forward, they must support a more general effort to take companies out of their isolation with a focus on a very limited set of stakeholders. The financial crisis has clearly demonstrated that a predominant laissez-faire approach moves society (and its businesses) into a prisoners’ dilemma situation (see also
Cornuel and Kletz 2003). While individual rationality dictates the narrow maximization of investment returns, the collective impact of myopic profit maximization may actually erode the very foundation of doing business. Business schools should expose themselves more openly to a public debate of what and how they teach. The current movement among leading universities to put course materials into the public domain (e.g., MIT’s open courseware project) may represent an important step toward more transparency and accountability (see also Walsh 2011).

“Social business” can be “good business” and companies have the ability, either individually or in cooperation with others, to address the pressing issues of society. Take the Desertec initiative (http://www.desertec.org/) as one example: A consortium of international companies is currently working toward the development of a platform for the generation of green energy in the Sahara desert and the Arabian Peninsula, which can potentially cover all the energy needs of Europe and the MENA region. A number of wider organizational initiatives have also been started in recent years to advance the agenda of corporate social responsibility and sustainability, among them the U.N. Global Compact or GRLI, the Globally Responsible Leadership Initiative, co-founded by EFMD. The strategic partnership between The Academy of Business in Society (EABIS) and EFMD serves as another illustration of how associations can collaboratively foster the dialogue between the practitioner community and academia.

Business schools have credibly begun to address these challenges, but much still needs to be accomplished to steer school organizations into the post-crisis world. Most business school deans are very apt in developing unique selling propositions at the institutional level and in shaping marketing activities accordingly. They may be tempted to deal with the issue in ways equivalent to repainting the outside walls. Deans will, however, only succeed in incorporating such core values into the fabric of the institution if these values actually match the belief system of institutional stakeholders. In other words, they need to become part of the business school’s “source code” on the basis of which the entire organization operates and responds to environmental challenges. This will require a long-term effort with progress only to be achieved in small steps. Following Max Weber (1973), it requires the “strong and slow boring of hard boards.”

Endnotes

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1. The developments described by Li et al. (2008) however pose the question to what emerging Asian business schools with global relevance will be assimilated in a sector so far shaped by Western institutions. See also Ngok (2008) for a review of Chinese higher education trends.

2. As for instance noted by Masten (2006), the trend toward managed orientation in the U.S. is more pronounced in lower-tier (smaller) institutions than in top-tier research universities.

3. Following Remler and Pema (2009) and Besancenot et al. (2009), a stronger focus on research quality and productivity can also be explained based on a signaling hypothesis (research acting as a proxy for teaching quality), which is enforced by accepting research as a ranking indicator for degree programs. There does not however exist any empirical evidence linking research performance and teaching quality at this point.

4. As described by Shenton (2007), this viewpoint is also consistent with the underlying principle for evaluating business school research within the EQUIS accreditation system.

5. As van Schaik (2009) notes, managers have been inclined to sometimes accept, virtually without question, as acceptable ways of doing business and managing what are in fact little more than business fads and fashions of the day. He argues that business schools did not explicitly cause the financial crisis, but will play a key role in determining what comes next.

See also Wensley (2009). As for instance shown by O’Brien et al. (2008), there appears to exist a positive relationship between research output and earnings of business school graduates, but that high research intensities lead to reductions in graduates’ pay.

6. Friedman (1953) has argued that there exists a negative relationship between the significance of theory and the realism of the underlying assumptions. In other words, predictive power justifies the use of unrealistic models.

7. The periodic UK Research Assessment Exercises (RAE) have for instance assumed a defining role for the objective function of the country’s research-led business schools.

8. University of Exeter Business School will go further than other business schools so far with the introduction the “One Planet MBA” (suite) in cooperation with the World Wildlife Fund (WWF) in the Fall 2011 (Source: http://business-school.exeter.ac.uk/mba/programme/). The full-time and part-time streams will fully replace the existing MBA programs.

9. Examples of institution with Catholic roots and active links are IESE/Spain (and associated institutions such as AESE/Portugal), ESADE/Spain, Notre Dame Business School/US, Carroll School of Management of Boston College/US.
10. The literature on management approaches based on alternative frameworks of thought (Buddhism, Hinduism, etc.) is very limited. No hard evidence could be identified substantiating their relevance in university-level management education.

11. Islamic banking and finance describes financial activities consistent with the principles of Islamic law (Sharia), which prohibits the acceptance (payment) of interest in return for granting credit (receiving loans).

12. Master-level programs with an exclusive focus on Islamic finance/banking can in particular be found in the UK. Examples are Aston University Business School, Henley Business School, University of Aberdeen Business School and University of Salford Business School (with many more programs offering specialization options in this area).

13. U.S. business schools are predicted to face a faculty shortfall of approx. 2,500 academics over the course of the upcoming decade.

14. Entry-level salaries in U.S. business schools can currently be as high as EUR 150,000 on the basis of an 8-month service contract (which can rise to beyond EUR 400,000 for seasoned full professors). In addition, junior faculty members often receive automatic 4-month summer support to facilitate research and are given very low teaching loads in the first 1–2 years of employment. In comparison, European salaries can be 50 percent of U.S. levels or even less, while teaching/administrative loads (in terms of credit hours and student volume) can be 2–3 times as high.

15. Aghion et al. (2010) demonstrate that university performance is strongly related to competition and autonomy. They conclude that European universities would benefit most from greater budgetary control (with public universities in mind) combined with explicit mechanisms for enhancing accountability (an argument which is also supported by Jacobs and van der Ploeg 2006).

16. In contrast, lower-tier institutions have a tendency of developing such partnerships on the basis of a revenue generation rationale (e.g., franchising and validation arrangements maintained by a considerable number of UK’s new universities).

17. See for instance Art. 5(3) of the German constitution: “Art and science, research and teaching are free. Freedom of teaching does not absolve from loyalty to the constitution.”

18. See for instance Shepherd (1990) and Bain (1956) for a discussion of the structure-conduct-performance paradigm. It represents a core concept of the industrial organization literature to explain competitive change and market evolution.

19. EFMD operates two main accreditation systems for business schools. The European Quality Improvement System (EQUIS) evaluates business schools or faculties of business/management, while the EFMD Program Accreditation Systems (EPAS) focuses on degree programs with a significant business/management focus (possibly even offered by non-business schools).