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SYMPOSIUM: THE FORTUNES OF CAPITALISM

Business Schools: Capitalism's Last Stand

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Can we, as a society, find a sustainable balance between wealth creation and distribution? This article offers a model for finding and serving that balance, in philosophical and practical terms. And the basic model for delivering on that process is university-based business education. Business schools represent a last stand and a compelling argument for capitalism. Business school critics make very bold statements, but offer little or no evidence to support their position. Despite all of criticism of business education, people around the world continue to flock to business schools and businesses to learn about effective management, marketing and leadership. Why does this occur? Because there is value in business school education and that value will continue to evolve with economic globalization.

> In management education, there's some sort of turbulence, turmoil, every 3 to 5 years. There's always [predictions of] the end of business schools.[1]

As the Occupy Wall Street captures the public imagination, images of ramshackle tent cities, sign-carrying youth, and police intervention fill our television screens. These notorious images serve to cloud the fundamental philosophical point of many of the protestors: Should capitalism survive? In practical terms, their primary demand has been the call for college loan forgiveness, with many of the protestors claiming, "I have a college degree but no job." A professor of history, James Livingston (2011), argues against thrift in his book of that title, with one reviewer noting, "Karl Marx wants you to go shopping. To save capitalism." Livingston makes the paradoxical if not nonsensical argument that the way out of global debt is to spend, consume more. How to do this? Re-distribute the wealth. He assumes that there is enough wealth "to go around," it simply needs to be better distributed, and assume that wealth creation would continue if it was to be confiscated.

The protesters and Livingston perhaps inadvertently emphasize the fundamental dilemma of their generation, possibly for all subsequent generations and not just for the United States. And the question is this: "Can we, as a society, find a sustainable balance between wealth creation and distribution?" The purpose of this paper is to offer a model for finding and serving that balance, in philosophical and practical terms. And the basic model for delivering on that process is university-based business education. Business schools represent a last stand and a compelling argument for capitalism.

Masters of Business Administration

Tom Wolfe popularized the term, "Masters of the universe." Some would apply the pejorative extreme of this label to the masters of Business Administration degree (MBA). The MBA is most visible, oft-pilloried form of university-based business education by the public, whereas there are tens of thousands more students and annual graduates in undergraduate business education programs, programs often pilloried by liberal arts faculty. "Of the 1,601,000 bachelor's degrees conferred in 2008–09, the greatest numbers of degrees were conferred in the fields of business (348,000); social sciences and history (169,000); health sciences

[1] IE Business School (Madrid) dean Santiago Iniquez de Onzono, interviewed in Melissa Korn, "IE's entrepreneurial focus shields it from a shakeout." *Wall Street Journal*, December 1, 2011, B13.

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(120,000); and education (102,000). At the master's degree level, the greatest numbers of degrees were conferred in the fields of education (179,000) and business (168,000). At the doctor's degree level, the greatest number of degrees were conferred in the fields of health professions and related clinical sciences (12,100); education (9,000); engineering (7,900); biological and biomedical sciences (7,000); psychology (5,500); and physical sciences (5,000)."[2]

Between 1975 and 2000, the number of MBA degrees awarded in the United States alone more than tripled, to over 112,000 degrees granted in 2000.[3] Today, with over 200,000 masters of business administration (MBA) degrees awarded globally each year, the MBA is today perhaps the most popular, recognized and criticized graduate degree in the world. To employers, an MBA usually conveys a sense of expertise and accomplishment. To critics of MBAs, an MBA connotes a heightened sense of greed and a woeful lack of ethics. An MBA has become a de facto entry-level credential for important management positions around the world.[4] In 1949, fewer than 50,000 people had earned advanced business degrees. In 1985, schools awarded 60,000 MBAs. In 1949, 100 schools offered MBAs; today more than 700 offer MBA degrees. Most of the Class of 1949 took salaries of less than $4,000 per year, equal to about $28,000 in 2001 dollars. By 2001, the average starting salary of Harvard MBA graduates was over $100,000. [5] And yet the debate continues: Is the world better off with more MBAs?

Recent economic turmoil has once again emboldened critics to question the value of the MBA degree, business schools, and their very foundation – capitalism. "Next to professional qualifications in law or accountancy or engineering or whatever, the MBA might not hold up so well in future." [6] Earlier critics (Pfeffer and Fong 2002) classified business schools as nothing more than lucrative business or a commercial success. Critics from within the university yet outside the business school accuse business schools of violating fundamental university standards.

> It has long been argued that the American Ivy League universities, above all Harvard, set a trend going back several decades where rising stars paid a hefty sum to have corporate dogmas reinforced and receive the all-important certificate that would admit them to senior management. The universities were said to be earning so much they had a strong incentive to provide what employers expected and not rock the boat. [7]

Harvard, perhaps the most despised of all the business school programs by critics who cite their massive endowment, arrogance, and lack of self-awareness, has launched its own web site, asking, "How to fix business schools"[8]

Perhaps society and business school critics expect too much of business schools. Critics condemn business schools for both failing to cure all of the world's economic and business problems and for causing the ethical and discriminatory problems present in business today. Samuelson (1990) made the accusation that "the MBA explosion has coincided with the deterioration in the performance and stature of corporate America." If fact, the argument could be made that America's remarkable and world leading economic growth over the past 50 years, as measured in terms of gross domestic product (GDP) per capita, has generally coincided with the growth of MBA program. Recent, unprecedented economic declines, e.g., American GDP declined 6 % in the first quarter of 2009, have given pause to the success, but the long-term record is markedly positive and the possibility of a permanent, ongoing decline in economic growth and wealth is more likely to be the result of political rather than business decisions.

Robinson (1994) offered a significantly different perspective. As a former White House speechwriter, he chronicled his experiences in the Stanford MBA program. His most telling story is an anonymous anecdote attributed to a candid professor who asserts that if Stanford assigned half of their newly enrolled MBAs to business classes and the other half to spend their next 2 years in the campus pub, corporate recruiters would be just as eager to employ those in the later group as those in the former. This anecdote underscores the competitive, selective nature of the Stanford admissions process and value-add coming from who is admitted. Robinson indirectly supports this conclusion, citing that about 5 % of applicants are enrolled in the program and more than 99 % of those who start the program, complete it. Being selected and enrolled – allowed to participate in a Stanford education that comes as much from classmates as from professors – is an important educational achievement.

Capitalism

A global, free-market economy has generated unprecedented produced wealth, a world economy of $70 trillion dollars and 7 billion people. Global, free-market capitalism has contributed to phenomenal wealth creation, but is capitalism

[2] http://nces.ed.gov/fastfacts/display.asp?id=37
[3] http://nces.ed.gov/pubs2002/digest2001/tables/dt284.asp
[4] David Callahan. Kindred spirits: Harvard Business School's extraordinary Class of 1949 and how they transformed American business. New York: John Wiley & Sons, 2002.
[5] http://blogs.harvardbusiness.org/how-to-fix-business-schools/2009/04/the-system-is-broken-will-bsch.html
[6] http://www.sundayherald.com/business/businessnews/display.var.2502866.0.what_now_for_the_mba.php
[7] http://www.sundayherald.com/business/businessnews/display.var.2502866.0.what_now_for_the_mba.php
[8] http://blogs.harvardbusiness.org/how-to-fix-business-schools/

sustainable into the future? Or has it run its course? And, if capitalism is "dead", what will replace it? There have long been critics of capitalism and skeptics, and significant doubts about financial capitalism[9] resurfaced during the recent global debt crisis.

In 1867, Karl Marx questioned the sustainability of capitalism and asserted the inevitable emergence of communism.

> Owners of capital will stimulate the working class to buy more and more of expensive goods, houses and technology, pushing them to take more and more expensive credits, until their debt becomes unbearable. The unpaid debt will lead to bankruptcy of banks, which will have to be nationalized, and the State will have to take the road which will eventually lead to communism.

Marx believed that capitalism would collapse under the weight of its natural excesses, primarily greed and exploitative human interactions. Capitalism, he claimed, was not sustainable. One hundred forty years later, communism has nearly disappeared as a fundamental economic and political culture, and capitalism has become more pervasive. Marx appears to have been incorrect. Yet doubts about capitalism remain. Some argue that recent evidence would suggest that Marx's prediction is about to come true, perhaps in a form of "world socialism". And the run of success for capitalism may be about to end.

Even advocates of capitalism have been aware of problems with its excesses. A Scotsman, Adam Smith, the father of modern, free market capitalism, was cautious about misguided 'capitalism,' speculation, and threats to sustainability. A hundred years before Marx, Adam Smith wrote:

> "When the profits of trade happen to be greater than ordinary," Smith said, "overtrading becomes a general error." And rate of profit, Smith claimed, "is always highest in the countries that are going fastest to ruin."[10]

Critics stereotype business school graduates as greedy and unethical. This criticism is more pronounced when financial and ethical lapses in the marketplace need a scapegoat. It is easy to point fingers; it is much more difficult to describe the broad impact of a business school education. Done right, a business school education creates a wealth-creating graduate, a person with the technical, conceptual, and personal skills to lead people and steward resources to create a sustainable business model for creating tangible and intangible capital. The purpose of this paper is to review how business schools came to be charged with this task, how they have adapted and evolved to continue to pursue this task, and how business school critics have too often mistakenly laid the blame for business failures at the feet of business schools and their graduates. Instead, business schools and their graduates continue to be the best hope for creating a sustainable global wealth-creating strategy.

The Evolution of Business Schools

"Asked to consider opening a school of business at the nation's oldest university in 1907, Harvard president Charles William Eliot initially declined. 'There's no market for it.'" (Callahan, p. 29) The first major effort to create a business school was a business profit-and-loss decision made by academics. Eliot understood that the business of universities must be to create or serve a market and, as a result, create wealth. Business schools became an extension of the original knowledge industry leader, the modern American university.

Any criticism or defense of American business schools should begin with an accurate description of what business schools do as well as what they purport to do. This presents an immediate dilemma, as one praiseworthy aspect of business schools is their ability to establish strategic niches. Business schools do not take on a 'one size fits all' generic vision. Rather, they identify and serve specific market segments to meet the needs and demands of students and corporations. At their onset, American business schools were a very small part of the university enrollment. They have started and grown primarily by efforts of university administrators, Trustees and alumni from outside the business school. Their efforts respond to and create a demand for an important education for a competitive, global economy.

The numbers of university graduate business educated grew rapidly and consistently in the 20th century. The Amos Tuck School of Administration and Finance offered the first graduate business degree in 1900. By 1950, graduate business schools accounted for 7 % of all graduate degrees (Raskin 2002). In 1968, business school students accounted for 10 % of university master's graduates. By 1998, this number grew to almost 24 % of all master's degrees awarded (AACSB 2001). Undergraduate business education grew as well. Pfeffer and Fong (2002) found that in spring 2001, 92 % of accredited colleges and universities offered an undergraduate business program. Slow, consistent growth in university-based graduate business education in the first half of the past century led to rapid growth in the second half of the century.

[9] For instance, see Jason Dean, James T. Areddy, and Sernea Ng. Chinese premier blames recession on U.S. actions. Wall Street Journal, January 29, 2009, p A1.

[10] http://www.ft.com/cms/s/0/2802e3a8-f77c-11dd-81f7-000077b07658.html

Raskin (2002) described business education in 1950 as more vocational than professional, with retired businessmen telling war stories to students. Business theory and statistical application were not part of the original curriculum. Two business school professors, R.A. Gordon and James Howell, triggered the first major transformation in business school education with a 1959 report. Gordon and Howell criticized business schools for a lack of emphasis on the social sciences, statistics and scientific management. Business schools responded and changed— at varying rates of change.

In the 1970's and 1980's, business programs increased their theoretical, empirical and research foundations, focusing on teaching techniques such as statistical process control and quality management. The next change in business school education would result from the technological explosion of the 1980s and 1990s. At this time, business schools shifted their focus to the use of management information systems (MIS) to enhance the corporate environment. Lorenzi (2002) describes the economic change as a "recent and ongoing global transformation from an industrial and services-driven society to one where information has become the key service." The technological innovations of the last decade significantly changed the way in which businesses operate. Better, faster, cheaper is a way of doing business. Technology made it a reality.

Most recently, the globalization of the 1990s caused business schools to once again change their operating models. New technologies have made it possible for even the entrepreneur to launch his or her start-up in multiple global markets. Business schools responded by teaching about globalization.

University-based business schools have been a primary institution for management education for the last 50 years (Lorenzi 2002). Enrollments and programs grow. MBAs are hired, promoted, and rewarded. While there are more venues to obtain business education, critics, despite many unsuccessful attempts, offer little credible evidence to prove business schools will cease to exist one day. Instead, graduate business education has expanded in the last 20 years into a fast-developing global market and into the private sector, with for-profit organizations growing rapidly while domestic U.S. public and private (non-profit) universities struggle to compete. Universities around the world, liberal arts colleges in the United States, and private-sector entrepreneurs, e.g., Donald Trump, Jack Welch, all recognized a growth opportunity, facilitated by globalization and developing markets. In 20 years, the percent of people living in poverty, per the United Nations, Millenium project, declined from 44 % to 13 % of the world population.[11]

[11] http://www.iie.com/publications/newsreleases/newsrelease.cfm?id=83

Gordon and Howell faulted business schools for lacking a strong scientific foundation. In response, business schools added quantitative, statistical analysis and decision making to the curriculum. Gordon and Howell's critique would be the first of many to attack business schools for what they do and don't do. What most critics leave out is a clear definition of what business schools are supposed to do. Rather, these critics make loud and flawed accusations that an MBA is nothing more than a valueless piece of paper.

Pfeffer and Fong argued, "Possessing an MBA neither guarantees business success nor prevents business failure." (p. 80). No business school guarantees that earning an MBA would guarantee personal or business success and prevent personal or corporate failure. Should business schools be criticized for not doing something they never claimed to do? Pfeffer and Fong claimed that "if what someone learns in business school helps that person be better prepared for the business world and more competent in that domain then a measure of how much one has learned or mastered the material, such as grades in coursework, should be at least somewhat predictive of various outcomes that index success in business." (p. 81). Were this same measurement applied to medical schools, a doctor's grades in medical school will be predictive of his or her success as a doctor. Suppose the index of success for doctors is patient death rate. If a doctor is an A medical student, he or she would have a lower patient death rate than a C medical student. For this logic to be an accurate measurement, all health problems must be independent of the patient and fully controlled by the doctor's ability.

Of course, this assertion is not true. If a doctor's grades in medical school cannot predict how likely his or her patients are to die, then a business school student's grades cannot predict how likely he or she is able to save a company from financial ruin. Both examples are independent of what the professional does or does not know. A doctor will be better equipped to handle life threatening situations as a result of attending medical school as a business school graduate will be better equipped to make decisions that impact a company's financial performance. In both examples, education cannot guarantee the outcome. And, to be fair, the cost of educating a doctor dwarfs the dollars spent on preparing MBAs.

Pfeffer and Fong's second bit of logic is that "having an MBA degree should, other things being equal, be related to various measures of career success and attainment" (p. 81). Pfeffer and Fong assumed that career success would be defined the same way for every individual that attends business school. Raskin (2002) presents that "Pfeffer challenges the bedrock assumption of business school: that those who make the effort to get an MBA degree have more successful career that those who don't." Some of the success indicators measured by Pfeffer and Fong include salary and performance. However, Pfeffer and Fong fail to explain why these are the appropriate metrics of career success and how their study was normalized across industries. The performance analysis is focused solely on one consulting group, a firm that already has a rigorous approach to recruiting new candidates. The study might be useful if there was less focus on the top tier schools and encompassed a broader, representative range of industries. They do not consider that some individuals will be motivated by compensation, some will be motivated by a title change and others will be motivated by something that is entirely different. Pfeffer and Fong's argument is built on logic that is problematic if not indefensible.

Some of the criticisms spill over to undergraduate business programs. Guroian (2002) claimed that business education strips undergraduate students of their idealism, yet it is the liberal, general education curriculum that is the common experience for students of accredited business schools as well as the first half of the baccalaureate education for most business students. It is not uncommon for business students, schooled first in the liberal arts core, with courses in writing, speaking and critical thinking, to move on to the business school curriculum unable to write, speak or think critically. Liberal arts critics of business school have no training in business, no understanding of statistics, no appreciation of the world of work outside the university.

Today's critics decry the shortcomings of business education as the cause of the financial and ethical scandals of the 2008-09 global financial crisis. A better place to assign blame would be law schools and Congress. "Toxic assets" exist primarily because politicians and lawyers forced banks and investment houses to loan money to those unable to repay. This "access to housing" is a political and social policy, not a corporate, business, or strategic policy. Before he became president, Barack Obama's legal work attacked banks for not lending money to those who could not afford loans. "Ninja" loans – meaning no income, no job or assets – became a legal requirement, a cost of doing business, and a high-risk cost as well. And Fannie Mae and congress kept asking for and requiring more of the same. And with low-income homebuyers driving up the value of real estate across the board, home prices ballooned at all price levels. And those toxic asset bundles, debt swaps and other tortured financial instruments are the product of a global legal and political system. Blaming business schools for the financial mess is akin to blaming medical schools for the sick people in the hospital.

What Is the Business of Business Schools?

Samuelson (1990) claimed two main objectives of business schools. The first is "to enhance our understanding of how business works, its wider social effects and how its performance might be improved." The second is to train future managers. Samuelson argues that business schools are somewhat successful in achieving the first objective but fail to achieve the second objective. He asserts the reason for this is that, unlike other professions, business and management are not teachable. What is teachable, but often ignored by both business schools and their critics is the essential need for sustainable wealth creation. Instead, we have debt creation is the way of doing business, exacerbated by a federal government that prefers to solve the debt crisis by creating ten trillion dollars in new federal debt.

The primary purpose of business schools is to teach wealth creation. Unlike the recent social policy infatuation with debt creation, business schools and business organizations realize the importance of wealth creation. Critics and the media conflate wealth creation with its ignoble side, wealth accumulation. Worse, critics confuse wealth with income, consumption or GDP. Anti-capitalism critics of business schools view greed (wealth accumulation) as the primary goal, and capitalism as the primary method to pursue wealth. Proponents of social justice, criticizing business schools and capitalism as the cause of poverty and inequality, ignore the fact that income and wealth need first be created before it can be re-distributed. Without wealth creation, there is no wealth to share, no justice to be had. And without some wealth accumulation, there is nothing to invest in the future and no incentive to create wealth.

So how should business schools teach students to value and pursue wealth creation? Samuelson (1990) made several charges against business schools.

- "the trouble is that it is absurd to think that B-schools can teach either 'business' or 'management'."
- "Business is different. Business schools instruct students in mechanical skills…"
- "The other permanent problem is that no two businesses are exactly alike."
- And business students are suspect: "They were quick studies; they could talk confidently about subjects they only understood superficially."
- "the essence of business- taking sensible risks, creating valuable products, motivating people and satisfying customers- lies elsewhere and cannot be taught in the classroom."

At the undergraduate level, business schools do not enroll the very 'best and brightest.' Instead, gifted students – charmed by the critics of business education and persuaded that perhaps a graduate business degree will add earning potential that an undergraduate degree will not – are advised to choose liberal arts and science programs. Many bright students are discouraged from pursuing undergraduate business degree as vocational and unbecoming of an intellectual.

Many of these bright students also learn see their undergraduate degree as meaningless; their post-baccalaureate degree pursuits matter much more. A significant number of these students will learn that they want or need an MBA. Those "best and brightest" graduates of the liberal arts programs who go on to earn their doctoral degree in the humanities often find their path to be a dead end.

Business schools are unlike most other academic units in that they are not purely research, teaching or even academic organizations. They are practical, professional schools with an academic and professional culture, a scientific and practical methodology and a desire to better know and develop a useful set of specific skills needed for success in life after business school education is completed.

Pfeffer and Fong were contradictory: They decried the expansion of part-time, weekend and executive programs but praise the value of having working managers in MBA classes. B-school critics often mix undergraduate business programs, elite full time MBA programs and part time (read "for working professionals") MBA programs. Pfeffer and Fong excoriate the value and relevance of academic business research while not recognizing that their article will be offered as evidence of the same. Finally, Pfeffer and Fong acknowledge, in a Pogo-like realization that "We have met the enemy and he is us." They imply that the Stanford MBA curriculum, owned, designed and produced by the faculty, is not doing a good job, is not doing what it purports to do, and is doing its job poorly. They imply this of all business education: undergraduate, full time MBA and part time MBA programs. The problem with this rationale is that the criticisms of Pfeffer and Fong are not germane to all business education, undergraduate and post-graduate, part time and full time programs. No two business programs will be exactly the same, nor will the experiences of their students be the same, so how can they all be guilty of Pfeffer and Fong's criticisms?

Business is a liberal art, much like the study of a foreign language. At the undergraduate level, where most business education is done, accredited business schools demand a well-rounded, liberal arts curriculum. Business schools are generous cash cows for universities. Sure, business schools pay their highly productive, high-in-demand faculty well, because it is profitable for the rest of the university for the business school to thrive. Business faculty they teach large course sections and generate demand for non-business courses. They secure grants and significant endowments for research and professorships. A poorly run business school contributes greatly to the university's overall funding needs. A well-run business school provides even more. And a world-class, very expensive business school can brand and fund the rest of the university, a situation simultaneously feared and desired by university presidents. And the business school's profit goes as much to the university as it does to the business school classroom; if as much was spent on training top business students as is spent on the college's star quarterback, we might have even more effective business schools.

Lorenzi (2002) wrote that "business schools succeed because they produce globally competitive product: global business knowledge and knowledge workers." The most valuable aspect of a business school education is how it can take the students with modest-to-good academic, intellectual, and college board scores and transform that student into an informed, educated, realistic, productive, well-paid, contributing member of society.

Business Values: Rights and Responsibilities

While many critics denote the faulty professional values of business schools and the absence of a traditional liberal arts core, these critics miss the point. In philosophy, practice and accreditation standards of 'legitimate' business schools, we can deduce four pillars of business education, features that are more philosophical than practical or professional: the humanities (an understanding of and education in values), social sciences (an understanding of human interaction), analytics (empirical and intuitive problem solving) and globalization (a broad and diverse perspective of the world). And this is not just found in (sometimes required) ethics and law courses. Rather, these principles merit significant attention in course in economics, marketing, statistics, accounting, management, production and operations, and international business.

The critical contribution a business education makes is to the understanding of positive ethics and negative rights. No evidence that business schools can, do or must teach negative ethics. If anything, the focus is on positive ethics, sometimes oversold and sometimes poorly mastered. Business schools teach positive ethics (what good you must do) based on negative rights (what the government must not do). Business and capitalism require the freedom to own, to trade. Such freedoms rely on personal liberty that breeds responsibility and accountability, for stewardship and as well justice. Markets and the invisible hand demand these values for their sustainability.

Despite Samuelson's implied assertion that business school growth has contributed to the decline of the American economy, business schools are one of the leaders in educating professionals about the challenges and importance of ethical behavior. There is no reason to assume and no evidence to validate the claim that business schools cause or support the unethical behaviors of corporations such as Enron and Arthur Anderson. Further, educating business school students on the importance of ethical behavior is but the first step to ensure these individuals will be good, ethical corporate citizens. The second step lies with corporate America assuming responsibility for supporting ethical behaviors and not rewarding unethical individuals. Business schools have a responsibility to teach students the ramifications of unethical corporate behavior. One business school professor wrote" the danger of getting caught is a good motivator…they will have learned that the law still catches and disciplines businesses and executives who don't play by the rules." (Jennings 1999)

This raises the question of what responsibility do business schools have for educating and promoting ethical behaviors among students. Students caught cheating on exams, plagiarizing research papers or lying on resumes can and should be denied admission or expelled. However, the same actions are expected at all educational institutions, not just business schools. Merritt (2003) argues that business schools should "act more like investigators to get at the character of an MBA-wannabe. In the extreme, the role of business schools is to educate professional in ethical behavior and to also weed out the unethical. Companies expect business school admissions committees to pick the rising stars and eliminate those that will not be as successful. This is one reason why top tier business schools graduates, even those at the bottom of the barrel, are picked over top graduates from lesser schools. Identifying those who will be unethical in the future, in the admissions process and in the classroom, is a questionable science at best.

A cynic might say, in contrast to the adage that "the arguments in universities are so low is because the stakes are so low,"[12] by saying that "cheating is so prevalent in business schools because the stakes are so high."

If business schools are not the sole provider of business ethics education, are business schools the sole provider of business and management education? With the rapid rate of change and complexity in the global economy, it is neither feasible nor practical to assume that business schools can teach students everything they will need to know throughout their life of their career. In the 1980s, for example, many business schools focused on the 'Japanese' theory of Total Quality Management (TQM). In the 1990s, the focus shifted to management information systems. By 2000, the global marketplace was booming and international business was in the spotlight. In 2010, a new challenge will present itself and business schools will focus on "the next great thing". Business schools face the challenge of becoming part of life long education and not just a two-year program. Business schools need to teach theory, values and context to help students to become self-perpetuating learning systems. Schools must adapt and students must be taught to continue to read the environment, to learn, and to adapt. Only then can they expect to continue to succeed. Merritt (2001) argues, "B-schools face a continuing erosion unless they adapt. That means they'll have to act more like the successful businesses they teach about or end up like the ones they criticize as missing the boat."

The challenge is how to educate students on business fundamentals such as accounting and marketing and give them a dose of business reality in a two-year program. Part-time business school students have greater opportunity than full-time students to leverage some of the core methodology as well as the managerial and leadership components. Ultimately, it is up to the student to use the knowledge they have gained in the classroom, whether they are enrolled full-time or part-time. Lorenzi (2002) summarizes that university-based business education consists of "formal coursework, integration of previous and ongoing work experience, and a blend of concepts and skills, art and science." Critics often fail to realize that conventional wisdom about business school education is about what is taught in the classrooms of top tier business schools.

Criticisms of Business School Faculty

In another straw man argument, Pfeffer and Fong use the Business Week best-seller list to test the importance of business school authors. They claim that if business school research is influential for business, then there should be a large percentage of business school research on the annual Top 10 Best Business Books published by Business Week. Pfeffer and Fong found that "in 2001, only two of the Top 10 Best Business Books were authored by academics, with the remainder of these books authored by journalists or business people." Finding few business school faculty on these lists, they use this as evidence of the lack of impact of business school faculty on the world of business. Pfeffer and Fong are not able to explain if this theory holds true for other disciplines. For example, there is no evidence to prove that there is a greater percentage of top law books written by law school professors, top novels by creative writing professors, and top biographies by history professors. Pfeffer and Fong also cite the Academy of Management's George Terry Award (an award made by other academics; previously awarded to Pfeffer). Cummings (2011) claims that business schools have become too competitive on irrelevant criteria,

[12] "Academic politics are so vicious precisely because the stakes are so small." This observation is routinely attributed to former Harvard professor Henry Kissinger. Well before Kissinger got credit for that thought in the mid-1970s, however, Harvard political scientist Richard Neustadt told a reporter, "Academic politics is much more vicious than real politics. We think it's because the stakes are so small." In his 1979, Laurence Peter wrote, "Competition in academia is so vicious because the stakes are so small." He called this "Peter's Theory of Entrepreneurial Aggressiveness in Higher Education." Variations on that thought have also been attributed to C. P. Snow, Daniel Patrick Moynihan, and Jesse Unruh. Source: Ralph Keyes. The Quote Verifier: Who Said What, Where, and When. St. Martin's, 2006.

e.g., rankings and research, and less-than-professional. Their model compares unfavorably to more 'professional' education models as found in law and medicine. The result, he sees, is narrow, discipline-based, and rigorous but hardly relevant research, developed by professors more interested in citations than in practice, more seduced by a 'soft' academic lifestyle than the 'real' world of consulting and business. *Masters of Management* (Wooldridge 2011) noted that people would more likely rank pundits, columnists and journalists as the top management experts rather than business school academics. Instead of calling this a sign of "immaturity" in management theory, Wooldridge views this as a sign of vitality, an openness to outsiders, innovation, and new ideas.

These measures are not germane and certainly not definitive. Business is awash in gurus and authors. Best-selling management "gurus" need not reside in business schools. And one practice of "gurus" is to decry the culture of gurus existing in business today. Gurus need not waste their time writing books; their appearance fees offer more lucrative returns than time spent writing, editing and proofreading a book. Worse business school gurus become individual brands, not directly linked to their business school or their university. They make money by speaking, not writing. They make money for themselves, not their employer.

Another common criticism of business school education stems from the idea that business school professors are pure academics and often lack true corporate world experience. Ironically, Raskin (2002) characterized 1950 business school professors as having too much experience, as retired businessmen "telling their war stories." Gordon and Howell criticized business schools for not being academic enough. Raskin (2002) described the end result as being "a teaching culture in which few marketing professors have managed a brand, few management professors have led a team, and few finance professors have done a deal." Should business school curriculum favor business theory, real world application or be balanced between both? Most critics assert that there needs to be more real world application done in business school, but how much is needed to maximize its effectiveness?

In a survey by the Association to Advance Collegiate Schools of Business (AACSB), recent business school graduates rated business schools as "moderately effective" in teaching students to apply business theory (Raskin 2002). Can business schools teach students how to apply business theory? Raskin asserts that business school professors could never teach students how to apply business theory; but it is not necessarily about teaching theory application. Real tests of the success of an application cannot come in the classroom, where accountability for results is rare. Rather, it is the opportunity for students to actually apply that theory while they are in a business school program followed by a critique of how theory was applied. This is somewhat accomplished by curriculums that emphasize case analysis. However, case analysis lacks accountability and tough decision-making often faced by business managers.

Economic Value of the Business School

Pfeffer and Fong note that "there is little doubt that business education is big business" (2002), implying that this might be a bad thing. Business schools have been described as the cash cows for universities. The cost to develop, manage and maintain a business school in an already existing university is minimal and they procure large donations from alumni and corporations. Were this not the case, there would be little of the explosion of business school programs in the past 50 years, even among small 'liberal arts' schools. Some business school critics are inconsistent or disingenuous on this point. Pfeffer and Fong (2002) describe business schools as moneymaking, commercial successes but then claim that operating revenue (tuition) does not cover the costs of education, "with MBA tuition covering at most one half the cost of educating students," (page 91). Business school professors like Pfeffer command high, market-driven salaries and should be accountable for delivering something of value to their students and for making a contribution to the university. The fact is, markets work and, to make them work and to help them to continue to work, business schools add value.

Universities create and support business schools because they are cash cows. As expensive as their faculty salaries may be, business schools generate large enrollments, large class section sizes, and significant cash contributions to the university. The best evidence for this is the rationale for creating business schools in the first place and for firing deans of poorly performing business schools. The university has a vested interest in the financial success of its business school, much more than it holds any intellectual interest in the school's research, students or programs. Business school credit bearing operations alone are profitable. Add to this the not-for-credit executive education and donations to the university's endowment. It is readily apparent that many universities would suffer significant financial losses with the closing of its business school.

Critics will continue to find fault with business school and with corporate America for supporting business schools. In fact, Samuelson applies criticism where credit is due. Outsourcing, a popular business strategy, is exactly what business schools do for corporate America and its students. Just as law schools prepare students for the practice of law and medical school for the practice of medicine, business schools prepare students to practice business. Essentially, business schools take up the slack of corporate training, which Samuelson criticizes them for by saying "they've subtly permitted many companies to shift responsibility to outsiders for selecting and training managers." If management training is not a core competency of a business, it makes good strategic sense to find an alternate sourcing method.

What Does the Future Hold?

> What we need to do at business schools is renovate our offerings, revisit the content, change the format and modes of delivery.[13]

Twenty years ago, Samuelson (1990) asked readers to consider what would happen if MBA programs vanished. He believed that the responsibility of educating future managers would then lie with corporations that need future managers, and with students planning careers in management. What Samuelson missed is that corporate America is currently responsible for educating its future managers. Business school is only one of the many tools and resources firms and students choose. Students considering a career in management are also responsible for their own education just as is a student considering a career in law, medicine or science. If MBA programs did vanish it would only be a matter of time before another business and management education program would appear out of common need.

Financial services and consulting firms are not the only ones recruiting MBAs. The demand for MBAs at biotechnology and pharmaceutical companies has almost doubled (Hindo 2002). The University of California at San Diego (UCSD) developed a new MBA program that caters to technology savvy students. The program, scheduled to begin in the fall of 2004 claims to be "the most ambitious attempt in decades to reinvent management education" (Hindo 2002). This is a prime example of a business education program being created to fulfill a specific market need. If Sullivan's program can make engineers better business managers, another niche MBA program has been created.

Can business school compete with e-learning and corporate sponsored training? Top-tier business schools argue that online courses cannot compete with the value of classroom interaction. However, e-learning is becoming more and more appealing to professionals who do not have the flexibility to attend regularly scheduled courses. The University of Phoenix appeals to professionals who cannot afford to attend business school full time and offers them the flexibility to completing course work on-line. In response to the threat of on-line business programs, less influential business schools "have recognized the threat early on and have been aggressive at putting their programs online" (Jones 2000).

Wealth is much more than financial, just as income is much more than earned wages. People value education, safety and health, and the value of these services is imputed income. Trillion-dollar expenditures on public education and social (health) insurance programs contribute to income and wealth while never showing up in a bank account. These benefits are more social than financial or, as the World Bank notes, more intangible than tangible. They are valuable and personal nonetheless. These benefits rely on a new perspective on traditional enterprise. Business schools are beginning to take the lead on teaching social enterprise for the enhancement of social capital and social justice.

Essentially, some top-tier business schools, just like top-tier corporations – have become large and complacent (Lorenzi 2002). Other delivery methods of business school education as well as lower tiered business schools are offering the same degree but with more flexibility, lower costs and more concentrated areas of interest. Business schools are truly a business that sells products and services to their clients, both students and corporations. The competition is growing and will continue to do so. Business schools, especially the top tier, need to figure out how to better leverage competitor strategy to improve their programs. For example, core academic courses such as finance or accounting can completed via the Web. In-class time would then be focused on strategic, managerial and leadership issues.

The fact that innovation and leadership is absent from the top tier schools is not just a business school phenomenon. This is something shared in common across all industries. The top schools become rich and self-satisfied and the real change bubbles up from the struggling, niche building programs competing for the new customer's, or student's, dollar. Business education is too big and too important to be left to a few smug and incredibly expensive schools. Furthermore, we should all be grateful that it is not.

Business schools will remain under constant pressure to validate their relevance to the business world. MBA programs should be viewed as another step in a student's journey through corporate America. Business schools need to ensure that they are not just educating their current students, but that they are also in touch with the needs of alumni.

Business schools are designed to add value to the lives and careers of the school's graduates. More often than not, business schools enroll good students and provide them with great life and career information, networks, skills and prospects. Undergraduate business schools that follow the highest level of accreditation require that their students complete at least half of their degree outside of business courses. As a result, business students as well as business faculty and programs are familiar with general liberal arts education. In contrast, business school critics often have no experience in business courses.

[13] IE Business School (Madrid) dean Santiago Iniquez de Onzono, interviewed in Melissa Korn, "IE's entrepreneurial focus shields it from a shakeout." Wall Street Journal, December 1, 2011, B13.

Lastly, in criticizing the absence of 'value' in business education, critics fail to offer a definition or meaningful measure of this value. Might it be market demand for MBAs? Is it the market demand for MBA program seats? Or is it the return on investment in MBA tuition? Rather than wait for critics to come up with their latest measure to prove, or disprove, the value of business school; business schools should seize the opportunity to define their value proposition for both students and corporations. Business school does make a difference but only to those students who make business school education part of their career.

So what are we to conclude? Are business schools to be credited or blamed for a country's economic progress? Are business academics mere Philistines hiding among the priests in the university temple. Are business classes a sham learning experience, a simple diversion from the students' social networking? Business school critics make very bold statements, but offer little or no evidence to support their position. Despite all of criticism of business education, people around the world continue to flock to business schools and businesses to learn about effective management, marketing and leadership. Why does this occur? Because there is value in business school education and that value will continue to evolve with economic globalization.

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