

## 4. Business and educational entrepreneurship: purpose and future

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### PREFACE

Working full-time in the higher education sector for many years (in the business education field), and part-time in the primary and secondary education (base) sectors, as well as in industry across Europe and China, I started to realize that primary, secondary, and higher education does not really sufficiently address two basic functions. First, it fails to fulfill adequately the needs of society in terms of offering knowledge and skills (at an affordable price to education participants). Second, it falls short of reconciling the need to transform society from purely an economic-focused pursuit to social-economic focused endeavor. Evidence comes from my observations of students and faculties from both base and higher education, and arguments come from the gap between observations and the goal of education that is supposed to facilitate the society to be sustainable and equalized.

Business education is used as the main study unit in this chapter. Problem-solving logic is employed to construct this work: description, analysis, and then prescription. The outline is accordingly to look at the past, current, and then the future of business education, with the headings: Where are we? Who are we? and Where are we heading? The aim of this chapter is to explore further the purpose and future of our education. The reason to take business education as a focus here is its nature of closeness to the business and job market, as well as its role of “brokerage” among different stakeholders. The chapter sheds light on the positive changes for the education sector and paves a way for education to be more socially innovative, gaining the capacity to transform our society to be more equalized, and to be beneficial to stakeholders.

## WHERE ARE WE?

From the base education to the higher education, across the world, the challenges are various: from improving school enrollment in low-income countries, to providing equality of access to education in the middle-income countries, and equality of access to higher education in the high-income countries. Theoretically, education is meant to bring knowledge and skills, however, the parallel reality is it is a signal (through diploma and degree) to our capability and status, and as one of the most important entry tickets to knock on the door of the job market. An even more crucial reality is: there is a big gap between what the job market is calling for and what education has provided. As the supply side, education has not succeeded in offering qualified graduates meeting the demand side from the current and the future society.

Education has been measured with a rather narrow approach. Educators have created measures following the principle of “what gets measured gets done,” but overlooked another more important principle of “what does not get measured does not get done.” In most of the mid-income countries, education is measured mainly by academic performance of students, but largely ignoring the other sphere of qualities for personal development (this happens frequently in developing countries and most of the Asian countries where economic-social status is featured by academic educational level and progress). In the low-income countries, education is evaluated mainly and independently by school enrollment without enough attention to look into the quality from an output perspective. The measure for education in high-income countries relies more on input such as pupil-teacher ratios and spending but less on students’ skill levels. In other words, to a large degree, academic performance as an output index to measure education has not been the focus. In comparison, at higher education level, attention has been switched too much to the outcome (number of graduates and salary of graduates in the market), but not enough effort to the content of the outcome and the input.

### **Education in the Business Field**

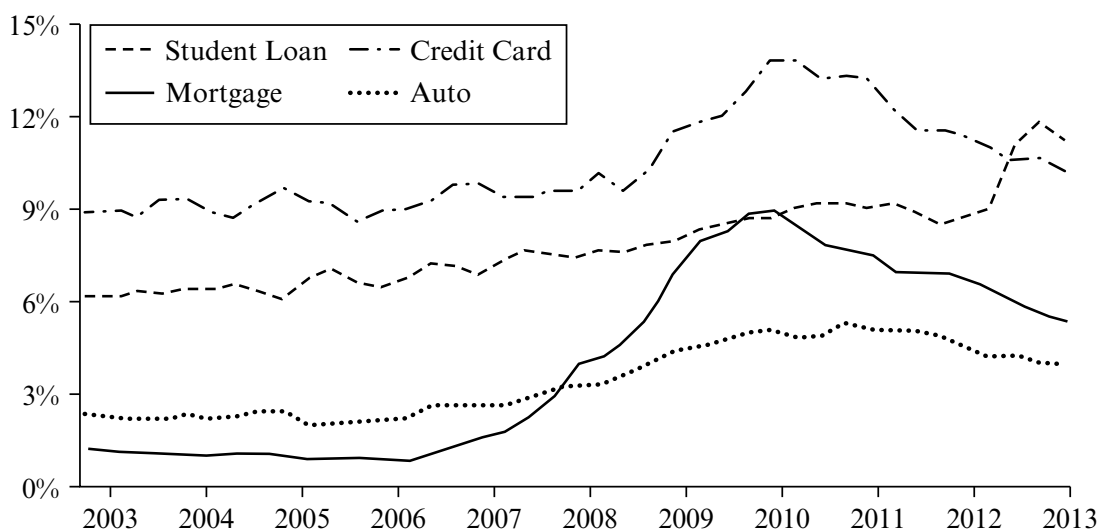
Business education is used as the main study unit. Here I follow problem-solving logic, from the description (where we are), to analysis (who we are), to the description (what should we do), to look into this sector. The reason to take business education as the focus is its more direct relationship to the (job) market and its role as a “brokerage” among various stakeholders (so that the most urgent and severe problems from the holistic education system are explicit). In the following, I will present the issues in business education and derived conflicts among stakeholders.

**Stakeholder – Students**

Though the business of business schools is booming (with more and more business schools and diversified education programs), the price of business education is driven up by intensive competition among educational institutions and universities. Business education, as part of professional education sphere in education sector, has run into a circle to act as a private good provider rather than a public good provider, to compete rather than to collaborate with each other. This has in part been influenced by a capitalist economic structure including socialist capitalism, such as western European countries; market capitalism, such as the U.S.; and state capitalism, such as China, in which return on investment and standardization of business education are key factors to be accredited and ranked. The trade-off between educational degree and economic status of educational output (students' number and quality) is strongly associated with the price of the education. The price of the education, however, is largely associated with the brand and ranking of the education institution, which is controlled by media's index (see further explanations in the next session). Driven by the financialization of new capital (transiting from industrial economy to post-industrial economy) after World War II, education, earlier as the public good, joined this transition vulnerably with other collective capital, pension fund, to be the capital of market-oriented, short-term oriented, and seeking for higher financial return of investment for their sponsors and investors. In such a case where education is financialized and short-term economic return is required, tuition fees of higher education have started to climb up. Tuition fees, via rankings and brands, in the eyes of students and parents, are directly associated with quality of higher education (which is an illusively wrong perception), because it is believed that higher ranked/brand school will bring a higher return of education investment, even for students' tuition fees. Therefore, to a large extent, financial affordability for education, next to academic performance, has been a compulsory factor for students to access higher education. If families or students are not able to afford, financial loans (with extremely higher interests) looks like an option, but the consequence is it binds students to repaying loans with high interest rates to the banks over a long period. In the U. S., according to the Federal Reserve Bank (Figure 4.1), college loans have overtaken credit card debt and mortgage, becoming the most expensive of loans. Each student needs, on average, to borrow around \$US 100,000 with at least five percent interest. The interest rate for unsubsidized loans for a professional education (such as law and business) was even higher, at least 5.84 percent, based on the data from USA Federal Student Aid. Table 4.1 offers a general overview of

## Underwater

Borrowers with loans that are 90+ days delinquent



Source: Federal Reserve Bank of New York.

Figure 4.1 Interest rates for various types of loan in the United States, 2003–2013

such situation across the different continent. To be fair, I chose the third-ranked of the top five business schools from each country.

Outside of the U.S., the situation (the high price of MBA education) is similar in Europe and China, due to the standardization of business education. In many social-liberal countries in Europe, even though they offer tax refunds for higher education, students who enrolled in MBA programs still have to prepare higher priced education. In Asia, business education is even more expensive on the basis of local income per capita. For example, the MBA education in China, the ratio of tuition to income per capita is more than five times. This means that to access a similar level of business education in China that a student would get in Europe, Chinese student could take more than a family's entire savings, just for tuition fee. The question is if MBA students believed business education has a magic to help them (a) find a "decent" job with a decent salary; (b) avoid layoffs, or (c) earn a promotion, what does business education actually offer to them in terms of content? I will continue to elaborate in the section below.

*Table 4.1 Tuition and duration of MBA programs across countries, 2013*

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

**Stakeholder – Faculty**

The faculty is the engine of business education, delivering the knowledge directly to students. Theoretically, to educate students is understood to include not only passing on knowledge, but also mentoring, stimulating, provoking, and engaging students, scholars, practitioners, and other stakeholders in a collective process of creating and exchanging knowledge. In recent decades, however, faculty have had to do directly and indirectly to first satisfy the “academic matrix” and “teaching matrix.” Academic achievement counts much more than ever, largely measured by publication in top academic journals. While the schools’ desire to increase their markets results in heavier teaching loads, especially for junior faculty, the content and quality of all that teaching is less emphasized and monitored. In their battle for survival, business schools pay less attention to creating value, but more attention to creating a prestigious brand and coming in higher in well-known rankings. The faculty are caught between the imperative to “publish or perish” and the challenge of making their research and their teaching relevant to practice. Because they were not trained to connect their academic knowledge to business practice, they find it hard to (1) use an understanding of past phenomena to explain current phenomena and forecast future phenomena; and (2) build up and offer the practice-relevant knowledge necessary for a business education. Thus, while being on the faculty of a prestigious business school confers relatively high social status, the business education being provided has not necessarily caught up with what is really going on in business.

Also, from another angle, the focus of the (current) business education is to improve “student satisfaction” by offering cutting-edge infrastructure, a career development center (to help graduates find jobs), innovating programs (but mainly in format and geographical coverage), and dedicating to treating their student as customers. This enormous effort to keep the students as customers to be satisfied – or even better, enthused – is exhausting. But because of the structural defect of business education in its system-setting of faculty evaluation and training requirements (as aforementioned), the content of the business education in knowledge offering has not much been upgraded.

Business schools worldwide also offer much similar curriculum, rather than designing their curricula to serve the local needs for culture and community, due to the requirement of standardization, accreditation, and rankings. This might be one of the reasons why business education has been failing to produce practice-relevant research and their faculty has little or no practical foundation for their research and teaching, but just transmitting academic knowledge from literature and books to the

classrooms. It is the same as a medical school entrusting a person who had seldom or never performed surgery to teach medical students. That would be a disaster for both medical education, as input and output.

The consequences are two-fold. Faculty not being able to teach their students how to pursue any particular business, be it running a bank, a factory, or a hotel; but also students having to spend more resources (time and money) to develop their practical and business skills through internships (in that sense the studying period is prolonged, and in-class content shrunk). In spite of a number of business schools offering field/experience-based education, its value has limitations. For example, there are a number of showcase programs such as Harvard Business School's 12-week fieldwork program, Boston University's project-based learning program, or the University of Cincinnati and Northeastern University cooperative education programs. These programs which require or assign as much as 50 percent of their total student population on co-op rotation in programs such as Engineering, Business, Design, Art, Architecture and Planning, are not accessible to all. This means that students, though, awhile offered with alternative channels to learn from business and industry via cases, fieldwork, and rotation, the capability for students to integrate separate disciplines into one setting and a holistic picture is less clear. This is because all faculties involved in such a new setting were still trained and evaluated in the "ill system," but not trained to be of knowledge-practice-integration (so that the knowledge they can offer is still in each discipline rather than integration). So in the end, it is just a knowledge-offering-channel wise integration, rather than cross-disciplinary content-and-capability integration. So, no matter how "innovative" a business school is in its programs, it could be argued that students are still restricted to learning mainly from case studies, papers, and limited internships, rather than from a holistic picture composed by experience and failures.

### **Stakeholder – Business and Industry**

Businesses and industry relationships with business education (faculties and business schools), are not only the reception of graduates, but also the source of business studies for business faculties. However, when it comes to business academic publications, practitioners find it very hard to make use of academic publications that are used to train faculties mainly and students partially. Typically, as recipients of business education output (students), industry finds irrelevant much of business education and research (that's if they can even make sense of the academic jargon).

First, in terms of the relevance of research, though academic journals were never meant for a practitioner audience, the issue is the application

of academic research in the business field is very hard to add value to both current and the future practice. In principle, the academic output is meant to guild practice but in reality, in the field of business education, practice plays a leading role in academics. This is not surprising, because (1) the current business research, which is used to train students and faculties, is a professional education. Its function is to generate professionals rather than scientists. Education and academic research have to be customized (to their stakeholders) rather than standardized and abstracted. (2) Business and industry are the investing party in business education as financial input and also as recipients of educational output. They do have a right to judge the relevance of business education, regardless of educational institutions' brand and rankings. (3) To academic research, business and industry are the data suppliers for academic research while its output has less relevant to guild the industrial revolutionary and development. This is because business research, in the way of being disciplined, is not able to view and analyse the phenomena, but just to be focused on a single unit. It is again similar to the negative consequence of being just specialized in medical diagnosis. (4) Due to the requirements of business research (to be disciplined), academic research is not able to well offer implications/guidance to the practice. As Jay Lorsch, a former Harvard Business School professor and senior associate dean, points out, there is too much emphasis on one's own discipline and too little cross-disciplinary collaboration.

### **Implications from the response of business and industry**

Judging from the consequences, business education faculty need to be trained not only to observe phenomena and extract useful and predictive generalizations, but also to interpret fast-changing business practice and convey this understanding in the classroom. The reality we have now is, at a content level, what needs to be delivered to students (from business schools), if judged from the (future) demand side and from business and industry side, has not been responsively reflected by what students have grasped. The failure of many business schools to do so, derived from the cons of the traditional training system that still focuses on disciplined training faculties to be "managerial scientists," has led to a justified push-back effect from business practitioners, who increasingly question whether the content of a business school education is relevant.

The reason is these two spheres (industry/business and business education) are unfortunately separated to develop in totally different universes often without sufficient connection. In any sense, as previously mentioned, professional education has the fundamental difference from the traditional science education. My impression from daily working with



students and business education administrators across undergraduate and graduate levels indicates the reasons why students have more interest in practice-oriented classes, such as guest lectures from those who come from an industry with practice, rather than from academic professors; and the reason why they have more interest and motivation for internships. Students openly said that they value more the knowledge delivered by industry and business (during their study period in campus) than the knowledge delivered by academic faculties. This is in part because knowledge delivered by academic faculties are from either literature or cases, which in fact can be learned on their own outside of the classroom or via online classroom from other schools. Experience-based knowledge from the local practitioners, on the other hand, is more difficult to acquire, as it is not available in books or online. Moreover, it is the thing they are thirsty to acquire and believe will be the key source to help them grow in the job market and the future career ladder. This opinion might not be representative of all, but represents students who are engaged in the ongoing disruption of education, especially between theory and practice.

## WHO ARE WE?

When the global economy is sluggish, many governments divert more money to rescue banks and significantly less to higher education. Private colleges and universities face challenges as well. Corporations worldwide are struggling to survive and thrive in front of competition from fast-moving, tech-pulled entrepreneurship, and are therefore less willing to invest in business education for their employees. Business education thereafter loses a source of financial income/support, due to the shortage of resources from corporates to donate/sponsor business education or invest in their employees' professional education. The weakened beliefs in business education (aforementioned, value added to the industry and business) and questions to the return of business education to investors de-prioritize investors' decision to invest in business education. If we look back at various financial/economic disasters and the reasons, we see that most of the key decision-makers and operators did have a background in business education (from very elite schools). What, we might well ask, have we been teaching our students? What are the wonders of the financial matrix? What kind of sophisticated strategies have a lead and managed people to lose their moral principles in conducting business? Apparently, we did not teach them to pursue their careers in business with much concern for others. So next, I think we should seriously reflect on who we are and what business education is.

To figure out who we (as a business education) are, we need two dimensions. One dimension is over a timeline – looking at the big picture of the recent half-century’s major social-economic changes impacting on education. The other dimension is on the sector level, to investigate what has been happening in the business education sector as well as what has been reflected by business educators.

Considering the timeline dimension, first, during the early and middle decades of the twentieth century, the western world experienced reduced economic measured inequality, even without commonly shared visions. The instruments to facilitate such equality included social insurance, minimum wage, welfare framework, progressive income tax and equal access to education. There were three reasons for these happenings. (1) The fear of social and political turmoil stemming from Communist alliances of the Soviet Union since World War II. (2) The impact from two World Wars on people and nations and push the world to seek for the peace and equality in wealth. (3) A rise in the belief of joint responsibility for joint prosperity, comparing to a decline in the belief in individual responsibility for people’s destinies (Rosanvallon, 2018). People, business, and nations, after two World Wars, started to realize the importance of peace and continuously fight for the human rights, right for private property, for equality, and for the way to collect prosperity.

Second, in the past polarized world composed by capitalism-oriented and communist-ruled nations (even with a different definition from both societies on equality and prosperity), education was one of the priorities in which to invest. Education was a free-to-offer for large-scale groups who met the academic intelligence level to pursue it and was one of the “compulsory tasks” of governments. The merit of education, therefore, in many countries after WWII, was to offer equal opportunity to (potential and future) workforce to acquire knowledge/skills. Learning from the American’s 19th century’s High School movement that brought the skilled workforce to American economic structural change (transiting from agriculture country to industrial nation), education, with evidence of effectiveness for a society progress, become a popular public good.

However, changes happened when the western world’s economies transited from industrial economy to the post-industrial economy. Since the 1980s, where (1) a series of new capitals emerged to be financialized as an essential in the so-called “money manager capitalism” (Hyman Minsky) and “agency capitalism” (Alfred Rappaport); and (2) Soviet Union’s alliance (as one of the motivations of the western world to promote equality) started collapsing.

Regarding financialization of society, the pension fund was the first one to be financialized, when corporates and companies attempted to

shift their risk of losing their employees' pension from possible failures in business (in such they might not be able to pay their employees' pension). They put their pension funds into the hands of professional money managers and expected them to generate significant profits from there. The second new capital financialized was university and other non-profit organizations' endowments, which grew initially thanks to donations, but were increasingly expected to grow further based on their investment performance (i.e. Muller, 2013). Financialization of society has its pros, such as generating more capital for institutions via professionals' financial skills, stimulating financial innovations, and reducing the risk from the consequences of failure business. However, it also carries unfortunately a list of cons, in both increasing inequality and increasing insecurity. Increasing inequality by raising the top of the economic ladder (thanks to the extraordinary rewards financial managers receive); and increasing insecurity among those lower down (thanks to the intense focus on short-term economic performance to the exclusion of other concerns). (Muller, 2013) Switching education to a short-term-return-oriented "investment target," gradually depriving the merit of education (to bring knowledge and skills to workforce under the concept of equality as a public good). In the end, this "highlights" education's signalling effect (but in the negative direction), removes the function of education as an instrument to approach to equalization, and signatures the enlarged gaps between the elite and non-elite, between "brains" and "brawn." Regarding the second dimension of look into the business education sector, it shows the struggles and turbulence of education development between social and economic value-oriented tracks.

When Harvard Business School was established in 1909, the founding dean, Edwin F. Gay, said that "we believe that there is science in business, and it is the task of studying and developing that science in which we are primarily interested." In the 1920s, business schools came increasingly to realize business education was not only to deliver the science of management to students but also, more importantly, to make them more aware of themselves as a coherent occupational group, distinct from labor and capital (Khurana, 2007). The purpose of education by then was to bring a business school graduate towards the "brains" of his organization as distinguished from "brawn." That is a conception in a hierarchy, status, and discrimination, and still plays an important role in current business education climate. It is not difficult to understand, as to speak about inequality, business education and its idea behind for decades do contribute inequality to grow, rather than for equality. Business evolving from being efficiency-driven to innovation and technology-driven, as well as entrepreneurship- and knowledge-driven, the boundary between

an organization's brains and its brawn has been blurred. This means the curriculum framework, based on Frederick Taylor's work on scientific management and Hugo Munsterberg's work on industrial psychology for managing workers, would have to fade away from the current ongoing business evolution.

Therefore, the question would be, in whatever shape business education is to evolve, it cannot go without being of a professionalism, similar to medical and law educations. As professionalism is a function not just of expertise but also of a body to look after community interests and inquiry, the idea of professionalizing management should not only be focusing on the economic interests of shareholders but also be consciously looking after the economic and social aspirations from local and global community stakeholders.

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

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

However, the social responsibility of business schools was stressed during and after the Great Depression, similar to the situation after 2007-08 Financial Crisis. The dean of Northwestern's School of Commerce, Ralph E. Heilman, concludes that "business education is facing a crisis.

In particular, business schools are falling far short of their professional objectives, especially with respect to training students to meet their social responsibility” (Department of Education, 1929). “It was important,” Heilman granted, to “enable our students and graduates to increase their earning capacity . . . But it is of utmost importance to remember that every college and university is primarily a public service institution. All activities, whether in instruction or in research, presumably must contribute to social well-being. In that respect, business schools are to be measured by the same criteria which apply in the case of law, medical, engineering, and other professionalization schools” (Bossard and Dewhurst, 1931). Harvard professor Clyde O. Ruggles argued that business schools should have done something – as medical and law schools did – to study and raise their profession’s standards of conduct (Association to Advance Collegiate Schools of Business, 1933). If they did not accept this challenge, they would not only fail to justify their existence as part of modern university education but would also fail to make the greatest possible contribution to the business itself (Zhang, 2016). Both the Great Depression and the recent financial crisis demonstrated what Wharton’s Dean Joseph H. Willits stated in the 1930s: “The crisis in the American economy had made it clear that business needed help from business schools, rather than vice versa, in charting the way ahead.” University of Illinois professor Hiram T. Scovill was more blunt: “The best way for business schools to justify their existence in view of the apparent ills and evils in business is to train the business men of the future so they will recognize their obligations to society” (University Training for Business, 1920). Coctor P. Morris, the dean of the University of Oregon’s business school, said in 1933: “Most economic wreckage today comes not from ignorance of the physical phases of business but from ignorance of the human elements.” All agreed that business schools needed a revolution that was, in fact, aligned with the reason they had been established in the first place; that is, a revolution to “broaden the service of the universities and to extend their field of usefulness” (Association to Advance Collegiate Schools of Business, 1933).

In 1936, AACSB unveiled significant changes in business school curricula. In response, Harvard launched a required course to teach a practical social philosophy emphasizing the public responsibility of business and the role of business leaders in contributing to the social order. Chicago taught students the principles of foundational social science disciplines, especially economics. Dartmouth’s Tuck School introduced the course about the relationship between “business and society.” Stanford set up a social science research council to align business school research more closely with the social sciences, including economics, sociology, and psychology. Referring to the Great Depression, the economic crisis was

considered to be the result of business's laissez-faire market ideology and that "management should be taking responsibility for misrepresentation and for mismanagement" (AACSB, 1933: 253). It was believed that promoting business ethics and a socially oriented curriculum in business schools would require collaboration by government and higher education in order to change the economic structure, regulation, and social norms of business.

But this was not easy and not continuously pursued by business education. Even today, when we review what business education has been doing, ethics and social responsibilities are just a vision and a wish. Education in general and business education, in particular, have given considerable attention the issue of integrity, ethics, and social responsibility. What is the basis of the statement that it is just a vision or a wish? The action for the base of such vision and wish, meaning from strategy setting to execution in both teaching and operation, is far more behind. The fact is business education, financialized as a new capital (as aforementioned), plays as an economic-social order follower, which has passively made fetching economic status for students (meaning better paid jobs with degrees) as the priority, instead of as an active social-economic advancer and changer, which educates students to disregard status but regard more about value (both economic and social) contribution.

Focusing on the financialization of education, the first wave occurred after the Great Depression. In order to expand enrollment and stabilize their financial situations, particularly after the Great Depression, many schools had attracted investment from corporate foundations (such as the Ford Foundation). This switched their focus from the well-being of society to vocational preparation. Usually, it is the evolution of business education triggering the evolution of business; and the evolution of business triggering evolution of the society. Otherwise, the whole logic will be reversed (like what is happening now): the current running social-economic system with the practice of inequality, distinguishing "brains" from "brawn" and stressing managing and competing rather than inspiring and collaborating, can easily drag the business education towards another extreme to serve inequality-directed society. For example, in business education, we are still teaching and heavily using theories of the purpose of corporations, such as transaction-cost economics and agency theory. Research in agency theory, for example, emphasizes three mechanisms: monitoring managerial performance, providing comprehensive economic incentives, and promoting an active market for corporate control. Business school curricula and research disciplines were arranged accordingly.

The second wave of the financialization of education is after World War II. In the 1950s, the Ford Foundation played an important role in

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

Until now, almost all the courses in an MBA program have been designed primarily to help the student achieve better financial performance for an organization, rather than to serve the wider population of employees and other stakeholders. Many business schools have incorporated courses on social responsibility, yet the impact remains quite limited because the schools’ overarching socio-economic structures and goals are still geared to financial outcomes such as return on investment and return

on assets. As long as business education is set up to supply the existing system with the human capital needed for inter-country competition along economic dimensions such as GDP, of course, it will not be able to educate future leaders to bring about long-term improvements in social well-being.

In the 1990s, one of the most popular elective courses developed at Harvard Business School, building on agency theory was “The Coordination and Control of Markets and Organizations.” Its stated goal was to “provide a general framework for problems, and a better understanding of how the internal rules of the game affect performance” (Khurana, 2007). This course was designed to help students become more “tough-minded” and shift them away from the stakeholder model. Many students claim that this course challenged their deeply felt beliefs and influenced how they would think about a wide range of issues, including motivation, information and decision-making, the allocation of decision rights, performance measurement, organizational and personal rewards and punishments, corporate financial policy, and governance (Khurana, 2007). Courses like this, based on agency theory, were meant to train students to become self-interested “utility maximizers” (Ghoshal and Moran, 1996).

The prevalence of such courses around the world amounts to an experiment which has provided strong evidence for three conclusions: first, students’ minds and “beliefs” can be shaped by education, which means that we could provide education that results in social responsibility rather than economic utility maximization. Second, business education is too aligned with economic studies aimed at increasing the efficiency of market capitalism and the personal wealth of an elite, rather than striving for equal and sustainable value maximization for the future. Third, such a short-sighted view of the aims of business and of business education will spoil our economy for a generation by turning the most influential economic actors away from a social point of view.

Should business education be acting to bring about a more healthy and sustainable society? Was the original social impulse correct? Even if it was correct 100 years ago and still is mentioned, can it be applied? To me, the purpose of business education (*Who We Are Now*) has been shifting from serving the society to serving the corporations, and the purpose to sincerely serve the society as a priority is just said but hardly applied. It is similar to the paradox between social and economic value, the reason business education cannot apply what they should do is simply due to the structural incapability to disconnect financialization of the new capital and the capitalists’ mindset incapable to treat education as a social-economic changer, but just as a servant.



## WHAT SHOULD WE DO? WHERE ARE WE HEADING?

A study by Wilkinson and Pickett (2009) shows that education scores, trust, social mobility, and other indices of socio-economic well-being are higher in countries with greater income equality. Unfortunately, the causes of income inequality are still unclear. In most countries where there is either state capitalism or market capitalism, the intention was to reach equality but the result was inequality. The socio-economic problems of inequality in most countries with non-social-capitalism are stunning. James Ryan, dean of the Harvard Graduate School of Education, commented that “the ideal of American education is equal quality for all, but it has never been achieved” (*Harvard Gazette*, 26 May 2016, vol. CXI, p. 39). Clay Christensen, a professor at Harvard Business School, proposed the capitalist’s dilemma (Christensen and Van Bever, 2014) and the innovator’s dilemma (Christensen, 1997), based on the reality that economies are too focused on the financial matrix and economic return determined by the short-term return of capital investment. This focus cultivates efficiency innovations in terms of reducing production and distribution costs and offsets the number of new jobs (for which it is also called “jobless innovation”), rather than using the long-term invested capital to create more real capital and new jobs (that is, empowered innovation). Following this notion, if the future social-economic development has to be built upon empowered innovation, which logically will help the economy transit to an equality-oriented society, the leverage will be the revolution of education turning into a public product equally offering to all. Business education, in particular, will need to switch its role from a business follower to the business evaluation leader, taking long-term orientation, eliminating the influence from education financialization, and applying equal (quality) education to the population, without media index intervention measured by economic-returns.

In order to create a business education system that leads the society to be socially and economically more equalized, taking the concept of ecosystem might be helpful. In theory, the ecosystem is a community of organisms in conjunction with the non-living components of their environment (Smith and Smith, 2012), with a network of interactions between different organisms and between organisms and their environment (Schulze et al., 2005: 400). Practically, an ecosystem is controlled by both internal and external factors. Internal factors include the organisms and their interactions, which are often subject to feedback loops (Chapin et al., 2002: 11–13). External factors include climate, soil, topography, time, and Biota. A natural ecosystem requires a management approach that can maintain it

efficiently and make ethical use of its natural resources. In other words, each actor in an ecosystem knows what its position is (purpose and function) and what its relationship with others (value to others).

If we assume business education as part of an ecosystem – part of its community – Business education needs to reset their system and apply the manner of educational entrepreneurship (both doing innovation in existing system and creating new education system (entrepreneurial event)) to make it more ecosystem wise, with perhaps a hybrid enterprise model. Hybrid enterprise model implies new entities take social value creation as the priority and inducing economic value in the model as a side product. In such a case, each actor in business education will know what their position is (purpose and function) and what their relationship with others (value to others). Internal and external factors (stakeholders) therefore can cooperate well in an ecosystem.

To apply it first is to apply at the philosophical education level. As a purpose of education to help reach equality, identifying and respecting each system's internal and external factors (value), as well as their reciprocity relationships, are the compulsory condition. Education needs to initiate to educate the population and map the concept of singularity. A well-functioning business education ecosystem, according to the theory of ecosystem, needs to be able to nurture its internal stakeholders (faculty, students, alumni, administrators) and coordinate them with external factors (government, industry, community, the economy), by aiming for the maximum collective value while managing the periodic disturbances. A sustainable feedback loop in this system means that business education should not only lead the economy by creating and distributing knowledge, techniques, and standards of conduct but should also collaborate with external stakeholders to collectively create value for the community in the form of a sustainable economy.

Second, if a proposed ideal business education is to carry out a collective vision of social value and to improve the well-being of stakeholders (Figure 4.2), it must take a network approach to deal with its inputs, processes, and outputs. This approach requires internal and external stakeholders to build up a reciprocal relationship. This system, to truly qualify as a professional education, (1) must work out in a hybrid of knowledge (including inter-disciplinary wise outer knowledge and inner knowledge and wisdom (Zhang, 2017)) and experience from both academia and practice, covering past, current, and the future. It must be able to draw from and contribute back to both. (2) Educators must not only devise a strategy to provide a business education for a global economy but even more importantly, to the local community, because this will, in turn, enrich the faculty with new theoretical knowledge and practical experience, making them

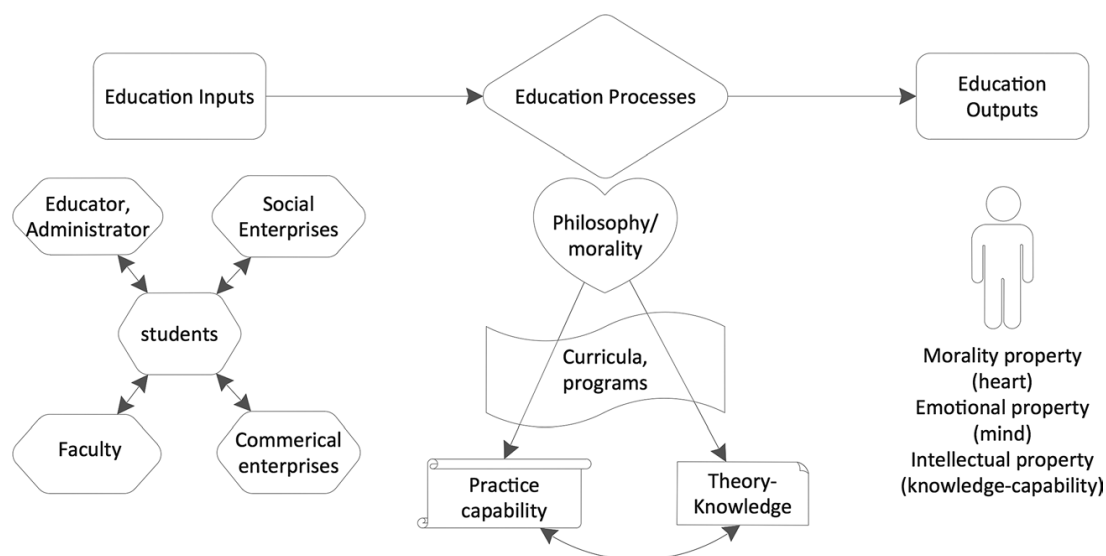


Figure 4.2 Prosperous business education process: inputs, processes, and outputs

better qualified to educate their students. (3) Business education must bring in cross-disciplinary integration for faculties training and students education. This will be helpful in defining the standards of conduct for business (business ethics and morality) (as has been done for medicine and law) and in incorporating cutting-edge research and frontier practice into classroom teaching.

Third, business education should provide students not only with scientific intellectual property by transferring outside knowledge, but with what we might call “inner knowledge” (Chinmayananda, 1975) by educating the heart and mind to build positive “moral property,” “love property” and “emotional property.”

## CONCLUSION

This chapter takes business education as the representative to look into the education’s past, current, and the future. The purpose of this essay is to shed a light on education revolutionary and education entrepreneurship, by arguing on its significance in helping our society transform from an inequality to an equality-oriented structure. To summarize, education is not only the means to transform a society from one stage of economic development to another, but also an important driver of our humanity and civilization development. To the issues of our current (business) education, if education still connects with and serves for capitalism and

financialization of society, and ignores stakeholders' social side interests, our society will not be able to transform, and our society will be still simply forced to stick only with economic-oriented values. By then, trust, happiness, and equality will only be a dream, and insecurity, inequality, and jobless innovation will still be the default.

To transit our society to be a better place to live in, education is the key. Following the singularity principle will help us to identify and develop our uniqueness by respecting diversification and inclusiveness. To offer an equal, comprehensive, and qualified education that includes knowledge and wisdom for the outer and the inner worlds, education needs to be self-conscious of what's going on and what its role is. Knowledge and skills towards the outer world are important; but knowledge and the wisdom towards the inner world, which are the source to see through each other's value and relationship, counts more in the quality of our life, our happiness, and the purpose of our education.

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