

# What's **Right**— and Still **Wrong**— with Business Schools

Business schools have come a long way in the last few years. When it comes to building character, however, this educator believes that there's still room for improvement.

By Jeffrey Pfeffer

**I**n September 2002, Christina Fong and I questioned the effectiveness of business schools in our article, “The End of Business Schools? Less Success Than Meets the Eye.” After its publication, the article inspired a firestorm of media attention and debate. Some educators questioned our premise, while others disagreed vehemently with our observations. In both cases, we were pleased that the article started a spirited, widespread, and ongoing discussion about what’s right—and what’s wrong—with business schools.

As a long-time business educator, I have listened to and participated in this discussion with great interest. I’ve watched as many things have improved in business school curricula—business schools have clearly made steps in the right direction. Nonetheless, I’ve found that some of the fundamental issues and concerns we wrote about in 2002 remain. In this issue, for example, authors Brooks Holtom and Ed Inderrieden provide data on the monetary ROI of an MBA. (See “Investment Advice: Go for the MBA” on page 36.) Such numbers show that business schools still use as one measure of their success the size of their graduates’ salaries. A better measure of success, however, may be how well they build each student’s character and sense of accomplishment.

## **Better Curricula, Better Students**

Our 2002 study maintained that many business schools were plagued with three primary problems: student passivity in the learning process, a decrease in curricular relevance, and a failure to translate business knowledge into applicable business skills. To a large extent, however, schools have addressed these problems, strengthening their programs overall.

First, business schools have tackled the problem of student passivity. Numerous articles have highlighted the problem of viewing students as “customers.” Dennis Gioia and Kevin Corley discussed it in their 2002 article, “Being Good versus Looking Good: Business School Rankings and the Circean Transformation from Substance to Image.” Christine Quinn Trank and Sara Rynes also explored their concerns with this idea in their 2003 paper, “Who Moved Our Cheese? Reclaiming Professionalism in Business Education.” These articles have concluded that, if the problem is left unchecked, students almost inevitably come to see their educations as the responsibility of their professors.

Many schools are rethinking their programs to address the problem of student disengagement—they are even re-evaluating the design of the typical tiered classroom. When I teach in such a classroom, I sometimes ask my students, “What does the design and shape of this room remind you of?” They frequently say, “a theater” or “an auditorium.” And what does one expect in a theater or auditorium? To be entertained, of course. This perception may



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partially explain why many business schools are moving away from the tiered-classroom model, to more interactive, group-oriented spaces.

Schools are also changing their curricula. Certainly, curriculum reforms at Stanford, and at other schools such as Yale and MIT, have aimed to engage students more directly in the learning process. These programs are giving students much more responsibility in their own education. For example, some schools are encouraging students to initiate courses with faculty guidance and organize study trips. Other programs, such as the LEAD program at the University of Chicago, have designed their curricula so that advanced students coach and help to develop the skills of less senior students.

We know that there is little correlation between instructor ratings and what students learn—teaching and learning are distinct activities. We also know from research that for adult learning to be meaningful and successful, students must be actively engaged in the process. Efforts such as those at Stanford, U of Chicago, Yale, and MIT send an important message about who is ultimately in charge of the students' learning—the students themselves.

Second, in 2002 it seemed almost as if some business schools had made a “devil's bargain” with the market—essentially, they were selling credentials for money. Students often came to business schools with the understanding that if they didn't cause too much trouble for schools or faculty, schools and faculty wouldn't cause too much trouble for them. In addition, curricula often failed to translate business knowledge into applicable business skills. That's quickly changing, as business educators seem to be placing greater emphasis on ensuring that students truly master the material. More educators are tailoring the level of instruction to individual students, taking into account their backgrounds and experience. More are ensuring that students leave their programs intellectually prepared for their careers.

In part, these changes have been implemented in response

to concerns raised by employers, recruiters, and alumni who perceived, accurately or not, that business schools had watered down the academic rigor of their programs. And, in part, these changes reflect pressure from faculty who want business to take their work more seriously. In fact, many are making efforts to revisit the idea of the “professionalization” of management, in which the practice of business has its own code and regulations, similar to law and medicine.

Business schools could go even farther in this area. They could not only recognize the academic performance of students and faculty, but also set a tone of rigor and seriousness in everything from class attendance policies to enforcement of the honor code. Still, more schools are taking the content of what they teach—the intellectual substance of business—more seriously.

Third, a number of curricular reforms have also addressed the disconnect in the business school classroom between knowledge (knowing) and the application of that knowledge (doing). A patient would not want to have surgery performed by a doctor who knew all the theories of medicine but had never actually picked up a scalpel. Similarly, corporations don't want to hire business graduates who know the theories of business, but have never applied them successfully in the field.

When we wrote our article in 2002, we believed that business schools needed to do a better job of making sure their students could actually apply the academic and theoretical knowledge that they learned in class in real-world situations. In this regard, business schools have continued to offer students more experiential classes, more emphasis on group projects, more contact with the world. For instance, many of today's business students consult for nonprofits and present ideas and solutions to groups of practicing managers. These are steps that will positively affect our graduates' ability to turn their knowledge into action.

It is quite likely that these curricular reforms will also affect research. In his comment on a book that I wrote with



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Bob Sutton, physician Ari Heller noted that medical schools have both a basic research and a clinical research component. In his view, that balance would be good for business schools as well. Time will tell if this physician's wisdom will be implemented in management education.

### Changing Our Measure of Success

In 2004, Christina Fong and I wrote a second article about business schools and business education, "The Business School 'Business': Lessons from the U.S. Experience." Although that article attracted less attention than our first, we think it actually raises even more pressing issues. It outlines some of the problems that still need to be remedied in business education.

The most fundamental issue is this: How should business schools measure their success? Most ask, "Have we increased our graduates' salaries? Have we assured each of them job offers? And have we climbed in the rankings?" Of all the issues our 2002 article raised, one concern received the most attention. We wrote that we found "scant evidence that the MBA credential [is] related to either salary or the attainment of higher level positions in organizations." Publications ranging from *Forbes* to the *Financial Times*, as well as academics, wanted to know whether this charge was true—whether business schools were ineffective in improving their graduates' careers.

In fact, many business schools base their reputations, in large part, on how well their MBA degrees translate to their students' career advancement. Every business school Web site includes a link that says "Hire an MBA" or "Job Placement." From what I've seen, Web sites for law, medical, and engineering schools place no such prominent emphasis on job placement. This is true even though their students also graduate with student loans to pay and also must find gainful employment. In choosing "economic" standards for assessing their success, business schools reflect the overwhelmingly instrumental orientation of their attendees and the "market-based" ethos of much of their curricula.

Such an instrumental orientation toward the educational also leads to—surprise—cheating among business students. It is no accident that a recent survey by Donald McCabe and Kenneth Butterfield finds that 56 percent of graduate business school students acknowledge that they have cheated, compared to 47 percent of graduate students in other disciplines. In an earlier 1995 study, "Cheating Among Business Students: A Challenge for Business Leaders and Educators," McCabe and Linda Treviño surveyed students at 31 universities and found that 76 percent of students intending

to pursue a career in business self-reported having cheated, compared to 58 percent in education and 63 percent in law. Looking at both the proportion of students who cheat and the number of "incidents," they concluded that "business majors report almost 50 percent more violations than any of their peer groups."

The research by McCabe, Butterfield, and Treviño also shows that, independent of major, students who come to business school to "get their ticket punched"—to obtain a credential that will get them a better job or a higher salary—are more likely to cheat. And why not? Too many students aren't there for knowledge, but for the credential, a piece of paper at graduation. The fact that business students cheat more than those in other disciplines is simply a consequence of their motivations for attending school. Business schools have contributed, and continue to contribute, mightily to this problem. As educators, we have not changed this perception that students go to business school just for the money. We have not changed how students then present themselves to the world.

### Building Character, Not Salaries

Business schools could learn a lot from the military. For example, the U.S. Army's mantra for leadership development is quite simple, but profound: "Be, Know, Do." The military academies take the idea of character development, as represented in the word "Be," especially seriously. This emphasis does not mean the military doesn't make mistakes and have problems in its ranks—problems are an inevitable part of the human experience. But West Point doesn't assess its success primarily by the income of its graduates, but rather, by their characters and accomplishments.

Research shows us that business schools have the power to profoundly affect the values of their students. In "Where Will They Lead? MBA Student Attitudes About Business and Society," a 2001 publication from the Aspen Institute for Social Innovation Through Business, researchers found that, during their time at business school, many students' values change. They come into business school stressing the importance of the well-being of employees and customers; they leave business school emphasizing shareholder value.

Business schools could reverse that trend. Vigorous discussion on this topic could be sparked by further surveys regarding changes in student attitudes and values, changes in their self-reported ethical behavior during their education, and possibly even assessments by faculty and peers of their character and leadership. Such data could help us better evaluate our impact on students.

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At Stanford, for example, we now have the tag line, “Change lives, change organizations, change the world.” While we don’t base every decision on this idea, its fundamental premise of what the purpose of a business school should be is sound. Business leaders touch many lives. Unfortunately, from the surveys I’ve seen, contemporary business organizations have become amazingly toxic environments, in which a high proportion of employees are disengaged or “actively disengaged.” Translation: Some employees are actually trying to sabotage their employers. In addition, a high percentage of employees don’t trust management, and workplace bullying is all too common.

A 2004 study from the global professional services firm Towers Perrin, “The Corporate Antitrust Problem,” found that 20 percent of respondents believed their companies lie to them. A survey from global consulting firm Watson Wyatt found that 44 percent believe their top management lacks honesty and integrity. I believe that, as educational institutions and educators, we have a responsibility not only to teach our students about the realities of the world of work, but also to reconnect them with their aspirations and a sense of idealism. Many of them once had this positive outlook on the power of business, but they’ve forgotten it in the day-to-day grind of job interviews, assignments, and daily life.

### Leading with the Facts

Leadership matters. We need to collectively assess the leadership of business schools. Following the publication of our 2002 article, I found that many business school leaders didn’t want to hear that there might be a problem with business education. For example, when one administrator told me my article “wasn’t helpful,” I asked him, “Is it inaccurate?” I believe it wasn’t. As we have learned from the many corporate scandals, truth-telling, especially when it’s bad news, is something that’s generally in short supply. All too often, I found business school leadership to be a “fact-free” zone. This serves all of us badly.

On a more encouraging note, I’ve met corporate CEOs who are adamant about uncovering problems in their organizations. They know that they can only make sound decisions and fix problems when they know the “hard facts.” Like corporate leaders, business school leaders can only improve business education by knowing the facts of their enterprise, not by listening only to what they want to believe.

Some senior leaders at the world’s business schools have yet to embrace the wisdom of my colleague Bob Sutton, who wrote the book *Weird Ideas That Work: 11½ Practices*


*for Promoting, Managing, and Sustaining Innovation*. Sutton often says, “If two people agree all the time, one of them is redundant.” It still seems that few business school leaders are ready to operate their schools like Google runs its business—in an environment where ideas, products, and projects are chosen by consensus, in a way that truly harnesses the wisdom of a highly educated and intelligent crowd.

### Whither the B-School Enterprise?

I have not done a study of the pervasiveness of the various curriculum reforms I’ve described, nor do I know the extent of the academic leadership deficiencies I have observed. I do know, however, that the problems that confronted business schools a few years ago have not been fully addressed. These problems are larger than declining applications and doctoral shortages, larger than the concerns that Fong and I raised, and larger than the criticisms of other educators such as Gary Hamel, Henry Mintzberg, Warren Bennis, and James O’Toole. The overall health of the business education enterprise depends on our continued discussion about where business schools should go next.

In organization theory, the “threat-rigidity” hypothesis argues that one modal response to an external threat is not adaptation, but inertia. When confronted by a threat to the status quo, many people simply continue to do what they were already doing. Many also are driven by a self-enhancement motive, which leads them to want to believe only positive information about themselves and their organizations.

In response to a call for change, some business schools have reaffirmed the value of what they are already doing—which is fine, if they have done so through some measurement or evaluation. But in the absence of such assessment, their response may not work for the long term. Other schools have tried to find the “good news” in the midst of the debate. Curricular innovation, however, requires that we actually use what we teach our students—the ideas from human resources, strategy, organization theory, and entrepreneurship—in our own enterprises, to figure out what we can do to enhance our own institutions.

Many business schools are, in fact, undertaking serious self-examination. They are engaging in the sorts of conversations among their faculty, students, and alumni that can help them redefine and reinvigorate their purpose as business educators. Only through these conversations can we devise the tactics to make that purpose come to life. 

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