

I The Responsibility Gap

I traveled to Beijing last fall to speak to 400 members of The Drucker Society, all moguls among China's most successful capitalist elite. To my surprise, they did not ask me to talk about the latest in global supply chain management, marketing, or business strategy. They wanted me to explore ways that they could stimulate global social entrepreneurship. As their country's economy experiences double-digit growth, these business leaders are terrified of what will happen to China if its growth continues with no central system of checks-and-balances—and worse, with no moral compass.

At one time, we wouldn't even have had to fear such a scenario. In the 1950s and '60s, business's responsibility to society was assumed, and general management curricula included much information about business and its role in society. At the time, Peter Drucker became the first to identify the importance of the social sector, the first to call for the reinvention of government. He championed the balanced scorecard, the knowledge-based economy, and the view of employees as assets rather than liabilities. He argued that the practice of management was about channeling its power into assuring society's prosperity—and through that process, assuring its own.

Then, scholars such as Milton Friedman challenged the notion that social responsibility was a business matter. Responsible business practices were discarded and considered an indulgence—they became throwbacks to a bygone era. They became less and less featured in the business

curriculum. Somehow, business and business schools lost that vital connection to the communities they served.

Explosion of Interest

Even so, what Peter Drucker championed in the 1950s is more important than ever to 21st-century businesses. We now have wholly new concepts such as *triple bottom line*, *environmental stewardship*, *social entrepreneurship*, and *carbon footprint*. Three billion people in formerly totalitarian societies have entered market-based economies over the last 20 years. Amid that transition, an explosion of academic theory is focusing on the value of treating communities—as well as NGOs, vendors, customers, and employees—with respect.

In addition, our 24/7 culture, where online media like CNN and YouTube are on constant watch, gives business nowhere to hide. Social responsibility is not a peripheral indulgence that's just for companies like Ben & Jerry's. Businesses either commit to responsible business practices or expose themselves to negative scrutiny and damage to their reputations—not to mention miss the new business opportunities created by socially driven innovation.

But why are business schools so far behind this new reality of the market? The academy has traditionally been reactive and responsive, rather than proactive and pioneering. As a community, business schools need to catch up—we need to close the responsibility gap.

Some business educators already are doing wonderful work in this area: David Cooperrider at Case Western, Rosabeth Moss Kanter at Harvard Business School, and Sandra

Waddock at Boston College are all part of a cadre of scholars who are thinking creatively and vigorously about the role of business in society and creating new definitions of business leadership.

Even so, the prevailing view has not been that the mission of business schools is to change the world for the better. However, with business placing new emphasis on CSR, that view is changing. It is the mission of business schools to provide society with the ethical leaders it demands and recognize that the path to value creation and new markets is through values-driven, responsibility-based management.

Building on Drucker

Each fall, when I speak to our incoming students at the Peter F. Drucker and Masatoshi Ito Graduate School of Management at Claremont Graduate University in California, I ask them, "What do you want to be remembered for? What will be your signature, your imprint, the purpose of your personal and professional enterprise?" Whether they lead a product line, a division, a company, an NGO, or a country, I believe they must keep their values in mind and represent those values in ways that make society better, and in ways that leave their institutions stronger as a result of their responsible stewardship.

At our school, we're extending Drucker's work into new areas and refreshing it with a 21st-century perspective. For example, our new gateway course, "The Drucker Difference," taught by our entire faculty, introduces students to Drucker's work, including the inevitable connection he saw between building a profitable business and building a healthy society.



Charles Handy, co-founder of the London Business School, just finished teaching a short course at our school called “The Odyssey.” His objective was to help some of our executive education students reconcile their values with their ambitions through a process of self-discovery that includes photographs, personal artifacts, and personal narratives. Handy told these students that they cannot manage and motivate others until they can properly align their own values and ambitions—until they can properly manage and motivate themselves.

That’s a premise that I believe underlies the art and science of management. In this knowledge-driven world, where innovation and value creation are necessities, business school graduates must be not only analytical, but creative, reflective, intuitive, and passionate. They must not only pursue success, but also aspire to significance.

Innovation in Action

If business educators want to learn more about how business helps society function and prosper, while vigorously producing growth, they need only look at what’s happening in business itself. For instance, Procter & Gamble’s CEO, A.G. Lafley, believes that for his company to continue to grow, it must become involved in creating stronger economies everywhere in the world *and* be driven by constant innovation. That’s

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why, when Lafley looked at the 7,500 designers and engineers who worked at the company and at the 1.5 million designers in the rest of the world, he realized that the company was tapping only a tiny fraction of the world’s creative talent. As a result, he committed 50 percent of P&G’s product innovation budget *externally*.

Edward Jones, consistently ranked one of the best places for employees, is also one of the highest performing firms in the world and *BusinessWeek*’s No. 1 financial services company. Costco’s CEO is paid a fraction of what CEOs of other Fortune 500 companies make, out of respect to its employees, and pays a great deal of attention to customer service.


Companies like Google, Gore-Tex, and Patagonia are experimenting with new ways to unlock assets that are way off the balance sheet. In fact, if we were working for Google, we would have to spend one day each week doing something *other* than what it paid us to do. It provides employees the freedom and encouragement to explore new directions, engage their creativity, or participate in community service. In the process, it instills a sense of employee loyalty that cannot be achieved through conventional approaches like pay increases and stock options.

Case studies show that these companies *are* successful; in many cases, they are doing better than others in their peer groups. Their innovative outlooks and strategies drive that success. There is no “one-size-fits-all” strategy, but as we raise more questions, I believe we’ll find that firms that take social responsibility seriously—that don’t view it as peripheral or fungible—will gain and sustain considerable competitive advantage over their counterparts in the industry.

Innovation in Demand

Even with these examples before us, I don’t believe enough business faculty are tackling the big questions and exercising the kind of intellectual courage that Drucker so forcefully advanced. There still exists a gap between what many business schools teach, and what students want to learn—and between what our students learn and what business wants them to know.

It is essential that we close this gap—and quickly. Society’s concerns about global warming, political conflict, child labor, and environmental destruction are not likely to lessen. The watchful eyes of CNN and YouTube are not going to disappear. The growing number of socially motivated companies want business graduates who know not only how to do net value calculations, but also how to unlock creativity in an organization. Our graduates will be part of a global economy where social responsibility isn’t just about eco-friendliness and social awareness. It also demands integrative business skills. It calls for business schools to emphasize innovation and creativity, promote an understanding of broad ethical dimensions, and treat management as a liberal art.

As a result of this new focus, management education is entering a new era. Steadily, surely, we are creating new disciplines, embracing new concepts. With continued effort, enthusiasm, and attention, business schools can close the responsibility gap and lead rather than follow. 

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