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More

Steak

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than

by Peter Lorenzi

Sizzle

Business schools create wealth and add value, yet they continue to draw criticism. How can business educators respond when management education comes under fire?

Business education is one of the great successes of the modern world.

That success wasn't particularly easy to foresee, however. In 1907, when asked to consider developing a business school, Harvard president Charles William Eliot said, "There's no market for it." Nearly a century later, the statistics prove him wrong.

Today, more than 200,000 MBAs are awarded annually, making the MBA the world's most popular graduate degree. In 1998, 24 percent of all master's degrees awarded were in business. Undergraduate business education dwarfs MBA production, with more than a million undergraduates enrolled in American business schools each year. In 2001, 92 percent of accredited colleges and universities offered an undergraduate business program. In addition, executive education has become a highly profitable business, especially for branded schools, offering businesspeople the cachet of a top-tier MBA without the typical academic prerequisites.

Despite the fact that business degrees offer substantive value—more steak than sizzle, so to speak—business education has come under attack by a variety of critics with a wide range of charges, from questions about its academic purity to doubts about its value. It's time that business educators and business graduates started vigorously refuting these charges and taking every opportunity to point out the profound effect management education has had on the business world.

Management educators need to examine the specific accusations leveled at business schools and be prepared with effective counterclaims. While some of these accusations are not recent, they are still widely cited, and I believe they need to be directly and immediately addressed.



Commercial success, which business schools promote, violates the standards of liberal education.

In fact, business education is usually rooted in a liberal arts education. Many business faculty have significant liberal arts exposure, if not a degree in liberal arts. Some business faculty have no business training at all; their degrees may be in psychology, mathematics, or philosophy. Conversely, few liberal arts professors have taken business courses or obtained business degrees, and many have little or no work experience outside the university. Therefore, these liberal arts faculty might have a limited ability to judge the value of a business degree in a real-world work situation.

A philosophy professor once claimed that business education "sucks undergraduate students dry of idealism." In fact, the liberal arts foundation may be the source of that lost idealism. Students who should have learned writing, speaking, and critical thinking skills in

their general education courses often do not master these skills until they've moved on to the business school curriculum. Worse, liberal arts courses sometimes teach students to loathe business and to accept guilt for the ethical lapses in corporations.

I believe a formal education, including a broad knowledge of liberal arts, is an excellent start for someone who wants to become a global leader. Undergraduate business schools that follow the highest level of accreditation require that their students complete at least half of their degrees outside of business courses. As a result, business students as well as business faculty are familiar with a general liberal arts education, which prepares them for a career in the 21st century. I am less sure that a liberal arts education that does *not* contain a professional component such as business education really prepares students for jobs after graduation or even for lifelong learning.

Business schools rely too heavily on the corporate world for support.

Columnist Robert Samuelson has criticized corporations for hiring business schools to train their junior executives. He believes that business schools have "subtly permitted many companies to shift responsibility to outsiders for selecting and training managers." But I believe the close relationship between corporations and business schools is a strength, not a weakness. Business schools prepare students to practice business, so it's only right that they often have the financial backing of corporations that endow chairs and contribute funds to the construction of new facilities.

Business schools have failed to cure all of the world's economic and business problems while causing many of the world's ethical and moral problems.

To the first half of that statement, I would reply: Are business schools to be credited or blamed for a country's economic progress? Obviously not. Samuelson claimed in 1990 that "the MBA explosion has coincided with the deterioration in the performance and stature of corporate America." To that, I would point out that America's strong GDP growth over the past 50 years coincided with the growth of MBA programs. While some indicators suggest that American global competitiveness declined between 1945 and 1990, most of that decline can be attributed to the revival of post-war economies and the rise of Third World nations—who benefited from American business expertise.

To the second half of the statement, I would say: Business schools certainly have a responsibility to teach the ramifications of unethical corporate behavior and the



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importance of a productive work ethic, but they cannot be the primary source for ethics education. Business schools instill a pro-social work ethic, an understanding of global competitiveness, and the skills to manage in a challenging world. It is up to students to use the knowledge they have gained in the classroom in a positive way.

Business schools do not produce business leaders—and the executives they do produce often fail.

This is a serious accusation, sometimes leveled by business professors themselves who are burdened with self-doubt. In their widely read article about the value of an MBA degree, Stanford University's Jeffrey Pfeffer and Christina Fong noted that the four most recognized American business leaders lack a graduate or undergraduate business degree. They cite *Fortune* magazine's "CEOs Who Fail," 40 percent of whom had an MBA.

To me, these seem like unconvincing correlations used to imply causality where none exists. They are based on incomplete evidence and anecdotes. Better evidence would require some kind of systemic study, such as a survey of senior executives of the Fortune 500.

As to the claim that business schools produce leaders who fail, it should be pointed out that failure is part of learning. Counting failures without measuring success is cynical and short-sighted; it is also an inappropriate test. Business leaders often cite their short-term failures as part of their long-term success.

It is true that MBA programs might occasionally produce "defective products"—leaders who are poorly trained or ethically challenged. Yet developing managerial competence is at the heart of an MBA education, and that is where it most often succeeds. The purpose of an MBA is to improve an individual's business management skills and odds of success as a manager. Census data relating income to educational level show that a professional education has an overall positive effect, despite well-publicized exceptions.

The value of a business degree has been diluted by too many programs.

Pfeffer and Fong look with dismay at the explosion of part-time, weekend, and executive programs. While they acknowledge the value of having working managers enrolled in MBA classes, they don't acknowledge that working managers often can only enroll in MBA classes through such part-time programs.

Citing prestigious, full-time MBA programs as a microcosm of university business education, as Pfeffer and Fong seem to do, would be like offering Rolls Royce as representative of the automobile industry. To reach every individual—undergraduate, working professional, or senior executive—who is interested in a business education, today's business schools must offer a wide range of programs and time slots. If we cannot be flexible enough to meet our students' needs, we won't have to worry about having students much longer. The explosion of part-time and weekend programs is a strength of today's business schools, not a weakness.



Business schools exist merely as cash cows for their parent universities.

Pfeffer and Fong note that "there is little doubt that business education is big business." I submit that the "big business" of business schools is a boon to the university system as a whole. The cost to develop and

maintain a business school is quickly recouped. And business schools procure large donations from alumni and corporations. In 2002, AACSB International reported that more than 270 responding business schools had their own positive endowments, totaling a combined market value in excess of \$68 billion. The Wharton School at the University of Pennsylvania completed a \$445 million campaign in 2003; Harvard has targeted \$500 million by 2005.

What would happen if MBA programs vanished? More than likely, many universities would suffer significant financial losses. My belief is, if MBA programs vanished, it would only be a matter of time before another business and management education program would appear out of common need.

Business professors do not contribute much to business knowledge today.

Pfeffer and Fong also claim few professors at business schools write popular business books. In 2001, they say, only two of the top ten best business books were authored by academics; the rest were written by journalists or businesspeople. However, I would point out that most business professors either spend their time teaching or writing textbooks; and the bulk of business texts are written by professors, not corporate leaders.

Textbooks are rarely popular, but they are likely to impact student learning more than popular books do. In other disci-



students and businesspeople from around the world

effective management, marketing, and leadership.

plines, are university professors responsible for the bulk of popular books in their areas of specialty? Probably not. If not, why try to hold business professors to that standard?

Business schools do not respond quickly enough to changes in the real world.



In responding to the threat of for-profit and online business programs, business schools have been aggressively innovative. It's true that innovation is sometimes absent from the top-tier schools, but that is common across industries. Innovation often comes from struggling, second-tier organizations who leapfrog complacent first-tier competitors. Innovation can result from creative, poorly resourced desperation, not just from well-funded inspiration or complacency. And innovations brought to business education by one school are quickly adopted by other schools, so that the level of education and its delivery are raised across the spectrum.

The topic of business cannot really be taught.

This is the most serious accusation of all. Pfeffer has asked the question, "Do you really learn anything in business school?" Samuelson has declared that business schools have two main objectives: to enhance understanding of how business works and to train future managers. Samuelson claims that business schools are somewhat successful in achieving the first objective, but fail to achieve the second. Arguing that business skills are not teachable, Samuelson declares that "no two businesses are exactly alike. ... The essence of business—taking sensible risks, creating valuable products, motivating people, and satisfying customers—lies elsewhere and cannot be taught in the classroom."

I would reply that businesses—like human bodies for doctors and river beds for civil engineers—do indeed differ. However, the analysis and understanding of their problems, practices, and purpose is certainly possible, if difficult. Business schools succeed because they recognize that the world is diverse, dynamic, and complex; they prepare students to manage in that world. B-schools produce globally competitive products: knowledge and knowledge workers.

I would also look for inspiration to W. Edwards Deming, who awarded A grades to all his students, claiming he could

not judge how much they learned—nor *should* he judge them. Deming believed that profound knowledge can be difficult to describe and even more difficult to measure. He also believed that the customer determines the quality of the product of the process. According to these criteria, business schools regularly pass the most demanding test: the market test.

At the undergraduate level, business schools often are not able to enroll the very "best and brightest." Many of the more gifted choose liberal arts and science programs, including pre-medicine, pre-law, and engineering. The most valuable aspect of a business school education is how it can take the students with modest-to-good academic abilities and college board scores and transform them into informed, educated, realistic, productive, well-paid, contributing members of society.

Business schools succeed because employers value what business school graduates bring to the workplace: mastery of the basic language and culture of business; a set of values, knowledge, and skills; and an appreciation of the integral role of work and career in a meaningful life. The fact that students bring some of these desired characteristics with them to business school or learn them outside the classroom makes the lessons no less valuable. Business schools value these characteristics and facilitate these lessons; the lessons need not be part of the business school's formal curriculum.

Conclusion: Business schools offer real value.

Despite the criticism of graduate business education, students and businesspeople from around the world continue to flock to business schools to learn about effective management, marketing, and leadership. Why? Because there is value in business school education, and that value will grow with globalization. The best evidence of the value of business education lies in its economic impact. Business education has resulted in market-driven salaries, advances in knowledge and creativity, and cultural knowledge transmitted across generations and geography.

Business schools serve customers. They create wealth by adding value to the lives of their students. They provide the basis for a sustainable comparative advantage to their host institutions and to their customers. While not businesses, business schools operate in a businesslike fashion, as global knowledge enterprises befitting and benefiting universities in the 21st century. We must actively advance these truths about business education. If we do not, the critics will continue to believe that business education offers more style than substance, more sizzle than steak. **Z**

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