
How Business Schools Must Evolve



By Jonathan Story, INSEAD Emeritus Professor of International Political Economy, with David Gautschi, Joseph Keating, S.J., Professor of Marketing at Fordham University

Business education must enable students to reconcile enterprises with the changing realities of the global marketplace.

On 4 October 1957, the Soviet Union announced it had successfully launched the Sputnik 1 satellite, obliterating in one fell swoop America's sense of invulnerability to nuclear attack. Less than a year later, the U.S. Congress passed the National Defense Education Act, which poured hundreds of millions of dollars into the American educational system. Galvanising business schools was part of the broader package.

Just over five decades later, a crisis with similarly seismic effects – the financial crisis of 2008 – provoked an entirely different response. Rather than redoubling investments in higher education, the U.S. media, Congress and public identified business schools as one cause of the crisis. The Oscar-winning documentary film *Inside Job*, to name just one example, excoriated academic economics and finance departments for failing to foresee the crash, while enjoying lucrative consultancy arrangements with financial institutions. There were critiques from within the system as well: Robert

Salomon of NYU Stern School of Business asserted that business schools are good at training technicians, but “do a poor job when it comes to... integrating across disciplinary boundaries to create a greater understanding (and appreciation) for how individual parts interrelate to affect the whole.”

Business With Political Blinders On

The phenomenon Salomon described isn't new. In the balmy autumn of 1988, I spent an afternoon with board members of a well known U.K. corporation, with business in North America and all around Western Europe. “The bottom line,” I told them, “is that Germany’s going to unite within the next 12 to 14 months.” Blank stares all around greeted this pronouncement. The CEO said, “So what?” He could not comprehend how this massive impending political shift might impact his company’s prospects. Here was an instance of personal myopia, to be sure, but also an indicator of the blindness to political and social context that characterises curricula at too many prestigious business schools.

Functionalism and Realism

Scholarship at business schools is largely weighted toward a *functionalist* approach, which presumes business conditions are basically universal across cultural and political boundaries. This approach places faith in normative rules that are thought to transcend time, place, and culture. Functionalism tends to assume that globalisation will lead to a worldwide convergence on the Western norm, as wages, lifestyles, and consumption habits gradually attain global uniformity.

But there is another voice in the business school, which can be called *realist*: this perspective holds that the world’s diversity will survive globalisation. Realists see the world as multi-form, complicated by many religions and languages, bearers of their own memories and ideals, and composed of over 200 separate territories at vastly different levels of prosperity, ranging from Singapore to Haiti.

A truly balanced business education would harness the tension between these two approaches, placing them in unbiased juxtaposition rather than in isolation or a hierarchy. INSEAD achieves this with a resolute focus on cultural diversity as well as diversity of thought. This method alone will enable B-schools to prepare graduates to meet the global business community’s two main challenges: developing a finely honed, broadly

applicable ethical compass to consult in aid of business decisions; and steering enterprises through global complexities without recourse to received wisdom and outmoded ideas.

Business Education and the Academy

At present, most prominent B-schools focus almost exclusively on the interplay of enterprises and markets, but that is just one of five main factors affecting the business context today. The others are:

- **Technology:** With more than 90 percent of all known scientists in the world's history now alive, and a massive and expanding infrastructure of education around the world, today's laboratories are setting in motion five great waves of technology: computation, telecommunications, biotechnology, nanotechnology and alternatives to the dense energy standard of oil. Corporations in turn are caught in a gale of "creative destruction", to use the famous phrase coined by Austrian economist, Joseph Schumpeter.
- **Politics/state decision-making:** Politics is not just what politicians do. States share their powers with varied entities –including corporations—so that authority in the world system is exercised by many agents, operating alongside and often in disregard of states.
- **Potential resources (supply and demand):** Consumption is sensitive to the demographics of a region and serves as an external driver for the growth of the business enterprise, and its innovativeness and investment in quality improvement. Analogously, the distribution of natural resources is far from uniform across the globe. Both supply of and demand for potential resources are closely related to delivery systems, and hence to technological developments.
- **Institutions:** Markets are embedded in social and political institutions, and do not exist independently of the rules and conventions that establish them. A national business system is defined as holding a number of components, including state and financial institutions, as well as labour market regulations. A business system also coordinates economic activities among stakeholders, and influences how firm policy is made—its governance—and its main organisational attributes.

As this list demonstrates, business context is complex, so the role and function of the business school is and must be complex. The complexities characterising the world of business practice provide the justification for the business school as an academic unit in the contemporary university. The

business school must reset its purpose to ensure all five factors and the interactions among them are addressed in the scholarship of its members—both faculty and students.

Recommendations

To deliver value to society, the business school should develop and manage a nested portfolio of programmes to serve diverse audiences that would demand education in the functions and context of business. There should be a wider variety of academic programmes combining skill-building with deliberate orientation in specific business contexts.

I envision an eight-year doctorate, with a strong applied bent, designed for aspiring board members. The executive doctorate would require mastery of disciplines relevant for the study of business context —the behavioural, economic, and political sciences — and a thorough indoctrination in research methods. Doctoral candidates would write their theses not by number-crunching but by getting out into the field and writing cases, the pedagogical aim being to create senior managers who are well-trained generalists. New PhDs would be equipped with widely applicable contextual expertise in how companies operate as both commercial entities and ethical actors in a complex world.

After all, the current international system is one where corporations are often the leading revolutionaries. It is in this context, I contend, that business schools must operate for the opening decades of the twenty-first century, and most probably, well beyond.

This article is based on a chapter in the forthcoming book The Purpose of Business: Contemporary Perspectives from Different Walks of Life (Palgrave Macmillan), co-authored with David Gautschi.



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