The Business School ‘Business’: Some Lessons from the US Experience*

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ABSTRACT  US business schools dominate the business school landscape, particularly for the MBA degree. This fact has caused schools in other countries to imitate the US schools as a model for business education. But US business schools face a number of problems, many of them a result of offering a value proposition that primarily emphasizes the career-enhancing, salary-increasing aspects of business education as contrasted with the idea of organizational management as a profession to be pursued out of a sense of intrinsic interest or even service. We document some of the problems confronting US business schools and show how many of these arise from a combination of a market-like orientation to education coupled with an absence of a professional ethos. In this tale, there are some lessons for educational organizations both in the US and elsewhere that are interested in learning from the US experience.

INTRODUCTION

‘It is an acknowledged truth that US business schools have always dominated the MBA market in both quality and quantity’ (Bradshaw, 2004, p. 1). Rankings that include schools from various regions, such as the Financial Times list, typically show that US schools dominate – in the 2004 ranking, only five of the top 20 schools were European. This has resulted in ‘the globalisation of management education [being] US-led’ (Starkey and Tempest, 2001, p. 10). This US influence is evidenced by: (a) the vigorous expansion of US programmes overseas; (b) the fact that schools that directly compete with leading US business schools do so mostly according to the rules established by the US schools; and (c) the increasing recruitment of US-trained faculty by places such as London Business School and INSEAD (Starkey and Tempest, 2001, p. 10).

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But even as others rush to emulate the US model, all is not well in the world of the US business schools. As Grey (2001, p. S27) perceptively noted, business schools experience ‘a curious dual insecurity. On the one hand they fear . . . the scorn of other, more traditional academic subjects. On the other hand, they often stand accused of being less than relevant to business.’ The recent success of business schools, as measured by the dramatic expansion in enrolments, budgets and endowments, has seemingly exacerbated this tension and triggered somewhat of an identity crisis.

On the one hand, business schools have been charged with doing a bad job of meeting the needs of their students and industry for effective education and relevant knowledge. With respect to the research contribution of business schools, although much is occasionally made of the influence of academic financial research – the capital asset pricing model and the theory of efficient markets – on financial practice, this example is more the exception than the rule. A study of the business idea marketplace concluded that ‘most business schools . . . have not been very effective in the creation of useful business ideas’ (Davenport et al., 2003, p. 81). Even people such as Robert Kaplan, former dean of the business school at Carnegie Mellon and now an accounting professor at Harvard, have argued that business school research and teaching have contributed very little to recent developments in the world of business (quoted in Locke, 1998). Business schools have been accused of doing a poor job of educating and preparing their students (e.g. Ackoff, 2002; Doria et al., 2003; Mintzberg and Gosling, 2002; Pfeffer and Fong, 2002) and a poor job of producing research relevant to the practice of management (e.g. Davenport et al., 2003; Pfeffer and Fong, 2002; Starkey and Madan, 2001).

But even as they are accused of irrelevance and doing a poor job of preparing students (e.g. Porter and McKibbin, 1988), business schools simultaneously stand accused of being too market driven, pandering to the ratings (Gioia and Corley, 2002), failing to ask important questions (Hinings and Greenwood, 2002), and in the process of responding to the demands from their environment, losing claims of professionalization as they ‘dumb down’ the content of courses, inflate grades to keep students happy, and pursue curricular fads (Trank and Rynes, 2003). Students and recruiters are increasingly viewed as customers to be served by business school administrations. But, ‘as students become viewed as customers, business values begin to drive the academic agenda, and the result is a compromising of the values and the very character of higher education’ (Porter et al., 1997, p. 19).

Pushed and pulled in different directions, the consequence has been decreasing job tenure and high rates of turnover for the average business school dean (e.g. O’Reilly, 1994). A study of deans in the late 1980s reported that dean turnover occurs on average in just under four years and that some 36 per cent of deans left their positions involuntarily (Wholihan, 1990). A more recent study of deans’
careers revealed that of the 419 responding deans, half had been in their position for three or fewer years, and one quarter had held their job for one year or less (LeClair, 2004). The inconsistent demands confronted by business schools have also resulted in conflicting and contradictory messages being sent to various constituencies.

We do not believe this state of affairs is either desirable or inevitable, but rather, results from a devil’s bargain that business schools seem to have adopted: in return for the ability to obtain huge and growing enrolments and large donations, schools have presented themselves and their value proposition primarily, although certainly not exclusively, as a path to career security and financial riches. But this value proposition creates numerous problems – for the student culture, for what schools need to do to deliver on their promises, and for the ability of business schools to consistently adhere to a set of values or a coherent strategy. In other words, we argue that business schools have made a particular promise and that efforts to fulfil that promise create profound difficulties for the schools. Moreover, in their adherence to a market-like ideology of responsiveness to customers, presumably students and recruiters but alumni as well, business schools may have lost their bearings and run the risk of losing potential competitive advantages that differentiate them from the many rivals that currently dot the educational landscape. This paper describes these trends and forces using data primarily from the United States, and then sets out an alternative strategy that business schools might follow. The various issues and problems we discuss make the wisdom of other countries’ simply copying the US business school model somewhat problematic.

**SOME POSSIBLE ROLES FOR BUSINESS SCHOOLS**

The most basic and fundamental issue is what business schools are about. Many roles are at least possible to consider. One possible function of business schools might be developing important, relevant knowledge and serving as a source of critical thought and inquiry about organizations and management, and by so doing, advancing the general public interest as well as the professionalization of management. In this role, business schools would stand connected to but also somewhat apart from business and other organizations, providing objective research and critical consideration of business, business practices, and their effects on people and society in an effort to serve not only business but also broader social interests and concerns.

It is clear that business schools are not currently fulfilling this role with much vigour, particularly in the United States. Although there is a critical management studies interest group in the Academy of Management, it is one of the smaller subdivisions of this professional association. One observes somewhat less of the self-reflective writing about the management profession, its problems and its potential, than one sees in other applied fields such as medicine and law (but see Ackoff,
2002; Leavitt, 1989; Mintzberg, 1996; as important exceptions). And, we should note in Europe for instance, in the domain of human resource management, there have been vigorous critiques of the functionalist and corporatist view of high commitment work practices, which is one illustration of management scholars raising questions about management techniques and the effects of organizations on people and society (e.g. Marchington and Grugulis, 2000). Nevertheless, a number of observers have commented that business schools and their faculties ‘have abdicated [the] role of scientific, objective observers of business who are willing to engage in public discourse from the perspective of society as a whole’ (Trank and Rynes, 2003, p. 199).

In a related but somewhat different role, business schools might take the lead in making management a profession. This would entail articulating a set of professional values and responsibilities and developing standards of professional conduct and even sanctioning mechanisms for those who violate professional standards of organizational or business management. This standard-setting, normative role is potentially important, because the very definition of a profession has embedded within it the idea of experts applying their knowledge for the benefit of their clients and, in the process, adhering to a set of professional ethics and standards that justify public trust (e.g. Friedson, 2001; Trank and Rynes, 2003, p. 191). Both medicine and law schools not only have, for the most part, more required education in professional ethics and responsibility, but also in numerous ways emphasize professional socialization to an extent not really duplicated by business schools.

Unfortunately, there is little evidence that business schools are enforcers of professional standards and norms of conduct. In a world in which economic success is frequently taken as the measure of value and merit, there are few sanctions coming from business schools for ethical malfeasance and there is not much evidence of what one might wish or expect in a self-policing profession. Frank Quattrone, an investment banker recently convicted for urging the destruction of documents in a securities investigation and accused of interfering in the allocation of initial public offerings so that favoured investment banking clients were rewarded, was on the Stanford Business School Advisory Board. Michael Milkin, convicted of securities law violations and someone who actually served time in jail, is a principal force behind Knowledge Universe, which provides business degree and non-degree business and other education. Al Dunlap, who laid off thousands of employees at Sunbeam and Scott Paper, regularly gave talks at leading business schools, at least until he was convicted of accounting fraud. And there are numerous other examples of business schools embracing problematic heroes and role models.

In terms of the messages sent to students while in school, again there is little evidence of an emphasis on high standards of professional conduct. In fact, some evidence would suggest that business schools are sending the implicit message that unethical behaviour is acceptable, at least as assessed by the prevalence of student
dishonesty. Research conducted by Don McCabe and his colleagues suggest that undergraduate business school students are more likely to self-report cheating in their classes than other students, such as those in law, medicine or the sciences (McCabe, 2001; McCabe et al., 1991, 1992). Among these undergraduates, an intention to go into business as a career is also a predictor of cheating (McCabe, 2001). McCabe and Trevino (1995, p. 210), in a survey of almost 16,000 undergraduate students at 31 colleges and universities, found that ‘business majors report almost 50 per cent more [cheating] violations than any of their peer groups and almost twice as many violations as the average student in our study’. Hendershott et al. (2000) reported that 66 per cent of undergraduate business majors at a private, Catholic university had observed cheating on exams, as opposed to only 32.1 per cent in law and 17.6 per cent in nursing (cited in Brown and Choong, 2003, p. 30). Business school students were also more likely to be willing to help fellow students cheat by giving or exposing an answer on an exam.

Furthermore, business school community members do not seem to provide sanctions for cheating. Instances of plagiarism and other forms of cheating while in school are seldom pursued by either students, who don’t want to be known as snitches, or by faculty, who don’t see any reason to invest time and effort on what often turns out to be a fruitless activity. For instance, Hendershott et al. (2000) reported that 11.3 per cent of the law students, 3.2 per cent of the nursing students, but 0 per cent of the business students would report cheating to authorities (cited in Brown and Choong, 2003, p. 30). The sanctions from violating standards of conduct even when students are caught and the cases successfully pursued are typically mild. Only five people have been thrown out of Stanford University in the past five years, none from the business school, even though there have been a number of instances of plagiarism and honour code violations on the campus.

How about the role of the public interest in business schools and business education? Of course, things may always change as societal forces ebb and flow. But reviewing research on management, Walsh et al. (2003, p. 860) noted that ‘the public interest... holds a tenuous place in management scholarship’ (see also Brief, 2000; Kochan, 2002). Their empirical study shows that research interest in human welfare as an outcome of managerial action peaked in the late 1970s, but that recently very little research considers anything other than economic performance or some variant of that as a dependent variable. Things aren’t much different in the classroom. The Aspen Institute’s (2001) survey of MBAs found that during the two years in the programme, student priorities shifted away from customer needs and product quality to an emphasis on shareholder value, a change which is not surprising considering the content of business school curricula.

Yet another role for business schools might be the development of students’ critical thinking and analytical abilities, as other parts of higher education seek to do. Indeed, the University of Toronto has premised its approach to the MBA on devel-
oping integrative thinking (Martin, 2002). This pedagogical approach is predicated on the idea that problems do not come compartmentalized by subject area and that ‘extremely successful people... approach their tasks with a distinctly more integrated decision-making process than their less successful peers’ (p. 6).

Again, however, this emphasis on the development of integrative skills is more the exception than the rule, and few schools or courses take a critical or even an integrative approach to business and business organizations. Mintzberg and Gosling (2002, p. 64) argued that business schools ‘graduate individual specialists, not collaborative managers’. The emphasis is more on mastering facts and a body of technique in a series of discipline-based courses than on a process of inquiry and question asking. This pedagogical emphasis is a problem because, as Ackoff (2002, p. 59) has noted, engineers, PhDs, and others seldom practice what they learned in school within a few years of graduation, so that what students ‘ought to learn is how to learn’. But it is not clear that attempts to teach integrative thinking are what the ‘customers’ (namely, potential students and recruiters) want. Schools such as Case Western University’s Weatherhead School, which has also emphasized an innovative curriculum based on integrative thinking, have had to contend with the reputation of having a poor return on investment for their students, which may hurt their application and enrolment rates (Dunkin and Nadav, 1998).

Still another possible role for business schools might be providing the evidence and intellectual capital to improve the practice of management and thereby aid the development of regional and national economies. But here there is little evidence that business schools or business education are related to economic development. Some of the most successful companies, for instance Southwest Airlines, Pixar, Whole Foods Markets, and The Men’s Wearhouse, industries such as biotechnology and electronics, and export-driven economies, for instance, Japan, Germany, China, and Singapore, have had few business school graduates or, in the case of countries, business schools.

THE DOMINANT VALUE PROPOSITION: HIGHER SALARIES

Certainly business schools and their faculty do, to some extent, pursue the objectives of building intellectual capital for countries and industries and providing knowledge and critique relevant to management practice. But the overriding value proposition business schools offer, particularly through their MBA degree, is the enhancement of the careers, measured mostly in terms of salary, of their graduates.

Several pieces of anecdotal evidence are consistent with this assertion about business schools’ marketing approach and positioning. Visit business schools’ websites or read their publicity materials and what one often sees are claims about the economic benefits of attending, typically demonstrated by contrasting the salary
of the graduates with their salaries when they entered the schools. There is invari-
ably information about the placement and career counselling services offered, and
recently, what schools do to help their alumni in the job market. The University
of Chicago business school’s website leads with the phrase, ‘Expect Success’.
Wharton’s home page has at the top the question: ‘What’s the benefit of a Wharton
MBA?’ The answer, ‘Investing two years to complete any MBA is a risk but the
Wharton MBA will transform your career in ways that extend far beyond ROI’.
The Jones School at Rice University asks as its first question in an advertisement,
‘Why get an MBA?’ Its answer: ‘To advance your career and make more money’
(Continental, 2004, p. 28). This market positioning reflects a commonly held view,
for instance as stated by Bruce and Edgington (2003, p. 12): ‘Any examination
. . . of graduate management education must consider the return on investment
for an MBA degree.’

Nor is it the case that this messaging is simply what any programme offering a
graduate professional degree has to say to graduates who, regardless of their edu-
cational pursuit, do eventually need to find jobs and go to work. In early 2004, we
compared the websites of law and business schools in ten leading universities.[1] In
10 out of 10 business schools, there was a button or heading or link on the home
page to something labelled recruiting, career services, or in some instances, ‘hire
an MBA’. In only two of the ten law schools did the home page have anything
about recruiting or recruiters. The emphasis on the economic benefits of business
education is exacerbated by media coverage of business schools. For instance, mag-
jazines such as Business Week employ business school faculty to calculate and
compare returns on investment for various business schools, and then rank the
schools in terms of fastest and slowest ROI (e.g. Badenhausen, 2001; Dunkin and
Nadav, 1998).

The extensive media coverage that followed the publication of Pfeffer and
Fong’s (2002) broad critique of business schools focused almost exclusively on the
question of whether or not there were economic returns to the graduates of MBA
programmes (e.g. Alsop, 2002; Economist, 2002; Pope, 2002). The subsequent Business
Week survey of alumni (Merritt, 2003a), designed to examine the effectiveness
of business schools, concentrated primarily on whether or not MBAs had achieved
career success and financial riches. The response of the business school establish-
ment, including academic administrators and the Graduate Management Admis-
sions Council, to the controversy over whether or not business schools were being
effective entailed repeatedly asserting that attending business school did, indeed,
raise salaries – most often illustrated by comparing salaries pre- and post-business
school – so that graduate management education was a good ‘investment’.

Business school students are no different than any other human beings – they
are subject to informational social influence, to learning from their environment
what is important and what filters they should use to comprehend the world (e.g.
Salancik and Pfeffer, 1978). So, students have responded to these messages about
the putative benefits of the MBA programme and business education as one might expect. Rynes et al. (2003, p. 270) noted that ‘research has shown that business students are more likely than almost any others . . . to view education primarily as a stepping stone to lucrative careers.’ McCabe and Trevino (1995, p. 211) reported that ‘students planning to enter business rated being well-off financially as a significantly more important life goal than any other occupational group.’ A United Kingdom report stated that ‘over 90 per cent of students take MBAs to improve their career opportunities’ (Council for Excellence in Management and Leadership, 2002, p. 18). When business school faculty and administrators complain that students are not interested enough in learning for its own sake, it is possibly the business schools themselves that, through their own actions, have helped create this situation.

**Effects of a Careerist Value Proposition on Business Schools**

There are many implications of this careerist approach to the higher education market, many of which are undesirable. First, schools have to live up to their promises to students by attempting to deliver great career results, and in the process risk becoming more signalling, screening, and placement services than educational institutions. Roger Martin, currently dean of the University of Toronto Business School and formerly the partner at the major strategy consulting firm, Monitor, in charge of recruiting, told one of the authors that he and his partners became quite cynical about what students actually learned in business schools. But, recruiting at elite business schools assured the firm of access to carefully pre-screened, highly motivated, highly talented individuals. He subsequently commented, ‘If you give me a choice of recruiting with the admissions list or the graduating list [from Harvard Business School], it would take me a second to decide – I’d go with the admissions list’ (Jaschik, 2004, p. 38). The suspicions about what business schools actually teach is one reason that most consulting firms and investment banks offer extensive training and development to new hires (e.g. Doria et al., 2003).

Similar comments about the screening rather than educational function, particularly of elite business schools, came from senior people at other consulting firms as well. Business leaders also have the same questions and concerns. John Reed, the former CEO of Citicorp, commented at the annual Academy of Management meetings: ‘The business community knows full well that business schools perform a useful function sorting potential hires. The schools sort out from the general population those who are more ambitious, more energetic, more willing to subject themselves to two years without income . . . But the real question is: Do you give these students a set of skills that is going to serve them well over their careers?’ (quoted in Doria et al., p. 39).

The cultural dynamics of being a screening or sorting mechanism are pernicious. To the extent business schools are just screening or signalling mechanisms,
what becomes important is simply getting in, because few students ever flunk out (Armstrong, 1995). This fact has occasionally led to students being more interested in extracurricular activities such as ‘bar crawls’ and building their social networks than in the course material (e.g. Crainer and Dearlove, 1999). In turn, this emphasis on the social, networking, and extracurricular aspects of the business school experience has contributed to the perception, including elsewhere on university campuses, that business schools have little academic content to offer and that the educational product is not very relevant to the graduates.

Students who are mostly interested in attending school simply to obtain a credential in order to get a better job are, not surprisingly, more willing to cut corners, such as cheat, to obtain that credential (McCabe and Trevino, 1995) than students who have more intrinsic interest in the subject matter and a less instrumental orientation toward their chosen field. McCabe and Trevino (1995) found that the more importance survey respondents placed on financial success, the more likely they were to report cheating. Business school students, with their careerist orientation also placed ‘the least importance on knowledge and understanding, economic and racial justice, and the significance of developing a meaningful philosophy of life’ (McCabe and Trevino, 1995, p. 211). Simply put, being interested in school as means to a career goal rather than in education for learning and personal development affects students’ cheating behaviour, their values, and their orientation toward learning and their education.

The problems with the student culture are not the only adverse consequence of the pursuit of money and growth almost for its own sake by the schools. For instance, the wealth of many business schools has bred resentment on the part of their less well-endowed compatriots on university campuses, which has the perverse effect of intensifying the business schools’ quest for academic respectability as a way of proving that their resources are justified using traditional, disciplinary logics and standards. The wealth has also occasionally been covetously eyed by central university administrations, which particularly in public universities but also in many private ones, have come to see business schools as cash cows, as ways of raising money for the ‘centre’ through various taxes imposed on schools (Friga et al., 2003, p. 236). This latter behaviour has resulted in the paradoxical situation of the more money and enrolment schools bring in, the more they are expected to bring in, with business schools in a rat race they can never really win.

To some extent, of course, the problems that business schools face are simply instances of more general problems confronted by universities that face declining public financial support and inexorably increasing costs – ‘Slaughter and Leslie’s (1997) extensive study of changes in funding for higher education reveals that public financial support for higher education has been declining... since the Nixon administration’ (Trank and Rynes, 2003, p. 192). Similar trends in financial support also occurred in the United Kingdom, where the Thatcher government cut support for higher education dramatically – and given the nature of
budgeting, recovery is invariably a long and slow process even under the best of circumstances. Tiratsoo (1998, p. 123) concluded that ‘British management has largely performed without education and training for virtually all of the postwar years’.

At the same time, both business schools and universities confront the need to balance their role as independent critics and observers of society with the requirement of extracting an ever larger portion of their funds from voluntary contributions. These contributions increasingly come from donors who want more than just recognition for their gifts (Bloom, 1987; Starkey and Tempest, 2003) – they want a say in how and on what the money is spent.

Certainly the tensions confronted by business schools are not completely different from those facing other professional schools such as law and medicine. But business schools, because they often lack a coherent strategy or focus, a set of enduring values, or the availability of a professional ethos or code of conduct from the profession, management, that they serve, are more susceptible to and bothered by these conflicts and their resulting tensions and stresses than some other professional schools. In that observation may be a hope for redemption: if and only if business schools can stop acting quite so much like businesses and find a soul and a set of values that can remove them, at least partially, from the logic of the marketplace, they may be able to succeed in an increasingly competitive environment for management education.

HOW BUSINESS SCHOOLS BECAME WHAT THEY ARE

Explaining how business schools have arrived in their present predicament is undoubtedly a complex process and there are many and varied causes. But one source of the problem seems to be that business schools are, in part, trapped by their own market-based theoretical orientation and economic language which views schools less as professional or even educational organizations and more as competitors in a marketplace (Trank and Rynes, 2003, p. 198). Many business schools came out of economics departments and economics is almost certainly still the dominant discipline in business education. It is not surprising that economic language and ideas such as competition, strategic interaction, economic surplus and rents, and growth loom large in the management of business schools. The presence of a market-based, economic orientation coupled with conflicting pressures and no strong professional ideology leaves business schools relying on ideas such as competition, growth, and return on investment as they think about their role and strategy.

Thus, education, including higher education and business education, is increasingly seen as an industry, not as a mechanism for socializing and educating the young – an industry, by the way, that is ripe for consolidation, the introduction of new technology such as e-learning, and great opportunity for profit-making ven-
tures such as UNext, the University of Phoenix, and similar organizations (e.g. Rukstad and Collis, 2001). It also happens to be a very large industry with an increasingly diverse set of players and rapidly intensifying competition. Private education firms now take in some $3.5 billion annually, corporations now spend more on business education than do all business schools, there are some 1600 corporate ‘universities’, and the corporate training market is estimated to be at least $60 billion annually (Friga et al., 2003).

Schools have responded to these market dynamics by presenting themselves as players competing in this education industry. Harvard Business School now publishes an annual report that reads much like a corporate annual report, including financial information showing whether or not the school is operating with a surplus and detailing the growth in the various sources of funding for the school, including executive education and Harvard’s various publishing activities. Stanford’s annual report on donations is called ‘Report to Investors’, which leads naturally to questions about and a focus on the ‘return’ on those investments. Business schools, teaching about competition, are not surprisingly caught up in their own set of competitive dynamics including attempts to excel in the various rankings of business schools, grow their enrolments, expand their scope and reach geographically, and grow their budgets, endowments, and develop their financial support (Gioia and Corley, 2002).

This competition for ‘market’ dominance and market share has produced, among other things, an enormous expansion in business school enrolments, particularly in the United States but elsewhere as well. By the new millennium ‘business was the largest single field in higher education . . . approximately 20 per cent of all bachelor’s degrees, 25 per cent of all master’s degrees, and 3 per cent of all doctoral degrees . . . were business degrees, and 15 per cent of the $250 billion higher education market was spent on business education . . . US schools awarded over 85 per cent of the world’s business degrees’ (Rukstad and Collis, 2001, p. 2). By 2001 more than 100,000 MBA degrees were being awarded annually, and an AACSB report noted that between 1984 and 2000, ‘more than 1.6 billion dollars worth of donations’ had been made to business schools in the United States (Walsh et al., 2003, p. 871). In the United Kingdom, MBA enrolment grew by 35 per cent in just five years between 1994 and 1999 (Council for Excellence in Management and Leadership, 2002, p. 17). The growth in both numbers of business school students and the percentage of degrees being earned in business schools since the 1970s is enormous (e.g. Walsh et al., 2003, p. 871).

This growth, of course, threatens to produce (or perhaps already has produced) an oversupply of both business students and business schools. Even as the number of middle managers has decreased and the growth of total employment averages about 3 per cent or less per year, business school enrolments have expanded more than six-fold in the United States over the past 35 years, so there is much more supply of people with advanced business degrees, at least on a comparative basis.
The value of the MBA brand or credential may be eroded by all of this expansion, particularly when we ask the question of how and where all this growth has been achieved. If you take the ‘business’ perspective that maintains that the goal is simply to acquire revenues and enrolments in the business education marketplace, the answer to this question is irrelevant. As more than one person has told us, enrolment growth and all the other markers of success must speak for themselves – the educational marketplace being presumed to be an efficient market where economic outcomes reflect the quality of the results achieved. But for those who care about the quality of the educational product and how it is being priced and sold, the evidence is less sanguine.

The data suggest that, particularly recently, the expansion in business education was achieved, at least in part, by sacrificing educational quality and academic standards as numerous schools sought to sell their reputation and the MBA credential to gain enrolments and revenues. Schools sought to grow demand primarily by touting the career value of the MBA so they could charge more both for their full-time day programmes than would be charged for other programmes on campus and charge particularly high, premium prices for their evening, week-end, and part-time MBA programmes oriented toward working adults whose employers might be expected to pay some or all of the bill.

The evidence that some schools look towards executive MBA programmes as ‘cash cows’ is quite compelling. We compared the tuition for executive MBAs to full time MBAs for Business Week’s top 25 eMBA programmes (Merritt, 2003b), and found that on average, it costs almost $14,000 more to obtain an eMBA, with some schools charging more than $40,000 more for executive programmes than full time MBA programmes as a premium for this degree. One of the easiest ways to justify the higher price for the MBA degree was to show that the degree had a good return, in fact, a higher return than other educational programmes. In this way, the drive for expansion led naturally to the emphasis on the economic value of the degree and to the careerist orientation already described.

Because of the push for growth and how that growth could be achieved, it is not a surprise to learn that almost all of the growth in MBA enrolment in the recent past has come from the relatively smaller and presumably newer programmes enrolling less than 100 students – new entrants into this apparently attractive market – and from the executive MBA degree enrolments with their higher price points. eMBA programmes offer another advantage to the schools that offer them – the ability to use resources including physical facilities and faculty that might be otherwise untapped on the nights and weekends when such courses are typically offered. Again, the economic efficiency arguments loom large in discussions of such programmes and in their logistics.

Conway and Howard (2000) have presented data showing that between 1992 and 1997, the growth rate for MBA programmes of more than 500 students was
8 per cent, the growth rate of programmes enrolling between 250 and 499 students was 0 per cent, while the growth rate of programmes enrolling between 1 and 49 students was 82 per cent, the growth rate of US executive MBA programmes was 65 per cent, and the growth rate of non-US executive MBA programmes was 70 per cent. Schools have also hastened to build partnerships and to expand overseas, possibly a sign that the domestic market is getting saturated. So, for instance, the University of Chicago operates a programme in Barcelona and a number of schools including Chicago, INSEAD, and Wharton have opened up shop in Singapore.

The likelihood of quality erosion from this pattern of expansion is substantial. The percentage of MBA degrees being granted by for-profit entities and by non-accredited schools has increased dramatically in the 1990s (AACSB, 2002). Bern Beatty, a professor at Wake Forest University, is one of the founders of the recently-started organization that gives the Certified MBA Examination, a test for mastery of the core subjects of business education. The first thing to note is that only slightly more than 50 per cent of the more than 300 students who took this examination when it was initially offered passed it. But the most important fact is this: Beatty told us that he became interested in developing a test for the mastery of business knowledge and skills because he saw universities, including his own, offer part-time, evening, and week-end programmes without much if any enforcement of academic standards.

Competition and the drive for growth are, of course, not invariably harmful and can, under the right conditions, encourage innovation, improvement, and higher levels of performance. But for those positive results to obtain, there needs to be information about relative organizational performance on a set of consistent, meaningful dimensions that can then serve to direct the allocation of demand to those organizations doing the best job. However, there are few systematic, substantive evaluations of business school products of whatever type and variety, and substantive information on programmes and their results is sparse. ‘According to AACSB Director of Information Services and Strategies, Dan LeClair, ‘There is widespread agreement that the data and information currently available about management education and its providers are inadequate for a variety of reasons’ (Starkey and Tempest, 2001, p. 13).

What ‘information’ to guide the market exists is a plethora of business school rankings put out by various media organizations. ‘In recent years, it is the business press that has led the way in defining standards of world-class business education and producing league tables of business schools performance’ (Starkey and Tempest, 2001, p. 3). The problems with such rankings are noteworthy. Some rankings, such as those by Business Week, confine themselves to rating a set of schools defined as the best by the publication itself, raising questions about the basis for this selection (Schatz, 1993). In many instances, opinions of recruiters or graduates are used as data.

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Each of these constituencies that influences the rankings has an axe to grind. Alumni strategically inflating their ratings to bolster their schools’ reputation – and as a consequence the brand value of their degree – has been alleged (Reingold and Habal, 1998). Recruiters have been enticed to speak more favourably about schools by being provided with better amenities and service as well as help from career placement offices that are expanding their staffs to respond to their customers’ needs. Whether better access to students, refreshments, and rapid response to phone calls are really a measure of the quality of the educational output is open to debate.

One other effect of this competition among schools is worth noting. Business schools, under pressure to make their students happy, succeed in the rankings, and grow their enrolments, have begun to all follow essentially the same strategies and produce MBAs who look remarkably alike. Doria et al. (2003, p. 42) noted, ‘now the graduates from all these programmes resemble one another . . . As schools try to tailor their programmes to move higher on the . . . list, programmes become more and more generic and less and less impressive in any one area.’ This isomorphism in business schools and their curricula belies the alternative competitive strategy of differentiation that might be even more beneficial for the schools and their various constituencies.

IS THERE ANOTHER PATH?

Business schools face several interrelated problems. They face intense and growing competition, not only from programmes offered by universities but from research, teaching, and executive education offered by an expanding set of providers. Friga et al. (2003, p. 239), for instance, identified five groups that were likely to change and expand the supply of management education in the coming years: ‘private education firms, technology firms, other major corporations, consulting firms, and non-US business schools.’ A serious question is how academic business schools, housed in universities, are going to cope with this increased competition. Or, to put it more bluntly, how small, slow generalists, doing everything from teaching to research at myriad levels in myriad subjects, are going to be successful against larger, faster, specialists? Second, as noted above, there are problems with the perceived value provided by business schools. Third, there are difficulties with the student culture the schools have fostered. And finally, in a world beset with financial and managerial scandals, people have begun to ask what role business schools played, or didn’t play, in creating or encouraging this behaviour. Ghoshal (forthcoming, p. 2), has stated that ‘business school faculty need to own up to our own role in creating Enrons. It is our theories and ideas that have done much to strengthen the management practices that we are all now so loudly condemning.’

We believe that an answer – not the answer – but an answer, to the above challenges is for business schools to rediscover their roots as university departments
and to become more like other university-based professional schools. Business schools could be relevant to the management profession they ostensibly serve, possibly even more relevant and useful than they are today, while at the same time behaving less like the firms they teach about and more like educational and research institutions. This change involves, most fundamentally, altering the value proposition that business schools propound to prospective students as well as to their other constituencies. Not all academic departments, not even all professional schools, market themselves simply as a road to riches and better jobs. Many, maybe even most, try to attract students who have an intrinsic interest in and curiosity about the subject matter, and who attend because they feel some degree of ‘calling’ for the career. A casual consideration of the materials on the websites and in the catalogues of schools of architecture, engineering, law, medicine, social work, education, and public health, among others, indicates how these other professional schools present themselves to the world and to prospective students. The contrast with how the typical business school has tended to market itself is striking.

As one brief example, consider the School of Medicine at Stanford. That school recently launched a new curriculum ‘aimed at instilling a lifelong passion for learning’ in its students ‘while equipping them with the tools to translate laboratory discoveries into life-enhancing therapies throughout their careers’ (Ipaktchian, 2003, p. 15). The new curriculum entails much more interdisciplinary work and also involves embedding students in the research process by having them declare an area of scholarly concentration. The goal is to more closely link basic and clinical science – research and practice – and also to make the students more active partners in their education.

We should note that, particularly in the wake of the massive financial scandals and issues in corporate governance that have garnered so much attention recently, some major business schools have altered their focus and their curriculum in ways that are quite consistent with what we are proposing. For instance, Harvard Business School has launched a major cross-disciplinary faculty effort to create a new core course in Leadership and Corporate Accountability. Stanford’s 2004 brochure on the MBA programme has the tag line, ‘Change Lives, Change Organizations, Change the World’, and the message from the dean is entitled, ‘Organizational Leadership – A Noble Pursuit’. These efforts at change sometimes encounter faculty resistance. Even though faculty are not necessarily happy about the careerist orientation of their students, many have learned to accommodate. Moreover, change threatens the existing bases of status and the existing social order, and obviously those that have prospered in that old order may fear for their place in an emerging new world.

The advantages of an approach emphasizing the content of the subject matter and students’ active intellectual engagement with the material are obvious. In the first place, if students attend business school simply to find better jobs and increase their salaries, then they subject themselves to profound disappointment if they
don’t find such a job or increase their salary sufficiently upon graduation. Moreover, as the large literature on extrinsic incentives demonstrates (e.g. Deci, 1975; Lepper and Greene, 1975), this emphasis on the extrinsic, monetary reasons for attending business school can act to undermine any intrinsic interest in the subject that might have existed. If, by contrast, students attend school because they are actually interested in learning about the subject matter, they are less prone to be disappointed by circumstances, such as the vagaries of the job market, over which they have no control. They are also much more likely to approach their course work less as something to get through on their way to some credential and more as a set of material to be mastered because they are actually interested in that subject matter.

In the second place, by trying to attract students with intrinsic interest in the subject matter, schools reduce, although they clearly do not eliminate, the need to emphasize placement and the job finding process, a process that has become an important focus of attention and one that consumes lots of time and effort for both institutions and their students. One graduating student in her last quarter at Stanford reported how she had spent five quarters focusing on career issues and only in her last quarter in the MBA programme had she come to realize the amazing intellectual resources available in the university and the myriad learning opportunities not only in the business school but around the campus. Her loss, although not always recognized, is repeated many times by students excessively focusing on the presumed outcome of business school – a better job – rather than on the process of learning something about business subjects.

A reorientation on business as a subject matter rather than as a way of getting a job should obviously permit business schools to partially break free of the ratings game and vocational focus that constrains their ability to provide critical, analytic thought and analysis on the role of the corporation and the place of business and other organizations in society. Although such a reorientation does not guarantee that business schools will become more interested in the social consequences and social dimensions of business, nor does it assure that schools will become more interested in developing, promulgating, and enforcing ethical standards of conduct, it would seem that this ‘repurposing’ is a necessary, if not sufficient condition for any of that to occur.

And, this slightly different value proposition might even help business schools successfully face the increasingly competitive market for both education and ideas. As others have noted, the problem at the moment is that business schools are basically (a) all doing about the same thing and (b) all doing about the same thing as many of their competitors – attempting, although sometimes failing, to provide relevant education and research. Indeed, as one examines some of the executive education custom programme offerings of business schools, the distinction between some of their activities and some activities of consulting firms is often
almost impossible to see. Much as medical schools have tried to set themselves apart from medical device companies and pharmaceutical firms by their interdisciplinary nature and by their presumed objectivity, professionalization, different standards of evidence, and different goals, so might business schools derive some of the same benefits and associated prestige. To be a smaller version of McKinsey or some other consulting firm seems like a losing game. It is only by rediscovering some core purpose more consistent with a professional ethos that business schools may be successful in standing apart from their many various competitors.

We fully understand that some, maybe many, will see our approach as naïve. After all, the dominant response to competition in the marketplace is to copy the competitors. Benchmarking is a valued activity and private companies have built lucrative businesses basically gathering information on what other organizations are doing and then re-selling that information into the marketplace. But, one can not benchmark one’s way to exceptional performance, and if an organization does what everyone else does, it will get, depending on its execution, pretty much the same results as everyone else. Business schools that have achieved prominence recently have, for the most part, done so precisely by trying to find a different, innovative, and presumably better, path. Recent articles on the strategic challenges facing business schools suggest that merely taking the past into the future is not likely to be a winning strategy.

As the late Gerald Salancik once remarked, ‘success ruins everything’. The apparent success of business schools has again brought home the wisdom of this statement as schools struggle with a myriad of pressing challenges and competitive threats. We say apparent success because, as our foregoing argument suggests, all is not well in the business school world. The lessons of the past decades of history seem clear, particularly to those developing business schools in other countries. Rather than simply following in the same path that has brought US schools to their current condition by promulgating a value proposition emphasizing career enhancement and following a strategy of imitation, schools might try adopting an approach that maintains more of a professional ethos and an appeal to students that does not sell business education primarily as a way to make more money. If they can break free of their past and to some extent their intellectual traditions to pursue this different path, business schools may potentially avoid at least some of the problems and issues we have described.

NOTES
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[1] The universities were Chicago, UC Berkeley, UCLA, Duke, Vanderbilt, New York University, University of Pennsylvania, Emory, Northwestern, and the University of Virginia.
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