

The Business School in a Geo-political Context

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(Circa late 1980s)

These thoughts about the business school's role were written sometime in the late 1980s as the pace of capitalist globalization became more rapid and the accompanying problems more evident. Though never published prior to this July 2009 posting on my website, the earlier insights are lamentably still relevant for today's business schools.

Questions could be raised about the role and functions of business schools *vis-à-vis* the operation of the global system of capitalism. What do they contribute to the way the overall system works? What moral responsibilities do they incur by virtue of the negative characteristics displayed by capitalist business: expansion that bears heavily on the environment; exploitation of mineral and agricultural resources, particularly in the Third World; disruption of (established, traditional) community life in both developed and underdeveloped regions of the world as businesses seek out the lowest-cost and lowest-wage areas of operations (the disruptions can result from expanding an area as well as collapsing one); the close and supportive relations that occur between multinational corporate enterprises and repressive governments in both developed and underdeveloped nations; the direct, indirect, and tacit support lent by many corporate enterprises to the militarization of societies, including those capable of engaging in advanced warfare by means of nuclear and chemical weapons; and the societally heedless introduction and development of new forms of technology that may pose risks, dangers, and threats to proven forms and ways of human existence?

Once could imagine a series of types of business school philosophies:

- **Type A: The technocratic approach.** The task of the school is to train students to perform the tasks of the business system in the most competent way possible. Larger questions about overall function and purpose should be faced (a) by the student before the educational choice to attend a business school is made, (b) by the faculty member before committing oneself to a career there, (c) by other parts of the university or the community, or (d) by the constituted government which bears the ultimate responsibility for thinking through such issues and which has the democratic machinery through which broad community policy matters can be decided.
- **Type B: The managerial approach.** The main task of the school is to train students to be realistic and opportunistic in behalf of the firm, while being fully aware of the firm's interactions with large-scale (global) economic, market, technological, and political forces. The focus is properly on business policy and on

the strategic planning necessary to achieve the goals of that policy orientation. Top priority is assigned to the needs of the enterprise, with other external forces and factors (e.g., government regulations) generally conceived to be (a) obstacles to be overcome or (b) resources to be utilized (e.g., low-wage employment pools in underdeveloped regions). No attempt is made to deny the negative aspects of the enterprise's operations but neither is there any particular focus on them. If a rationale is needed, the positive benefits that flow from corporate operations (as in the defense of MNC operations in South Africa) may receive emphasis; and this utilitarian justification may be generalized in a comparative way to argue that *any* capitalist (i.e., "free market") enterprise is preferable to any collectivist/statist system of enterprise (as in Novak's notion of "democratic capitalism").

- **Type C: The social responsibility/social responsiveness approach.** The main task of the school is to train future business managers and professionals to be competent at their jobs but to do so within a context of awareness of the broader impacts their business decisions have on others (communities, various stakeholder groups, global regions and resources, etc.). These negative impacts are acknowledged as part of the natural operations of the business firm, and the business school's job is to teach its students how the firm should *manage* those impacts so as to allow (a) continuation of the firm's main operations and goals and (b) an amelioration of the worst excesses of the business system. The desired outcome of this educational approach is a posture of being responsive to organized stakeholder forces and modifying major operations sufficiently to mollify those forces so that no real disruption occurs in the fabric and ongoing activities of the individual firm or all firms taken collectively.
- **Type D: The business ethics approach.** The main task of the business school is to train the student to recognize the ethical dimensions of all business practices, decisions, and policies and to act as a conscious moral agent while at work. Deontological (non-consequential) principles regarding, for example, basic and inalienable human rights, or the principles of social justice regarding the distribution of benefits and burdens among the populace, are ethical tests to be used on all aspects of business decision making. These principles form the core of a desired business philosophy, helping to offset sole or main reliance on utilitarian reasoning that is typical of business's evaluative judgments. When applied within the context of a global system of capitalist enterprise, the twin ethical principles of human rights and social justice would frequently redirect and may even reverse the policy directions of business firms whose previous practices had been justified on utilitarian grounds alone or which had simply evolved as expedient ways of perpetuating the life of the firm (where expediency and opportunism were grasped, if thought about at all, as amoral actions necessitated by the pursuit of a Type B managerial approach to the enterprise's goals).

The four types may characterize an entire school, or a single department, or a group of faculty members within a school or department. One school may (and often does)

harbor more than one type, but the occasions are rare when there is confrontation and the attendant necessity of making choices among the types.

Type A tends to dominate undergraduate business schools. **Type B** tends to dominate MBA programs. **Type C** has a foothold at both levels, thanks to accrediting standards. **Type D** is the province of professional philosophers, usually not associated directly with the business school at all.

Two interesting questions arise, one concerning the way each of these approaches would treat the moral consequences of geo-political capitalism, the other concerning the overall influence on business consciousness of these four approaches. Take, for example, the Bhopal deaths and injuries [the 1984 disastrous chemical leak from a Union Carbide plant in Bhopal, India].

Type A business school: Industrial accidents are inevitable. Steps should be taken to minimize them through better technical training and improved management, particularly in Third World areas. Legal and governmental machinery exists for compensating the victims, their families, the local community of Bhopal, and the Indian government. The task of the business school is to improve its technocratic methods so as to avoid or minimize such accidents in the future.

Type B business school: The firm's survival is at stake. Its policies and strategic plans were flawed by not considering the possibility of such an accident. Every effort should be taken to minimize the incident's impact on stockholder values; on the firm's overall image (particularly in the financial community) and on the continuation of its operations in India generally, in its global markets, and in similar plants in the United States. The pre-eminent organizational goal has become survival, and strategic planning should be directed toward support of that goal. Corporate resources previously reserved for expansion and other purposes should be redirected toward compensation payments and legal defense of company actions. Among the possibilities for the future is a negotiated solution that permits the company to retain its operations base in India.

Type C business school: The *firm itself* has a social responsibility to ameliorate the effects of the accident on all persons and communities affected. If organized stakeholder groups emerge and bring pressure on the company, it is important for the firm to develop a social responsiveness strategy for dealing with them. Doing so voluntarily and quickly (as in the Johnson & Johnson Tylenol episode or the P&G Rely incident) may preempt stronger and more punitive governmental actions, thereby protecting primary stakeholders of the firm and enabling the company to survive and possibly to strengthen its long-term profit position in its markets and within the purview of the financial community. Such socially responsive actions occur within certain limitations posed by the economic resources at the disposal of the firm, by the differing cultural traditions involved in this particular case (especially arguments about the "worth" of a life in India and the United States, usually determined through legal action in courts of law), and by the pressures of public opinion in the two countries. This tragedy should serve as a reminder, and as a prime case study for business school students, that social responsibility and social

responsiveness are ever-present dimensions of business operations and should be deliberately cultivated as a part of their thinking.

Type D business school: The company, through carelessness, poor training, inattentive management, or due to the inherent complexities of operating in two different cultural traditions, has deprived the victims and their families of basic human rights to life and health. Compensation is due to them for this deprivation. Punitive action should be supported if negligence is established. Further, as a matter of social justice, the company should bear the burden of reestablishing a normal life for the surviving victims and for the community as a whole. The company, throughout its worldwide operations, should examine the possibilities of similar accidents occurring in other locales; and if the costs of preventing such accidents or compensating the victims in the event of such accidents are sufficiently high to threaten the company's existence or to make just compensation infeasible, then the company should close those facilities. It would be unethical—knowing of the possible deprivation of human rights and the improbability of adequate and just compensation—for the company to continue its operations. A proper business school education would prepare future business managers to include these central ethical elements in their decision making and organizational policies.

Thus, although the details would vary of how various geo-political issues were to be treated by each of the four approaches, the general attitudes and guidelines would be the same as in the Bhopal incident. There would appear to be a continuum, moving from **Type A** through **Type D**, that reflects an increasing concern about the moral consequences of a capitalist order and about the role and function of a business school in teaching its graduates to cope with such consequences. A **Type A school** would not concern itself directly with such problems, except to apply technology more skillfully in the hands of its students and graduates. It would neither formulate the problem as a moral one nor believe itself to have any special talents or obligations to deal with any such situation involving morals and ethics. A **Type B school** would tend to view these episodes as ripples on the face of strategic plans and as obstacles to be minimized in order to allow the full pursuit of organizational objectives. Unless pushed by external criticism, it would not think of these matters in moralistic terms at all, seeing them more as amoral happenings to be dealt with in realistic and opportunistic ways. A **Type C school** would move toward, but fall short of, formulating the problem as a moral one, being content to counsel a defensive posture for the firm as it deals effectively and responsively with affected stakeholders. Only a **Type D school** would see the situation of capitalist enterprise as involving fundamental ethical issues and dilemmas that require confrontation and resolution in terms that may be threatening to the continued life of the enterprise.

But what about the capitalist system itself, when considered as a whole, as it operates to produce for human society both beneficent and maleficent results? Beyond the acknowledged technical failures (**Type A**), the flawed strategic planning (**Type B**), the imperfectly responsive firm (**Type C**), and the ethical omissions (**Type D**), is there a view that questions the very core of the expansionist, imperialist, repression-inclined, militarily aligned, exploitative, community-destroying, environmentally-threatening economic order that we call capitalism? Does any business school send its graduates to their professional

futures armed with supreme doubt about the very nature of the enterprise to which they will be giving the best of their talents during the finest years of their lives? Does any school challenge its students to look fearlessly and profoundly into the depths of their educational experience and to ask the fundamental questions that lie at the core of human existence, asking whether this way of life, this institutional vehicle, this cluster of values will serve to enhance, to expand, to nourish human life in all of its manifold manifestations? Do those students who will guide the destinies of corporations with literal power of life and death over large populations be told of their immense influence on the human enterprise? Are those future managers allowed to understand the fragility and centrality of the natural environments in which their enterprises will operate? Are they to be taught to grasp the importance of the bonds that develop between an enterprise and its employees, as well as between the firm and the communities it serves? Will the philosophical and intellectual horizons of the school's graduates be broadly enough developed to encompass the whole of the global human enterprise, rather than only the mean portion of human action that seeks aggrandizement and organizational glory at the expense of tender and fragile human meanings and values?

No business school that I know has dared to undertake these tasks. Instead, when geo-political pressures emerge, they blame themselves and their corporate patrons for being technically deficient (**Type A**), or “oriented to the short-run” (**Type B**), or lacking in social responsibility (**Type C**), or ethically obtuse (**Type D**). Nowhere and in no guise do they raise for their students or for those whose firms they serve the fundamental questions that lie at the heart of the debate over the role of 20th century capitalism.

What does this philosophic and intellectual hiatus say about the moral status of the business school and its faculty? Are they then merely amoral handmaidens to a collective corporate enterprise, indifferent to the fate of those who feel its negative consequences?

To avoid being drawn into the maw of moral criticism that engulfs the corporate world, perhaps the business school needs to adopt yet another approach to the education of its students—a **Type E** philosophy. It would *begin* with questions about the nature of corporate enterprise and the relation of that activity to human endeavor and human meaning. It would not flinch from acknowledging the many desperate problems visited upon humanity by capitalist enterprise, nor would it fail to credit that system for its many beneficent effects. The school's students would be taught the virtues and skills inherent in all four approaches outlined earlier (**Types A, B, C, D**) but would be encouraged to understand that, with Horatio, “there are more things in this world than dreamed of in your [i.e., this] philosophy.” They would then approach their life's work with a sense of responsibility to the human enterprise writ whole, rather than with an eye to the “main chance” and merely achieving the highest rungs on the ladder of corporate success. They would be the best of technocrats, skillful planners and policy makers, socially alert, and ethically aware. In addition, they would have the courage to see, to understand, and to acknowledge the awesome powers they would be holding in their managerial hands and the terribly negative, as well as the magnificently wonderful and miraculous, consequences that might flow from their work and their decisions.

A **Type E business school** is only an ideal. It stands apart from, while acknowledging, shortcomings of market capitalism, whose on-campus and off-campus critiques produce a lop-sided view of the business-capitalist system as a whole, whether originating inside the school or from outsiders. In the latter case, negative conclusions dominate; in the former (rare) case, positive views prevail. A balanced view is hard to come by. The result is an incomplete vision of market capitalism, its problems, and its virtues. An expanding geo-political world seeks more, and deserves more, from today's business schools and their graduates.