



مصرف لبنان
BANQUE DU LIBAN

Reflecting on the Global Financial Crisis: Is there a need to revisit Business Schools' Curriculums?

Raed H. Charafeddine,
First Vice-Governor, Banque du Liban

Notre Dame University
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Agenda

1. Did B-Schools Contribute to the Global Financial Crisis?

Pro:

- How did they contribute to the crisis?
- What did they fail to teach?

Con:

- Growth & development are the result of these Schools.

2. Is the Situation “irreparable” ?

Are Business Schools of today to be blamed?



“The failed leaders in this crisis are products of MBA curriculums offered 20 or 30 years ago.

Carl Kester, Deputy Dean, Harvard Business School

Malfunctioning Education



*"It's from your business school.
You're being recalled for manufacturer's defects."*

How Is That?

Two claims supports this argument:

1. The crisis was brought about by managers educated in business schools which do not pay enough attention to social responsibility, ethics, and governance.
2. Some theories or models taught could be held responsible, such as the principal-agent model or the portfolio model in finance.

Michel Patry: Director, HEC Montreal

A Drift?

Business schools have drifted away from their original mission: to create a true management profession for the benefit of society, rather than churn out consultants and hedge-fund hot shots.

*Rakesh Khurana: Professor at Harvard
May 17, 2009 www.npr.org*

How Bad Is It?

Business education is not inherently sinister, but when MBA theology became the only way to manage, when it went unchallenged, and when it fed on itself, it evolved into a corrupting infection that has effectively brought down: Banking, finance, manufacturing, athletics, publishing, broadcasting, real estate, fuel production and transportation.

Robert Butch: Newsroom Magazine April 27, 2009

Did B-Schools Contribute to the Crisis?

Business educators are wondering about their contribution in creating a culture that allowed executives to “Build Personal Wealth” and “Destroy their entrusted Corporations” with the society paying the bill via “Government Bail out Plans”.



What did B-Schools Fail to teach?

- Business is embedded in Society. They have the same aim: Better Life Standard for All.
- Business education did not stress this relationship. It did not broaden its focus towards social responsibility and ethical practice.



What did B-Schools Fail to teach?

Value Creation

- What should be taught is “How to create value for the Society” rather than “Extract value from Society”.
- Need to change the concept of “Going back to society after making a lot of money”.



What did B-Schools Fail to teach?

Governance

- Many academics agree that Business Schools failed to teach their students the principles of Corporate Governance and its payoff. As a result students matured into executives failing their jobs strategically.



"Well, it's a Fortune 500 company with excellent stock options and a record of very modest jail terms for senior executives."

What did B-Schools Fail to teach?

Developing Leaders

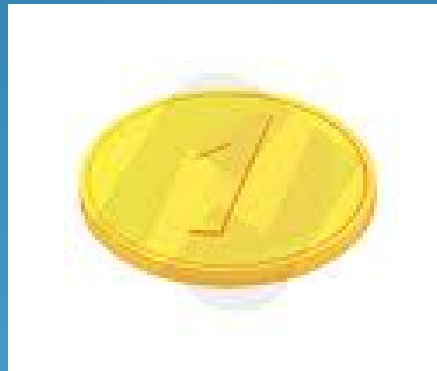
Business school, or executive training programs, did not focus on developing individuals' personal growth with the emphasis on values, emotional intelligence and ethical behavior in business.

The challenge for business schools is “how to develop leaders not managers”.

Ray Williams, posted article

Is That All?

Let's look at the other side of the coin

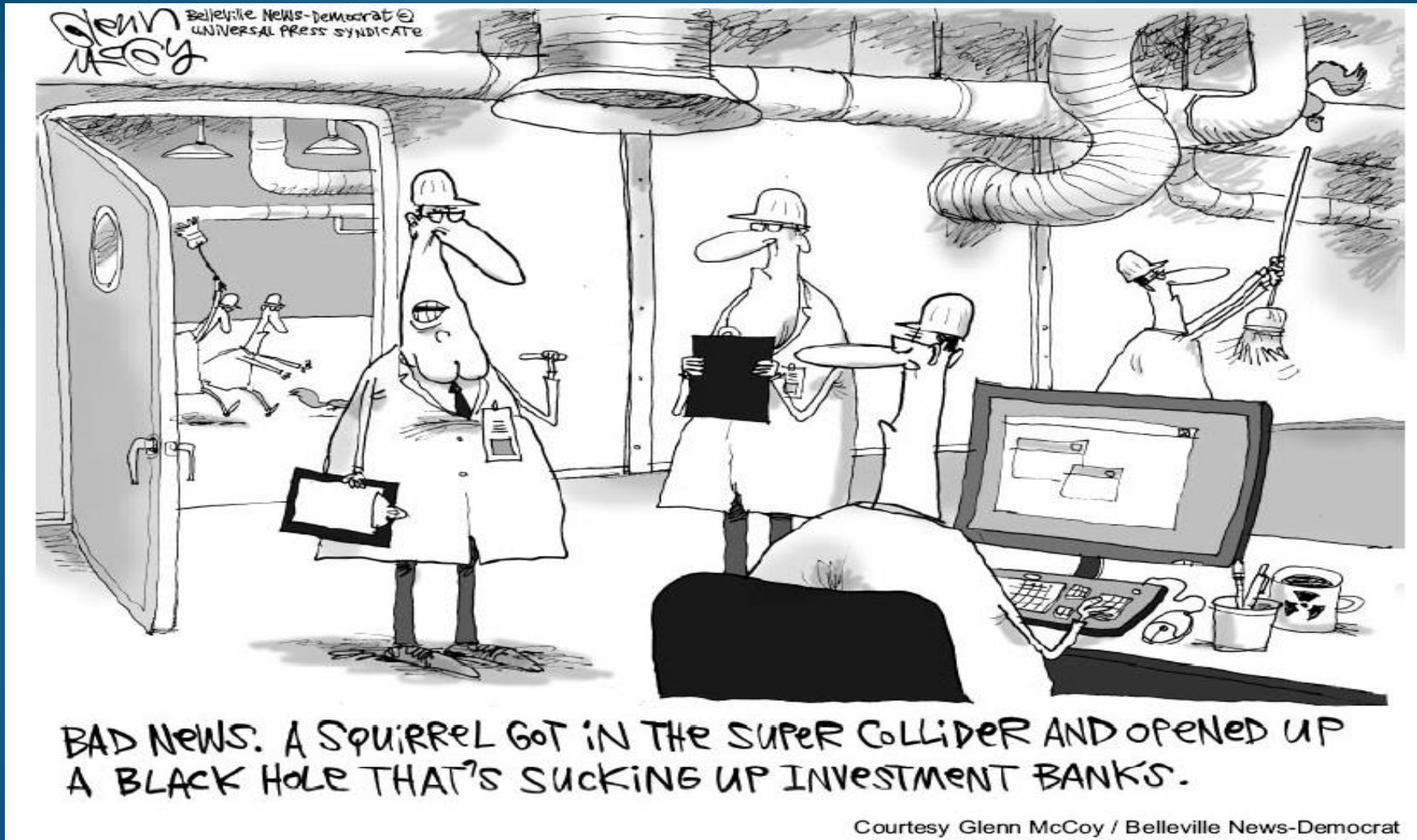


Growth & Development are the result of these B-Schools

Business Schools emphasized many topics that contributed positively to the economies such as:

- Small & Medium Enterprises,
- Micro Financing,
- Entrepreneurship, and
- Renewable Energy.

Don't blame B-schools only !



Courtesy Glenn McCoy / Belleville News-Democrat

Growth & Development are the result of these B-Schools

Rating Agencies & External Auditors

- “Rating Agencies” and “External Auditors” turned out to be the two pillars that were not doing their job, not only Business Schools.



Growth & Development are the result of these B-Schools

Economic Development is a Concrete Result

“You look at the business world and the global economy since 1980, and it’s stunning. You Know where did all this come from? There’s a huge success story of the tools of markets and economics that are taught at business schools”

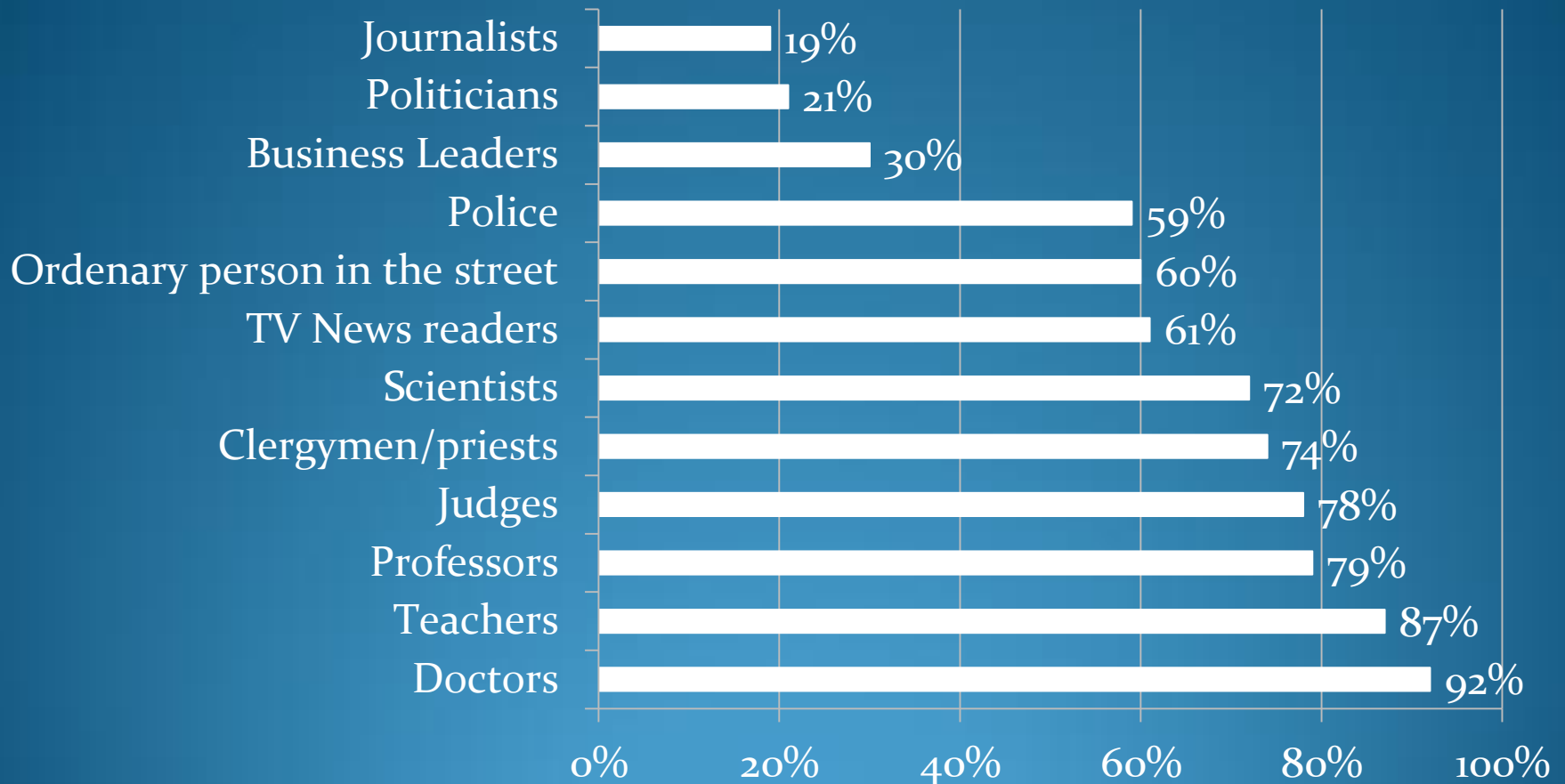
S. Kaplan, Booth School of Business, University of Chicago

Is the situation “irreparable” ?



Public Perception

Who Would you generally trust to tell the truth or not?



Ipsos Mori/RCP, Nov 2008

Irreparable?

Accept Responsibility

- Business Schools must accept responsibility for the harm their graduates do, express disapproval, and make curriculum changes that will reduce the likelihood that future graduates repeat those behaviors. However, there appears to be little movement in that direction.
- “It’s now clear that economists are no more able to understand and manage our economy than philosophers.”

Tom Davenport, Harvard Business Review

Beyond Traditional Academia: A Practical Toolkit

- Students should be trained to be forward looking, to have an approach to problems as holistic as possible, and to be analytical.



Beyond Traditional Academia: A Practical Toolkit

- Business schools should emphasize the issues of Board structure and compensation.
- Business schools should introduce to the curriculum classes specialized in teaching how shareholders should exercise their rights and obligations as the owners of corporations.



Beyond Traditional Academia: A Practical Toolkit

- Deep reform around risk management, asset valuation, responsibility and leadership, all with a strong moral compass.



Any Real Action?

Some change in Business Education
already started as part of the
learning process from the latest crisis

Actions or Reactions



‘Business schools are changing how they teach. There are maybe three major lessons. One is managing under uncertainty. Another is public policy. And many schools will have more emphasis on ethics and corporate governance’

Thomas Robertson, Dean, Wharton School, University of Pennsylvania
Bloomberg Businessweek, November 15-21, 2010

Actions or Reactions



- We help you learn how to get results that serve a triple bottom line, one that achieves profits while doing the right thing for people and the planet



- To develop outstanding leaders with a global perspective and create new knowledge that advances business and society.

Actions or Reactions



- A Culture of ethical and sustainability awareness is embedded into our MBA program through our curriculum



- MBA Learning goal No 7: 'Develop an awareness of the principles of ethics and corporate governance in a variety of settings'



- One of the four essential components of a managerial mindset is **Social impact**; Developing innovative and effective solutions to social problems for a more just, sustainable, and healthy world

Actions or Reactions



Rotman School of Management
UNIVERSITY OF TORONTO

Rotman
a new way to think

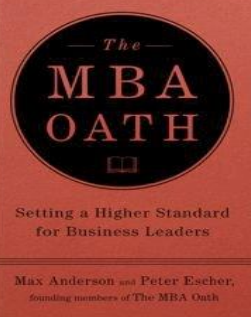
Introduced the “Foundation of Integrative Thinking” course. It aims at initiating a habit of mind to think about different theories and how they intersect. It tackle complex behaviors head-on, rather than rely on models that assume more simplicity than the real world actually offers.

Actions or Reactions



‘Understanding the financial crisis requires appreciating the interconnections between the mortgage market, monetary policy, banking regulations, leadership, corporate governance, and the industrial organization of the financial industry. Students traditionally see different parts of this picture in different courses. **We launched an interdisciplinary course, the Future of Financial Services, which challenges them to think about how changes in the present create opportunities for the future.’**

Glen Hubbard, Dean, Columbia Business School
Bloomberg Businessweek, November 15-21, 2010



MBA Oath

As a business leader I recognize my role in society.

- My purpose is to lead people and manage resources to create value that no single individual can create alone.
- My decisions affect the well-being of individuals inside and outside my enterprise, today and tomorrow.

Therefore, I promise that:

- I will manage my enterprise with loyalty and care, and will not advance my personal interests at the expense of my enterprise or society.
- I will understand and uphold, in letter and spirit, the laws and contracts governing my conduct and that of my enterprise.
- I will refrain from corruption, unfair competition, or business practices harmful to society.
- I will protect the human rights and dignity of all people affected by my enterprise, and I will oppose discrimination and exploitation.
- I will protect the right of future generations to advance their standard of living and enjoy a healthy planet.
- I will report the performance and risks of my enterprise accurately and honestly.
- I will invest in developing myself and others, helping the management profession continue to advance and create sustainable and inclusive prosperity.

In exercising my professional duties according to these principles, I recognize that my behavior must set an example of integrity, eliciting trust and esteem from those I serve. I will remain accountable to my peers and to society for my actions and for upholding these standards.

This oath I make freely, and upon my honor.

How Prevalent?



- Has been embraced by students and graduates representing over 300 institutions around the world.
- Over 4,500 signatories as of January 7, 2011.

<http://mbaoath.org>

- National Center for Education reported 156,250 MBA graduates per year in USA as of June, 2010.
- “Global Study Magazine” estimates more than 37,500 MBA graduates per year in Europe.
- “Just Careers” Magazine estimates more than 160,000 MBA graduate every year in India.

What's Next?



Lessons to be learned

- ‘ The financial crisis revealed fault lines that no business school is structured to address. When it is clear the institutional context of business has failed us, most business schools are isolated from the domains of knowledge necessary to redress those failures, such as the environmental and policy schools of their own universities. When we most need graduates of great character capable of becoming consequential leaders, we often turn out narrow technocrats. We have an obligation to fix these structural flaws’

Blair Sheppard, Dean, Fuqua School of Business, Duke University
Bloomberg Businessweek, November 15-21, 2010

Lessons to be learned

‘ If the crisis reminded us of anything, it’s that free markets and monetary incentives that underlay them, while incredibly important and powerful mechanisms, can be blunt instruments that don’t always inspire prudence, nuance, and care. Twenty-first century leaders must be equipped to navigate unprecedented social and economic complexity and understand that markets alone are not enough.’

Sally Blount, Dean, Kellogg School of Management, Northwestern University
Bloomberg Businessweek, November 15-21, 2010

New Vision For Business Schools

New Generation of Business Graduates:

- Should be true business leaders.
- Contribute positively to the empowerment of individuals and societies around the world.
- Believe that ethics and social responsibility is no more an option, it is a must.



Thank You !

