

# **Business School Myths**

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*It has become quite popular in the last decade, and even more so since the beginning of the current economic crisis, for commentators and pundits from academia, industry and government to find fault with traditional Business School education models. Rather than criticize the specific programs and pedagogy, this paper critically examines a set of axioms that are often assumed to underlie Business School education. The eight axioms that this paper discusses are: (1) business schools produce leaders, (2) business is a field of optimization and best practices, (3) business principles produce an answer, (4) knowledge is power, (5) planning is an essential and trainable activity, (6) predictable futures, (7) ethics is teachable, and (8) things are different now. This paper will argue that each of these axioms has limited validity and that business education should change to reflect that these supposedly self-evident axioms are actually business school myths.*

## **INTRODUCTION**

It has become quite popular in the last decade, and even more so since the beginning of the current economic crisis for commentators and pundits from academia, industry and government to find fault with traditional Business School education models.

See for example Holland (2009), Bennis and O'Toole (2005), and Mintzberg (2004) as popular representatives of critiques from media and academia. The arguments range from concerns over the teaching of ethics and sustainability, to the balance between academic and practical concerns (Worrell 2009), to the debating of the perceived and actual function or role of business schools.

Underlying each of these arguments is a set of central tenets, axioms, or as suggested in this article, myths, that silently and unconsciously perpetuate throughout business school programs. The aim of this paper is to explicitly highlight these axioms and initiate a discussion and debate to refocus the issues and point to possible directions for improvement in the quality and relevance of business schools as both centres of research as well as training grounds for future business practitioners.

## **BUSINESS SCHOOL MYTHS**

While the various criticisms of business schools are each valid to a greater or lesser extent, there is a different tact to take in an examination of deficiencies of the typical business school curriculum. Business school education can be considered to be a product of several supposedly self-evident facts that influence both the construction of programs as well as the progression of business as an academic field. The axioms that this paper examines are: (1) business schools produce leaders, (2) business is a field of optimization and best practices, (3) business principles produce an answer, (4) knowledge is power, (5) planning is an

essential and trainable activity, (6) predictable futures, (7) ethics is teachable, and (8) things are different now. Each of these axioms will be examined individually in this section. The following section makes some recommendations for how these axioms might be better formulated in order to allow business school education to be more efficient and effective. The fourth and final section concludes.

### **Business Schools Produce Leaders**

The first assumption that frequently underlies business school education is that business schools produce leaders. This assumption is evident in the advertising employed by various schools as they compete for students. It is true that many business leaders do possess either an undergraduate or graduate level business degree. However there are a much larger number of business school graduates who never achieve the conventional status of leader in a business context.

This statement of course is based on the definition one uses for leader or leadership. Generically speaking, the popular conception of a leader is someone who is in charge of directing a group of people by making decisions that affect others. The ultimate example of the leader is the Chief Executive Officer. In reality however most graduates of business schools are actually a combination of leaders and followers. In other words they are responsible for leading a group of people (subordinates), but they are also subordinate themselves to other leaders. By simple mathematical logic, only a very small subset of business school graduates can become ultimate leaders or Chief Executive Officers. It can be argued that even Chief Executive Officers are subordinate to the “leadership” of regulation, political expediency, and the will of the marketplace.

However if we examine the principles of management and leadership that are taught in a typical curriculum, only relatively superficial reference is made to the fact that the actions of the manager (future business school graduate) is being made within the very tight confines of constraints or leadership imposed by others as well as external factors. The theory and teaching of leadership and decision making is often imposed within a vacuum that assumes one can rationally and objectively examine the external factors and makes decisions that adjust accordingly. It is a view of decision making that has an unconscious and unwarranted amount of deeply embedded arrogance. Even when the professor is careful to avoid this so easy to fall into trap of leadership in a vacuum, it can be argued through antidotal evidence that the students themselves implicitly visualize it to be so and thus interpret the lesson within such a context in their own minds.

There are several issues with this principle of preparing future leaders. The first and perhaps the most obvious issue is that by definition only a small minority of business school graduates can become leaders. While it is nice to think of an economy composed of all leaders with no followers, the reality is that in order for there to be leaders, there needs to be groups of individuals for the leader to actually lead. Therefore the assumption of automatically becoming a leader upon graduation from business school leads to a disconnect between student’s expectations and the realities that they will face upon graduation.

A second issue that is perhaps more serious is that the assumption of leadership skews the curriculum in a way that is ineffective towards serving the future professional needs of the majority of the graduates. While anecdotal evidence suggests that teamwork skills are becoming more prevalent in business education, the typical business school curriculum as well as the academic research output has little to offer for how to most effectively be a follower in a business context. While learning how to be a “cog in the machine” may not be an attractive aspect to learn, it is nonetheless a reality that serving in a subservient role will be a major component of even the most successful business student’s career.

A third issue is that not all business school students have the desire, temperament or work ethic to become a leader in the common sense of the term. Courses in business organization that emphasize the role and function of the management (i.e. leadership) team will be of limited interest and use for these students. While students will undoubtedly pick up aspects of how to improve their dealings in a given corporate structure in an organizational behaviour course, it is likely that most of their formal business school learning will be of a tangential nature.

The emphasis on leadership discourages business school graduates from seeking non-leadership roles, or perhaps even more negatively it may produce low career satisfaction results for the students that do not achieve, or do not want to achieve leadership positions.

The final aspect of this myth is the role of research that is limited as it pertains to the non-leadership aspects of business. With the emphasis on leadership, the academic research has been scarce on the importance of, or improvement of the role of the typical non-leadership business person. This is a significant gap in the research that needs to be examined more carefully through the lens of the typical worker, as opposed to through the lens of the leader who must lead this same group.

### **Business is a Discipline of Optimization and Maximization**

The second axiom is that business is a field of optimization and maximization. While not a common belief amongst most experienced practitioners, the optimization belief is prevalent in business academia that there is a best way, or an optimal solution to each and every business situation. Business research focuses on optimization rules, and peer reviewed publications frown upon submissions that do not produce internally-consistent optimization formulas or testable hypotheses about best practices. The truth is that business as a profession is filled with compromises, uncertainties, and political situations that virtually guarantee that optimal solutions will not be formulated, much less implemented.

There are many examples of the emphasis of optimization in business school curriculum. For example, arguably finance is the field of business study that is the most objective, and also the most focused on optimization. However as events of the economic crisis showed, the formulas and projections of business school educated analysts fell apart when implemented in the real world of international trading.

The consequence for business school education is that students acquire a false expectation and confidence in their business skills knowledge that is at odds with the realities of the typical workplace. This leads to conflicts and disillusionment of graduates when they first enter the workforce. It has also contributed to the often quoted statement that “MBA stands for mediocre but aggressive”. The mismatch of having a curriculum based on optimization also creates the reputation of business school graduates as being arrogant.

### **Business Principles Always Produce an Answer**

A related axiom is that business issues always have an answer or solution. The reality is that many if not most important business issues are intractable. If not intractable then there are likely to have a multiple of appropriate answers to a given situation with each answer having more or less equivalent merit. Thus the search for a single answer is at best folly and at worst misleading.

The first issue with the constant search for a solution is that it leads to the phenomenon of “analysis paralysis” or an ongoing search for an answer rather than action which often times may be preferable. While having a clear cut solution is obviously preferable, delaying action until such solution is found is often even more undesirable.

Another issue with a solutions based curriculum is that students are not introduced to and practiced in ambiguity and subjectivity. The real world is built on ambiguity and subjectivity. Business is based on social interactions and it is interesting to compare the relative lack of solutions based education in sociology with the solutions based curriculum of business. If anything business is more a study of sociology than it is a quantifiable and objective science.

Finally the search for solutions through analysis not only leads to inaction, but this inaction leads to the inability of recent business school students to develop intuition through trial and error. The reluctance for trial and error leads to a lack of innovation in business. Science has taught us that paradigm shifts are based on mistakes, different methodologies or unexpected outcomes. However paradigm shifts in business thinking and even more so in business academia are rare and it can be argued that a large part of the reason is the focus on solutions based thinking rather than trial and error and experience based learning.

### **Knowledge is Valuable**

Continuing with the train of thought from the axioms of optimization and solutions based thinking is the concept that knowledge is desirable. In other words there is a sense that business is something that can be codified and learned solely from a textbook. While there is increasing emphasis on case studies and experiential learning, the reality is that business school education is still highly concentrated on objective-based textbook knowledge rather than the more subjective skills and intangible attributes that more frequently differentiate between success and failure in business. This emphasis on knowledge – or knowing procedures and facts – hinders the development of intuition, creativity and critical subjective skills.

In the internet connected world, one can argue that knowledge has become a commodity. Tapscott and Williams (2006) demonstrate that the ability for “mass collaboration” fundamentally alters the value of knowledge. Search engines combined with globalization make the procurement of knowledge much easier and less valuable than has historically been the case. In today’s context, the value of knowledge is what is done with the knowledge, rather than the knowledge itself. This is a characteristic that is likely a permanent artifact in many fields of study and especially in business where the incentive to commoditize knowledge as soon as practical is large. The expansion of outsourcing of fields such as financial analysis which was once thought immune from commoditization and outsourcing is evidence that the commoditization of knowledge is no longer a trend but a permanent condition.

Despite the increasing evidence that knowledge is a commodity, business schools (and indeed many other academic faculties) continue with the traditional fact based lecturing and testing. The emphasis on knowledge leads students to become textbook smart but “intuition dumb”. It not only also stifles creativity but the passion of learning for learning’s sake. Business students have an incentive to learn for the exam, rather than learning for their profession or even better yet for their own edification. The knowledge based approach to business education means that the passion for learning does not exist to the same extent as it might for students of the sciences where the wonderment of the knowledge and its associated mysteries and issues yet to be learned is an integral part of the university experience for most science and liberal arts students.

### **Planning is Essential and Teachable**

Another axiom of business schools is that planning is an essential and trainable activity, despite the traditional well known saying about the futility of “the best laid plans of mice and men”. Forecasting of trends is a central component of virtually every business school curriculum. Combined with the lack of paradigm shifting thinking mentioned earlier, the study and forecasting of trends may at first blush appear to be appropriate. However business is conducted in a complex mix of competition, multiple player game theory, social shifts, economic and political upheavals and general uncertainty that taken together mean the business future is more of a complex (in the scientific sense of the word) area of study than the emphasis on forecasting leads one to believe.

The emphasis on planning diminishes the appreciation of the need for flexibility and real time creativity as situations develop.

### **Predictable Futures**

The assumption of predictability, albeit with given levels of uncertainty that each student is taught to calculate with great precision, gives the illusion of calculability and control that is unrealistic. While students may learn how to predict with precision, this only leads to frustration at best and despair at worst when students ultimately learn that predictable futures seem impossible to realize once they start their careers.

The failure of predictability can be evidenced by the failure of bankruptcy prediction and pricing models during the recent economic crisis. The models that were mathematically elegant and internally consistent failed miserably. While the models were sophisticated and had many components, each of the components made intuitive and mathematical sense when critically examined in isolation. However when the components were put together they failed not only tests of reasonableness, but also they failed

practically as well. Given the combined effect of the axioms of the power of knowledge (of the mathematical techniques) along with the axiom of predictable futures, it is easy to see why the obvious (in hindsight) shortcomings of these credit models were not spotted before it was too late.

Predictable futures are in part based on the desire of business academics to create testable hypotheses. While this goal is laudable and in line with the principles of scientific objectivity it creates some negative unintended consequences. Perhaps the biggest unintended consequence is the preference for research in those areas of business that have sufficient data to allow such scientific style studies. This is rather like the case of the old joke about the drunk looking for his lost keys under a streetlight where the lighting is better rather than looking in the dark alley where he dropped his keys. Business researchers are looking in those areas where there is data rather than where there are the most important and interesting problems to solve.

There is no rationale or evidence to suggest that the assumption of predictable futures is reasonable. Indeed one can argue the opposite that the competitive spirit of business implies that once a predictable trend is evident that all rational business practitioners will move to exploit the trend such that it no longer exists. This for example, is the basis of the Efficient Markets Hypothesis of financial markets.

### **Ethics is Teachable**

A particularly popular axiom at the moment is that ethics are teachable. While what frequently passes for ethics in business schools is not ethics in the traditional Greek sense of the term; that is not the particular concern of this paper. (What passes for ethics in the business school context is the need to take only those actions that are morally acceptable, while the broader and more traditional definitions of ethics are the studies of what is right, and how to deal with moral dilemmas.)

The main reason for the cry for ethics to be taught at business schools is the morally reprehensible decisions and perceptions of excessive greed that have come to light in the business climate in the last twenty years. As many of the perpetrators of these actions have been business school graduates, the thinking in the popular press and the mind of the general public is that business schools must be the source to blame for these moral breaches.

The assumption is that if ethics are taught, then these morally wrong decisions will no longer be enacted by business school graduates. This assumption of course is pure folly. For starters, morally reprehensible decisions have been made by practitioners of all professions well before business schools existed.

A second reason that this axiom is questionable is that it assumes that each of the ethical breaches that occurred would not have occurred if the perpetrators had simply been told right from wrong. It should be quite obvious that each of the major ethical breaches in business was created by someone who did not need more education to know that what they were doing was wrong. In other words they carried out their actions in full knowledge that what they were doing was wrong and also in most cases they knew additionally that what they were doing was probably illegal.

Further education on ethical issues would have likely done little to nothing to change the actions of these ill-behaved individuals. In fact it could be argued that a comprehensive course in proper business behavior, including dissection of the many examples of incorrect behaviour would simply be educating the less intelligent business students on how to cheat.

### **Things Are Different Now**

The final axiom to examine is the assumption that things are different now. In other words the assumption that business knowledge exists in the present and thus the study of business history is not relevant.

Few business school curriculums contain a course in business history. Not only does this mean that mistakes of the past are more likely to be repeated, but it also makes it difficult to understand how business practices came into being. Without a sense of history it is difficult if not impossible to understand business practices in context and to question whether the practice is still appropriate for the current context.

A lack of proper appreciation of history can also lead to an overreliance on knowledge rather than wisdom and intuition. This is consistent with many of the axioms previously mentioned.

## **POSSIBLE AREAS FOR IMPROVEMENT**

There are several recommendations to put forward. They are: (1) change emphasis in business school education from left brain thinking to right brain thinking, (2) embrace ambiguity, flexibility and creativity, (3) incorporate the science of complexity in the curriculum, (4) embrace the use of practitioners as full time business school professors and researchers, (5) place more emphasis on less structured learning activities, (6) attempt to recruit students on the basis of ethical considerations.

### **Increase Emphasis on Right Brain Thinking**

Many of the axioms that were critically examined in this paper are a consequence of left brain thinking. Pink (2005) describes left brain thinking as quantitative, linear and calculation based, and makes the case for right brained thinking which is described as more holistic, creative and incorporating empathy. Pink (2005) uses the MBA student as the prototypical left-brain thinker and argues that the "... artists, inventors, designers, storytellers, caregivers, consolers, big picture thinkers will now reap society's richest rewards and share its greatest joys". If it is agreed that the axioms previously listed are myths that should be debunked, then Pink's argument becomes all the more compelling.

To incorporate more right brain thinking into the business school curriculum requires the style and substance of courses to be more focused along the arts than the sciences. To avoid overcompensation, the ideal would be a blending of the scientific aspects of business with the artistic elements into the curriculum and teaching methods.

### **Embrace Ambiguity**

The common underlying factor behind each of the business school myths is the dominance of objectivity over subjectivity. To more successfully develop effective business graduates, business schools must focus more on the ambiguous components of business that are more prevalent than the objective.

While ambiguity does not lend itself to publishable papers, (and the associated promotion and tenure), ambiguity must nevertheless become an increasing focus of business school research and teaching. Students must learn that most important business problems do not have clear cut answers. Some problems are simply too complex to allow for linear style analysis.

### **Incorporate the Science of Complexity**

In their book on complexity and social activism, Westley, Zimmerman and Patton (2006) provide a nice description of simple, versus complicated versus complex processes, by using the analogies of baking a cake, getting a rocket into space and back again, and raising a teenager. Baking a cake is a simple process. It involves following a recipe and even if one or more components of the process is not followed exactly the result is still likely to be a somewhat edible cake. Getting a rocket into space and back again is a complicated process. It involves a lot of steps, and each step must be calculated correctly and followed exactly if the rocket mission is to be completed successfully. Raising a teenager is a complex process. There is no recipe or set of instructions for raising a teenager. Furthermore there are no clearly defined steps to follow. There are numerous examples of parents who try to do everything right yet raise a teenager unsuccessfully. Other teenagers come from a less than desirable upbringing yet turn out successfully. Furthermore teenagers may come from identical backgrounds (i.e. the same set of parents) yet turn out very differently.

It can be argued that most of the time business practice is a simple process. There are relatively simple rules to follow and minor deviations from the rules do not necessarily lead to failure. Conversely it can also be argued that virtually all meaningful business decisions are complex in nature, while very few are truly complicated. Yet in both business school curriculums and business school research the focus is on complicated processes, and rarely on simple or complex processes.

The ignoring of complexity as a field of study needs to be rectified. Business schools must fully incorporate complexity as a field of study into the curriculum. It will correctly be argued that complex systems cannot be controlled or managed very well. They can only be observed. However that does not imply that business students should not develop a knowledge of and an appreciation for complex systems. While they may not be able to be managed very well, complex systems can be mitigated and harnessed if properly identified.

### **Practitioners as University Professors**

The points previously made in this paper are likely to be obvious to experienced business practitioners. Practitioners have learned these business schools myths well through practice and experience. As such they make good teachers for the next generation.

An issue is that accreditation boards frequently demand terminal degrees which few business practitioners have, nor do they have the desire to pursue terminal degrees in the later days of their working lives. This prevents practitioners from being much more than guest speakers on campus. As such they are not given the proper academic respect, and rarely is the material they cover in their guest lectures considered material for examination. (However the lessons they provide are often the best retained and considered the most valuable by students.)

A business school faculty should be a mix of experienced practitioners as well as pure academics. Basic research should be pursued as well as applied research. While most business schools have some practitioners on their teaching staffs, it can be argued that their numbers are too low at this point to have a noticeable impact.

### **Less Structured Learning Activities**

Akerboom and Nason (2010) outline many of the advantages of less structured business school learning activities. While case studies and simulations have long been part of the business school curriculum, and while these learning activities mitigate to some extent the shortcomings of many of the myths discussed in this paper, the reality is that these learning activities are still very highly structured and thus constraining.

Less structured learning activities allow for more ambiguity, complexity and creativity to appear in the learning. Also as Akerboom and Nason highlight, students tend to take more ownership of their learning when presented with less structure.

### **Recruit Students on Ethical Considerations**

If the argument is accepted that ethics cannot be taught, then the only way to raise the ethical standards and outcomes of business schools is to recruit based upon ethics. Currently business school recruitment is based on a combination of previous scholastic achievement as well as professional achievement. If anything these criteria encourage a skew towards the unethically minded.

## **CONCLUSIONS**

This paper has argued that it is time to examine many of the underlying tenets or axioms that are the foundation of the typical business school education. While there is much value in business school education, unconscious reliance on these axioms may be limiting business schools in providing the most effective learning outcomes in their graduates. The axioms examined in this paper and found wanting are: (1) business schools produce leaders, (2) business is a field of optimization and best practices, (3) business principles produce an answer, (4) knowledge is power, (5) planning is an essential and trainable activity, (6) predictable futures, (7) ethics is teachable, and (8) things are different now.

As a start to an improvement and reformulation of these myths, it has been suggested that business schools adopt the following reforms: (1) change emphasis in business school education from left brain thinking to right brain thinking, (2) embrace ambiguity, flexibility and creativity, (3) incorporate the science of complexity in the curriculum, (4) embrace the use of practitioners as full time business school

professors and researchers, (5) place more emphasis on less structured learning activities, (6) attempt to recruit students on the basis of ethical considerations.

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