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Beyond "Saddle Bag" Sustainability for Business Education

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Abstract

Revisiting the historical evolution of the corporation helps explain how the challenge of sustainability has been addressed in business education. Business schools emerged toward the end of the 19th century after U.S. Supreme Court judgments absolved corporate directors from the duty of adhering to social missions embodied in their limited liability charters. This coincided with the rise of neoclassical economics that placed shareholdersabove other stakeholders. As evolving societal demands have forced businesses to consider business ethics, *corporate social responsibility*, and sustainability in their performance, and as AACSB has added these learning objectives, business schools have reactively responded by adding new courses to their existing curricula. However, these "saddle-bag" approaches do not integrate the topics into the core functional areas of business. Only recently have a few business schools boldly overcome organizational inertia to develop curricula that lead practice by embedding sustainability into the core to educate managers who can rise to the demands of the global sustainability challenges facing the world in the 21st century.

Keywords

business education, sustainability, evolution of the corporation, business history, organizational inertia, limited liability, business curricula, AACSB, leading practice

To understand the evolution of business education, it is useful to revisit the historical evolution of the corporation. If we examine the history of business, it becomes apparent that business education has followed a reactive path: Ethics, corporate social responsibility (CSR), and sustainability were included in business education only when corporations had to respond to changing societal demands. Instances of business education leading practice are rare or perhaps even nonexistent.

The early model of the industrial revolution was based on the notion that business was obligated to maximize return to its owners and investors. These owners and investors (or "capitalists") were more often than not seen by the general populace or society as exploiting their workers by paying the minimum possible (and often below living wage) and offering workplaces that were often unsafe, unsanitary, and oppressive (Bakan, 2005). These "capitalists," in turn, regained respectability in society via their philanthropy by giving away a substantial portion of their

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accumulated personal wealth (Nace, 2005). For instance, when Andrew Carnegie retired in 1901 as the world's richest man, he proceeded to give away most of his wealth by funding the Carnegie Institute along with thousands of public libraries across the country.

Despite its social shortcomings, this form of capitalism generated enough wealth to raise the standard of living for society in general and became the accepted system of organizing economic activity in most societies by the mid-20th century. This is because the alternate model to the capitalist system was radical and extreme, for example, in the philosophies of Karl Marx, and did not offer a vision or results that were compelling enough to take root in Western society.

The development of the individual or small investor as a shareholder arose with the concept of limited liability. Limited liability began as Royal Charters granted in England in the 15th century to monastic communities and trade guilds that held property in common. Royal charters to corporations were granted for the first time in the 17th century by monarchies in the United Kingdom and in the Netherlands to monopolies such as the British East India Company (Reekie, 1996), the Hudson Bay Company, and the Dutch East India Company, respectively. These charters were granted to major trading endeavors that required investment in ships, armies, and provisions necessary to sail across the seas and seize and control resources in countries such as India, Indonesia, and the Americas.

The modern limited liability corporation came into being fairly recently in 1811 via legislation enacted in the state of New York. The intent of this and other state legislation that followed in the United States was to grant a limited liability charter in order to enable a corporation to raise funds to achieve a socially important mission that required large sums of money, for example, building a railway or a major waterway or canal.

If the corporation violated the purpose, and hence the social mission, for which the charter was granted, the state had the power to revoke the limited liability charter. This was reinforced by the U.S. Supreme Court in *Dodge v. Woolsey* (1855) by recognizing that corporations are public bodies and that elected state legislators have the absolute legal right to amend or repeal charters at will for social and public good. The Supreme Court also ruled that the shareholders had basic rights in the governance of a corporation to restrain the directors from violating the charter granted by the state or to prevent any misapplication of their capital or profits (Wootton & Roszkowski, 1999).

It is only as recently as 1886 that the first legal judgment was passed that allowed the directors of a firm to violate the state-granted limited liability charter. In its judgment in *Santa Clara County v. Southern Pacific Railroad*, the U.S. Supreme Court ruled that a corporation is a natural person under the U.S. Constitution and is entitled to protection under the Bill of Rights, and its rights to free speech and due process of law cannot be taken away by the state (Horwitz, 1985; Korten, 2001). This was followed by several similar judgments that allowed corporations to violate their original charter granted by the state (Korten, 2001).

It was in this context that business schools were created. The first business school was the Wharton School at the University of Pennsylvania, founded in 1881, followed by Chicago and Berkeley in 1898 and the Amos Tuck School (Dartmouth) in 1900 (Wren & Van Fleet, 1983). Business school curricula thus emerged in an era when the social mission inherent in granting a limited liability charter to corporations had begun to fade into the background.

It was also the time when the field of neoclassical economics began to gain ascendency. And while courts stopped short of legally mandating that corporations place shareholders ahead of all other stakeholders (see Stout, 2012), this was the paradigm within which business schools developed curricula that emphasized the role of business in the maximization of profitability[1] and the primary role of governments in managing and mitigating the negative social and environmental impacts of business operations (i.e., externalities).

While the excesses of the Gilded Age were tempered by the Progressive movement of Teddy Roosevelt and the emergence of organized labor as a countervailing force in the first half of the

20th century, it was not until the 1960s that societal criticism of business and demands for accountability began to accelerate. As part of the growing opposition to the Vietnam War in the United States, business was seen as playing a major role in partnership with the military. This era was marked by the growth of the chemical industry and instances of major environmental accidents and damage and the rise of powerful multinational corporations with negative impacts on community-based small business.

In response to societal criticisms, during the 1960s and 1970s, business schools began to gradually add courses in business ethics and CSR. However, these courses were either solitary electives or, if required, were overwhelmed by the often contradictory messages contained in the "core" curriculum. Indeed, most of the business school curriculum was (and still is) partitioned into functional areas, such as finance, accounting, marketing, organization behavior, human resource management, operations management, and business policy, which are typically taught without integrating these concepts (Doh & Tashman, 2012).

The courses in business ethics and CSR were often developed and taught by faculty members trained in nonbusiness disciplines such as philosophy and sociology. During this period, business doctoral programs did not provide the option to pursue research and doctoral training in these topics. Junior faculty were discouraged by senior colleagues from pursuing research and developing courses in these fields. Focusing on ethics, CSR, or other areas of business social and environmental impact was almost certain to destroy any chances of tenure and promotion in most business schools.

By the late 1980s, however, the situation began to change. The report of the World Commission on Environment and Development (1987) *Our Common Future* (popularly known as the Brundtland Commission Report) argued for a major role of business in achieving sustainable development. This was followed by societal demands during the late 1980s and the 1990s that businesses operationalize the concept of sustainable development to address their negative social and environmental impacts. The 1990s spawned some limited research in this domain under the terminology of eco-efficiency, environmental management, sustainable development, and sometimes by expanding the domains of CSR and business ethics. During the 1990s, individual faculty members at business schools also began offering new courses in this domain.

Almost 50 years after societal criticism of business in the 1960s sparked the process of business schools adding courses in CSR and ethics, curricula in most business schools now include courses on these topics and on sustainability. However, these courses are usually not integrated into the core curriculum (Doh & Tashman, 2012), which continues to be dominated by the functional areas and taught as if ethics, sustainability, and CSR are not relevant for running an effective business. The authors of this essay have frequently taught second year MBA students and seniors in undergraduate programs who are shocked and upset that they have completed most of their business courses before they discovered the criticality of thinking holistically about the role of business in society and the environment and the relevance of sustainability to the future competitiveness of the organizations that they will work for.

In addition to new courses, over the past 25 years, most major business schools in the world have added some kind of initiative, center, or institute focused on sustainability, corporate citizenship, or social entrepreneurship. The authors have separately been involved in creating five such centers over the past 25 years—at the University of Michigan's Ross School and School of Natural Resources & Environment (The Erb Institute), at the University of North Carolina's Kenan-Flagler Business School (Center for Sustainable Enterprise), at Cornell University's Johnson School (Center for Sustainable Global Enterprise), at Concordia University's John Molson School of Business (David O'Brien Center for Sustainable Enterprise), and at Wilfrid Laurier University (The CMA Centre for Responsible Organizations).

However, virtually all these initiatives, centers, or institutes continue to merely hang off the side of the existing business school edifice. Like the proverbial "saddle bag" on a horse, the issues are contained within separate compartments that are readily visible from the outside but have little impact on the behavior of the animal itself. Sustainability has joined other business school "saddle bag" issues, such as ethics, entrepreneurship, and emerging economies, as a way to recognize, but stop short of fully integrating them into the core DNA of the institutions.

Indeed, save for cosmetic changes, the MBA curriculum at top-tier business schools remains substantially unchanged from what it was in the 1960s except for the addition of a few new courses. Functional core courses in finance, accounting, marketing, operations, organization behavior, operations, and strategy still dominate without any ethical or sustainability content, with the "saddle bag" issues addressed through additional (often elective) courses or "immersions" after students have completed the "real" content.

Even though the accreditation body for major business schools, the AACSB, has stressed the need to include content on ethics, CSR, and, more recently, sustainability in the curriculum, business schools have not responded other than by adding unconnected required or elective courses. A few years ago, AACSB began organizing an annual sustainability conference to share knowledge and best practices in integrating sustainability into business school curriculum. However, these conferences and a related initiative called PRME (Principles of Responsible Management Education)—to which most leading business schools have become signatories since the late 2000s—have had a very limited impact in motivating, or helping business schools, to integrate sustainability into their core curriculums.

There are a large number of business schools that offer Sustainable MBA programs (e.g., Duquesne), Corporate Environmental Management Programs (e.g., the Erb Institute at Michigan), concentrations or streams (e.g., Cornell and North Carolina), or a range of electives that can offer business students a flavor of sustainability (e.g., Schulich, George Washington, Berkeley, and John Molson School of Business), to name a few. Whether these programs emerged as a result of a faculty-driven process or an outside-in process driven by donors and corporations (Sharma, 2013), all are substantially saddle bag approaches and the core functional areas are taught without an integration of sustainability into the content or pedagogy.

Why is institutional change so difficult and why can't business schools overcome this inertia? There are four major reasons that the authors perceive:

- Tenured faculty members are typically trained as researchers focused on the established functions and disciplines, not on the challenges contained in the saddle bags (which are more complex and difficult to study). Faculty focused on the saddle bags are therefore typically untenured adjuncts, lecturers, or clinical professors with little say in the governance of the schools.
- University career progression systems for tenure and promotion are based on publishing in top-tier peer-reviewed journals that do not encourage or accept radical new ideas or messy research on complex issues such as sustainability.
- Given their academic training, and the focus on research at most major business schools, faculty have little incentive or interest in integrating new content or perspectives into their courses. In fact, faculty teaching core courses often jealously guard their courses from change to minimize the time devoted to preparation and maximize research productivity.
- At the same time, leadership at the decanal level is weak. Deans often emerge with a personal foundation in one of the core functional disciplines with limited or no knowledge of sustainability and CSR. Hence, they are less comfortable becoming champions for radical change in these domains.

How long can the current trajectory continue? Many companies have forged ahead and have developed their own internal education programs on sustainable enterprise, unwilling to wait for business schools to exhibit leadership. And so, it is high time to move beyond saddle bag sustainability in business education. Not unexpectedly, the few pioneers that have thus far sought to integrate the "saddle bag" challenges into a new MBA model have been independent players with no prior baggage such as the Bainbridge Graduate Institute and Presidio Graduate School. Unfortunately, these up-starts also lack the institutional legitimacy and reputation to mount a serious challenge to the status quo.

There is, however, hope and instances are recently emerging of business schools that are attempting to overcome the constraints outlined above by attempting to co-create integrated sustainable MBA programs with faculty and practitioners. One such approach is the University of Vermont Business School's new Sustainable Entrepreneurship MBA Program (SEMBA). This represents a bold new venture where a major university has sought to fundamentally reinvent business education and the MBA degree to address the challenges we face in the 21st century—environment, ethics, entrepreneurship, poverty, and inequality.

It is not easy to truly integrate sustainability into the DNA of the MBA program. Left to their own devices, faculty may creatively retitle their courses and perhaps add a class or two focused on the new content. To achieve real integration requires real work: Extended team building and cross-functional collaboration with faculty learning each others' perspective, along with the time and resources to engage in real curricular innovation and new materials development. Moving beyond curricular "greenwashing" requires a commitment by the Dean and the leadership of the School, along with support from key alumni and donors. When programs integrate sustainability into the core curriculum, faculty members that normally conduct research and teach only in core functional areas become exposed to possibilities of examining their research and teaching through the lens of sustainability. This could open up avenues of new research ideas, the potential to ask new and interesting research questions, and the potential for collaborations across disciplines.

In an attempt to become acceptable for publication in top-tier, discipline-based journals, sustainability research has over the years tended to adopt an increasingly narrow, functional discipline-based approach with research questions embedded in received theories such as the resource-based view, institutional theory, collective action, product attributes, and so on. Integration offers the exciting potential for exploring beyond these tight research boundaries into questions and realms that provide interesting and radical insights for business. For example, research on sustainable business models in the context of the base of the pyramid has the potential to draw on, and synthesize, insights from the resource-based view, institutional theory, consumer behavior, development theory, microfinance, organization design and development, supply chain management, and operations management to yield new insights that can inform the core disciplines.

Will increasing number of radical programs emerge in the future? We hope so—the world faces major sustainability challenges that need the collective brainpower of business research and pedagogy for solutions that generate corporate performance on the triple bottom line. When that happens, business and business education would have come full circle and returned to their roots when charters for limited liability companies were only granted in order to achieve a social purpose.

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Note

1. A dominant paradigm was Milton Friedman's argument that the only social responsibility of business was to maximize profits and obey the law in *Capitalism and Freedom* (1962).

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