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# The Legitimacy of the Business of Business Schools: What's the Future?

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## **Abstract**

**Purpose** – This paper examines some challenges facing business schools and their continued legitimacy. It pays particular attention to the problems of accreditation, regulation and rankings and how these constrain strategic choice.

**Design/methodology/approach** – The paper builds on existing literature to provide an analytical overview of the challenges currently facing business schools.

**Findings** – The paper assesses the current context of business schools and assesses to what extent they are becoming less relevant both in terms of practice and theories. It suggests changes business schools might make in order to increase relevance.

**Originality/Value** – The paper suggests that business schools should change their central concerns to issues of central relevance to society and to policy. A wide range of such topics ranging from climate change to exogenous events is suggested.

**Keywords** Management research, relevance, strategic choice and change,

**Paper type** Viewpoint.

## Introduction

It is a truism to say that Business Schools and Business Education are big business (Pfeffer and Fong, 2002). Thomas and Wilson (2011:444) note the phenomenal expansion of Business Schools worldwide, “a feature of which has been to make Business Schools a Business in their own right”. The spread of Business Schools throughout Asia and Europe from their dominant base primarily in the USA has been a story of constant growth (10 per cent per year on year, according to Pfeffer and Fong, 2002) and are significant attractors of students and their fees from countries around the world. Business Schools have become an industry. Writing in 2005 Eric Cornuel from EFMD wrote that: “in the future the legitimacy of business schools will no longer be questioned” he argued that they had become “legitimised parts of society” and that “their role was clear “. Thomas and Wilson (2011:446), drawing on earlier work by Antunes and Thomas (2007), delineate the various providers of this legitimacy. In the first generation of Business Schools (19<sup>th</sup> to the early 20<sup>th</sup> century), legitimacy could be traced to the creation of management employment by the state, industrialists and entrepreneurs. In addition, this generation saw the introduction of institutionalised management systems (such as accounting practices). The second more academically rigorous generation (1970s) garners legitimacy from national governments which support Business Schools and from Universities which recognised the growth and financial potential schools could bring. The third generation (1980s to present) see issues of image and reputation as legitimacy providers and these include research rankings, citations, global performance rankings and international accreditation bodies.

Today, these claims of legitimacy are being questioned to a degree where they seem neither robust nor accurate. For example, The *New York Times* printed several letters on March 3, 2009, reacting to a news story about the pressure these trying economic times have exerted on the teaching of the humanities. The letter writers argued that *by studying the arts, cultural history, literature, philosophy, and religion*, individuals develop their powers of *critical thinking and moral reasoning*. Podolny (2009) is one of many authors who argue that Business Schools fail to develop these powers of critical thinking and moral reasoning. Podolny (2009) argues that, paradoxically, many Business School academics allegedly aren't curious about what really goes on inside organizations. They prefer to develop theoretical

models that obscure rather than clarify the way organizations work. Podolny continues by arguing that many academics also believe that a theory's alleged relevance is enough to justify teaching it as a solution to organizational problems. The failure of Business Schools to embrace and teach critical thinking and moral reasoning is allegedly why MBAs made the short-sighted and self-serving decisions that resulted in the current financial crisis and other organizational crashes (e.g. Enron, Parmalat, WorldCom). Thomas and Wilson (2011) neatly summarise the allegations of Business School failure. They divide these into knowledge creation (schools research the wrong things); pedagogical issues (schools teach the wrong things); and ideology, purpose and leadership (schools focus almost exclusively on free market economics, are unclear about their roles in academia or the world of practice).

The question of how Business Schools have arrived at these positions and what might be done to secure the future of Business Schools is the topic of this paper. First, we briefly examine the current situational contexts of Business Schools which have led to the current tensions and problems faced by Deans and their Senior Teams.

### **Situational Contexts**

Business Schools present themselves as academic institutions mimicking the more established disciplines in universities. At the same time, they are expected to demonstrate their abilities to manage themselves as businesses and conduct research and teaching which is considered 'relevant' to practitioners and to funding bodies (Thomas and Wilson, 2011). This creates a series of tensions which have been increasing in recent years. We argue in this paper that the stage has been reached where this context has become almost impossible to manage and that, to secure their futures, Business Schools will have to make some key decisions and undergo considerable change in the next few years.

Research in Business Schools faces strong internal and external criticism for the production of theoretically grounded, but irrelevant research. These criticisms are driven by unfavourable comparisons of the academic nature of business schools relative to other professional schools (such as law, medicine, architecture and engineering) and to the

University communities in which they reside. (Starkey and Tiratsoo, 2007; Starkey and Tempest, 2008; Thomas and Wilson, 2009; 2011)

The business model of business schools is also a context in which concerns have been raised about the sustainability of the current business model (Peters and Thomas, 2011) who argue that a dialectic takes place between the goal of producing knowledge and the goal of educating students. This has led to different Business Schools adopting different strategic responses to this dialectic. These range from research-intensive institutions at one end of the spectrum and teaching-led (sometimes research-less schools) at the other. Peters and Thomas (2011:24) argue that the majority of Business Schools, however, lie in between these polar positions leaving them with a “dual system of purposes and corresponding metrics that are all too often contradictory and confusing rather than cohesive”. The choices that individual institutions have made broadly share one common element. They are, the authors believe, financially unstable and probably unsustainable.

They are financially unstable for a number of key reasons. Government funding for schools (and Universities) has been progressively cut over the past decade and there are the highest levels of tuition fees being charged (with a UK undergraduate fee of £9000 per year coming into force in 2012). The cost of an MBA has risen to extremely high levels everywhere in the world. In the USA, the top 20 MBA programmes command tuition fees of \$100,000 and charge even more for Executive MBA programmes (up to \$170,000). Traditionally, the MBA has been regarded as an investment by those undertaking the programme. They could recoup their substantial outlay by securing well-paid jobs after gaining an MBA and be able to pay off loans and debts accrued whilst studying. It is arguable that the point has now been reached where it is no longer easy (or possible in some cases) to pay off the high costs of doing an MBA by relying on the job market and future salaries. The traditional high return on investment may very soon reach a stage where the costs of undertaking an MBA outweigh the financial benefits it might promise. Price elasticity may be approaching its limit.

Salary costs in most Business Schools are high. They can easily approach 75% of institutional expenditure. This produces some key questions about what are the appropriate roles and

tasks of staff. Costing teaching time per hour for academic staff can produce extremely high hourly rates (Peters and Thomas, 2011, estimate hourly rates can reach around £2000 per hour where teaching hours are kept relatively low in research intensive schools). The expectation is that such staff will engage in research and produce measurable output (publications) which will help the research ranking of schools and the career path and progression of individual academics. However, output measures are difficult to cost - for example, estimates suggest that an A-journal article may cost £70k-100k. This is largely because there is such wide variation in the input side of the research equation (how long does it take to write a journal article and get it accepted in a top journal, or how long does it take to craft a research grant proposal?) and in the ratio of outputs (publications and research grants) in relation to research inputs (effort and time). In terms of research funding, some research is directly funded by research grants from foundations or from research councils (usually government money). However, research funding is also cross-subsidised from teaching income, where premium priced programmes such EMBA's become the "cash cows" for the funding of the Business School (Peters and Thomas, 2011).

The situational context of academic staff also raises some questions over the current business model of Business Schools. Many academics consider relevance to pedagogy or practice to be unimportant for perhaps ideological and certainly for career progression reasons. Career progression for academics is largely a function of research output (4\*/A rated journals) and research income. The drive to achieve 4\* journal publications largely precludes other activities (such as teaching, pedagogical development and relevance to practice) and creates an individualistic culture in which publication tallies are all. It is easy to see why this is the case. Most academic staff are rewarded (by promotion) for publication (and citation) and they choose the 4\*/A rated journal route rather than concentrate on relevance or teaching excellence, for that matter (Adler and Harzing 2009; Harzing 2010). Indeed, O'Brien et al (2010) propose the notion of "excessive research" by academics, resulting in negligible added benefit to students from schools where staff publish widely in 4\*/A rated journals – but substantial benefit to the academic staff themselves (promotion and other rewards). They argue that there is a curvilinear relationship between research conducted in a Business School and "added economic value" for its students. Taking added economic benefit as the prime indicator of business school

performance, O'Brien et al (2010) argue that schools in the “upper echelons” of research activity would benefit from *reducing* these research efforts.

As Wilson and McKiernan (2011) and Saunders, Wong and Saunders (2011) note, the problems with journal rankings are legion. They represent a ‘one size fit all’ approach which then places journals in a rank order. This privileges some journals over others (depending on the measures used to construct the ranking), as well as providing a seemingly objective list of ‘quality’ which senior University managers can use to assess the ‘quality’ of individual staff research performance. Rankings also have the tendency to reduce innovation and diversity in the field. In the main, papers which fit the mould of research topic, method and theoretical perspectives favoured by particular journals are published. Those that don’t are rejected. The result is that the ‘value’ of the publication outlet (the rank of the journal) becomes privileged over both the content and the contribution of the paper and its scholarship.

Defining which journals are A rated is also problematic, since different lists of rankings (e.g the Financial Times, Association of Business Schools and the University of Texas at Dallas lists) contain differences in which journals are included. Saunders, Wong and Saunders (2011:407) provide a useful list of journals which appear in all of the above three lists and argue that these journals can truly be classified as A rated (see Table One).

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Table One Here  
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### **Strategic Choice**

The situational context of Business Schools raises key questions about their current business model; sustainability of current practice as well as raising fundamental question of what business schools do (i.e. what is their purpose)? These questions confront ‘strategic choice’ for Business Schools (Child, 1972) and what they might do to re-position themselves in the scholarly and practice-based landscapes. There are many debates and suggestions in the literature to try and resolve this question of strategic choice. For example, Khurana (2007)

argues that the role of Business Schools should be to produce better and more highly skilled professionals. To this end, core subjects taught (particularly to MBA students) would include, inter alia, law and psychology. Mangematin and Baden-Fuller (2008) would add 'global professionals' to Khurana's plea as schools from around the world increasingly focus their strategies to occupy places in the Financial Times listings of the top 100 of Business Schools in the world. Alternatively, Gabriel (2002) suggests that the core role of Business Schools is to increase the dissemination and consumption of research to practitioners whilst Starkey and Tiratsoo (2007) and Reed (2009) suggest that Business Schools need to 'engage' with practice and put in place a dialogical rather than linear model of knowledge production (research) and dissemination to reduce the theory/practice gap.

Whilst there may be many theoretical 'choices' a business school can make, there are also a range of pressures which impact on Business Schools' which effectively constrain the range of strategic choices that can be made. These include *accreditation and regulation, rankings and mimetic tendencies* across the sector.

*Accreditation and Regulation:* The three key accreditation bodies are: The Association to Advance Collegiate Schools of Business (AACSB) and the European Quality Improvement System (EQUIS). They regulate Business Schools' range of programmes (and regulate the wider practices of Universities and Business Schools. AACSB accredits the greatest number of schools (620 worldwide, with 70% US based); EQUIS accredits 130 schools globally. Accredited Schools argue that intending students (and wider society) can be assured that an independent agency has scrutinised the Schools' portfolio of activities and pronounced them to have passed its rigorous quality standards. However, Lowrie and Willmott (2009:411) describe accreditation as a "regime". Quoting Navarro (2008:10), Lowrie and Willmott argue that AACSB is like a "group of foxes, guarding the MBA henhouses". Moreover, they argue that accreditation is elitist, since it serves to diminish the value of education which takes place outside the accredited schools (the elite). Accreditation also serves to preserve and perpetuate the elite, thereby maintaining the status quo of what is considered to be a 'good' Business School. Accreditation and regulation hinders knowledge improvement and development in both elite schools and in non-accredited schools, which are deemed to be poor relations by default. For an extended critique of accreditation and



regulation see Wilson and McKiernan (2011). The bottom line is that accreditation and regulation powerfully constrain strategic choice in Business Schools.

*Rankings:* Khurana (2007) stresses 'The Tyranny of the Rankings'. There are two major categories of rankings which arguably both constrain strategic choice for Business Schools. These are the rankings of Business Schools and the rankings of the research quality of its academic staff. Rankings of schools have a strong impact on both the economic futures of Business Schools and the morale of their staff (Kogut, 2008). Rankings are scrutinised by potential students, funders and other key stakeholders. But also, they are used by University senior managers as proxies to judge the quality of their University's Business School. As Wilson and McKiernan (2011: 462) argue "Despite their ambiguity and their imprecision, Business School rankings have become reified. They are an accepted (and expected) part of the social landscape. They have become another social statistic against which Business School quality and competition can be assessed by a broad public".

Schools also receive externally assessed rankings of their research performance. These rankings are used to classify schools as research excellent or otherwise. The ranking of journals has produced numerous lists of 'quality' and each has been criticised as a one size fits all metric to assess research quality (see <http://harzing.com/jql.htm>). Nevertheless, the impact of such lists has been strong and much debate has been lent to the ways in which such lists are constructed. Top business schools are determined by the proportion of scholars publishing in highly- ranked journals and the proportion of scholars from top schools publishing in 4\* journals (the top ABS journal ranking) is higher than in less well ranked schools (Baden-Fuller et al., 2000; Borokhovich et al., 1995; Fische, 1998; Trieschmann et al., 2000). Institutions world-wide exert pressure on their faculty to publish in these 'top' journals, which has the effect of reinforcing the status (and ranking) of these journals (and the ranking of Business Schools). The effect of this circular process is that the ranking of journals is relatively stable over time.

Many Business Schools (and Universities) have adopted methods for governing research in their institutions by copying processes one would find in commercial organizations. These include explicit mechanisms, which operate at the level of analysis of the institution and the individual, such as extra pay for performance assessed by output measures such as rankings in research assessment exercises and success in fundraising for research. The goal of achieving 4\* publication has become something of a mantra in Business Schools. However, as Adler and Harzing (2009:80) argue, the use of single metrics to rank journals effectively encourages conservatism in research questions, research design,

methodologies and precludes research “addressing new, often controversial questions that are investigated using innovative methodologies”. It is also worth noting that publication by staff in A rated journals (listed by the University of Texas at Dallas) shows a shift away from UK schools toward those in the USA, Canada, China and Singapore (see Table Two). Only one UK Business School is included in the list (London Business School) whilst 9 Asian schools are included.

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Table Two Here

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*Mimetic Tendencies:* Schools are at risk of becoming more similar to one another because of the content, frequency and depth of assessments by accreditation agencies and research rankings. In addition, Business Schools have become rich and are milked as ‘cash cows’ by senior university administrators. This places further constraints on Business Schools to keep doing more of the same rather than investing in innovation (in research and teaching for example). See Wilson and McKiernan (2011) for an extended treatment of these arguments.

### **What Kind of Business School?**

The obvious challenge, arising out of the all the constraints and isomorphic tendencies listed above, is to illustrate what kind of Business School might be more appropriate (and robust) for the future.

Indeed Henry Mintzberg (2004), the most consistent and insightful critic of management programmes argues that management is an art not a science and that the managerial task is all about practice. He would favour a greater emphasis on managerial skill and capabilities and the virtues of critical and synthetic thinking offered by the study of the humanities and social sciences as well as conventional analytic thinking.

We argue that schools will have to make substantial changes in what they research and teach. This means broadening the traditional focus of research and teaching in business schools to look more broadly at wider society, to embrace multi-disciplinary perspectives and to turn its theoretical perspectives and research focus toward ‘big’ questions. In turn,

this means engaging to a greater extent in public and private policy debates – reclaiming the terrain of work, employment and society.

A first move would be to develop a strong norm of learning and not primarily viewing management qualifications and degrees as increasing individual salaries (maintaining/developing research and teaching in the ‘mother’ disciplines of management - sociology, philosophy, psychology, economics, law and mathematics for example). This means prioritising learning over ‘added value’ of a business education. A second move would be to place far greater emphasis on the ethical and moral questions endemic in modern capitalism and to critically examine the role of businesses and managers in society. This would entail going significantly beyond the current debates over corporate social responsibility which arguably act as a convenient moral ‘cloak’ for deeper questions over the accountability of managers for their actions and decisions and the role of business in wider society. A third move would be to research and teach ‘big questions’ which impact upon organizations and society. These could include a wide range of topics ranging from, for example, an examination of why there is simultaneous obesity and poverty and starvation in a world technologically able to feed itself, to topics such as social and economic policy, understanding the impact and the risks of exogenous events such as climate change, disasters and terrorist activities, and the impact of a newly emerging global economic order as China and India become key players in the world economy. Finally, as managers operate increasingly globally, Business Schools themselves will have to become less insular and nationally oriented. An understanding of language, comparative social cultures and the impact of religion on global economic activity would seem essential parts of the teaching and research curriculum of Business School in the near future. To the extent that schools do not undertake these changes, we argue that they are likely to become irrelevant and unnecessary institutions operating on the sidelines of key social, economic and political issues. Deans need to have the courage to build curricula which develop simultaneously so called T-shaped individuals i.e. those have significant disciplinary depth achieved through a liberal education involving critical, synthetic and analytic thinking and appropriate training in the important functions and languages of management education. Unfortunately the similarity in many business school curricula arises sadly from the mimetic and isomorphic tendencies stressed in this paper.

**TABLE ONE**

**List of A Rated Journals and year of First Publication**

Accounting	Accounting Review, 1926 Journal of Accounting and Economics, 1971 Journal of Accounting Research, 1963
Economics	Econometrica, 1933 Journal of Political Economy, 1892
Finance	Journal of Finance, 1946 Journal of Financial Economics, 1974 Review of Financial Studies, 1988
General Management	Academy of Management Journal, 1958 Academy of Management Review, 1976 Journal of International Business Studies, 1970 Strategic Management Journal, 1980
Marketing	Journal of Consumer Research, 1974 Journal of Marketing, 1936 Journal of Marketing Research, 1964 Marketing Science, 1982
Organization Studies, Human Resource Management and Information Technology	Administrative Science Quarterly, 1956 Journal of Applied Psychology, 1917 Organization Science, 1970 Organizational Behaviour and Human Decision Processes, 1966 Information Systems Research, 1990 Management Science, 1954 MIS Quarterly, 1977 Journal of Operations Management, 1980 Operations Research, 1952

(source: Saunders, Wong and Saunders, 2011:407).

**TABLE TWO**

**The University of Texas at Dallas top 100 Business Schools measured by A rated Journals**

Country	Count of Business Schools in the Top 100
USA	72
Canada	9
China	5
Singapore	4
The Netherlands	3
France	2
Australia	2
Denmark	1
UK	1
Germany	1

(source: Thomas and Wilson, 2011:451)

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