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Challenging the Perceived Wisdom of Management Theories and Practice

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We consider criticisms of business school education and the values it propounds in the context of wisdom. We ask whether the perceived wisdom relating to what business should be is "wise," and whether the models and frameworks used in management education enable wisdom to flourish. The distinction between means and ends (i.e., terminal goals, such as human welfare and instrumental goals, such as money) is highlighted. We argue that management models that measure success in purely financial terms demonstrate foolishness by conflating the means with the end. If business is to retain its legitimacy and benefit society, profit needs to be seen as a means to the end of sustainable business not an end in itself. This should in turn be reflected in the metrics used to measure success in management models and theories. Cross-cultural comparisons with economies based on different value systems offer insight into alternative approaches. We highlight examples of how business schools are adjusting their curriculum and conclude that changes need to go beyond superficial inclusion of ethical issues. Recommendations include updating the business curriculum with more prosocial management theories and a reprioritization of the goal of social welfare over individual business profit maximization.

There have been challenges to the perceived wisdom of the last 50 years of management and leadership education and the dominant hegemony of free market economics with its preeminence of shareholder value. There are now increasing calls for responsible management benchmarks, such as at the recent Rio +20 Earth Summit (www.50plus20.org/rio20), that contest the very nature of management and leadership education and practice and the underlying philosophies that drive it. Indeed the role of leaders in many of the ethical scandals and corporate collapses associated with the 2008 financial crisis have been seen as having their roots in "bad" leadership (Furnham, 2010). In turn it has been asserted that one aspect of this bad leadership relates to the way in which we develop leaders and the role that business schools play in this process (Higgs, 2012; Mintzberg, 2004).

In the context of notions of wisdom, we consider some of the criticisms of business and management school education and the values it propounds and its contribution to the development of future leaders. We ask whether the current "perceived wisdom" relating to what business is or should be is in fact so wise, and whether the predominant models and frameworks used in management and leadership education embody wisdom or foolishness. We suggest what a wiser approach might entail and finish by presenting some positive examples of where progress is being made in transforming business school education.

WISDOM

Wisdom is an age-old concept transcending Western philosophy and modern psychology. Philosophers and theologians have long discussed the topic—the Bible highlights wisdom as "better than rubies" (Job, 8.11), and wisdom is seen in Eastern thought as living a virtuous life in harmony with one's environment, with knowledge being combined with action (Bierly, Kessler, & Christensen, 2000). When invoking the concept of wisdom, scholars typically refer to Aristotle, who in his *Nicomachean Ethics* counted wisdom as one of the cardinal virtues. Aristotle writes that the wise "can see what is good for themselves and what is good for men in general: we can consider that those who can do this are good at managing households or states" (Aristotle, 2000: 1140a: 9–10).

Many have distinguished wisdom from knowledge; for example, Aristotle distinguishes between three types of knowledge, epistémé which is theoretical, techné which is instrumental and practice related; and phronesis, knowledge that is normative, experience based, context specific, and related to common sense—also known as practical wisdom (Aristotle, 2000). In modern thought, an oft-cited distinction is made by Ackoff (1988) in his DIKW hierarchy, which distinguishes between *data*, *information*, *knowledge,* and *wisdom*—a pyramidal model, illustrating the scarcity of wisdom in contrast to the abundant data. The prevalence of notions of wisdom suffers a similar scarcity in texts on knowledge–information management and research (Rowley, 2006). The apparent focus on data and knowledge as opposed to wisdom is suggested by several scholars to account for the poor performance of many knowledge–information management initiatives (Bierly et al., 2000; Jashapara, 2005), and Rowley (2006) highlights the benefits of wisdom in terms of enhancing management theory and practice.

Many modern thinkers tend to define *wisdom* in terms of expert knowledge (Baltes & Staudinger, 2000; Baltes, Staudinger, Maercker, & Smith, 1995), or as a property of a person and the integration of cognitive, affective, and reflective characteristics (Ardelt, 2011). However, the psychologist Robert Sternberg (Sternberg, 1998, 2001) sees wisdom not just as expert knowledge, but as tacit knowledge infused with values, that is, the way in which tacit knowledge is creatively used in pursuit of the common good, considered both in the short- and the long term. This perspective has particular resonance in the context of management learning, as managers and leaders typically make decisions that affect others; therefore, their ability to balance multiple stakeholder needs is key to wise and ethical management. This focus on tacit knowledge has also been associated with Aristotle's concept of practical wisdom or *phronesis*, particularly in the sense that it is experience based. Wisdom has also been related to the quality of knowledge, and most important, to knowing what we do not know (Ames, 2010). Here we present the view that according to any or all of these views, wisdom has been lacking in current business school pedagogy. However, we also argue that this position is beginning to change.

Wisdom as Knowing What We Do Not Know

When considering the way business schools discuss the concept of leadership, there is little evidence of consideration of how leaders deal with what they do not know. The dominant model of leadership adopted in discussions of this topic in business schools is the "heroic model." This model of leadership encourages confidence and the suppression of fear—frequently presented as "courage." However, Solansky (2014) argues that accepting the "fear of foolishness" is essential to wisdom, and thus, an important component of "wise leadership." It can be argued that accepting and being unimpeded by a fear of foolishness, along with the ability to express personal vulnerability (Rowland & Higgs, 2008), are leadership practices that give rise to real requirements for courage. The heroic model also posits that the leaders are "all knowing" and that any indication of uncertainty or lack of knowledge is a danger to be avoided. However Confucius claimed that wisdom comprises in part knowing what we do not know (Ames, 2010), a view echoed by recent scholars. For example Frické (2009: 131) claims that that "wisdom is the possession and use, if required, of wide practical knowledge, by an agent who appreciates the fallible nature of that knowledge."

Management and leadership education, particularly insofar as it draws upon pseudoscientific economic models, has been criticized by several scholars on these grounds. In a prize-winning lecture, Hayek (1989) attacked economic theorists for trying to apply a scientific method designed for use with the physical sciences to a social science. In doing so, he argues that economists have tended to focus on factors that are amenable to measurement and disregard as irrelevant factors that are by their nature difficult to quantify. He cautions that we should be skeptical of assertions that appear to be scientific simply because they have been based on mathematical models and scientific methods, as they are false knowledge based on unsound foundations. Ghoshal (2005) persuasively argues that this preference for scientific explanations and quantifiable criteria can help account for an excessive focus on shareholder rights over those of other stakeholders.

Feminist critiques of quantitative methodologies have also argued that the greater status accorded to positivistic and quantitative modes of explanation are to the detriment of understanding of the complexity of felt experience and values (Campbell & Wasco, 2000). Thus we need to distinguish "objective" data from useful knowledge. It is wiser to pursue incomplete, messy, contextualized, uncertain knowledge that enriches our understanding of how to promote human welfare than to amass lots of clean data that is easy to manipulate and present, but yet is based on false assumptions. Leaders may fear that this would undermine their authority; however, recent research has indicated that leaders disclosing their lack of certainty can invite greater engagement with others and a broader discussion of the organization's purpose, focus, and determinants of success (Higgs & Rowland, 2011).

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Implications of Scientific Modes of Explanation

Ghoshal (2005) accuses management academics for inappropriately adopting objective, quantitative "scientific" modes of explanation, which entails ignoring subjective mental phenomena such as intentionality. He argues that causal modes of explanation downplay free will and allow actors to free themselves from moral responsibility for their actions. Management theory and classic economic models tend to take a deterministic perspective, undervaluing the role of individual intentions and focusing on models based on pessimistic assumptions about human nature that assume all behavior is based on self-interest. For example, agency theory (Jensen & Meckling, 1976; Williamson, 1975) assumes that managers are self-interested, and unless richly incentivized, will put their needs before those of the shareholders. The issue is that beliefs about human nature that become enshrined in theories and institutions can themselves through the double-hermeneutic become self-fulfilling (Ghoshal, 2005). Not only do such beliefs help to norm self-interest as acceptable, or even desirable (Miller, 1999), they help to justify unethical behavior through the common rationalization that "everybody does it" (Green, 1991).

Questions about the deeper roots of self-serving business behavior have also been raised. To what extent is such behavior grounded in human nature itself, and how pliable is this to contextual influences such as sociocultural assumptions about the role of business in society and beliefs regarding human nature? Keynes (cited in Ghoshal, 2005) argued back in 1953 that the influence of economic theorists was much more powerful in affecting the normative framework in society than we consciously realize, legitimizing certain activities and mind-sets and delegitimizing others through cultural discourses, education, media, laws, and so on. For example, businesses may be seen as stewards of society's economic resources or as self-interested organizations with a legal duty to maximize profits. Ghoshal (2005) argues that these contextual assumptions are self-fulfilling and play a crucial role in unethical management behavior. Recent research into the newly emerging business sector in the socialist island of Cuba provides empirical support for the contention that ideologies and cultural norms are a major determinant of the conduct of business leaders. Recent research indicates that the prevailing norms of solidarity, communal values, and equity in Cuba are clearly reflected in both the teaching and conduct of business leadership (Baden & Wilkinson, 2014).

Wisdom as Balancing Societal Needs

From a psychological perspective, *wisdom* can be defined as the application of tacit knowledge as mediated by values toward the achievement of a common good through a balance among multiple (a) intrapersonal, (b) interpersonal, and (c) extrapersonal interests to achieve a balance among (a) adaptation to existing environments, (b) shaping of existing environments, and (c) selection of new environments (Sternberg, 1998).

The notion of the "common good" refers to what is considered good for a specific community or society as a whole. In the context of business practices the notion of "society" can be broken down into those members who are affected or can affect what the organization does, that is, the stakeholders (Freeman, 1984). This definition highlights the need to consider the impacts of business practices upon those who will be affected by them, with typical stakeholders including employees, shareholders, customers, managers, suppliers, and community. Currently, stakeholder theory has gained considerable currency in academic debate, although there is limited evidence that it is applied in practice. It is uncommon in most countries for stakeholders to have any real say in corporate governance (Crane & Matten, 2010), and evidence based on interviews with corporate social responsibility (CSR) managers in a range of multinational corporations indicates that stakeholders' interests are considered only insofar as they accord with business interests (Bondy, Moon, & Matten, 2012).

Sternberg's view of wisdom also highlights the importance of the environment. Here too, criticism has been directed at the inadequacies of business school curricula in terms of preparing future business leaders to deal responsibly with environmental challenges, such as climate change and resource depletion (Giacalone & Thompson, 2006; Waddock, 2007). The foolishness of our current paradigm is highlighted by Shrivastava (1995), who accused business curricula of demonstrating a bias toward production and consumption that ignores environmental externalities: "The basic logic of continually producing new products for limitless consumption has remained unquestioned by proponents of the traditional management paradigm" (p.126).

Thus we need to question what good business leadership is. While some authors (Porras & Collins, 1997) suggest that leaders should align people within the organization to a "purpose beyond profit," the dominant view of "good" leadership is to focus people on financial performance and delivering shareholder value (Higgs, 2012). Solansky (2014) argues that historically, leadership and wisdom are deeply rooted together, but points out that "the emphasis of leadership effectiveness has drastically shifted from an age old assessment of leadership that aspires to wisdom to a current day assessment of leadership that aspires to compete to achieve market efficiencies and maximum organisational profits" (p. 40).

However, there is evidence that influential authors within the field are increasingly challenging the profit maximization approach (Hart, 2005; Mackey & Sisodia, 2014). The prominent management thinker Charles Handy made the important point that "the purpose of a business is not to make a profit, full stop. It is to make a profit so that the business can do something more or better" (Handy, 2002: 51). Porter and Kramer (2011) also point out that the dominant focus on shareholder value creation is not only bad for society, but ignores important factors that impact on longer term success. They propose an alternative view around the concept of shared value as a paradigm that "involves creating value in a way that also creates value for society by addressing its needs and challenges" (p. 2). Furthermore they exhort companies to refocus on building shared value, suggesting that "companies must take the lead in bringing business and society back together" (p. 2).

In exploring wisdom and leadership in more detail, Sternberg (2003) defines leadership wisdom by taking a broader view of the purpose of an organization. He sees *leadership wisdom* as being "intelligence, experience, creativity and values … to reach a common good which occurs when the interests of individuals, others, and organisations or institutions are considered in both the short and long terms" (p. 42). This thinking is pulled together in his WCIS model within which wisdom, intelligence, and creativity are synthesized. Thus it is asserted that to be wise is to know *and* to do. This view of leadership wisdom can be seen to dovetail with other perspectives of leadership, such as authentic leadership (Luthans & Avolio, 2003) and servant leadership (Greenleaf, 2002).

Wisdom: Knowing the Difference Between Ends and Means

Both Eastern and Western conceptions of wisdom include a conception of the "good life" as the ultimate end to which knowledge and judgement should be used. For example, in the *Analects*, Confucius sees wisdom as following the "way" (Tao), which entails living righteously and in accordance with one's environment (Ames, 2010). From Aristotle's conception of wisdom, we can construe the difference between wisdom and knowledge as knowing to what end to apply our knowledge, in other words the distinction between ends and means. This inevitably leads to discussions of values—to what end are we exerting our efforts? We argue that the prevailing wisdom of profit maximization as the ultimate goal of economic endeavor—a view typified by the famous statement by Milton Friedman (1970) that the social responsibility of business is to make a profit—has confounded the means with the end. Indeed, the raison d'être for this view, dating back from Adam Smith's *Wealth of Nations* (1776/1976) was that profit maximization was for the benefit of all society. Therefore the goal of profit maximization is historically subordinate to the goal of societal welfare. Thus, the moment that profit maximization comes into conflict with social good (e.g., due to externalities of business) then the means have become mistaken with the ends.

There is a sense in which the wider institutions governing society, setting its norms and standards and entrusted with the goals of pursuing the common good, have also fallen into the trap of mistaking the means for the ends, accepting too uncritically the idea that business self-interest maximization serves the interest of all society. This mind-set or "perceived wisdom" that profit is the ultimate end goal is apparent even in articles and phrases that come from the proponents of CSR (Baden & Harwood, 2013). Kreps and Monin (2011), for example, highlight the popularity of the phrase "doing well by doing good," which by its use of the preposition "by" indicates that the goal of doing good is subordinate to the goal of doing well. Similarly, in the recent Rio Declaration, it is claimed that "For more than 100 years, management education has sought to support organisational leaders with the insight and know-how to create wealth through helping people improve their quality of life" (Rio+20, 2012). Again even here the ends and means have become confounded. Rather than the end goal being improved quality of life with the means being wealth creation, the priority is on creating wealth through improving quality of life. This subjugation of societal welfare to individual business profits then allows social and environmental considerations to be jettisoned when they conflict with the financial interest of business organizations (Brooks, 2010).

Rokeach (1973) distinguished between *terminal values*—end states or goals that are desirable in their own right, and *instrumental values*—which refer to the means employed to reach these end states. Money acquisition is clearly an instrumental value, as money is important only insofar as it can purchase other goods. In turn the goods that money can buy will also be means to further ends, such as happiness, good health, or a feeling of security. Once this distinction between means and ends, or instrumental and terminal values, has been made clear, it is easier to appreciate how they may become conflated, leading to foolish and irrational choices. Furthermore, such conflation moves away from the intended view of wisdom as being "tacit knowledge infused with values" (Sternberg, 2001: 23). This definition makes evident that Sternberg is not referring to instrumental values. It is illogical, therefore, to set up a system whereby the prioritization of shareholder maximization imposes costs upon society, such as global warming and pollution that will be felt by all. The same shareholder that benefits financially from manufacturers cutting corners on safety, factories polluting the rivers and oceans, and banks making large profits with high-risk investments, is also likely to want safe products, clean waterways, and a stable economy.

In his influential book, *Small is Beautiful: Economics as if People Mattered*, Schumacher draws attention to the distinction between ends and means, highlighting the irrationality of the continued drive for growth and consumption in the context of finite resources: "[A] Buddhist economist would consider the current approach excessively irrational: since consumption is merely a means to human well-being, the aim should be to obtain the maximum of well-being with the minimum of consumption" (Schumacher, 1973: 61).

Cross-cultural comparisons can offer insights into alternative mind-sets. The intense political polarization caused by the historical conflicts between Cuba and the United States has inhibited appreciation of the valuable insights that can be gained by study of a country that has developed along an alternative value system. Since 2007, the Cuban government has been implementing a strategy of economic reform designed to reduce the role of the state in the allocation of resources and to allow the controlled development of private enterprise and a market economy. In interviews with Cuban management academics and educators and business owners, it was clear that profit was seen simply as a means to the end of other social goals and never as an end in itself (Baden & Wilkinson, 2014). The metrics used to judge success are based on quality-of-life type indices, such as full employment, food security, health, literacy, social equity, and so forth. Indeed, the researchers found that when asked about tensions between profit maximization and other social or environmental goals, the question did not appear to make sense to the respondents, as the notion of profit as a priority was alien, bearing in mind the government's stated aim in allowing private enterprise was to reach those social goals mentioned above.

A cross-cultural example of how different end goals have led to different strategies and implications for societal outcomes is presented by the pharmaceutical sector. It has been of increasing concern in the West that profit maximization goals are failing to coincide with health needs. Focusing on R&D into drugs needed to treat the most serious diseases as opposed to making minor variations of existing drugs to treat less serious diseases is now considered a form of voluntary CSR as opposed to intrinsic to the purpose of the industry (Lee & Kohler, 2010). This has led to declining rates of therapeutic innovation in the sector (Davis & Abraham, 2013; Ward, Slade, Genus, Martino, & Stevens, 2014), and it is the pharmaceutical sector in countries such as Cuba, where metrics of success are based on health needs rather than profit, where the current medical advances are now occurring (Reid-Henry, 2010; Sáenz, Thorsteinsdóttir, & de Souza, 2010).

Similar comparisons can be made in other sectors. For example if the U.S. agricultural sector is analyzed simply based on productivity and direct costs, it appears to be highly efficient. However if the full social cost is analyzed, including the externalities of the industrial mode of operation, which relies on large amounts of energy for mechanization, irrigation, production of pesticides and fertilizer, then the cost to society in terms of pollutants, loss of biodiversity, CO^2 emissions, soil loss, stream siltation, water contamination, and so on, is huge. Thus, when considering the full cost to society, this mode of production is highly inefficient (Nemetz, 2013). The lack of wisdom in pursuing such a policy is apparent as long-term societal welfare is sacrificed to short-term corporate profit. This approach is in marked contrast to the Cuban model of agriculture. Over the last two decades, Cuban state-owned farms and plantations have gradually ceded to worker-owned cooperatives, but the key metrics of success remain social goals, such as food security, sustainability, and self-sufficiency at both the community and national levels. Market mechanisms are included to incentivize production of crops that meet current food needs, or to address any current or anticipated shortfalls or nutritional deficiencies. A long-term approach dominates, and policies that maintain soil quality and resilience are adopted, such as maintenance of biodiversity, replacement of pesticides with ecologically based agricultural technologies, crop rotation, and so on (Wright, 2012). We argue this approach demonstrates greater wisdom, as profit is subservient to social goals, as demonstrated by the fact that the market is not master here, but servant—with market-based mechanisms introduced to further social goals.

WISDOM AND BUSINESS SCHOOL EDUCATION

In this section we argue that business school education lacks wisdom on the basis that almost all of its models, frameworks, and theories measure "success" using finance-related metrics, and thus, exhibit the error of replacing terminal (quality-of-life) goals with instrumental (monetary) goals. Thus success in an entrepreneurship module may be measured by growth, in a strategy module by profit, in an HR module by performance, in finance by return on investment and so on. Alternative more socially oriented metrics such as jobs created, employee satisfaction, carbon footprint, product quality and so forth are rarely considered as desirable outcomes in their own right. In omitting such metrics there is a distinct move away from the concept of wisdom, in that the long-term and values components are no longer present.

Many commentators have criticized business school curricula, management textbooks, and related leadership and management models for encouraging a norm of self-interest and profit maximization (Ghoshal, 2005; Khalifa, 2010). Such criticisms led to calls for theories with a greater focus on value creation, such as stakeholder theory (Freeman, 1984) and stewardship theory (Davis, Schoorman, & Donaldson, 1997), to receive greater prominence in the business school curriculum (Ghoshal, 2005).

Responses to such concerns have led to initiatives such as the *U.N. Principles of Responsible Management Education* (PRME), and the creation of networks such as Education for Sustainable Development. Accreditation bodies such as AMBA, EQUIS, and AACSB have for a number of years required business schools to demonstrate that issues relating to ethics and sustainability have been addressed in the curriculum. For example, AACSB and EFMD have signed a long-term agreement with the Globally Responsible Leadership Initiative designed to foster responsibility and sustainability in business education. However, as yet, such developments have not been incorporated into the global rankings of business schools. In spite of this, a diverse and growing range of business schools are responding to the growing debate around organizational purpose and sustainability through the development of their curricula and pedagogic practice. Examples of such schools include McGill University, Copenhagen Business School, School of Management–Boston University, Central University Business School, Schulich Business School–York University, and Exeter University, U.K. (corporateknights.com/report/2013).

However, there are practical challenges to address. Whereas integrating ethics, sustainability, and CSR into the curriculum across all modules is considered the ideal outcome, typically this is not occurring, as lecturers often do not feel competent (or always motivated) to do so (Cant & Kulik, 2009; Dean & Beggs, 2006; McDonald, 2004). There can be additional difficulties in sourcing materials and texts, as few core course required texts include a sufficient coverage of ethics (Baetz & Sharp, 2004). This means that, typically, ethical issues have been addressed in business schools by the inclusion of modules (often elective) relating to CSR, (Moon & Orlitzky, 2011; Rasche, Gilbert, & Schedel, 2013), and so the CSR module bears much of the weight of the task of instilling a socially responsible mind-set in business students. However, it is questionable whether a one-time elective module which addresses ethical issues is sufficient to counterbalance the force of a curriculum that measures success predominantly in terms of profit maximization.

The extent to which the prioritization of shareholder value over societal good is accepted as perceived wisdom can be illustrated by looking at the assumptions implicit in the models and frameworks used within management education, even ethically focused subjects, such as CSR. It is disturbing, for example, that the most cited model in CSR textbooks, Carroll's pyramid of CSR (Carroll, 1991), explicitly places economic responsibilities above legal and ethical responsibilities. Carroll justifies the primacy of economic responsibilities on the basis that if a business does not make a profit, then all other responsibilities are moot as the business will be unable to survive. However it could just as reasonably be argued that businesses that are not able to make a profit without breaking the law or violating ethical norms should in fact not be in business at all. In support of this view, a recent study of 364 respondents from business and nonbusiness backgrounds reported clear agreement that legal responsibilities rank higher than economic responsibilities (Baden, 2014c). Thus, Carroll's pyramid of CSR appears to perpetuate rather than redress the unbalanced focus on shareholder value that the business schools have been attempting to remedy through the inclusion of modules such as CSR.

Furthermore, ethical issues tend to be presented as instrumental rather than the infusion of wisdom into the curriculum. Indeed, despite the burgeoning interest in CSR, many have argued that there can be little progress while the justification for CSR is predominantly couched in economic terms (Baden & Harwood, 2013; Brooks, 2010; Nijhof & Jeurissen, 2010). In particular, research in this area has become dominated by exploring the connection between CSR and corporate financial performance, rather than the relationship between CSR and social outcomes (Wood, 2010). It appears then that in the business school curriculum, even within CSR modules, the perceived wisdom is that the metric of success not only is, but should be, profit. Longer term and broader societal implications are rarely considered, highlighting the gap between the perceived wisdom embedded in business school education and actual wisdom as has been defined above.

Again cross-cultural comparisons with countries who hold alternative value systems are enlightening. For example in Cuban business education, a concept similar to that of CSR exists, although the more popular terms are "socially responsible enterprise," or "social and solidarity economies." The discourse surrounding CSR in Cuban management education is quite different, with little mention made of economic responsibilities, or the potential financial value of CSR. Instead the discourse of responsibility focuses entirely on the stakeholders; that is, on providing value and quality to customers, fair conditions to employees, benefit to the community, and reduced environmental impact (Baden et al., 2014).[1] Terms such as "responsible marketing" are used, but have a completely different meaning. Whereas in capitalist nations, *responsible marketing* focuses on issues such as avoiding lying to customers or exploiting vulnerable consumers such as children, in Cuba it means ensuring that the right products are produced to meet the needs of all citizens, and encompasses concepts of social inclusion. Note also the term "citizens" used in Cuba, which emphasizes the social–political nature of individuals, as opposed to the term "consumers" typically preferred in capitalist countries, which focuses on individuals solely in terms of their buying power. We argue that the Cuban approach demonstrates greater wisdom in that it teaches how to develop profitable enterprise as a means to achieve greater social welfare, and it is implicit in the entire Cuban educational discourse that profit is simply a tool to achieve social goals, not the end goal in itself.

[1] This information derives from recent research in Cuba described in the cited paper, but includes a greater level of detail than included in the original publication.

"Whereas in capitalist nations, responsible marketing focuses on issues such as avoiding lying to customers or exploiting vulnerable consumers such as children, in Cuba it means ensuring that the right products are produced to meet the needs of all citizens, and encompasses concepts of social inclusion."

There is evidence of students protesting against the traditional curriculum. In May 2013, economics students from Manchester University, U.K. rebelled against their curriculum on the basis that it consisted of outdated economic models that failed to predict the financial crisis and too uncritically endorsed free-market economics (Inman, 2013). Since then economics students from 19 countries have protested against the dominance of classical economic theory in mainstream economics-based modules and the omission of alternative paradigms. This has resulted in a manifesto for change involving a broadening of the curriculum to give greater priorities to the key 21st century challenges of climate change, food security, and financial stability (Inman, 2014). Similar views were found in our business school when students were asked to reflect upon their experiences of the business school curricula (Baden, 2014b).

The student protestors from Manchester and other universities in the United Kingdom, in their manifesto for change also call for greater collaboration between social science and humanities departments and a more multidisciplinary approach (Inman, 2014). This makes sense, for although the goal of education in general may be to advance well-being, its divided nature also gives rise to anomalies. For example, while business students are learning how to maximize growth, cut costs, and increase efficiency and performance—practices that can also give rise to externalities such as global warming, pollution, waste, resource depletion, unemployment, work stress, and so forth—in separate faculties and in separate programs, politics, environmental science, psychology, and medical students focus on addressing these societal problems. Would it not be wiser to adopt business models and values that do not incentivize businesses to externalize costs such as unemployment and pollution onto society in the first place? In other words, which focus on the terminal value of societal welfare rather than the instrumental value of profit maximization?

Applying a Wisdom Lens to the Functional Areas of Business School Education

In this section we consider what the implications are for business school pedagogy if business success is defined in terms of the terminal value of societal welfare, and profit is seen as an instrumental rather than a terminal goal. We propose that some management theories can be adapted to serve more prosocial ends, while others simply need to be discarded and replaced with more sustainable theories.

There have been recommendations that to make management education more prosocial requires discarding economic theories such as transaction cost economics which "norm" self-interest as they equate rationality with self-interest and ignore behavior that does not conform to these assumptions (Ghoshal, 2005; Ghoshal & Moran, 1996). Ferraro et al. (2005) agree and present evidence that the extent to which behavior is altruistic or self-interested is strongly influenced by our education and culture. They go on to show how the description and assumption of behavior as self-interested, as perpetuated by such theories, develop into norms of behavior and thus become self-fulfilling.

Accounting modules could be adapted to incorporate concepts such as the triple bottom line (Elkington, 1997), to teach students how to report on their organization's social, environmental, and economic performance. This not only raises awareness that these are important issues for business to consider, but it also prepares students for the increased accountability now expected from business for its social and environmental impacts as well as its financial performance. This is evidenced by the growth of CSR reporting: 93% of the top-250 companies worldwide now produce an annual CSR report, (KPMG, 2013) up from 52% in 2005.

Adapting finance modules is more difficult, but, we would argue, absolutely crucial to counter the culture of self-interest in finance that has been a key factor in the spate of economic collapses over the last century. Werner (2013) argues that "wise" finance is when its providers restrict their financing to projects that are productive and contribute positively to society. In his quantity theory of credit, Werner (2012) shows that bank credit has starkly different effects on the economy, depending on the use the money is put to. Credit for transactions that do not contribute to GDP are not likely to contribute positively to society and tend not to be productive: They constitute credit for the purchase of ownership rights in existing assets. In other words, they are funding for speculative activity. This often involves the creation of a Ponzi scheme, as no new income streams are produced to service and repay the original loan. Only capital gains can be produced, but they constitute a zero-sum game, that is, gains by one speculator are as large as losses of another. Credit for GDP transactions can be divided into those that purchase existing goods and services (consumptive credit), which is also not sustainable, and credit creation for the production of new goods and services, implementation of new technologies, and measures to enhance the environment or the sustainability of economic processes. Only the latter can be considered productive, able to yield benefits and income streams (or transfer payments) to make the loans sustainable. In all cases "productive" must be defined to include environmental aspects—holistically viewed, something that destroys the environment cannot be productive. Werner (2012, 2013) proposes that wise finance should focus on this productive credit extension. This would avoid financial crises and instability, while also reducing the current tendency toward greater inequality, resource depletion, and environmental destruction.

For human resource management (HRM), currently "quality of life" indices such as job satisfaction, work stress, and so forth are included in the HR curriculum, although the main outcome measures used in management models are performance related (with an emphasis on financial performance). For example, in discourse and pedagogy, CSR tends to be justified in terms of its ability to lead to better corporate financial performance rather than corporate social performance; in the field of HR discourse and pedagogy, just as in CSR, outcomes such as job satisfaction tend to be justified solely in terms of whether they contribute to business financial success. We propose that this is rectified in HR pedagogy by the simple act of presenting these quality of life indices as valuable outcomes in their own right. In other words it should be clear that good working conditions, job satisfaction, healthy work–life balance, and so forth are intrinsically worthy goals. We do not propose that profit should be ignored—clearly unprofitable businesses are unsustainable—but the discourse can be changed from "how far can we maximize profits"—a discourse that see human beings as "costs," and therefore, to be cut, to a discourse that puts human welfare first by asking, for example, "how much can we improve working conditions while still remaining profitable?"

A more problematic area in business education is marketing. As marketing theories in the Western curriculum typically assume an end goal of increased sales, marketing education tends to be antagonistic to the key tenets of sustainability, which require reducing consumption of resources. As mentioned above, the Cuban understanding of marketing sits more comfortably alongside sustainability goals as it focuses more on social inclusion to ensure needs are met, and thus, prioritizes "what" is made rather than "how much" is sold (Baden & Wilkinson, 2014). Nevertheless, we can suggest that promotion of a "product-service systems" approach (Manzini & Vezzoli, 2003) provides a means to incentivize decreased production by turning products into services. Positive examples of businesses that are adopting this approach can be provided. For example, Interface changed their business model to provide a flooring service, rather than sell flooring products. Interface leases carpets and flooring tiles to organizations, thus incentivizing the production of long-lasting carpets rather than carpets that wear out more quickly and need more frequent replacement.

In many modules, the choice of resources or required texts can help to determine the approach taken. In risk management, some textbooks on enterprise risk management assume without question that the purpose of risk management is to improve shareholder value, whereas others explicitly link risk management to stakeholder value (see, e.g., www.coso.org). Drawing attention to frameworks such as ISO31000, which make provision for consultation with stakeholders at every stage in the risk management cycle, can also promote a stakeholder-centric approach.

Of all business people, entrepreneurs especially have been accused of antisocial tendencies by some researchers (Morris, Schindehutte, Walton, & Allen, 2002). While this is a stereotype that has been contested (Longenecker, Moore, Petty, Palich, & McKinney, 2006), the typical entrepreneurship curriculum often draws on case studies that present role models of entrepreneurs who have achieved success by breaking the rules and operating at the margins of ethically acceptable behavior (Bhide & Stevenson, 1990) and role models of enterprises that are ruthlessly profit driven with little or no attention paid to social or environmental impacts. Choosing instead inspirational role models of more prosocial entrepreneurs[2] establishes more prosocial norms of business purpose, yet requires little modification to the curriculum. Further, greater attention could be given to the various types of social enterprise.

Corporate governance modules can adopt a more critical approach to agency theory and give more attention to alternative legal or governance structures within which organizations can work and create hybrid organizations with broader metrics of success than purely financial. In the United States, for example, legislation has been changed to allow the creation of low profit limited liability companies; benefit corporations which are for-profit organizations that have an express purpose of providing social or environmental benefit; and flexible purpose corporations (Battiliana, Lee, Walker, & Dorsey, 2012).

Similar approaches can apply across a range of other modules. For example srategy modules can replace the end goal of shareholder value with a broader stakeholder approach. In the following section we describe in more detail examples of how business schools are incorporating some of these ideas.

Signs of Progress

Several researchers have reviewed the progress reports submitted by business schools that have signed up to the U.N. Principles of Responsible Management Education (PRME). Alcaraz et al. (2011) claim that although the challenge is in the conceptual transformation of business schools, their analysis of the first 100 reports submitted to the PRME showed little sign of the necessary paradigm shift and indicated a more cosmetic approach. Similarly, a later study concludes that there was only shallow engagement with sustainability challenges (Perry & Win, 2013). However, Bell et al. (2014) are more positive and describe a variety of means by which business schools are attempting to embed PRME principles. These include adopting a critical perspective that considers management practice in its sociohistoric context, such that learning involves consideration of wider international trends and ethical issues (Keele Management School), and real-time simulations of CSR challenges using mobile technology (Bath School of Management).

It is promising that, in a recent edition of *BizEd* published by the AACSB, there is implicit recognition of the lack of wisdom of a narrow focus on instrumental values. Promislo and Giacalone (2014) report that when asked about the consequences of business scandals such as that involving the Ford Pinto, business students focused on business outcomes such as poor reputation and legal costs, rather than the human costs in terms of death and injury. This highlights the way in which business students are taught to underplay human costs relative to business costs. Promislo and Giacalone go on to provide examples of how lecturers can remedy this by making students aware of the human costs of unethical behavior in the workplace, for example by asking students in class discussions to put themselves in the shoes of those who have been negatively affected and write down the feelings and effects they would experience. In this way the business education process can help students to develop wisdom in terms of the creative application of knowledge in pursuit of the common good (Sternberg, 2001).

There is debate about the relative effectiveness of instrumental and normative approaches, as it is argued that it is easier to engage students in sustainability issues while remaining within the traditional economic worldview. However then the question becomes, when does it pay to be responsible, rather than thinking, "what is the right thing to do?" (Lourenço, 2013). While Lourenço's proposed solution is to highlight the business case for sustainability, we argue that the wiser alternative, as proposed by Giacalone and Thompson (2006), is to promote a different worldview, which puts monetary outcomes secondary to social and environmental outcomes. Giacalone and Thompson (2006) further argue the importance of inspiring rather than scolding: "People . . . need more than a vision of doom. They need a vision of the world and of themselves that inspires them" (p. 270).

This contention is supported by Baden (2014a), who finds that exposing business students to inspirational role models of ethical businesses leads to more ethical intentions. These findings confirm the predictions of the theory of planned behavior (Ajzen, 1985), which states that self-efficacy and normative influence are key predictors of behavior. Exposing students to examples of ethical business creates descriptive norms of business as ethical (thus undermining the "everyone does it" justification for unethical behavior). Students are made aware that ethical business is possible and ethical businesses can be as, if not more, successful than unethical business in the long term. Self-efficacy is

[2] Examples include Anita Roddick (Body Shop), Yvon Chouinard (Patagonia), Ray Anderson (Interface), Ben Cohen (Ben & Jerry's).

also increased by increasing knowledge of how businesses can operate ethically. The implications of such findings are that there should be greater use of positive role models of business, and lecturers should be encouraged to draw upon developments in the business world where there is growing evidence of corporations seeking new ways of achieving a balance between the needs of individuals, organizations, and society.

Walls and Triandis (2014) point to Lincoln Electric as a positive role model of an organization that has successfully blended capitalism and social enterprise into what may be termed "welfare capitalism." Lincoln Electric is a longstanding corporation that has survived several recessions without laying off any employees and has grown to become the largest global manufacturer of electronic welding equipment. Walls and Triandis (2014) argue that Lincoln Electric has successfully integrated universal values relating to the well-being of individuals, organizations, and wider society into their strategy and operations.

Baker (2013) highlights the importance of social influence in ethical decision making and suggests instructional strategies that can help prepare students for the workplace and to recognize and resist social pressure when facing moral challenges. Strategies include allowing students to articulate and internalize their own values and test these in simulations and role-plays. This enables students to practice appropriate behaviors in a safe context, to have opportunities for positive reinforcement, and see the consequences of various decisions.

Social influence can also be prosocial, as exemplified by the increasing trend of service learning (Conway, Amel, & Gerwien, 2009). In attempting to address the overall development of wisdom—"to know and to do"—(Sternberg, 2003; Solansky, 2014) we are seeing an increasing use of practical projects entailing working with organizations as a component of the curriculum design. Many of these projects include working with not-for-profits and social entrepreneurs as well as "traditional" corporations (Blakeley, 2015). Baden (2013) reports on a service-learning initiative that involved entrepreneurship students applying their skills by working with social entrepreneurs. She found that exposure to such positive role models was more effective in eliciting a socially responsible mind-set than lectures on CSR. Similarly, in management training, Gitsham (2012) discusses how IBM's Corporate Service Corps and HSBC's Climate Champion Program can develop social responsibility and sustainability leadership.

To effect changes in business education that lead to a greater development of wisdom, it has been argued that those engaged in teaching students need to embody the key components of wisdom in their own practice (Pruzan, 2011). Blasco (2012) talks about the "hidden curriculum" of business schools, claiming that to reinforce explicit messages regarding social responsibility, schools need to look at the more implicit messages they are transmitting about ethical conduct and practice from their own practices, governance, procedures, and general culture. This is supported by a recent study (Birtch & Chiang, 2014) that found that the perceived ethical climate within business schools was a significant predictor of students' ethical behavior. In essence, if academics are to cultivate responsible and wise future leaders, they need to display responsible leadership and wisdom themselves. This can be achieved not only in the classroom, but through broader engagement with society. For example at Henley Business School (University of Reading, U.K.) academics are encouraged (and indeed expected) to donate a number of pro bono days a year to support a not-for-profit community partnership.[3]

This "hidden curriculum" is important, as some of the most pervasive and difficult to change aspects of management education are not operating on the conscious level, but by way of a subliminal acceptance of implicit assumptions in management theories. For example Audebrand (2010) highlights the power of metaphor to guide and frame thinking, drawing attention to the prevalence of war metaphors that persist in strategic management theory. Audebrand calls for more helpful metaphors that promote rather than inhibit sustainability-minded approaches to management. Strand and Freeman (2013) respond by their suggestion of replacing terms such as "competitive advantage" with "cooperative advantage" (p. 65). Fougère et al. (2014) draw upon Rorty's (2006) reading of moral imagination and Flyvbjerg's (2006) understanding of phronesis to show how educating students to reflect upon their values and to problematize the dominant values they encounter in their business school education is necessary to develop genuinely more ethically aware, wise, and responsible graduates. Flyvbjerg integrates the important issue of power relationships into the notion of phronesis to construct a series of questions for students to reflect on: (1) Where are we going? (2) Who gains and who loses, and by

[3] http://www.unprme.org/participants/view-participants.php?partid=3020

which mechanisms of power? (3) Is this development desirable? (4) What, if anything, should be done about it? The last question implies the need for action, thus removing such discussions from the realm of abstract theory to the realm of practice and action in the real world. In turn this implicitly brings wisdom into the education process—"to know and to do" (Sternberg, 2001).

"[S]ome of the most pervasive and difficult to change aspects of management education are not operating on the conscious level, but by way of a subliminal acceptance of implicit assumptions in management theories."

Fougère et al. (2014) provide examples from various business schools—one school asks students in the CSR module to revisit a case study presented within an international business course, but this time to consider the case from the perspective of stakeholders other than shareholders, and to consider the negative externalities created from taking a shareholder-centric approach. Another example relates to an MBA course which, drawing on Audebrand's (2010) discussion of metaphors, asks students to come up with alternative, more caring metaphors for business, such as "stewardship" or the "world as a garden." A further example is to ask students to consider an issue from a number of competing theoretical perspectives, for example Realism, Liberalism, Marxism and Constructivism; this exposes students to alternative vocabularies which enable them to see the world differently from perspectives that are traditionally discredited or ignored in business school discourse.

Shrivastava (2010) argues for a need to develop a "passion for sustainability" and a holistic pedagogy that integrates physical, emotional, and spiritual learning with more traditional models of learning. If, as educators, we are to play a role in changing the behaviors of students to a "wise" direction, it is important that we incorporate emotional engagement and the development of passionate commitment alongside the current cognitive and analytic focus of business education (Shrivastava, 2010). This shift needs to be designed to move from a focus on developing cognitive skills to a broader view of meaningfulness that provides students with a sense of larger societal and environmental issues and positions these as being important in a work context. In exploring a pedagogic design that meets the needs of a redefined role for business, Shrivastava (2010) suggests that the curriculum for business education needs to combine the use of real-world, pragmatic projects that incorporate nonfinancial outcomes; holistic content that addresses mind, body, and spirit; a focus on learning by doing and learning from physical activity; and exercising emotional and spiritual elements, for example, including meditation or time for reflection. This is to enable students to develop an authentic picture of themselves based upon diverse sources of experience.

Shrivastava's inclusion of spiritual elements is reflective of the growth in interest in the concept of spiritual leadership (Blakeley, 2015; Cox, 2011; Karakas, 2010). Spirituality can be defined as "a belief in, and valuing of, a transcendent reality which is accessed by means of various practices, in order to support a search for meaning and purpose, wisdom and personal growth, deep connection with humanity, service to people and the planet and, ultimately, the achievement of a holistic integration of mind body and soul through one's lived experience of the world" (Blakeley, 2015: 18). Integration of the construct of spirituality and its application to leadership into the education agenda for business schools requires not only a change in the curriculum and pedagogic design, but also a change on the part of academics engaged in teaching. Blakeley suggests that to embed the constructs within business education, those responsible for teaching should themselves demonstrate elements of spirituality and related wisdom through their own practice. This will include making time for reflection on their teaching sessions and being willing to discuss their own uncertainties and fears, thus making themselves vulnerable (Rowland & Higgs, 2008).

A spiritual practice increasingly discussed in relation to wise leadership is that of mindfulness (Sauer & Kohls, 2011). Although mindfulness has its roots in Buddhist meditative practice, its key ideas are reflected in the more secular psychological concept of metacognitive awareness, that is, an awareness of how we think in a particular situation, and how this governs emotions and behaviors. In our business school we have just validated a leadership module that integrates mindfulness concepts through exercises in metacognitive awareness. Our belief is that good leaders who learn to be metacognitively aware (e.g., through mindfulness practice) make more considered choices about behaviors in relation to others and are less likely to behave in the service of their own egos and more in the service of the organization. Such an approach is also implemented in Winchester Business School and located in modules relating to leadership, particularly the area of responsible leadership (Blakeley & Higgs, 2014). The focus is on

- Building self-awareness. This often entails using established instruments to provide students with feedback on their personal values, priorities, emotional intelligence, etc.
- Emphasizing elements of mindfulness with a particular focus on self-reflection and being nonjudgmental.
- Exploring concepts relating to sense making.
- Presenting students with a series of real-world situations that leaders face, positioned as dilemmas rather than "traditional" business cases with correct solutions.

In our school we attempt to broaden this approach beyond the confines of the leadership modules. For example, in our MBA program, each student has coaching sessions in which they look beyond their course learning and focus on the application of their acquired knowledge and how this is informed by their personal values.

Other initiatives also promote optimism about progress, for example Exeter's One Planet MBA was developed in association with the World Wildlife Fund to fully embed sustainability across the MBA curriculum with the aim to develop "one planet"-minded business leaders who are competent and motivated to help business address sustainability challenges. Similarly, the Aspen Institute's Center for Business Education has developed a ranking scheme for full-time MBA programs that integrate sustainability-related issues within their curricula and research (Aspen Institute, 2012). Although the number of participating MBA programs is not particularly high (only 149 schools in 22 countries in 2012), the statistics indicate an increase of participating universities and integration of sustainability-related courses.

Leadership in Business and Management Education

For wisdom to manifest, business professionals and educators must take on a leadership role in influencing the organization to understand the impact choices can have on all organizational stakeholders. This is an imperative for any leadership role, and is key for the explicit (structural) and implicit (processes) aspects of ethics and responsibility within the organization (Burke, 1999). Within this area, we should reconsider the purpose of leadership. How can we align leaders to think about bringing a "purpose beyond profit" to their organizations (Collins & Collins, 2001; Higgs, 2012). Fundamental to this endeavor is a critical reflection on what we—whether as educators or business leaders—mean by success. The key question to reflect on is how would our strategic goals, management practices, management theories, and pedagogy change if we defined *business success* as contributing positive value to society through the goods and services it provides, the jobs it creates, and the avoidance of externalities, such as avoidance or complete mitigation of negative community or environmental impacts?

This approach does not necessitate the wholesale throwing out of decades of research and theories and management models, as most can be adapted to serve more prosocial ends. In many cases, the change is simply in the reversal of ends and means, with profit subservient to human needs rather than vice versa. Currently in modules such as CSR and HR, intrinsically valuable goals such as good working conditions are justified in terms of the financial bottom line, not as goals in their own right. This prioritization implicitly reflects and also helps to perpetuate the lack of wisdom in conflating the ends (i.e., human welfare) and means (money). Until this is addressed within business school pedagogy and discourse, then, we would argue, no substantial progress can be made toward developing more prosocial and wise business leaders.

Leadership in bringing about such a change needs to come from those responsible for educating and developing our future leaders. We need to challenge the established paradigms and rethink (and promote) what makes for success for an organization. Future leaders need to see success moving from simplistic performance measures to being more concerned with building individual and organizational capability, building a sustainable organization, and engaging people with a genuine purpose beyond profit. To bring about such a change, we need to think about how we do this in a different way. As academics we need to model this advice within our own organizations.

CONCLUSION

The perceived wisdom that business is about profit maximization has undergone many challenges over the last few decades. Yet despite this, changes in the curriculum have been predominantly cosmetic. Although additional ethics-related courses have made their way onto management programs, the notion that businesses are and should be about profit maximization remains embedded in the language, metrics, and models used in management education. In addition, the folly of using deterministic scientific models to explain complex human behavior has not been addressed. As long as educators use models and frameworks that demand quantifiable data, we still risk excluding variables that are valuable rather than measurable, allowing data to triumph over wisdom.

However progress made at the Rio+20 summit in June 2012 gives cause for hope. One of the outcomes from this summit was a road-map for management education to 2020 accompanied by a video (http://50plus20.org/) summarizing a vision for the transformation of management education. This challenges the perceived wisdom that profit maximization is the ultimate goal of business and sets out new benchmarks for management education with a greater focus on social responsibility and sustainability. In the road-map to 2020 is the acknowledgment of the need to "redefine the purpose of the firm and adapt our core assumptions, like agency theory and maximization of shareholder value, so that they are fit for purpose in a society that works beyond the short-term to the medium and long-term."

Such developments go some way to addressing a key folly highlighted here: the confounding of the means and ends of business activity. Nevertheless, although the "end" of human welfare has gained greater visibility, and the dominant ideology of profit maximization has been challenged, there is as yet little evidence that the folly of confounding the means and end has been fully realized in any practical sense. As many thinkers have made clear, wisdom is not about abstract theory—it is manifest in action (Jashapara, 2005).

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