

The New Entrepreneurial Leader: Developing socially, ethically, economically and environmentally sensitive leaders: A literature review of recent trends from three leading writers

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In the past few decades the words used as synonyms for leadership were confidence, strategic planning, and a focused mindset. The business schools claim to produce managers and leaders with the above mentioned qualities that are required to manage and run the present day corporations.

There is a lot of emerging criticism that the business schools have changed the art of management in to science. Management is considered to be an art rather than science. When management art is mixed with craft or experience, it becomes a practice. Inexperienced students cannot appreciate the practice of management, so they focus on the science, or analysis, that is the basis of most MBA programs. Management is treated like a profession that can be learned without experience and then applied in every situation. Management on the other hand is actually a facilitating activity that depends on the immediate context. But today's fast, every increasingly complex and globalized world requires different kind of leadership which is socially, ethically, economically and environmentally sensitive. This review discusses the recent literature and presents a synthesis of various view points on this topic.

Shoshanna Zuboff (2009), one of the first tenure track professor at Harvard Business school who spent quarter-century as a professor at HBS, including 15 years teaching in the MBA program states, "I have come to believe that much of what my colleagues and I taught has caused real suffering, suppressed wealth creation, destabilized the world economy, and accelerated the demise of the 20th century capitalism in which the U.S. played the leading role. We weren't stupid and we weren't evil. Nevertheless we managed to produce a generation of managers and business professionals that is deeply mistrusted and despised by a majority of people in our society and around the world. This is a terrible failure (Zuboff 2009)".

She continues to state that this failure has contributed to the decline of American business. Margins have shrunk and return on sales for the Fortune 500 has been declining. Most companies opted for cost reduction strategies to find new ways. The Harvard Business School and other business schools, came up with new concepts and jargons: outsourcing, off-shoring, downsizing, reengineering, and finding new overseas markets for old products. The obsession to the shareholder value maximization concept led the firm to another area "financialisation". Since the 1980s, manufacturing firms have made more of their revenue and profits from finance than from selling their products Zuboff (2009).

The business school managers have to rethink the MBA programs to prepare future managers which can run complex global organizations in a rapidly changing world. According to Srikant (2010) "business schools need to take a broader view of their graduates' responsibilities to multiple stakeholders, and to provide their students with a deeper understanding of such phenomena as globalization, leadership, and innovation, as well as the ability to think critically, decide wisely, communicate clearly, and implement effectively".

An important point raised by Srikant (2010) is the “two cultures” problem i.e. business school research and business practice. The Ford Foundation and Carnegie Corporation submitted a report in 1959 recommending the business schools to incorporate more and more analytical courses, to enhance the research orientation of the faculty and the incorporation of traditional disciplines such as mathematics, statistics, economics and psychology with more focus on theory. Over a period of time these reforms have created a huge gap between theory and practice.

Mintzberg (2005) claims that the business schools choose the wrong people to train as future business leaders. The business schools try to create managers out of people with no experience or demonstrated leadership. Leadership is a natural quality which is time and context dependent. To teach leadership to someone who has never managed is like teaching psychology to someone who has never met another human being.

Management is an art rather than a science and when mixed with craft or experience it becomes practice. An inexperienced person cannot understand the practice of management and therefore focuses more on the science and analysis part. Most of the business schools consider the aspect of science and analysis to be the foundation and basis of the MBA programs. They consider management as a profession that can be learned without experience and then applied in every situation.

Many business schools on average require a work experience of four years for admissions in the MBA program so that the students bring some managerial experience. On the contrary their experience is very basic in non-serious activities and rarely managerial. This age group is typically in search of a quick career progression and freedom from family to fulfill their ambitions. This mindset is in contradiction with management that focuses on accepting responsibility rather than throwing it off to others. Most of the MBA applicants are impatient, analytical and controlling who self-select to apply to have a quick career progression and move up. In many cases they move out of their area of expertise and core competence.

The GMAT admission test has a bias for science and analytical thinking. The business schools prefer students with higher GMAT scores rather than good management experience. Mintzberg adds that the people having a zest for business (to get the most out of resources) but not the will to manage are the problem. Such people are abundant in the MBA programs. These people turn out to be good investment bankers, financial analysts or consultants. The world needs leaders with human skills, not professionals with academic credentials. Once the wrong people are admitted in to the program, there is no right way to develop them. These business students receive a false sense of management and they carry and disseminate it in organizations. This ill-conceived pedagogy becomes so ingrained that even when the right people are sent to executive MBA programs, they learn the wrong things.

The first graduate studies in business started at Dartmouth in 1900, followed by the first MBA program at Harvard in 1908. With the passage of time, the focus of the business education became academic. Case studies emerged and became popular with students for their practicality; interest in business research began to decline. In the 1950s, interest in academic research picked up again, and the focus was on business rather management. Business programs used to teach distinct functions, such as finance, entrepreneurship and marketing, not management. Management was eventually introduced in the form of “strategy,” course. Instead of viewing it as a synthesizing and integrating course of various functions, it became another function to analyze.

Managing by analysis was narrowed to decision making, and became the norm. In reality much of decision making involves soft skills to identify problems, consider options, and set up holistic solutions. Professors either can't or don't want to teach soft skills, and the students are not ready to learn them either. The business school programs focus on what they can do i.e. evaluate choices : a very narrow view of management. Students are encouraged to analyze by learning generally applicable techniques, but not by taking responsibility..

Mintzberg defines the present day management education in business schools by this equation

CONFIDENCE – COMPETENCE = ARROGANCE

The curriculum in the business schools is based on building a confidence. The MBA pedagogy consists of primarily four components i.e.

1. Lectures: Professors stand before the students and tell them how the real world is, but unfortunately the real world is experience.
2. Case Studies : Students read a 10- to 20-page discussion of a business situation with a protagonist at a crossroads, having to make a decision. This method promotes too much sitting around and talking — not action.
3. Business Games : Teams of students make decisions about pricing and production for simulated businesses on computers, but suffer no consequences if they are wrong.
4. Projects : Students conduct fieldwork projects and consulting assignments in real companies, but without commitment or responsibilities, the projects are meaningless.

In a typical MBA two years program the students go through 400 to 600 case studies. The case studies are mostly success stories and discuss the matter in a very superficial and shallow way. The students focus more towards class participation rather than learning. They are not exposed the hard work and sleepless nights spent by the protagonists in making the company a success. They students learn the jargons, key words, and very generic information and feel themselves in the shoes of a corporate executive. Competence can be defined in two ways i.e. execution capability and peoples skills. The graduating students are very low in both of these as they have the least amount of focus during the MBA program. Confidence minus competence breeds arrogance.

The effective people have confidence and competence, the sad ones neither. The unfortunate people have competence but lack confidence. They are worth worrying about, however they are treatable as a small boost in confidence can have great benefits. The dangerous people, especially in this hyped up society, are the remaining group: those whose confidence exceeds their competence. These are the people who drive every one else crazy. MBA programs not only attract significant numbers of such people but encourage their tendencies, by boosting their confidence to manage while providing little competence to do so.

This mindset has resulted in business schools training elitist leaders in analysis and communication skills and promoting them on fast tracks which in turn have led to the corruption of the educational process.

Corruption of the Educational Process

Although business schools claim to teach business skills their main focus becomes to filter and prepare the students on fitting in and competition. Students try their best to enter in to the best business schools for the sake of networking and reign over management. The obsession to increase shareholder value triumphs over customer needs and product quality. Even with the increase of more and more ethics classes, the MBA graduates are least concerned with the environmental, social and ethical businesses.

The MBA program gives them a lot confidence without enough competence. The business schools create a breed of arrogant students who want to jump to the executive suite in a short time, but are ill equipped for that position. The combination of the suspect education with the mindless drive to market MBA degrees like action films disables the business schools to develop responsible managers, businesspeople and citizens.

Corruption of Managerial Practice

As many MBA graduates reach senior positions, this mind set has an enormous effect on the practice of Management. Some of the commonalities of the MBA career path are

1. **Gateway to the Real World:** Due to the race to move ahead very quickly, MBAs typically leap directly into consulting or investment banking where they have great opportunities for analysis and techniques, but little responsibility for implementation or direct management. The MBA is a status symbol giving student's money and their hiring employers a way to screen for interest in business, if not loyalty.
2. **End Run Around Management.** Increasing numbers of MBAs get into managing by going around it, straight into executive positions. They are never involved in making or selling anything and just involve themselves in functions that are not industry specific. The people holding these degrees are often impatient, aggressive and self-serving. Launching them into important positions without context only encourages them to rely on this behavior.
3. **Managing Out of Balance.** MBA training should be a balance and combination of the techniques and experience of craft, the art of insights and vision, and the science of analysis and assessments. Traditionally, the training is light on craft and art, leaving science to take over and propagate a calculating and dehumanizing environment.
4. **Performance of Prominent MBA CEOs.** Though they can get to high positions, MBAs cannot necessarily perform there. MBAs constitute approximately 40 percent of CEOs in Fortune 100 companies, but familiar lists of the most admired business leaders — Buffett, Kelleher, Dell, Gates, Welch and Winfrey — do not include MBAs. In fact, CEOs with MBAs tend to have poor execution and people skills, exactly where their selection and training are weakest.

MBAs tend to gravitate toward and do best in industries where they can control and fiddle with old technologies, such as marketing consumer goods. They can apply the same techniques to several products. The problem with MBAs is that they are apt to focus on one aspect — marketing, finance, or development — and throw the whole company off balance.

MBAs and Entrepreneurship

Many business schools have embraced entrepreneurship and have slogans like “we produce entrepreneurial leaders”, but like all other disciplines, it is taught assuming that the uninvolved CEO is responsible for everything. Entrepreneurs are in general very artistic and visionary, and they rarely attend MBA programs. MBAs are not known for their success as entrepreneurs. They may start their own low-tech businesses in consulting, real estate, or financial services, but they are rarely capable of the dedication and risky behavior inherent in entrepreneurship.

As the entrepreneurial organizations grows, the entrepreneurs find it difficult to run their organizations properly and this is the time when professional managers are brought in and they introduce bureaucracy of formalization and centralization.

MBA programs by their very nature promote centralization. As the graduates spread throughout the economy, they are responsible for the rise of bureaucratic management in a time, especially in high-technology industries, when we need to nurture teamwork, collaboration and networks.

Corruption of Social Institutions

These destructive effects of this education spill over to the society at large. The members of the professional or business class become the leaders of the economic entities while they do not command respect from the society. Society is becoming stratified into a credentialed class and an experienced

class, when in fact leaders should be varied and chosen for their qualities beyond credentials and affiliation.

The corporations ignore social responsibility in favor of narrow shareholder value, and regards CEOs as the sole generators of economic performance. These managers and heads of business are in powerful positions to make decisions to either thwart social needs or consider them.

Alternatives and Solutions

By Henry Mintzberg

Mintzberg argues that instead of starting with what untrained youths are taught in management education, we should start with what leaders and managers need to know. Conventional education hinders learning, and something more engaging and less controlling is needed to educate the right people for management in the right ways to achieve the right consequences. Mintzberg has come up with eight propositions to fix what's wrong in management education:

1. Management education should be restricted to practicing managers. Instead of having students self select into business school and then emerge onto the fast track, organizations shall choose their most promising midcareer leaders who are old enough to have experience, but young enough to benefit from education.
2. The classroom should leverage the managers' experience. Managers should remain on the job while they learn in school so that their experience is as major a force in the classroom as the instructor's teaching.
3. Insightful theories help managers make sense of their experience. Managers have to be exposed to theories so they can learn to be thoughtful and express themselves.
4. Thoughtful reflection on experience in the light of conceptual ideas is the key to managerial learning. Learning is not doing. Learning is reflecting on doing. It involves wondering, probing, synthesizing and connecting all in a struggle to do things better the next time.
5. "Sharing" their competencies raises the managers' consciousness about their practice. Competencies such as leadership or negotiating are hard to teach and therefore hard to fit into management education. They are best learned on the job. But if managers in a classroom share how they have practiced different competencies and what worked or failed, they can learn from comparing their experiences.
6. Beyond reflection in the classroom comes learning from impact on the organization. In order for management education to approach leadership, it must encourage managers to get beyond the benefit for themselves. If an organization sends an individual for education, the obligation and commitment go both ways. The learners who go away should return as management teachers.
7. All of the above should be blended into a process of "experienced reflection." The managers bring experience to the classroom, where faculty members introduce concepts, theories and models, and reflection occurs. The resulting learning is carried back to the job, where it impacts behavior, providing further experience for reflection back in the classroom.
8. The curriculum, the architecture and the faculty should be shifted from controlled designing to flexible facilitating. The idea that teaching should be divided into discrete chunks i.e. operations, human resource, ethics, etc. is ridiculous. Programs should weave together values and attitudes, stories and ideas, and use engaging methods of learning to hold participants responsible for reflecting together on their experience. Instead of controlling the process, faculty members should collaborate and learn as well.

Solution by Srikant et.al (HBS Faculty)

Srikant et.al (2010) suggests that the business schools need to focus on three things to rebalance the MBA program

1. The Knowing component: revaultate the theories, frameworks and facts being taught
2. The doing component: develop skills and capabilities that are central to the practice of management
3. The being component: the values, attitudes and beliefs that form managers world views and professional identities

These three things are the core ingredients as without doing skills knowledge is of little value. Without being "being" skills, it is very hard to act ethically or professionally.

The authors researched various MBA programs and identified eight important areas that need to be focused Exhibit 1. Most of them are related to the doing and being components.

Solution by Shoshan Zuboff: Rules for a New Era

Zuboff (2009) argues that focus of business on finance rather than manufacturing has moved the US economy's locus of control towards abstract and risky financial instruments. A long term solution requires rebirth of business based on new rules. The old rules preached and taught by business schools invented a hundred years ago were to supply mass produced products to consumers at affordable prices. These rules have a mismatch with the values of the present day consumer who wants to live their lives based on their choice and personal control.

Zuboff (2009) suggests some new rules as follows

New Rule No. 1: Race to I-Space

The old rules had a focus on creating economic value. Harvard Business School students have been trained for a century in the "administrative point of view." The manager was developed to oversee and control what was inside the organization space and to view the company as "my company." Everything else was a disturbance. This point of view is focused on selling a product and to operate from the organization space to maximize the company's efficiency and serve its interests.

The old rule is a world of boundaries: who's in and who's out; who's up and who's down. It's a world of producers vs. consumers, my company vs. your company, us vs. them. Businesses are no longer just about the product. They have become complex and seek solutions for the individual. Economic value is concealed in consumers' unmet needs and is released by providing people with the means to fulfill those needs. To realize this new value, you need to get out of the organization space and into the subjective space where individuals live. This is what Zuboff calls the "I-Space." This means leaving the "us-them" mentality. In the new context everyone is an insider. Amazon and eBay are interesting examples on how they moved into I-space and made billions of dollars in new value in just a few years. Microfinance institutions achieved extraordinary results by reinventing banking, a model that is spreading from the third to the first world.

New Rule No. 2: Advocate, Don't Alienate

The old perspective was, "What is my product or service, and how can I sell it to you?" This point of view promoted a sort of confrontation into the buyer-seller transaction. The new rules are reformed and ask, "Who are you? What do you need? How can I help?" This mindset leads to a culture of encouragement and mutual accountability. Zuboff (2009) argues that the more trust you build, the more value you release,

and the more wealth you create. These new principles are vital in I-space, but old attitudes are difficult to unlearn.

New Rule No. 3: Collaborate and Federate to Compete

The I Space mindset forces you to collaborate and federate to provide the support to individuals. This is a challenging task and cannot be done alone because the individuals needs do not conform to existing organizational and industry boundaries. The manager has to learn how to manage what you don't control or own. Zuboff (2009) states that these economies of trust are becoming more important than economies of scale. The emphasis shifts from contracts and legal agreements to trust and transparency as companies work together, aligned with their customers' interests—sharing core values, business practices, infrastructure, and systems.

Solution by Greenberg et.al from Babson College

Profit maximization and shareholder value creation, long considered an adequate basis for business are no longer sufficient (Porter and Kramer, 2011). Maximizing the common good and minimizing social injustice and environmental impact is the order of the day. Entrepreneurial leaders through an understanding of themselves and the contexts in which they work act on and shape opportunities that create value for their organizations, their stakeholders and the wider society. They work on simultaneously creating social environmental and economic opportunities.

The authors suggest that rapid change and increasing uncertainty require leaders to be “cognitively ambidextrous,” able to shift between traditional “prediction logic” (choosing actions based on analysis of known trends) and “creation logic” (taking action despite considerable unknowns). Guiding this different way of thinking and acting is a different worldview of business and society, where simultaneous creation of social, environmental, and economic value is required. Entrepreneurial leaders also leverage their understanding of themselves and their social context to guide effective action. They are undiscouraged by the lack of resources or by high levels of uncertainty.

Conclusion

The business schools have to seriously look in to this matter and try to come up with a model which is producing managers which are environmentally, socially, ethically sensitive and have a high spiritual orientation. The business schools have to reflect on their mindsets and the business school faculty has to embrace the change themselves by coming out of their comfort zones. Management education has to be considered as an art supported by analysis and the scientific method. Cognitive ambidexterity has to be embedded in to the curriculum. Emphasis on values, ethics and soft skills in leadership, negotiations has to be made. The business schools have to work on the intake and to admit those having a managerial experience and the potential to work hands on. The new MBA class will have its own case studies, group discussions, exercise and strong values to serve the society. Only then the Mintzberg equation can be rewritten as

$$\text{CONFIDENCE} + \text{COMPETENCE} = \text{HUMILITY}$$

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Exhibit 1: Eight Important Areas that need to be focused

Important Areas	Details
Gaining a global perspective	Integrating both theory and practice on how best to manage when faced with economic, institutional, and cultural differences across countries.
Developing leadership skills	Understanding the leadership role and responsibilities; investigate alternative approaches to inspiring, influencing, and guiding others; learning people skills such as conducting a performance review and giving critical feedback; and understanding the impact of one's actions and behaviors on others.
Improving integration skills	Thinking about issues from diverse angles and have to a holistic thinking capability. Training to make decisions based on conflicting functional perspectives; and to exercise judgment and intuition during messy and unstructured situations
Understanding the role, responsibilities, and purpose of business	Simultaneously balancing financial and nonfinancial objectives while dealing with diverse constituencies such as shareholders, employees, customers, regulators, and society.
Thinking creatively and	Finding and framing problems and research questions; collecting, synthesizing, and distilling large volumes of un clean data; engaging in

innovatively	lateral thinking; with continuous experimentation and learning.
Recognizing organizational realities and the challenges of implementation	Influencing others and getting things done in the context of hidden agendas, unwritten rules, political coalitions, and competing points of view
Thinking critically and communicating clearly	Developing and articulating logical, coherent, and persuasive arguments; arranging supporting evidence; and distinguishing fact from opinion.
Understanding the limits of models and markets	asking tough questions on underlying assumptions and emerging patterns and seeking to understand what might go wrong; understanding the tension between regulatory activities aimed at preventing social harm and market-based incentives designed to encourage innovation and efficiency; and teaching students recognizing the imperfections of models and frameworks