

# RESPONSIBLE MANAGEMENT EDUCATION FOR 21<sup>ST</sup> CENTURY LEADERSHIP

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This paper discusses possible approaches for business schools regarding how to educate students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy. On the basis of the recently published Principles for Responsible Management Education (PRME) as well as contemporary learning theories, the paper provides concrete recommendations about how to foster students' development towards becoming long-term thinking, responsible business leaders. The paper argues that student learning needs to occur within powerful learning environments to provide active, problem-based and self-directed acquisition of knowledge, skills and attitudes. Two approaches to create best-practice learning environments are real-life case studies and real-life student projects which both lead to strong buy-in from students, faculty and company partners. Both approaches are exemplified with the International Management bachelor's degree program at Zurich University of Applied Sciences in Switzerland. As a result, responsible management education fosters students' knowledge, skills and attitudes towards responsible business leadership to shape the future direction of the 21st century.

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## Introduction

Due to the rotating circle of economic crises, universities – and especially business schools – have come under pressure to reconsider their concepts of management education. One of the main criticisms addresses the recent financial crisis which is said to have been caused – amongst others – by greedy Wall Street and London City bankers, many of whom were educated at prestigious business schools. In broader terms, this critique is in line with the suggestion that business schools do more harm than good (Goshal, 2005) and that they ignore the human dimension of businesses and their responsibility towards the social and ecological environment (Navarro, 2008). Business school graduates are regularly characterized as cold-blooded technocrats lacking interpersonal skills, intercultural abilities, emotional and ecological intelligence, trustworthiness or social responsibility (Mintzberg, 2004). Being confronted with such harsh criticism is at the same time an opportunity for business schools to undertake a critical self-reflection and self-examination of their educational practices or – as Starkey and Tempest – have stated: “We need to consider a broader definition of the role of the business school as a force for achieving the good of business and society” (2009, p. 577). Business schools

can see themselves initiating a transformation from career training centers towards enablers of corporate responsibility (Bieger, 2011).

This paper outlines possible pathways regarding how business schools can provide a responsible management education geared towards a holistic understanding of management. As a framework, the paper is based on the recently published Principles for Responsible Management Education (PRME), which fosters – amongst others – “the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy.” On the background of contemporary learning theories, the paper provides concrete recommendations about how to foster students' development towards becoming effective, long-term thinking and responsible business leaders. A large focus will be put on educating for “Sustainable Corporate Responsibility” as conceptualized in this issue by Schüz (2012). The paper takes the position that student learning needs to occur within complex learning environments to provide active, problem-based and self-directed acquisition of knowledge, skills and attitudes. The role of business schools is thus seen as a creator of challenging learning settings which allow the students to not only

acquire contemporary business knowledge and skills, but to develop their personality towards responsible business leadership thus shaping the future direction of the 21<sup>st</sup> century.

### The Role of Business Schools in the 21<sup>st</sup> Century

It might have come as a surprise to observe the Occupy movement arriving at Harvard Business School last year. Some 70 students walked out of the acclaimed Gregory Mankiw's introductory lecture about economics to protest what they perceived as biased teachings. In a letter to Professor Mankiw, the students wrote: „Today, we are walking out of your class, Economics 10, in order to express our discontent with the bias inherent in this introductory economics course. We are deeply concerned about the way that this bias affects students, the University, and our greater society. (...) Harvard graduates play major roles in the financial institutions and in shaping public policy around the world. If Harvard fails to equip its students with a broad and critical understanding of economics, their actions are likely to harm the global financial system. The last five years of economic turmoil have been proof enough of this“ (Harvard Political Review, 2011).

Whether we agree or not with this walkout of students, it is a sign for business schools to reconsider their role in society. Originally business schools were founded with the goal to create management as a profession. Besides acquiring the skills and techniques needed for effective management, business schools saw the management profession always in terms of using one's knowledge for the advancement of societal interest. In this perspective, professionals should act in the best interests of the persons they are representing rather than their own self-interest (Khurana and Penrice, 2011). In light of the profit maximization and shareholder value paradigm which has dominated management education since the 1980s, the goal to educate business leaders acting beyond pure self-interest seems to have taken a back seat in many business schools' educational programs (Losada, Martell and Lozano, 2011).

There is, however, a change going on. The recent scandals and turmoil at the corporate level – such as the Enron and WorldCom affairs – as well as on national levels – such as the financial crises in various parts of the world – have raised the awareness that business is not only to make profit, but also to create social and ecological value. Businesses nowadays are urged to assume their corporate responsibility on the basis of ethical business behaviors. What is valid for enterprises, is valid for academic institutions too. There is a clear call that academic institutions – and especially business schools – need to acknowledge their responsibility towards sustainable ethical education of their students (Morsing and Rovira, 2011; Vervoort Isler and Teta, 2012b). This request

aims at treating business ethics “on par with the technical subdisciplines so that it can serve as a counterbalance to the amoral perspective that dominates business education. To the point, ethics must be advanced in its own right as part of a comprehensive curriculum” (Swanson & Fisher, 2009, p. 10). Even though the request for moral or ethical education is not new, the pressure for business schools to implement comprehensive business ethics educational standards into the curriculum has clearly risen.

The most straightforward and clear-cut postulate for business schools to take ethical education seriously is the Principles for Responsible Management Education (PRME) which were issued in 2007 by the UN Global Compact (see table 1). The PRME can be seen as a manifesto for business schools to “help shape the attitudes and behavior of business leaders through business education, research, management development programs, training, and other pervasive, but less tangible activities, such as the spread and advocacy of new values and ideas. Through these means, academic institutions have the potential to generate a wave of positive change, thereby helping to ensure a world where both enterprises and societies can flourish” (PRME, 2007, p. 3).

**Table 1: The Principles For Responsible Management Education**

**Principle 1 / Purpose:** We will develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy.

**Principle 2 / Values:** We will incorporate into our academic activities and curricula the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact.

**Principle 3 / Method:** We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership.

**Principle 4 / Research:** We will engage in conceptual and empirical research that advances our understanding about the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value.

**Principle 5 / Partnership:** We will interact with managers of business corporations to extend our knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meeting these challenges.

**Principle 6 / Dialogue:** We will facilitate and support dialogue and debate among educators, business, government, consumers, media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability. We understand that our own organizational practices should serve as example of the values and attitudes we convey to our students.

Source: PRME (2007)

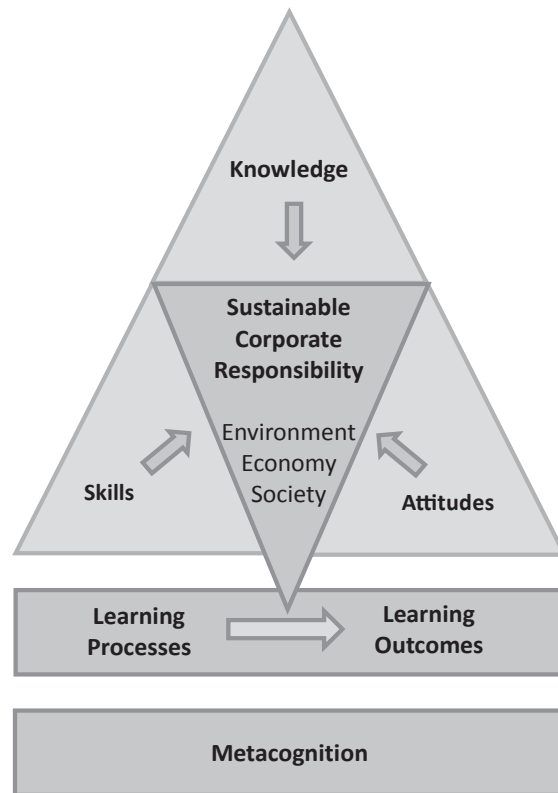
## A Didactic Model for Responsible Management Education

For business schools, the six PRME outline the purpose, goals and methods for responsible management education. Nevertheless, principles per se are always defined on an abstract level. From an educational point of view, this abstract level has to be broken down into concrete teaching and learning scenarios. If students are seen as future generators of sustainable value for business and society – as postulated in Principle 1 – the challenge for business schools lies in creating learning environments to foster knowledge, skills and attitudes which enable students to become responsible business leaders – as postulated in Principle 3. From a pedagogical point of view, a methodical and didactical model is needed to effectively implement the PRME. Such a model outlines the goals, the contents, the learning outcomes, the learning processes as well as the normative basis of responsible management education. Business schools are therefore supposed to emphasize the integration of a normative and strategic perspective to achieve a holistic understanding of management.

Referring to the PRME, the following five-element model is suggested to realize responsible management education (see Figure 1):

1. Responsible management education at business schools is geared towards the *goal* of “Sustainable Corporate Responsibility” (see Schüz, 2012 in this issue) which is based on the triple bottom line: creation of sustainable social, environmental and economic value.
2. The *content* of responsible management education consists of the role, dynamics, and impact of corporations in creating social, environmental and economic value in interactions with their stakeholders.
3. The *outcome* of responsible management education is business leaders which live and practice responsible leadership to create sustainable social, environmental and economic value.
4. The *learning processes* to achieve the above outcome take place within learning environments or learning scenarios which allow students to construct the relevant knowledge, skills and attitudes to realize sustainable corporate responsibility as future business leaders. Furthermore, learning does include a metacognitive process enabling students to question, explore and make meaning of the values and assumptions that guide their business decision-making process.
5. The *normative basis* of responsible management education consists of shared values and a constant metacognitive reflection of the specific context.

Figure 1 Didactic Model for Responsible Management Education



Source: authors

## Constructivist Learning Environments for Responsible Management Education

The above model includes specific assumptions about effective learning for responsible leadership. How can academic institutions foster student learning in order to become responsible business leaders who create sustainable social, environmental and economic value? Answering this question requires a short discussion of two fundamental learning paradigms: objectivism and constructivism (see Dubs, 2009).

### Objectivism

Originally, learning was understood as the transfer of knowledge from an instructor (professor, lecturer, and teacher) to his/her students. In this perspective, knowledge is seen as an objective mirror of reality. Learning processes are considered to be passive acquisition of knowledge. It is assumed that students understand this knowledge the same way as the instructor. The role of education therefore lies in supporting students to adopt objective knowledge into their cognitive structures.

### Constructivism

A modern understanding sees learning as an active, self-directed, social and constructive process. In this perspective, knowledge is seen as an individual construction of reality. Every individual perceives reality differently, based on one's own experiences, educational and cultural background, etc. Knowledge therefore cannot be transferred from one person to another, but is elaborated through individual learning processes and cultural context, which is also important regarding SCR. For instance, there are intercultural differences how to take on ecologic responsibility depending on the respective perceptions of nature (cf. Barthelmeß 2013). The role of education is focused on creating challenging learning environments allowing the students to actively generate and develop core competencies.

Considering the ambitious objective to educate responsible future business leaders, it becomes clear that learning cannot be seen as the passive adoption of established knowledge. Learning is rather a meaningful and active process which fosters a holistic understanding of the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value. Such learning processes are constructive, multidisciplinary, problem-based and integrative. Within the context of responsible management education, the learning outcome is directed towards competencies which can be defined as an integrated set of knowledge, skills and attitudes to create sustainable social, environmental and economic value. Taking the assumptions of the constructivist learning paradigm into account, sustainable corporate responsibility can thus be specified as a core competency consisting of the knowledge, skills and attitudes for integrating social and environmental considerations into business decision-making processes (see Table 2).

The knowledge, skills and attitudes constituting sustainable corporate responsibility complement each other. It is the combination of each crystallizing in key behaviors demonstrated by business leaders at all corporate levels. Those behaviors themselves define the core elements of responsible leadership (see Wilson, Lenssen and Hind, 2006):

- Acting with integrity
- Caring for people
- Demonstrating ethical behavior
- Communicating with others
- Taking a long-term perspective
- Being open-minded
- Managing responsibly outside the organization

**Table 2 Competency Framework For Sustainable Corporate Responsibility**

#### GENERIC COMPETENCY FRAMEWORK FOR SUSTAINABLE CORPORATE RESPONSIBILITY

##### KNOWLEDGE

- Understanding the competing demands of different stakeholder groups
- Understanding how the core business activities create opportunities for other actors in society and how the company can make a contribution to society
- Understanding the social and environmental risks and opportunities of the company and its industry sector
- Understanding the institutional debate on the role and legitimacy of the firm

##### SKILLS

- Well-founded and balanced judgment
- Critical thinking
- Team player
- Creativity, innovation and original thinking
- Communicating with credibility
- Business acumen
- Listening skills
- Managing stakeholder network relationships
- Emotional intelligence

##### ATTITUDES

- Honesty and integrity
- Long-term perspective
- Open-mindedness
- Appreciating and embracing diversity
- Conviction and courage
- The drive to contest resistance
- The capacity to think outside the box

Source: Wilson, Lenssen and Hind (2006)

From a pedagogical perspective, knowledge, skills and attitudes as well as the resulting behaviors for responsible leadership become the learning outcomes of responsible management education. It is evident that there is no short cut to build up and develop sustainable corporate responsibility as a guiding principle in the mindset of business students. It is indeed a long-term venture which has to be carefully integrated into the mission of academic institutions as well as the curricula of business programs. By doing so, the traditional way of teaching management and business within the four walls of a classroom has to be extended: "There is a strong need for greater use of experiential learning techniques – exposing people directly to the situation and giving them the

opportunity to reflect and experiment with potential ways of dealing with the experience” (Wilson, Lenssen and Hind, 2006, p. 37).

Dealing with a concrete experience – as mentioned in the above statement – requires challenging and powerful learning environments which stimulate problem-based and action-oriented learning towards sustainable corporate responsibility. In order to consolidate sustainable corporate responsibility as an effective and meaningful competency for responsible leadership, the students need to also develop strong metacognitive and reflexive abilities to question, explore and assess the values and assumptions that guide their business decision-making processes. Furthermore, the traditional role of teacher and student has to be reconsidered. In learning environments and classroom settings as mentioned and described above, the teacher is coaching the students along critical thinking and towards reflective exploration. The focus of didactics and classroom methodologies moves from teaching to learning.

### **Responsible Management Education in Practice**

Responsible Management Education has already become a key issue for many academic institutions (Escudero, 2011). It is evident that the principles for responsible management education can only be justified if they trickle down to the institutional and educational level of academic organizations (for many practical examples see Escudero, Albareda, Alcaraz, Weybrecht and Csuri, 2012). The following two examples shall demonstrate methodical and didactical scenarios regarding how to implement responsible management education into the curriculum of a business program. Both examples arise from the International Management bachelor’s degree program at Zurich University of Applied Sciences, School of Management and Law in Switzerland. This three-year program prepares students for careers in the world of international business. The program is based on the constructivist learning paradigm following a problem-based teaching and learning approach. Being committed to applied sciences, a strong focus is laid not only on building up the theoretical foundation for managing international businesses, but also on connecting academic education with the real business world.

#### ***Real-Life Case Study***

In order to combine academic learning and real world experiences, the students of the International Management Program work on a real-life case study throughout the entire first semester. For each generation of students, a new case study is developed in cooperation with an internationally operating company (e.g. Philips, ABB, Mettler Toledo). The case study consists of four assignments which have to be

worked on by teams of five students on a three week basis. Topic-wise, the assignments refer to strategic, financial and marketing management with a strong focus on manifold issues of corporate responsibility (e.g. dealing with corruption when entering a foreign market, complying with domestic and foreign labor law standards, balancing financial against environmental requirements, creating an effective communication with NGOs, applying principles of socially responsible marketing).

Methodically, the students have to present their assignment solutions every third week in front of a panel consisting of a senior executive from the case study company and a professor in the study program. By receiving immediate feedback after the presentation, the students are challenged to advocate for their solution. With this scenario, the senior executive can bring in his or her personal perspective which enables the students to add real-life experiences to their solution. Furthermore, the feedback session with the students is an excellent medium to discuss the ethical or moral dilemmas which are very often an inherent aspect when it comes to practically live and execute corporate responsibility.

The real-life case study is a powerful learning environment which leads to strong buy-in of students, faculty and the case study corporation. Since the students are forced to present their assignment solutions in front of business professionals, there is strong motivation and liability for each team to deliver high-quality work. Since the teams are composed according to the principle of diversity (educational background, nationality, age, gender), the students also need to develop potent social, communication and intercultural skills in order to create effective and efficient teamwork. Therefore, students are supported by receiving professional input on topics such as teamwork, intercultural communication, conflict management and presentation techniques (see Vervoort and Teta, 2012a).

#### ***Real-Life Student Business Cases***

Having worked with a real-life case study throughout the entire first semester, the International Management students receive the opportunity to manage their own business project in the second semester. These projects are offered by companies of different industries operating on an international scale. Each student business project consists of a pre-defined real-life problem from the context of the company. Being put into the role of business consultants, it is the students’ task to elaborate a feasible and practice-oriented solution for the company. The expected results have to be presented in the form of a business plan, a feasibility study or a project report. When defining the topics for the business projects, there is strong emphasis on including corporate responsibility issues even though – of course – this requirement cannot

be completely fulfilled in all cases. Here is a choice of business projects which have been delivered to companies so far:

- Developing corporate funds guidelines for an internationally operating NGO in order to screen potential funding partners.
- Developing a talent-management concept for an insurance company with a focus on CR qualifications of Generation Y.
- Developing a business plan for a start-up company producing a medical tape which is self-gluing, allows full mobility and has a healing effect through homeopathic substances.
- Developing a concept for an online platform which allows farmers from developing countries to distribute their products directly to end-consumers.
- Developing a market entry strategy into the Russian market for a lingerie company with a focus on compliance regulations and labor law in Russia.
- Developing an expansion strategy into the US market for a Spanish photovoltaic plant producer with a focus on environmental regulations in the USA.

Working on business projects allows the students problem-based, self-directed and practice-oriented learning. The students have to take full responsibility for the outcome of their projects which – as in the case of the case study – funnels a lot of motivation and commitment into this educational scenario. In many of the projects, the students are directly confronted with corporate responsibility issues allowing them to build up multi-perspective knowledge of this topic. Managing and leading a business project at an early stage of their education also enables the students to develop the skills necessary for responsible leadership such as critical thinking, working effectively on a team, coming up with creative and original ideas and leading people with emotional intelligence (see Vervoort and Teta, 2012a).

## Conclusion

The world is changing. Companies – as never before – are under pressure to not only perform financially, but to create sustainable social and environmental value. Indeed, stakeholders are less and less tolerant if companies continue to focus only on profit-maximization while neglecting their expected contribution to society and the environment. The challenge for companies to do business on a triple bottom line emphasizes the significance of sustainable corporate responsibility as it is conceptualized in this issue by Schüz (2012). It is evident that business schools cannot just take a spectator's role towards sustainable corporate responsibility but have to thoroughly prepare their students to take over

responsible leadership as soon as they enter the business world; 21st century leaders make decisions that are sustainable on a normative and a strategic level. There is a need for business schools to implement responsible management education based on shared values which are expressed in the mission statement of academic institutions and build the foundation of study programs. Business ethics should become part of the curriculum across the entire study time, as a separate foundational course as well as an integrative part of the different business disciplines. Powerful learning environments foster students' critical thinking and problem-solving abilities to identify dilemmas and blind spots in business realities. Last but not least, students, faculties and companies need to build a partnership to jointly explore effective approaches of sustainable corporate responsibility.

It might be a nightmare for faculties to see their students walking out of the classroom to protest against biased teaching. Nevertheless, such actions can be the starting point to thoroughly reconsider the way we have thought about business education so far. There is no short cut in realizing responsible management education, but if we do not start right now, then when?

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