

A Philosophical Approach to Business Education

JAANA WOICESHYN *

Abstract

Business education has been blamed for deficiencies in the leadership, decision-making and ethical conduct of business managers. The quantitative and analytical orientation in business school curricula and the consequent lack of humanities-based courses have been identified as reasons. The fundamental reason, however, lies in the philosophy of business research and education which shapes the curricula, teaching methods, and ultimately the graduates' ability to handle various managerial functions.

The most commonly recognized philosophical basis of business research is empiricism. The argument presented here is that pragmatism, which shares elements with empiricism, has also significantly shaped business education. This paper is an attempt to show why empiricism, together with pragmatism, are the root causes of the above deficiencies. Supplementing business school curricula with humanities courses, a strategy often recommended to correct for the deficiencies, is not sufficient. As an alternative solution, an objective philosophical approach is evaluated, along with its practical implications for business education.

Résumé

La formation en administration est souvent blâmée pour les lacunes rencontrées chez les gestionnaires en regard des habiletés de chef de file et de prise de décision, et par-rapport à l'éthique professionnelle. On attribue généralement ces lacunes à l'orientation strictement quantitative et analytique des programmes d'études et à l'absence de contenus provenant des disciplines des lettres et des sciences humaines. Cette communication, cependant, suggère que ces lacunes s'expliquent avant tout par la philosophie sous-jacente à la recherche en administration et en éducation sur laquelle reposent les programmes d'études, les méthodes d'enseignement, et ultimement, les habiletés des

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diplômés à remplir diverses fonctions de gestion.

L'empirisme est la base philosophique la plus généralement reconnue des recherches en administration. L'argument présenté ici est que le pragmatisme, qui partage avec l'empirisme plusieurs éléments, exerce lui aussi une influence importante sur le développement de l'enseignement en administration. La présente communication a pour but de montrer comment l'empirisme et le pragmatisme sont les causes fondamentales des lacunes déjà citées. Pour les combler, il ne suffirait pas d'étoffer les programmes d'études en administration de cours en lettres et en sciences humaines, solution trop souvent recommandée. Comme solution alternative, une approche philosophique est évaluée ainsi que ses implications pratiques pour l'enseignement en administration.

Training of future managers in business schools has been criticized as too quantitative and too technical, and as ignoring qualitative, i.e., "human" and ethical, issues (e.g., Peters & Waterman, 1982; Behrman & Levin, 1984). Business graduates know how to calculate net present values but cannot lead and motivate their subordinates or distinguish morally wrong decisions from right ones. The graduates also have been said to prefer "analytical detachment and methodological elegance over insight, based on experience, to the subtleties and complexities of strategic decisions" (Hayes and Abernathy, 1980, p. 70). Such preferences have led to a short-term orientation in decision-making and, consequently, to shortcomings in ethical conduct.

A solution to the deficiencies in business education may be achieved by examining their philosophical basis. In other words, understanding what philosophical orientations underlie business research and teaching is critical to changing their consequences (cf. Mulligan, 1987). A full discussion is beyond the scope of this paper but a brief overview of the philosophies most influential on business education is provided. These philosophies are empiricism and pragmatism. Rationalism, the dominant philosophy of the humanities, is described briefly as a contrast. This discussion is followed by some potentially important implications for business education and a proposal for a possible resolution.

The Philosophical Foundations of Business Education

Philosophy is a study of the fundamental nature of existence and of human beings. The three basic branches of philosophy are metaphysics, epistemology and ethics. Metaphysics is a study of the nature of existence, epistemology, a study of how knowledge is obtained and ethics, a study of how human beings

should live. Ethics rests on metaphysics and epistemology; knowledge of human nature, of existence, and of human means of knowing existence are prerequisites for determining how human beings should live.

Historically, the two opposing views in metaphysics have been the "primacy of existence" and the "primacy of consciousness." The primacy of existence view, first advocated by Aristotle, maintains that the universe exists independently of consciousness; i.e., "there is no mental process that can change the laws of nature or erase facts" (Peikoff, 1982, p. 329). In Francis Bacon's words: "Nature, to be commanded, must be obeyed." On the other hand, the primacy of consciousness view maintains that consciousness creates or controls existence (cf. Mulligan, 1987). Strong advocates of this view were Plato, Augustine, and later, the German idealists, particularly Kant and Hegel.

These metaphysical views have corollaries in epistemology. In the history of philosophy, the defenders of the primacy of consciousness have rejected reason as the human means of knowledge and substituted faith or intuition. On the other hand, advocates of the primacy of existence have been advocates of reason. Reason is "the faculty that identifies and integrates the material provided by man's senses" (Rand, 1964, p. 20)¹

To identify and integrate sense data, reason requires concepts. "A concept is a mental integration of two or more units possessing the same distinguishing characteristic(s), with their particular measurements omitted" (Rand, 1990, p. 13). For example, the concept of a table is formed by observing various tables, distinguishing them from other entities such as chairs and book cases, and integrating them on the basis of similarities into a new unit. The concept subsumes all tables, no matter what their size or material, and we recognize them as tables as long as they have characteristic features; i.e., a flat surface with support(s).

The validity of concepts is perhaps the most important issue in philosophy. Concepts are valid if they refer to reality and are formed by an objective method, i.e., logic (Peikoff, 1982, p. 330). Concepts are also practical: they allow us to hold vast knowledge of reality, which would otherwise be impossible. Concepts enable us to hold knowledge of facts by subsuming numerous concrete entities under a single label, such as "table", "business firm" or "product market strategy." Without concepts, the world would be a complex, unintegrated chaos. Those who reject reason also reject the idea that reality is the basis of concepts; mystics (e.g., Plato, Augustine) believe that the basis of concepts is in some supernatural realm; skeptics (e.g., Hume) deny the possibility of

conceptual knowledge altogether. The approach to concepts is a fundamental issue in the philosophy of business education, as will be shown in this paper.

Empiricism and Pragmatism

In the history of philosophy, the dividing issues between different schools of thought have always been the views on reason (particularly concepts) and reality, and the approaches to ethics are mere corollaries of these views. The schools of thought that underlie today's business research and education, empiricism and pragmatism, are both anti-reason.²

The empiricists reject reason in that they discard as meaningless any questions that cannot be verified by sense data.³ Questions that require abstraction from sense data -- What is the nature of business firms? What should their goals be? -- fall into this category (Mulligan, 1987). This view underlies the culture of sciences and has had a significant influence on business research by determining what the appropriate questions for study are, and how answers should be sought. This research philosophy has affected teaching in the selection of subjects in business schools; many courses are science-based and rely on quantitative methods of analysis (Mulligan, 1987; House, 1975).

The empiricists attack reason also through skepticism. The early empiricists (before Hume) claimed that only sense data count as knowledge, and concepts are merely arbitrary labels for sets of sense data. Integration of sense data, or observations, into universal concepts is impossible because verification of universals would require an infinite set of observations. So the early empiricists emphasized direct sense data, but abandoned reason (and concepts) as the integrator of the sense data. The modern empiricists (from Hume onward) are thorough skeptics; they reject altogether the possibility of objective knowledge, and thus concepts.

The rejection of reason by pragmatism (see Dewey (1958) and James (1955)) is based on its view of reality: reality is not objective. Its nature is determined by people, by whim or by majority vote. In essence, there is no distinction between an external world and the consciousness perceiving it. Pragmatism has been mostly influential on business education (although it has had some impact on certain notions of theory, as discussed later). Case study guides emphasize that there are no right answers to cases (e.g., Thompson & Strickland, 1984, p. 275); and the discussion method introduced by John Dewey centres around polling opinions and consensus rather than finding objective solutions (cf. Peikoff, 1984, p. 13).

Their view of reality led pragmatists to skepticism: certainty is impossible

because reality changes all the time. An idea is considered true if it works, but whatever works today may not work tomorrow. According to pragmatism, there cannot be any permanent concepts or principles because of this constant Heraclitean change.⁴ The only way to gain knowledge according to pragmatism is to conduct public polls and take majority votes. Reason is invalid, and concepts are not possible.

The ethical views of empiricism and pragmatism are derived directly from their stands on reason and reality. Empiricists dismiss ethics as meaningless since direct sense data cannot provide answers to moral questions. They maintain that one cannot derive values from facts. Pragmatists do consider ethics but fail to provide any objective guidelines for conduct because there is no standard these guidelines could be based on; everything is constantly changing, and observations are interpreted subjectively, either by an individual or a group. This means that each circumstance is unique and people's conclusions about it are different. The only guidance that remains are the immediate feelings or instincts for what works in a given circumstance.⁵ Pragmatists take ends and goals as given, since they can be whatever one would like, and therefore any means can be justified. Faulty products could be introduced to the market if short term profit were the goal.

Table 1 summarizes the empiricist and pragmatist views of existence, concepts, and ethics, along with their implications for business education. (To conserve space, rationalism and Objectivism are also summarized in Table 1, although they are discussed later).

Rationalism

The contrasting philosophical view to empiricism and pragmatism is rationalism, the dominant philosophy of the humanities. Since most of the proposed solutions to the deficiencies in business education are based on rationalism, it is discussed here as well. The rationalist view of reality, reason and ethics is opposed to empiricism. Rationalism has influenced pragmatism but there are some crucial differences. Despite its name, rationalism is anti-reason.

The basis for the rejection of reason by rationalism is its view of reality. The rationalists, in the tradition of Plato, Augustine and Kant, maintain that the universe does not exist independently but is created by consciousness, either human or divine. The argument is that there are two realities: the one that we perceive and the "true" reality created by consciousness, such as Plato's "world of forms", Augustine's "supernatural" or Kant's "noumenal world". This is the

Table 1
Comparison of Empiricism, Pragmatism, Rationalism and Objectivism

	METAPHYSICS (view of reality)	EPISTEMOLOGY (view of concepts)	ETHICS (view of moral choices)	IMPLICATIONS TO BUSINESS EDUCATION
EMPIRICISM	Primacy of existence: reality exists independent of consciousness. Most empiricists hold this view.	Knowledge is gained through empirical observation <u>only</u> Concepts are arbitrary labels for sense data, i.e., concepts not objective	Ethics is meaningless because direct sense data cannot provide answers to moral questions	- science-based courses - quantitative methods
PRAGMATISM	Primacy of consciousness: no distinction between an external reality and consciousness	Knowledge is a matter of majority opinion Concepts not objective	Ethics is subjective: what works or feels right is right	- the case method: "no right answers" - class discussion
RATIONALISM	Primacy of consciousness: human or divine conscious- ness creates reality	Knowledge is gained through intuition or revelation Concepts not based on reality, i.e., concepts not objective	Ethics is dogmatic or arbi- trary: rules for right conduct given through intuition or revelation by a supernatural consciousness	- business ethics courses, mostly based on altruism
OBJECTIVISM	Primacy of existence: reality exists independent of consciousness - things are what they are	Knowledge is gained through reason: empirical observation <u>and</u> mental integration Concepts mental integrations of empirical observations i.e. concepts objective	Ethics is objective: a neces- sary moral code for human survival and happiness, based on reality	- courses in philoso- phy (Objectivism) - lecturing to teach concepts and prin- ciples of motivation, integration, structure

metaphysical view underlying many of the humanities, reality created or controlled by consciousness.

Since the rationalists believe that one of the realities is superior, "real" knowledge is knowledge of the other, "true" reality. The "true" reality is supposedly the source of all concepts. Thus, sense data of the perceived reality are not the starting point of concept formation, and neither is reason the tool. The "true" reality is reached through intuition or "awakening." Thus, the emphasis is on the mind acquiring knowledge, independent of reality, through some mystical intuition or revelation from a divine consciousness.⁶ (The pragmatists state that the collective or democratic consensus determines knowledge.) Knowledge, and concepts, are important to the rationalists, but the faculty acquiring them is not reason, and concepts are not objective.

Rationalist ethics follow from the rationalist views on reality and reason. Since reason is not the source of knowledge, norms for right conduct are not determined by reason, but, instead, are given through intuition or mystical revelation. These norms or rules tend to be arbitrary or dogmatic since humans do not have any rational means of assessing them or adjusting them to a given context. Kant's ethic of altruism is an extreme example of strict, dogmatic norms and rules.

Implications of Philosophy of Business Education

The predominant philosophies shaping business education have been empiricism and pragmatism. The influence of empiricism on research and teaching in business schools is easy to understand. Empiricism has been the dominant philosophy of science, especially since its modern version, logical positivism, flourished between the 1920's and the 1940's. Management studies, as a young discipline, has been anxious to seek legitimation as a science and therefore has turned to empiricism or positivism (Susman & Evered, 1978; Behling, 1980; Whitley, 1984). This has shaped both research and teaching, which are often data-driven rather than theory-driven, emphasizing methodological sophistication and dismissing metaphysical and ethical considerations.

The influence of pragmatism in business schools is due to its cultural dominance in North America. Its impact can be seen mostly in teaching but to a certain extent in research as well. Pragmatism is often prevalent in case teaching: students go over particular decision situations case after case, without necessarily integrating the particulars into principles. (This does not, of course, apply to all schools and all instructors but is nevertheless a recognized problem in many

places (Kirkpatrick, 1989; Cohen, 1982.) Pragmatist ethics are relativistic and thus practically contentless and, when taught, have left students without any guidelines for conduct. The influence of pragmatism on research is evident in a certain theory notion. The so-called contingency theory, which became popular in the 1960's, maintains that there are no general principles of managing or organizing, i.e., no theory is really possible (Kast & Rosenzweig, 1972; Wood, 1979).

Both empiricism and pragmatism have left business education lacking and have given rise to the accusations of a "quantitative" and short-term orientation of business graduates. Providing students with specific decision-making tools by teaching the "sciences," the pragmatist method of problem-solving and the pragmatist ethics do not help them to understand the long-term consequences or moral implications of their decisions, nor the principles involved.

One of the popular recommendations for solving the problems of short-term, quantitative orientation in managerial decision-making has been to supplement business school curricula with humanities-based courses, and particularly with ethics (Gandz & Hayes, 1988; George, 1988; Hosmer, 1988; Mulligan, 1987). However, inserting a few ethics courses into the curricula is likely to be ineffective as long as empiricism and pragmatism remain the dominant philosophies of business education. Ethics and other humanities courses are at odds with business courses because they often are based on a different philosophy, rationalism. Rationalism is at conflict with the underlying philosophies of the sciences and business, a situation eloquently referred to as the "two cultures" (Snow, 1956). This conflict requires a resolution before the humanities courses can truly complement the business curriculum or help to solve the problems plaguing business education.

Although rationalism differs from empiricism and pragmatism in its approach to sources of knowledge, it shares one apparent shortcoming with empiricism and pragmatism: a non-objective view of concepts. Concepts are non-objective if they are not based on systematic observation of reality; they are merely convenient or arbitrary labels given to entities or ideas. Rationalists sever the link between concepts and reality. They believe that concepts are intrinsic in some other dimension.

The argument made in this paper is that, as long as the non-objective view of concepts prevails, the deficiencies in business education cannot be corrected. These deficiencies influence the way business graduates acquire knowledge and their views on ethics. As long as the method by which knowledge is acquired

and views on ethics are considered subjective or arbitrary, the business graduates will have trouble thinking beyond the concrete of a given moment. This leads to short-term decision-making, a lack of concern for ethical consequences of decisions, and a lack of understanding of human nature, which is essential for developing leadership skills. A possible resolution is discussed next.

An Alternative: An Objectivist Philosophy

An alternative philosophical view claims to overcome the conflict between empiricism, pragmatism and rationalism by recognizing reality as the sole object of human perception and the mind as capable of integrating percepts into concepts. This view is called realism.⁷ One particular and recent version of realism, Objectivism, is discussed here.⁸ The major advocate of realism in the history of philosophy was Aristotle, followed by Aquinas, Rand (1990)⁹ and a very few other contemporary philosophers (e.g., Sellars, 1963; Harre, 1970).

As stated earlier, many of the solutions offered for the problems in business education have to do with supplementing science-based courses with humanities so that the two underlying philosophies would peacefully co-exist. However, Objectivism appears to make collaboration between empiricism and rationalism unnecessary, since it claims to overcome their metaphysical, epistemological and ethical conflicts and deficiencies, and also avoids the problems caused by pragmatism.

Objectivism maintains that there is only one reality, the world we perceive, not two distinct Platonian worlds of concepts and physical phenomena. Objectivism furthermore maintains that the human mind is capable of obtaining knowledge of reality by means of reason, i.e., through sense perception and concept formation, independent of the field of inquiry, whether it be sciences or humanities. According to Objectivism, it does not matter whether we are trying to understand a certain biochemical process or the nature of human beings—we still need both sense data and conceptualisation to reach that understanding. The sciences cannot rely on empiricism, and neither can the humanities rely on rationalism.

Only one philosopher, Ayn Rand (1990), has explicitly solved the false dichotomy of mind vs. reality posed by rationalism and empiricism. With regard to concepts, Objectivism does not suggest that concepts exist in some other reality incomprehensible to the human mind (as most rationalists would argue). Neither does Objectivism maintain that concepts are arbitrary labels we give to certain concrete phenomena (as most empiricists and pragmatists would argue).

The Objectivist view is that concepts are mental integrations of particular existents. In other words, there is no split between mind and reality; concepts are formed by a person's mind, based on the facts of reality. Therefore, concepts are objective.

According to Objectivism, concepts are cognitive tools in that they enable humans to classify and organize cognitive material; and therefore they make possible the acquisition of knowledge on an unlimited scale. Concepts are a means for keeping order in the mind and they make thinking possible (Rand, 1990:69). This view of concepts is unique. If adopted, it could drastically change business education.

The Objectivist ethics (Rand, 1964) is based on its views of reality and reason. It begins with life as the standard of value and each person's own life as one's purpose. Unlike altruism, Objectivism maintains that one should neither sacrifice oneself to others nor others to oneself. This view is called rational self-interest, i.e., based on reason, as opposed to the popular notion of self-interest as involving the violation of the rights of others to serve oneself. The political implication of these ethical premises is that people must be free to exercise their reason, i.e., the principle of individual rights.

Unlike animals, a human being must discover the knowledge necessary to achieve the values required to sustain one's life. This knowledge is held in the form of principles. For example, honesty and justice are principles governing how one should deal with others. These principles condense vast amounts of concrete information and thereby allow us to consider the consequences of our decisions and to act in the long range (Peikoff, 1989). For example, if a person understands the principle of honesty, he or she does not have to start from scratch every time when trying to resolve whether to "fake reality a little" by lying in order to gain a value. The principle would give the answer quickly.

Table 1 summarizes the key differences between Objectivism, empiricism, pragmatism and rationalism.

Integrating Objectivism into Business Education

Business schools are trying to train future managers and business experts. A crucial skill they need is problem-solving and decision-making, the ability to foresee and evaluate both short- and long-term consequences of their decisions (House, 1975; George, 1988). In order to make complex decisions and to act long-term, one needs to integrate particular perceptions into concepts and to identify principles (see also House, 1975, p. 325). In Objectivism, thinking

conceptually and grasping principles require certain metaphysical and epistemological premises, i.e., that concepts and principles are valid means of arriving at the truth, which is the recognition of reality.

Concepts, according to Objectivism, and as defined earlier, are mental integrations of perceptions or earlier-formed concepts, with their measurements omitted. Concepts are prerequisites and building blocks of principles. "A principle is a fundamental, primary, or general truth, on which other truths depend" (Rand, 1964, p.144). The ability to conceptualise by integrating and identifying principles gives humans the capacity to solve problems and act long-range. "By organizing his perceptual material into concepts, and his concepts into wider and still wider concepts, man is able to grasp and retain, to identify and integrate an unlimited amount of knowledge, a knowledge extending beyond the immediate concretes of any given, immediate moment" (Rand, 1975: 17).

An example of a principle, or a conceptual integration, in the field of business is the Law of Demand which states: "Ceteris paribus, there is an inverse relationship between price and quantity." This statement, although simple, involves a tremendous number of integrations of concrete observations and other concepts. Another principle borrowed from microeconomics is that the two factors enabling the sale of goods and services are price and quality. These two principles (which are also the basis of Michael Porter's (1980) theory of generic strategies) serve as guidelines for managers determining their firms' competitive strategies and enable them to make conclusions beyond the given concrete situations.

If conceptual thinking is a skill business schools want students to acquire, changes are necessary in both curricula and methods of teaching.

Curriculum

Most of the subjects in business schools provide students with specialized knowledge and skills, such as marketing, accounting and human resource management. While these specialized skills are important, the future managers also need an ability to integrate the specialized knowledge. Integration is left to a few business policy courses, and these often do not suffice because the students' ability to think conceptually, which is essential for integration, is deficient. Thinking skills are essential for problem-solving and decision-making, and business schools should offer courses that would improve conceptual thinking (cf. House, 1975).

Two kinds of courses would improve conceptual thinking. The first is to teach courses in philosophy; this would require instructors trained in

philosophy, particularly in epistemology. Exposure to Objectivist epistemology would facilitate students' thinking skills because of the views on concept formation and principles in Objectivism. The need for conceptual thinking and formation of principles is often visible in business ethics courses. A grab bag of topics from "social responsibility" of business to employee "whistle blowing," or worse yet, a collection of cases to which "there are no right answers" (Beauchamp, 1983; Cavanagh & McGovern, 1988; Velasquez, 1988), may build awareness of ethical issues but not teach a conceptual approach to ethics (George, 1988).

The second option is to demonstrate conceptual thinking along with the specialized subjects. The application of Objectivist epistemology to specific topics means that instructors would structure their courses hierarchically so that simple concepts and principles lead to more complex ones. Students would be able to identify particular pieces of knowledge, relate similar pieces, and integrate to form concepts and identify principles based on similarities. This would enable students to retain what they have learned, by letting them integrate knowledge into bigger "chunks." Integration also would help students to see the effects of their decisions by revealing cause-effect linkages and relationships among various concepts and principles. The application of Objectivist epistemology is discussed more in the section "Objectivist principles as applied to teaching."

Methods of Teaching

Perhaps the most widespread method of teaching in business schools in North America is the use of cases (Freedman & Stumpf, 1982; Cohen, 1982). Case study as a sole method was criticised above for often being too concrete and failing to integrate the abstract and the concrete. Case study as a component of a course can, however, be a vehicle for illustrating concepts (Mintzberg, Quinn, James, 1988). Good teaching consists of a right balance of the abstract and the concrete, and cases can represent the concrete. Too much abstraction is difficult for the human mind to grasp because the connection to reality is lost; but at the same time, the mind cannot retain too many concretes either (see Rand, 1990).

The use of business cases has shaped classroom techniques. The case method relies heavily on discussion where the onus is on the students. This can be a tremendous waste of time from the point of view of actually learning something unless students are mature enough, well prepared, and have reached a sufficient level of knowledge (see also Cohen, 1982). This combination of conditions is rarely reached until the Ph.D. or the executive program levels. Even MBA

students are struggling to form the basic concepts and principles. The discussion method is widely adopted, though, because of the pragmatist position that there are no right answers, and that everything is a matter of opinion.

Objectivism would involve more directed methods such as lecturing and the combining of lecturing and discussion. Lecturing can be a very effective method of teaching if it is done by a trained mind. Because it requires communicating the structure of the subject matter to the students, integration becomes possible. Discussion is needed to monitor students' learning; and during a case discussion the instructor must take a directive role in order to help the students to think about the consequences of the decisions they recommend.

Objectivist Principles As Applied To Teaching

Objectivism maintains the position that there are certain principles of teaching that facilitate conceptual thinking. In a broad integration, three principles can be identified, as outlined below.¹⁰

1) Motivation. Before anything can be taught, the students should be interested in learning. Their minds do not function automatically; they must choose to focus their attention, and therefore any course should start with motivation. The instructor would show how his or her specific subject helps the students to achieve the skills they need or want. This may sound self-evident, but motivation is a challenging task in a course about general management principles or about strategic management of a firm, when students are years away from general management positions and when they need to learn abstract concepts about business firms and their interactions rather than engage in the "treasure hunt" for the solution of the case of the day.

Initial motivation, however, is not sufficient, since it is easy to lose the students' interest during a long semester. The instructor should provide continuous motivation by showing that he or she is delivering what was promised at the beginning, and that it is important. Again, continuing motivation is more critical when one is trying to teach and integrate concepts such as a business firm, competitive strategy and organizational design rather than conduct problem-solving exercises through case discussion where integration is not necessary.

2) Integration. Integration is a central process of human cognition. The mind can only hold so many concrete perceptions and integrating them into concepts is crucial (see Rand, 1990, pp. 62-74). Teaching conceptual thinking is to teach the subject matter in a certain way, by integrating the parts of a subject into a whole or a unit. In contrast to today's education, the emphasis should

be on similarities, not differences; this goal is accomplished by pointing out common denominators and giving overviews. Differentiation is also important, however, but less difficult.

Integration implies not only relating the parts of a whole but also connecting the abstract and concrete. Abstractions can be difficult to grasp, and they must be connected to reality by giving concrete examples and showing how principles can be applied. Education should be like a shuttle: from concrete to abstract and back to concrete to illustrate the abstractions. Ideally, a student should be able to reduce every principle to a concrete situation and to identify and apply principles to any situation.

At present, a typical business policy course suffers from lack of integration. It consists of different cases to which a number of solutions are acceptable. Finding the similarities and common denominators among them is rarely attempted. Moreover, the cases represent only the concrete; the abstract is missing. In other words, few concepts and principles are identified. Increasingly, business policy courses have started to present a number of key concepts in the field and to integrate them into a common framework (e.g., Montanari, Morgan & Bracker, 1990). Yet, the problem of integrating the abstract and concrete remains. Cases are supposed to provide the concretes, but they are often overly long and full of detail to “provide realism” (Kirkpatrick, 1989). This “realism” also makes them difficult to retain, and the illustrations of concepts and principles, if present, are lost under the detail.

3) Structure. Knowledge in any field forms a hierarchy with concrete facts as the base. The instructor should determine the proper organization for teaching his or her specific topic, since facts are unintelligible if taught in a wrong sequence. Interest, however, cannot be the organizing principle because students may be interested in questions they are not ready to learn. Instead, the hierarchical nature of the subject determines the structure of a course. A course should proceed from lower level concepts to higher ones. For example, in business policy, the concept of the firm should be clear before one discusses formulating or implementing business strategy. Every subject has some kind of inner logic. Pinpointing that inner logic and organizing a subject properly to facilitate conceptual thinking is often the most challenging part of teaching.

For example, business policy courses have been structured around the size of the firm or the complexity of financial information provided in cases. The case selection logic has been to analyse cases on small firms first and then move on to larger ones, or to discuss the cases with the most complex financial information last. If the courses were designed to teach concepts and principles,

however, they would start with the most fundamental concepts such as the business firm and managerial work, and then proceed to next level of concepts, such as strategy and organizational structure.

An Illustration

As an illustration only, let us compare two hypothetical graduates. One of them, Mr. A, has graduated with a MBA from a prestigious business school that emphasises practising problem-solving through case analysis and discussion. In none of the approximately two hundred cases Mr. A analysed and discussed with his classmates was there ever a right answer; everyone's opinion was considered equally valid. No concepts and principles were offered to integrate the cases. The other graduate, Mr. B, has graduated with a MBA from a school that had adopted a very different philosophy. Courses provided many concepts and principles, and they were integrated into easily retainable frameworks. Short cases were used to apply the concepts and principles to various business situations.

Upon graduation, both Mr. A and Mr. B were hired as general managers of small firms. They need to decide how to start working in their new positions and what to do. Mr. A polls the few other managers, performs a SWOT analysis (strengths, weaknesses, opportunities, threats), a tool that was always used in case analysis at school, and scrutinises financial statements. The SWOT analysis and the financial statements do not give any reason for concern or changes, but the plant manager and the marketing manager give him contradictory information and advice. This doesn't puzzle Mr. A. since he knows there are no right answers and everybody's opinion is equally valid. He takes the plant manager's advice because operations management was his favourite subject at school; and he devotes his time to improving the production process and creating a pleasant atmosphere in the firm by improving the physical facility and reward systems.

Mr. B also starts his new job by analyzing financial statements, performing analyses on the competitive environment, and talking to other managers. From the managers' reports, his analyses, and his observations, he concludes that there is no reason to make immediate changes. So what should he do first? From his MBA courses he learned the principle that the successful firms establish and maintain a relationship of legitimacy with the investors and customers, and make efforts in capital acquisition and resource allocation. Being the manager of a small firm in a small town, he decides that getting involved with the Chamber of Commerce is the best way to get his own credibility established and

thus to maintain the company's legitimacy. Although the balance sheet is satisfactory, Mr. B follows the principle of the successful firms and decides to increase working capital, in order to have some slack resources for any unanticipated events. He arranges a new line of credit at the prime rate through a bank manager, also a fellow Chamber of Commerce committee member.

After about a year in their jobs, our business school graduates face a crisis: a foreign firm unexpectedly introduces a revolutionary new process technology that requires significant investment. Mr. A is left scrambling. His recently upgraded production system is obsolete, and he has difficulty raising financing. The company is falling behind in competition; its performance is deteriorating. Mr. B, on the other hand, uses his additional line of credit and also manages to arrange a private placement through his contacts. Very few competitors have been able to acquire the new technology, and the company's sales and profits start to soar.

Of which of our graduates can we be proud? More importantly, to whom do we want to trust the leadership of the nation's businesses? The choice is between the one who focuses on the concrete and the short-term, and the other who acts in the long-range, on the basis of a framework of concepts and principles.

Conclusion

The deficiencies in business education are not necessary and can be overcome. Philosophy can be blamed for the deficiencies, but it can also come to rescue. Empiricism, pragmatism and rationalism are not the only alternatives. Objectivism may be able to overcome the problems caused by the dominant philosophies, and it could be adopted by researchers and educators in sciences, humanities, and business alike. Objectivism is based on the notion that reality exists independently of consciousness, and that humans can obtain objective knowledge of reality by means of their senses, by integrating their sense perceptions into concepts, and by formulating principles.

Objectivism would imply that business schools do not necessarily need to add ethics and other current humanities courses but can focus on developing curricula and teaching methods that facilitate thinking conceptually and developing principles. The more the students learn to integrate, the better they can understand the various consequences of their decisions. Such an approach would reveal to them that unethical conduct is also impractical in the long term (Gandz & Hayes, 1988), and we would witness fewer incidents of unethical

conduct in business and more well-rounded business graduates, instead of management technicians and number crunchers.

Notes

¹ This definition differs significantly from the rationalist concept of reason, which maintains that reason does not need sense data as its initial raw material, but instead, that the mind can create its own content. The definition of reason given here is used throughout this paper.

² To say that they are anti-reason does not imply that they do not employ reasoning in their arguments, but that they do not regard reason as a valid means or the only means of knowing reality.

³ For more on empiricism, see W.T. Jones, 1969.

⁴ Pragmatism has been popular in North America not because of its actual theoretical content but because of its emphasis on "practicality". Americans in general have been attracted to ideas that have tangible, practical significance, believing that is what pragmatism offers. However, "practicality" according to pragmatism consists of action divorced from thought and reality (Peikoff, 1982: 136).

⁵ This notion of truth being defined by what works was held by Dewey (1958) and especially by James (1955:59) but rejected by the founder of pragmatism, Peirce (1931-35, 5.407).

⁶ Kant's view was more extreme; he believed that we have no access to the noumenal world. We cannot know things as they are in themselves. According to Kant, we can only know the phenomenal world which is created by the intersubjective consciousness of people.

⁷ It must be noted that there is a variety of branches within realism, from "extreme", or "naive", to "moderate", to modern "radical". The variety of realism referred to here is Objectivism, developed by Ayn Rand. It maintains, metaphysically, the primacy of existence view, and, epistemologically, that concepts are objective mental integrations of the characteristics of existents.

⁸ For a complete philosophic discussion of Objectivism, see Peikoff (1991).

⁹ Rand calls her philosophy Objectivism because it differs significantly from that of the other realists. Her epistemology is unique, and is discussed later.

¹⁰ These principles were outlined by Dr. Leonard Peikoff in his course "Philosophy of Education," delivered at the Jefferson School in August, 1985.

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