

Reshaping Business Schools to Focus on the Most Important Management Problems of Our Time
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McGahan is currently pursuing an integrated agenda in which she champions putting our focus on only the most important management problems in the world today. In her work as a scholar and teacher, she regularly suggests that management research and teaching have become too specialized, and, as a result, ignore the 'elephants in the room' that must be confronted for business schools to remain relevant.

PROBLEMS In a series of publications, the first of which appeared in print in 2006, McGahan has argued that important strategic problems demand much more attention than they currently receive from management scholars, students, and executives. The following is a list of just some of these issues:

- Deepening poverty
- The end of oil
- Rentier economics, currency adjustments, and income inequality
- The ownership of intellectual property
- Redeploying skills, physical capital and equipment from industrial applications to other uses
- Urbanization and the reconstitution of cities
- The military-industrial complex
- Clean-water shortages
- Infectious disease and social injustice
- An epidemic of depression
- Drug-resistant disease
- Health-delivery system failures
- Human trafficking, exploitation and slavery
- Unequal and poorly delivered primary and secondary education
- The demographics of aging, wealth accumulation, and the workforce of the 21st century
- Peer-based communication and decision-support technologies
- Climate change and environmental pollution
- The mispricing and overextension of credit
- Banking inefficiencies and financial-system failures
- Private equity and the leveraging of basic businesses
- Limitations on the liability of corporations
- The high stakes on entrepreneurship and practical creativity

These problems have defied researchers because of their scale and implications. Each is technically challenging, socially complex, and organizationally intractable. Even understanding these problems requires the integration of diverse perspectives. The role of the field of management – and the purpose of general management as a discipline – should be to take on problems of just this character.

SOLUTIONS Between 1999 and 2009, McGahan developed eight new MBA courses, several of which are profiled here. Each relies on case studies, in-class discussions, student projects and historical analysis. The turning point in each course occurs with a challenge: identify how organizational leaders can transform their roles so as to make significant strides toward addressing these strategic problems. Where is the opportunity? How can students use their creativity to make headway?

In teaching, McGahan seeks to inspire her students to create value rather than only to capture value through their life's work by seeking solutions to these critical problems. MBA programs have caused – in part and sometimes even in full – some of the worst economic performance in modern history by promoting a culture of business that celebrated private gain as the principal objective of organizations. Yet MBA programs continue to attract many of the most motivated and ambitious young people of our time. McGahan calls for an overhaul of the core curriculum of MBA programs before it is too late. New approaches are urgently needed that emphasize history, business-government interactions, country strategies, globalization, and multi-faceted perspectives. Students must graduate from MBA programs with a broad and deep set of tools for implementing solutions to big problems, and with the energy and insight to work together to address them successfully. And it is not just in management education that these changes are essential. As a Visiting Professor of Social Medicine at the Harvard Medical School, McGahan is also working with visionary leaders in the François-Xavier Bagnoud Center for Health & Human Rights to develop a new curriculum for students of medicine and public health along these lines.

In her research and writing, McGahan emphasizes three solutions: (i) technical innovation in products, processes and services, (ii) organizational innovation, including new ways of organizing collaborations between businesses, governmental agencies, nongovernmental organizations, and international multi-lateral agencies, and (iii) the restructuring of social contracts.

Technical innovation Name all of the things in a room made out of plastic and you start to get a sense of the product, process and service innovation that will be required as oil runs out. Add to the list everything made out of petroleum on the street outside – such as the PVC piping used in the sewer system, the lubricants in hydraulic engines, and telecommunications infrastructure – and the opportunities are even more evident. Technical innovation in products and services is not just confined to the end of oil. New medicines are urgently needed to treat afflictions associated with impoverishment such as tuberculosis, malaria, and HIV. As urbanization occurs, new kinds of automobiles and personal transportation devices are essential. As banks fail, new ways of lending money must emerge.

Recent history points to many impediments to technical innovation in products, processes and services: lack of intellectual property protection, coordination failures across organizations, the risk of technical failure, the high cost of R&D, and the organizational challenges of successful commercialization. Yet much headway is being made even despite the challenges. Entrepreneurship in both large and small organizations continues, with large companies such as Glaxo SmithKline announcing a commitment to research on neglected diseases, and smaller organizations such the Narayana Hrudayalaya Heart Hospital demonstrating the efficacy of new processes for administering cardiac surgery even in resource-limited settings.

Technical innovation in products, processes and services to meet new demands is difficult, risky and insufficiently supported, and yet it is relatively straightforward. More difficult is technical innovation to redirect industrial capacity, capabilities and skilled labor that are losing their relevance with digitization and globalization. Industrial activities created to create value in the middle of the 20th century are tied to sunk investments that are rapidly losing their relevance. Companies in the automobile and heavy manufacturing industries of the American Midwest must find ways to redeploy this capacity to productive use or vast swaths of the landscape will become riddled with dormant, dangerous and outdated facilities.

Creativity is essential as supply chases demand not only in the United States but in many industrial countries of the world. Already insights have developed about how to pull this off. For example, Van Jones, the Executive Director of an NGO called *Green For All* and the co-author of a 2008 book entitled *The Green Collar Economy: How One Solution Can Fix Our Two Biggest Problems*, has developed a program in which underemployed poor people in urban environments become engaged in construction projects to “green” buildings through the installation of efficient energy systems and other equipment. Through this process, the underemployed gain key skills and credentials that can become the platform for new careers in fields such as construction, and, at the same time, old buildings become safer, cleaner, and cheaper to operate. Creativity along these lines is essential to prevent the massive deployment of large amounts of dislocated human and physical capital as aging industrial approaches lose relevance.

Organizational innovation In May 2008, the New York State legislature voted to block the implementation of a congestion-charging system in Manhattan along the same lines as had been implemented successfully in London, Stockholm, and several other large cities. IBM, a flagship New York company, offered a technical proposal that had won the support of New York City Mayor Michael Bloomberg and that was accompanied by a commitment of extensive financial support from the Federal government. New York City’s Council supported the idea. Why did the bid fail despite such extensive advocacy? Critics in the State legislature were concerned that Manhattan would become a walled borough for the wealthy, and that the revenues from congestion charging would not be invested in public transportation and other systems that would facilitate commuting from New York’s outer boroughs and suburbs.

This example illustrates a widespread opportunity associated with confronting the world’s most pressing strategic issues: organizations such as IBM must not only be adept at working with government, they must also anticipate the interests of diverse governmental bodies and consider how the common interests of varied pools of constituents are managed and how they change over time. In general, effective interventions to deal with fundamental problems require more than only coordination, they also require the creative development of new *kinds* of institutions to deal effectively with pressing challenges. In Botswana, for example, Merck, NGOs and the health ministry have collaborated in an unprecedented partnership for effective health delivery. Leading US commercial banks worked closely with the US Federal Reserve Bank during 2008 to stem the initial effects of the sub-prime lending crisis.

Not all organizational innovations of these types are universally welcomed. McGahan is working with colleague Joel A.C. Baum on a series of projects related to the explosive growth of private military companies such as MPRI, Executive Outcomes and Blackwater during the late 20th century. The analysis shows how a confluence of demand, particularly in unstable African republics, and of supply in the aftermath of Cold War demilitarization contributed to the evolving legitimacy of private military companies as subcontractors to the US Department of Defence and UK Ministry of Defence. Understanding how to manage, shape and direct new types of organizations is a centerpiece of the research agenda.

New social contracts Implementing solutions to the world’s most pressing strategic challenges requires changing social contracts.

In the financial system, for example, many employers are already concerned about the costs of stable employment relationships, and rely on contractors, part-time workers, piece workers and

consultants to perform duties that once would have been under regular employment. Many of these workers are currently without health and pension benefits. How much inequality of benefits is tolerable? As baby boomers age and wealth concentrates in advanced economies, the West will increasingly rely on the more youthful populations of Asia and Africa as the workforce of the future. How can employment relations be governed fairly across international boundaries? As cities become larger, more complex and more specialized as productive units, can fairness in employment practices be ensured? Innovative arrangements in the provision of credit, employment and piecework carry promise to address these issues by distributing the risks, costs and benefits of productive exchange in new ways. New ways of organizing work are emerging that deal with both the problems of employers and create fair working conditions for employees.

Another major area of opportunity arises from interrelationships between the locations of armed conflicts, untapped petroleum reserves, and the inequalities associated with the currency adjustments that occur in rentier states. Consider, for example, the vast untapped reserves of oil in Chad's Doba field. Ten years ago or so, the discovery of clean oil in this field was tied optimistically to the possibility that deep impoverishment in the country might be relieved by the wealth accruing into the society as the reserves were tapped. As the wealth began to accumulate, it was not widely distributed, however, and civil unrest developed. As in other countries such as Saudi Arabia, adjustments in exchange rates can occur as oil and other mineral exports build, causing a dramatic rise in the cost of staples such as food and clothing and a deterioration in the situations of the poor. As in Chad, civil unrest may turn to civil war as a result. Breaking the cycle of rentier economics is possible with long-term oil contracts and international aid programs that address the distribution of the wealth that arises through the exportation of natural resources.

Yet another major area of opportunity relates to urbanization, transportation systems and the automobile industry. Does it make sense to introduce petroleum-fired vehicles into cities where traffic is already at a standstill? Can the sharp dichotomization between public and private transportation be broken? Why do people move around cities in the first place? How can this process be made more efficient and environmentally friendly? And what are the implications for the automobile industry? What kinds of new transportation vehicles are best equipped for varying requirements for mobility?

Many other examples of opportunities for innovation arise from changing the social contract. Trafficking and enslavement may be addressed through interventions in the public-health system. Peer-to-peer computing may provide mechanisms for early detection of infectious disease. The epidemic of depression in North America and Europe may be addressable in part through the development of new kinds of work programs that engage the creativity and insight of workers disenfranchised by the obsolescence of old industrial processes. The common theme: Opportunity lies in the challenges themselves, and a broad perspective is essential for tapping them.

In sum.... Business problems are not just business problems, nor are social problems solvable without business engagement. Addressing them successfully will demand the commitment, creativity and enterprise of people in diverse fields for generations to come. Scarce resources – including capital, energy, raw materials, minerals, land, and human attention – must be allocated carefully to solutions that will work. Creating an equitable vision based on holistic understanding, charting a path and deploying resources with skill and sensitivity will be a hallmark of successful solutions to these problems. This requires a return to a view of the general manager as steward of the resource allocation function rather than as the architect of a system design to align incentives for the enrichment of those that are enfranchised in companies.