

“Role of Business Schools in Orienting Students towards Building Happy Economies (Happiconomies)”

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Abstract

Parameters of measuring economic development and business performance had always been of great interest not only to economists but also to the policy makers, administrators and business community. Business schools had been accordingly making their students oriented towards achieving these parameters. Last couple of decades have seen many new concepts for evaluating both economic development of a country and financial performance of a business. This paper aims at discussing these emerging parameters and the role Business Schools will be required to play in near future in orienting their students towards the new parameters of evaluation economic development and business performance. Scope of the paper is limited to this aspect. Some of the measures suggested to Business schools in the paper are only indicative and it is not a comprehensive road map for achieving this objective. The author has emphasized the need for all concerned with this task to come together and design a detail plan of action for this purpose.

Emerging Parameters of Economic Development and Business Performance

Traditionally, most of the businesses are measuring their business performance on the basis of net profits and their motto is ‘Maximization of Profits’ or in more sophisticated words ‘Maximization of wealth in the hands of the shareholders’. Naturally, the performance of the managers and entrepreneurs is evaluated on the criteria of growth in profits and therefore, the managers and entrepreneurs are orienting all their business activities and actions towards achieving this goal of “Profits at any cost”.

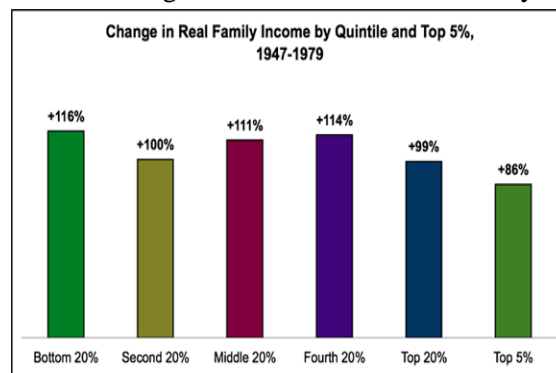
At macro level, the economy of a nation was traditionally evaluated on the basis of parameters like standard of living, per capita income, and per capita consumption, Gross Domestic Product and Gross National Product, Gross National Income etc.

However, these measures were not taking into account the distribution of income or consumption amongst the people of the nation and overlooked the income divide.

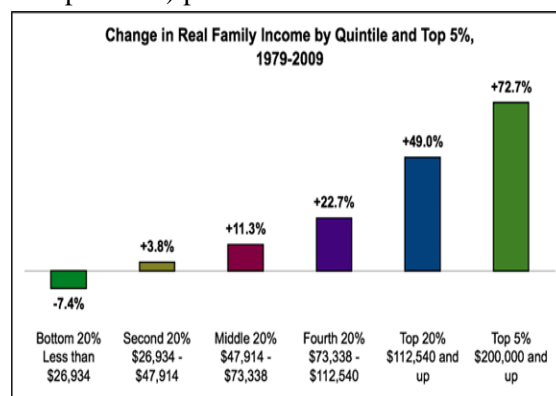
During the period 1947-1979, the income distribution was fairly even in USA but, during the period 1979 – 2009, the income divide become alarming and the national

wealth started concentrating in a few hands leaving a majority of people without the benefits of economic development.

The following charts show the divide clearly.



Source: Analysis of U.S. Census Bureau data in Economic Policy Institute, The State of Working America 1994-95 (M.E. Sharpe: 1994) p. 37.



Source: U.S. Census Bureau, Historical Income Tables: Families, Table F-3 (for income changes) and Table F-1 (for income ranges in 2009 dollars).

“For long, it was considered that development per se is the answer to human problems like poverty, hunger and unemployment. Since the beginning of the first UN Development Decade forty years ago, this concept has proved to be an over-simplification in the context what is happening in real life in the areas of gender and economic equity, environmental degradation and jobless economic growth.”(‘Ethics Of Economic Development’, Paper prepared by M.S. Swaminathan Research Foundation for the Regional Meeting on Ethics of Science and Technology 5-7 November 2003, Bangkok, UNESCO)

Development approach of the 1980s, which presumed a close link between national economic growth and the expansion of individual human choices was proved to be inadequate to measure overall development of a nation and a need to develop a more comprehensive model was felt by economists. Bertrand Russell and Albert Einstein in Pugwash Conference on 9 July 1955 while releasing “The Russell-Einstein Manifesto” issued in London warned the scientific community that “Remember your humanity, and forget the rest. If you can do so, the way lies open to a new Paradise; if you cannot, there lies before you the risk of universal death.”

It is also relevant to quote Albert Einstein who said, “Unless the technology push is matched by an ethical pull, we will find, the products of our brain will become a curse rather than a blessing.” Warnings given by Russell and Einstein can be applied to the economic growth models followed by world economies to-day. Profit maximization orientation was found to be ignoring the effects of the business activities on environment and society. A more comprehensive measure to evaluate organizational performance was developed

with the concept of ‘Triple Bottom Line (TBL)’.

Triple Bottom Line (TBL)

Triple Bottom Line is a matrix for a corporations’ social, environmental, and economic performance. TBL is the latest series of buzz words to describe business involvement in sustainability. TBL is all about dropping the financial bottom line as a meaningful indicator of where you stand in the market place and replacing it with a bottom line that properly acknowledges the interplay of the social, economic and environmental dimensions of our lives.

(The phrase ‘Triple Bottom Line’ was coined by John Elkington in his 1997 in his book *Cannibals with Forks: the Triple Bottom Line of 21st Century Business.*)

‘Triple Bottom Line’ emphasized the importance of evaluating business performance on the basis of three bottom lines i.e.

1. Financial bottom line – How much is the profit earning?
2. Environmental bottom line – has the organization helped/harmed the environment while earning the profits.
3. Societal bottom line – has the organization helped/harmed the society at large while earning the profits.

The concept of TBL demands that responsibility of a company's lies with stakeholders than shareholders. In this case, "stakeholders" refers to anyone who is influenced, either directly or indirectly, by the actions of the firm. According to the stakeholder theory, the business entity should be used as a vehicle for coordinating stakeholder interests, instead of maximizing shareholder (owner) profit.(source: http://en.wikipedia.org/wiki/Triple_bottom_line)

Human Development approach

‘Human development Approach’ emerged as a more realistic and comprehensive measure to evaluate economic development of nations.

Prof. Amartya Sen, Professor of Economics, Harvard University described the approach as

"Human development, as an approach, is concerned with what I take to be the basic development idea: namely, advancing the richness of human life, rather than the richness of the economy in which human beings live, which is only a part of it."

Some of the parameters related to 'Richness of human life' included,

- **Social progress** - greater access to knowledge, better nutrition and health services.
- **Economics** – the importance of economic growth as a means to reduce inequality and improve levels of human development.
- **Efficiency** - in terms of resource use and availability. Human development is pro-growth and productivity as long as such growth directly benefits the poor, women and other marginalized groups.

Sr. No.	Wellness attributes	Measuring metrics
1	Economic	consumer debt, average income to consumer price index ratio and income distribution etc.
2	Environmental	pollution, noise and traffic etc.
3	Physical	severe illnesses.
4	Mental	usage of antidepressants and rise or decline of psychotherapy patients.
5	Workplace	Jobless claims, job change, workplace complaints and lawsuits.
6	Social	discrimination, safety, divorce rates, complaints of domestic conflicts and family lawsuits, public lawsuits, crime rates.
7	Political	the quality of local democracy, individual freedom, and foreign conflicts.

- **Equity** - in terms of economic growth and other human development parameters.
- **Participation and freedom** - particularly empowerment, democratic governance, gender equality, civil and political rights, and cultural liberty, particularly for marginalized groups defined by urban-rural, sex, age, religion, ethnicity, physical/mental parameters, etc.
- **Sustainability** - for future generations in ecological, economic and social terms.
- **Human security** - security in daily life against such chronic threats as hunger and abrupt disruptions including joblessness, famine, conflict, etc. (Source : <http://hdr.undp.org/en/humandev/origins/>)

Gross National Happiness

The term "Gross National Happiness" was coined in 1972 by Bhutan's then King His Highness Jigme Singye Wangchuck, who has opened Bhutan to the age of modernization, soon after the demise of his father, His Highness King Jigme Dorji Wangchuk. He used the phrase to signal his commitment to building an economy that would serve Bhutan's unique culture based on Buddhist spiritual values.

The nine parameters of Happy national development for surveying Gross National Happiness (GNH) as developed by Centre for Bhutan Studies, Bhutan are,

1. Standard of living,
2. Health of the population,
3. Education,
4. Ecosystem vitality and diversity,
5. Cultural vitality and diversity,
6. Time use and balance,
7. Good governance,
8. Community vitality, and
9. Emotional well being

Med Jones, the President of International Institute of Management, proposed in 2006 Function of the total average per capita of the following measures seven socio-economic

development metrics. GNH value is proposed to be an index.

Capabilities Approach (CA)

Similar approach to development is advocated by Prof. Amartya Sen called 'Capabilities Approach' (CA) at micro level as against macro approach of GNH. Prof. Sen, after ample research work and surveys on several sensitive issues like famine, drought, flood etc. concludes that it is the inequality prevalent at all levels in the society which leads to unhappiness and is the root of all evils considering the fact that only a particular section of the society suffers from its consequences every time and not all. He also professes that the need of the hour is to change the mindset of the people and the society rather than increasing the funds in the consecutive union budgets by citing the example of teaching illiterate girls. (Ref. : Mihir Jha in his article New Parameters of Economy- I posted on <http://readersquotient.com/economics/gnh-the-new-parameter-of-economy> on 20th March, 2008.)

The above concepts of evaluating economic development are in the process of crystallizing and a lot of work is going on to make them as acceptable international measures of performance evaluation as much as PPP, GNP and GDP etc.

Francine Mestrum a researcher, PhD in social sciences, specialized in development studies, poverty, inequality, gender, globalization, in her blog dated 18 April 2012 posted on www.zcommunications.org titled 'Why We Should Fight Global Income Inequality' has emphasized the importance of reducing income divide.

She says "People do not revolt because they are poor, but because they experience injustice, because their dignity is oppressed, because they are marginalized and feel excluded from the moral unity of human kind."

The above discussion leads to the need for reorienting business activities as well as national policies with an approach of human

dignity which will make the people happy and not only richer. It is very important to underline the emphasis on ethical practices in conduct of business. An ethical mindset and work culture are pre-requisites for achieving a paradigm shift from mere existence to a productive and happy life. In near future, the policies and commercial activities in a nation will be evaluated on the basis of the new parameters suggested above by various thinkers and economist. In future, we may label the economies not as developed economies, emerging economies, third and fourth world economies etc., but as happy economies which may be termed as "Happiconomies" i.e economies with high Gross National Happiness.

Who will build these Happiconomies ?

The task will be shouldered by politicians, administrators and business community including managers and entrepreneurs.

Role of Business Schools in near future

Business School (popularly called B-schools) are imparting management education and training to students pursuing management studies. The students of B-schools enter the managerial cadres and become decision makers for business enterprises or become entrepreneurs themselves and decide the policies and practices of running their business enterprise. Few of the students are entering the public sector enterprises and hold top posts in these organizations. Trend seen in the recent state elections in India indicates that Management graduates from premier institutes are contesting elections and joining the politics where they will be deciding the policies for economic and social growth and development of the country. Thus, management graduates coming out of B-schools some way contributes to the economy of the nations and their education and training at B-school will have a strong bearing on their thinking and actions.

What role B-schools have to play in building Happiconomies through their alumni?

In past, even the premier B-schools had not been able to imbibe the values and ethics in

their students as much as they oriented the students for the dictum of "Profits at any cost". It is observed that most of the scammers in recent past had graduated from reputed business schools and did not bother about the ethical business practices. A few of them are mentioned below.

- Rebecca Mark, Head, Enron International – M.A. in International Business from USA.
- Kenneth Lay, Chairman Enron – Ph. D. in Economics from USA.
- Andrew Stuart Fastow, CFO, Enron group – MBA from USA.
- Richard S. Fuld Jr., CEO, Lehman Bros. – MBA from USA.
- Ramlingam Raju, Owner & President, Satyam Computers – MBA from USA.
- Rammohan Rao, Independent Director on Audit committee of Satyam- MBA and Dean, ISB, Hyderabad.
- Krishna J.Palepu, Director, Satyam – MBA and HBS professor.

They had a common modus operandi.

1. Divert the funds in other activities without the knowledge of the share holders.
2. Manipulate the financial statements of the company.
3. Earn enormous personal financial benefits and create tangible asset.
4. Lead the company to bankruptcy and resign.

In view of the changing parameters of evaluation of economic policies and business activities from GDP to GNH and from maximization of profits to redistribution of profits leading to reducing inequalities, the politicians, administrators and business community must reorient themselves toward the ethical mind set and B-school will have to play a major role in reorienting the students towards building Hapicomonies.

How B-school will be able to reorient the students towards the new mind set?

'Sox first Management & Compliance' magazine in its issue of June 26, 2007, has

published an article titled "Why business schools struggle to teach business ethics?" Following are the salient points made in the article.

➤ "Most business schools struggle to teach ethics and social responsibility simply because they don't know how to go about it. One reason why business schools struggle is because there's a **lack of case studies for the basic courses** like finance, organizational behavior and strategy. As a result, they are failing to incorporate ethics and social responsibility into every subject, from operations to economics." – Craig Smith, Senior fellow in marketing and ethics, London Business School.

He further points out that "There are certainly bad apples out there, but many people make the wrong decisions because they don't see the big picture and **what the consequences could be for themselves, their companies and society.**"

➤ The author of the article Leon concludes that "**Could it be that the training in rigor undermined ethical values**, notwithstanding what was learned in the ethics courses? You might ask whether the focus on analysis undermined the so-called "soft data". And could it be that focus on analysis resulted in a war that was fundamentally ill-conceived, badly conducted and ultimately immoral?"

➤ Certainly those questions come to mind again when we consider the record of the first MBA president, George W. Bush. (Leon, 2007)

Association To Advance Collegiate Schools of Business, International (AACSB International) USA organized "Teaching Business Ethics Conference- 2004" wherein the following issues were discussed by panel members.

- ✓ Role of Ethics in Business Curricula.
- ✓ Successful Programs for Teaching Business Ethics.
- ✓ Teaching Business Ethics: Integration or Courses – Which Approach is Best?
- ✓ Experiential Activities in Teaching Business Ethics: Role Plays, Cases, Exercises, and Videos.

✓ Teaching Business Ethics in Business Disciplines: Accounting, Finance, Management and Marketing.

✓ Materials and Frameworks for Teaching Business Ethics.

The panel discussions were followed by question and answer session and the Dean's Perspective. The discussions are summarized in brief as below.

✓ If management graduates act unethically it will adversely affect the school's brand – (Ajay Menon., 2004)

✓ Ethics must be integrated across the curriculum – Ajay Menon.

✓ Faculty research shall be focused on social issues. Ethics goals need to be put in faculty evaluations and reward structure. – Ajay Manon.

✓ Ethics should be taught in a stand along course as well as be integrated throughout the curriculum. – (Stephen Lawrence, 2004)

✓ 'Business and Society' course shall be mandatory for management students – Stephen Lawrence.

✓ Management educators' responsibilities is to raise awareness, develop skills and contextual application of skills – (Brent Hathaway, 2004)

✓ Students should understand the theory that ethics involves philosophic ideas like justice, rights, duties, and virtues, as well as sociological concepts like values and culture, and psychological notions like reasoning. We need to educate our students that corporations have obligations to many stakeholders. There is a social contract between business and society, and students need to understand this –(Diane Swanson, 2004)

✓ There is something fundamental that we are not doing right. A program that relies on electives is not sufficient. Infusion is extremely hazardous to the disciplines of business and society, and business ethics. Infusion could lead to the destruction of these academic disciplines. – (Piper, Gentile and Parks, 2004)

✓ We need to convince students that managerial misconduct is always costly for society, because you are perverting the mission of business. The practical personal costs (such as imprisonment, etc.) are not necessarily the heaviest costs. **Heavier costs are human diminishment and self-degradation.** – (Bob Kolb, 2004)

The emerging role of the B-schools can be summarized as below.

1. The traditional parameters of evaluating economic development like GDP, GNP etc. were inadequate to measure the income divide and inequality and therefore, economists and thinkers developed new parameters like Gross National Happiness (by Bhutan's King His highness Jigme Singye Wangchuck, 1972), Capability Approach (by Prof. Amartya Sen, 1980) and Triple Bottom Line (by John Elkington, 1997)

2. In near future, the economic development and business performance will be evaluated on the basis of these new parameters based on human dignity and ethics. The parameters will include economic, environmental, physical, mental, workplace social and political wellness attributes.

3. Policy makers, administrators and business community who mainly are trained in B-schools will have to change their mind set from GDP to GNH and from maximization of profits to redistribution of profits leading to reducing inequalities.

4. B-schools will have to play an important role in orienting their students towards achieving the new parameters of economic development and business performance.

Change in and regogy

In order to achieve these objectives, B-school curricula will require a major change in its and regogy in the following way.

The core subjects presently included in the structure are training students the commercial aspects of the business activity. In future, management students must be well versed with the monitoring techniques related to environmental protection and societal wellbeing while enhancing financial

performance (Triple Bottom Line). They must also be equally concerned about impact of national culture, income divide and ethical behavior while running their businesses profitably. Management students of tomorrow as 'would be policy makers, administrators, managers and business persons' must understand the new evaluation parameters of their performance and their linkage to Gross National Happiness.

B-schools will be required to revamp their teaching learning process so that the students are sensitized to human development, cultural values, environmental sustainability, societal wellbeing, ethics in business, good governance etc. which ultimately will lead to national, sustainable and inclusive development which is based on GNH and not on GDP alone. Some of the experiential learning activities to sensitize B-school students to the above issues will be,

- ✓ participation in social activities of Non-Government Organizations (NGOs) as an essential part of their curricula,
- ✓ Presentations on cultural heritage of their own nation.
- ✓ Writing and debating real life case studies of businesses and national policies which have helped in improving GNH.
- ✓ Presentations and discussions on social cost of unethical practices followed by policy makers, administrators, managers and business persons in their fields of activity.
- ✓ Grade points for propagation and practice of the concept and importance of GNH over and above GDP.

Educationists, economists, thinkers, philosophers, students, in short, all those who have stakes in making the people of their nations happy, will have to come together and design the curricula, methods of sensitizing students to the issues leading to national happiness, evaluation criteria to ensure that students have undergone a change in mind set and ways of motivating them to create pressure groups for achieving the goals of economic development with a human face. As

a result of this exercise, the students of B-schools who will be national policy makers, administrators, entrepreneurs and business managers shall have to developed a mind set with firm convictions that,

- ✓ Economic development must benefit all sections of the society in general and lower sections in particular.
- ✓ Growth in GDP, GNP and GNI ultimately must result in Gross National Happiness.
- ✓ Business activities must further the environmental and societal wellbeing while increasing wealth in the hands of the shareholders.

The B-school will thus, have to play a major role in orienting their students in building nations not only as developed economies but also as 'Happiconomies'. His Highness King Of Bhutan, Jigme Singye Wangchuck, has initiated the concept of Gross National Happiness and therefore, it will be in the fitness of things that Royal University Of Bhutan alongwith like minded professionals from India undertake this task of orienting management students towards building "Happiconomies" in the world. The task is urgent and enormous. Otherwise, the writing on the wall is clear. "Remember your humanity, and forget the rest. If you can do so, the way lies open to a new Paradise; if you cannot, there lies before you the risk of universal death." – Bertrand Russell and Albert Einstein.

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