



Is management education beneficial to society?

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Abstract *This paper examines whether or not US-style management education is beneficial to society and presents a review of recent events, which suggest that management education must be improved. Two principal approaches to management education and resulting practice are presented and framed differently to better reflect and comprehend societal impacts. They are termed high waste and low waste, where waste is defined as activities and behaviors that do not add value and can be eliminated. High waste management practice, or conventional management, is what the majority business schools teach. Low waste management practice, rooted in the principles and practices of the Toyota Management System, is much less common in business school education. Proposes three improvements to management education that will deliver greater benefits to society while simultaneously promoting the interests of business.*

Introduction

US-style management education has come under much criticism in recent times due to the bursting of the economic bubble in the USA and discovery of misleading, unethical, or illegal business practices and behaviors by senior managers. Financial scandals have engulfed dozens of large US publicly-owned corporations including: Adelphia Communications, Bristol-Myers Squibb, Computer Associates, CitiGroup, Enron, Global Crossing, Merrill Lynch, Qwest Communications, Rite-Aid, Sunbeam, Tyco, Waste Management, WorldCom and Xerox. Many of the senior managers associated with the scandals possess undergraduate or graduate degrees in business (WSJ, 2002). Did management education play a role in creating the financial scandals, or was management education not a factor?

The prevailing wisdom among academics, business writers, and the investment community regarding the recent financial scandals consists of two main points. The first is: scandals were caused by a small number of people – a few “bad apples” – (i.e. senior managers, and related parties such as accountants, lawyers, and investment analysts); the majority senior managers behave ethically and within the bounds of the law.

The basis for this common claim is not substantiated, although the *prima facie* evidence in play appears to be the lack of federal investigations of the thousands of other publicly-owned companies. However, President Bush signed into law the Sarbanes-Oxley Act of 2002 “to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes” (SOA, 2002). Included in the Act is a provision that requires the Chief executive officers (CEOs) and Chief Finance Officers (CFOs) of companies publicly listed in the USA with revenues greater than US\$1.2 billion – over 900 companies – to certify personally that the reports their companies file with the US



Securities and Exchange Commission are both accurate and complete (SEC, 2002). The Act is an indication that the problem of inaccurate, incomplete, or misleading corporate financial disclosure and related matters is much more widespread than just the few companies or people under investigation.

Corporate financial scandals have cost employees, investors, and the federal government nearly US\$200 billion by one estimate (AFV, 2002), not including the costs borne by suppliers and local governments. Federal intervention for the purpose of accounting reform and investor protection clearly demonstrates the important relationship between business activities and social well-being, and confirms the existence of severe deficiencies in current management practice. It also implies the existence of important deficiencies in management education.

The second point often expressed is: scandals are a “business ethics” problem which many view as correctable to a sufficient degree through better corporate governance processes, new corporate policies and ethics statements, audits and related compliance programs, as well as improved management education (Etzioni, 2002; Ghoshal, 2003; Hindo, 2002; Leavenworth and Fillo, 2002; Mangan, 2002; Merritt, 2003). In other words, Federal intervention is not needed because personal ethics cannot be legislated.

For management education, the classic debate is whether or not business ethics should be a stand alone course or embedded throughout the curriculum. The following viewpoint from a former Wharton MBA student is typical (Schoffer, 2002):

Ethics courses; what a waste of University resources and student’s time. A class or two in ethics will have no effect on someone predisposed to commit illegal acts or behave unethically. If someone cannot distinguish right from wrong by the time he enrolls in Wharton, the school can’t do much about it.

It argues against standalone courses in ethics and implies that embedding ethics throughout a curriculum would also be of little value. It assumes that people are either good or bad, and discounts the process by which most people become ethically compromised (i.e. become “bad”) – which can occur in many small, seemingly innocuous, steps over time. Distinguishing right from wrong may be simple when the wrong is stunningly obviously – situations that are clearly “black and white”. However, in most cases, distinguishing right from wrong for each small step is often ambiguous and may be sustained by corporate politics that suppress dissent (Argyris, 1990) – until the wrong can no longer be contained. Ethics courses, as well as organizational behavior courses, attempt to create awareness of situations, often shades of gray, in which small problems can increase to become much bigger problems with undesirable consequences.

While likely informative and perhaps even useful to some, ethics courses in full-time MBA programs often come into conflict with other courses that either implicitly or explicitly promote business objectives that can create ethical problems for managers. For example, over the last three decades, finance courses have taught future managers to believe that the purpose of business is to “maximize shareholder value” (Jensen, 2000; Kelly, 2001; Mitchell, 2001; Rappaport, 1998). The original focus on long-term shareholder value maximization quickly gave way to short-term shareholder value maximization in management education (Aspen, 2002) and in actual business practice (Cassidy, 2002; Donaldson, 2002; Handy, 2002; Mintzberg *et al.*, 2002) to please ever more demanding institutional shareholders and Wall

Street investment analysts, as well as to enrich one's self through stock options (Fox, 2001; Loomis, 2001; Wolf, 2002).

So how do senior managers convert into practice their desire to maximize shareholder value quickly? The simplest way is to give one's self the unilateral right to make tradeoffs against other key stakeholders such as:

- employees (Ball, 2001; Barsky *et al.*, 1999; Berman, 2001; Girion and Douglass, 2001; Heinzl, 2001; Kaufman, 2001; Lubanko, 2002; McLaughlin, 2002; Okuda, 1999; Orey, 2002; Schultz, 2000; Thomasch, 2001);
- suppliers (Ball, 2001; Bartholomew, 2002; Chappell and Kachadourian, 2001; Hays and Kaufman, 2001; Kaufman, 2002; Kobe, 2001; Maremont and Berner, 1999; McCracken, 2001; Millman, 2002; Richards, 2000; Sherefkin, 2003);
- customers (Bartholomew, 2001; Beckett, 2001; Branch, 2002; Brannigan *et al.*, 2001; Brooks, 2002; Fritsch, 2002; Hafner, 2001; Kranhold, 2001; Mitchener, 2001; Oppel, 2002; Paltrow, 2001; Spencer, 2003; Wong, 2002; Zimmerman and Oster, 2002); and
- communities (Bandler and Maremont, 2001; Blumenthal, 2003; Dixon, 2002; Donnelly, 2002; Haar, 2001; Herrick, 2001; Johnston, 2002; Oppel, 2001; Simpson, 2002; Yardley, 2002);

Senior management simply reduces its costs at the expense of others: i.e. lay off employees (Okuda, 1999), squeeze suppliers' profit margins (Emiliani, 2003a; Emiliani and Stec, 2002), and close plants or offices. They will also try to maximize shareholder value in the short-term using other means such as share buy-backs, acquisitions, mergers, spin-offs, outsourcing, financial engineering, sales incentives (e.g. channel stuffing), offshore re-incorporation, online reverse auctions, etc. (Emiliani, 2000).

Remarkably, management sometimes spares no stakeholder in its quest to maximize shareholder value rapidly, including its own shareholders (Brown, 2002; Byrnes and Henry, 2001; Eichenwald, 2002; Elstrom, 2001; Frank and Sidel, 2002; Frank and Solomon, 2002; Gasparino, 2002; Harris, 2002; Henry, 2001; Kaufman, 2001; Leonhardt, 2002; Loomis, 2001; Maremont and Bandler, 2002; Martin, 2001; Martinez, 2002; Morgenson, 2001, 2003; Norris, 2001a; Romero, 2002; Sandberg and Pulliam, 2002; Spencer, 2003; Weil, 2001).

Using "corporate unilateralism" as a tool to manage a business is common even among companies not embroiled in financial scandals. However, it increases risk as companies that persistently tradeoff other stakeholders' interests to satisfy shareholder's interests typically under-perform (Berman and Blumstein, 2001; Bianco and Moore, 2001; Byrne, 1998; Connelly, 2001; Kaufman, 2001; Norris, 2001b). It should be obvious that management education has not been effective at instilling long-term thinking among senior managers, as well as related parties such as Wall Street investment analysts, large institutional shareholders, and corporate lawyers.

Returning to the view that the recent financial scandals are a "business ethics" problem, if the behaviors of senior managers engaged in are not ethical, then so too must the specific methods used to achieve that outcome. Thus, zero-sum practices that are designed to benefit only shareholders should become recognized as unethical business practices. CEOs who employ zero-sum games to maximize shareholder value

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rapidly would thus not qualify as a source of ethical behavior for others to follow. Who, then, is a better model for ethical behavior?

In a speech on 9 July 2002, President Bush noted the role of business school education in promoting corporate responsibility (Bush, 2002):

Our schools of business must be principled teachers of right and wrong, and not surrender to moral confusion and relativism.

This statement suggests that management education needs to be improved, and the way to do so is for all faculty members to more clearly differentiate between right and wrong. Business school faculty can teach right and wrong, but ultimately graduates have to put into practice what they learned in order for the teaching to have an impact in the “real world”. The zero-sum games and other tricks used by senior managers to increase stock price remain commonplace, and so faculty must take a strong and visible position in their pedagogy disapproving of such practices. They should not confuse students, as when one course denounces such practices while other courses remain silent or even promote such practices. In short, faculty must find a common ground and remain consistent throughout the curriculum, and not tacitly or explicitly support zero-sum practices simply because they are commonly used by senior managers.

The ability of students to put what they have learned into practice depends upon the clarity and consistency of the theories, models, principles, and practices presented to them throughout the curriculum. A recent study suggests that business school education overall has not been very effective (Pfeffer and Fong, 2002). The education was not found to correlate with career success, and business school research was found to have little influence on management practice. Another work identified management theories that contradict one another or the key assumptions that form the foundation of management education (Donaldson, 2002). Perhaps because of the apparent ineffectiveness of management education, it is managers who have a larger impact on the practice of management than do its teachers. Importantly, this means that management education is actually taught by two sources: faculty in business or management schools and practicing managers (Skapinker, 2003).

It is against this backdrop that the question of whether or not management education is beneficial to society is examined. The point of view taken is that management education:

- must benefit society;
- is not as beneficial to society as it could be;
- can be significantly improved.

In order for management education to benefit society, it must result in, at minimum, the following outcomes:

- value creation, both financial and non-financial, for customers, employees, suppliers, investors, and communities;
- economic growth and improved competitiveness;
- improvement of the human condition, both individual and group; and
- balance between social and economic interests.

In general, current management education, regardless of the source, does not consistently deliver these results. Further, management education that contributes to undesirable business outcomes, such as financial scandals, surely does not benefit society (SOA, 2002). The aim of this paper is to show how management education can be improved to provide greater benefits to society while simultaneously promoting the interests of business.

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Improving management education

In general, management education lacks a coherent framework for decision-making that all management practitioners can use. There is a difference of opinion regarding the purpose of business, which results in two main schools of thought and practice:

- (1) pure or near-pure financial, i.e. shareholder value maximization; and
- (2) socio-economic, i.e. balance of stakeholder interests.

Proponents of shareholder value maximization argue that this single-valued objective function is more effective at guiding management decision-making towards the ultimate end-objective (Jensen, 2000). While perhaps theoretically correct in an ideal world, recent events in the “real world” show this position has many serious shortcomings that are not beneficial to society (AFV, 2002; Cassidy, 2002; Handy, 2002; Kelly, 2001; Mintzberg *et al.*, 2002; Mitchell, 2001). Business is a human invention, and so business – buying and selling – cannot (yet) exist without humans. Therefore, business must necessarily contain a social or human component. The equation used to estimate shareholder value supports this point (Rappaport, 1998):

$$\text{Shareholder value} = \text{corporate value} - \text{debt}$$

where:

$$\text{Corporate value} = \text{present value of cash flow from operations during the forecast period} + \text{residual value} + \text{marketable securities}$$

and

$$\text{Cash flow} = \text{cash inflow} - \text{cash outflow}.$$

The key stakeholders in a business include: customers, employees, suppliers, investors, and communities. Examining the shareholder value equation reveals the following:

- shareholder value represents the investor;
- corporate value is determined largely by cash flow, the principal source of which is sales to customers; and
- debt, as expressed by current liabilities in the balance sheet, contains money owed to suppliers (accounts payable), employees (accrued expenses), and communities (income taxes payable).

Not surprisingly, all five key stakeholders are represented in the shareholder value equation, which proves their existence and thus recognizes business as a

socio-economic activity. As a result, shareholder value maximization (Friedman, 1970), or any other single-valued objective function that strongly favors one group's interest over all others, is not considered to be an appropriate vehicle for delivering management education that benefits society.

In contrast, proponents of business as a socio-economic entity argue that it is impossible to reduce business to a single market principle such as shareholder value maximization (Senge, 2000). In their view, the single objective function requires several unlikely attributes to be operative simultaneously in an ideal world. The business world cannot effectively sustain unrealistic or purely theoretical constructs based on ideal conditions. Therefore, the purpose of business is obviously socio-economic, which better reflects the reality that business is a human-centered activity, inclusive of the strengths and weaknesses of human thinking and behaviors. Consequently, this dual-valued objective function is considered to be a better vehicle for delivering management education that benefits society.

It would be wonderful if all that needed to be done in management education were to convince people that business is a human-centered activity and espouse the importance of balancing social and economic interests. However, this is clearly insufficient. Instead, there must be a foundation from which management theories, models, principles, and practices can be built upon and that reflect the true nature of business.

Three critical improvements can be incorporated into management education to achieve greater benefits to society while simultaneously improving the practice and performance of business, both financial and non-financial. They are:

- (1) business principles;
- (2) the concept of waste; and
- (3) root cause analysis.

First improvement: business principles

The first improvement in management education would be to incorporate guiding principles that provide students and faculty with a clear representation of the fundamental nature of business. For this we can use the Caux Round Table *Principles for Business* (Caux, 2003). The *Principles* describe the role of the global business community in improving economic and social conditions through seven general principles (Table I) and six stakeholder principles (Table II).

Using the *Principles* as the foundation for *every* course would allow both faculty and students to discuss the merits of business theories, models, principles, and practices in relation to business goals, activities, and relationship between key stakeholders. This results in several benefits:

- a richer dialogue framed against a back-drop of management's responsibility to balance social and economic interests;
- the ability to distinguish between generative vs degenerate business theories and practices;
- recognize the important role that key stakeholders play in the functionality and also improving the overall effectiveness of business; and
- create ideas on how to leverage, rather than divide (i.e. tradeoff), the interests of key stakeholders.

Principle 1. The responsibilities of businesses: beyond shareholders toward stakeholders	The value of a business to society is the wealth and employment it creates and the marketable products and services it provides to consumers at a reasonable price commensurate with quality. To create such value, a business must maintain its own economic health and viability, but survival is not a sufficient goal. Businesses have a role to play in improving the lives of all their customers, employees, and shareholders by sharing with them the wealth they have created. Suppliers and competitors also should expect businesses to honor their obligations in a spirit of honesty and fairness. As responsible citizens of the local, national, regional and global communities in which they operate, businesses share a part in shaping the future of those communities
Principle 2. The economic and social impact of business: toward innovation, justice and world community	Businesses established in foreign countries to develop, produce or sell should also contribute to the social advancement of those countries by creating productive employment and helping to raise the purchasing power of their citizens. Businesses also should contribute to human rights, education, welfare, and vitalization of the countries in which they operate. Businesses should contribute to economic and social development not only in the countries in which they operate, but also in the world community at large, through effective and prudent use of resources, free and fair competition, and emphasis upon innovation in technology, production methods, marketing and communications
Principle 3. Business behavior: beyond the letter of law toward a spirit of trust	While accepting the legitimacy of trade secrets, businesses should recognize that sincerity, candor, truthfulness, the keeping of promises, and transparency contribute not only to their own credibility and stability but also to the smoothness and efficiency of business transactions, particularly on the international level
Principle 4. Respect for rules	To avoid trade frictions and to promote free trade, equal conditions for competition, and fair and equitable treatment for all participants, businesses should respect international and domestic rules. In addition, they should recognize that some behavior, although legal, may still have adverse consequences
Principle 5. Support for multilateral trade	Businesses should support the multilateral trade systems of the GATT/World Trade Organization and similar international agreements. They should cooperate in efforts to promote the progressive and judicious liberalization of trade and to relax those domestic measures that unreasonably hinder global commerce, while giving due respect to national policy objectives
Principle 6. Respect for the environment	A business should protect and, where possible, improve the environment, promote sustainable development, and prevent the wasteful use of natural resources
Principle 7. Avoidance of illicit operations	A business should not participate in or condone bribery, money laundering, or other corrupt practices: indeed, it should seek cooperation with others to eliminate them. It should not trade in arms or other materials used for terrorist activities, drug traffic or other organized crime

Table I.
Caux Round
Table *Principles for
Business: general
principles*

Customers. We believe in treating all customers with dignity, irrespective of whether they purchase our products and services directly from us or otherwise acquire them in the market. We therefore have a responsibility to:

- provide our customers with the highest quality products and services consistent with their requirements;
- treat our customers fairly in all aspects of our business transactions, including a high level of service and remedies for their dissatisfaction;
- make every effort to ensure that the health and safety of our customers, as well as the quality of their environment, will be sustained or enhanced by our products and services;
- assure respect for human dignity in products offered, marketing, and advertising; and respect the integrity of the culture of our customers.

Employees. We believe in the dignity of every employee and in taking employee interests seriously. We therefore have a responsibility to:

- provide jobs and compensation that improve workers' living conditions;
- provide working conditions that respect each employee's health and dignity;
- be honest in communications with employees and open in sharing information, limited only by legal and competitive constraints;
- listen to and, where possible, act on employee suggestions, ideas, requests and complaints;
- engage in good faith negotiations when conflict arises;
- avoid discriminatory practices and guarantee equal treatment and opportunity in areas such as gender, age, race, and religion;
- promote in the business itself the employment of differently abled people in places of work where they can be genuinely useful;
- protect employees from avoidable injury and illness in the workplace;
- encourage and assist employees in developing relevant and transferable skills and knowledge; and
- be sensitive to the serious unemployment problems frequently associated with business decisions, and work with governments, employee groups, other agencies and each other in addressing these dislocations

Owners/investors. We believe in honoring the trust our investors place in us. We therefore have a responsibility to:

- apply professional and diligent management to secure a fair and competitive return on our owners' investment;
- disclose relevant information to owners/investors subject to legal requirements and competitive constraints;
- conserve, protect, and increase the owners/investors' assets; and
- respect owners/investors' requests, suggestions, complaints, and formal resolutions

Suppliers. Our relationship with suppliers and subcontractors must be based on mutual respect. We therefore have a responsibility to:

- seek fairness and truthfulness in all our activities, including pricing, licensing, and rights to sell;
- ensure that our business activities are free from coercion and unnecessary litigation;
- foster long-term stability in the supplier relationship in return for value, quality, competitiveness and reliability;
- share information with suppliers and integrate them into our planning processes;
- pay suppliers on time and in accordance with agreed terms of trade; and
- seek, encourage and prefer suppliers and subcontractors whose employment practices respect human dignity

Competitors. We believe that fair economic competition is one of the basic requirements for increasing the wealth of nations and ultimately for making possible the just distribution of goods and services. We therefore have a responsibility to:

(continued)

- foster open markets for trade and investment;
- promote competitive behavior that is socially and environmentally beneficial and demonstrates mutual respect among competitors;
- refrain from either seeking or participating in questionable payments or favors to secure competitive advantages;
- respect both tangible and intellectual property rights; and
- refuse to acquire commercial information by dishonest or unethical means, such as industrial espionage

Communities. We believe that as global corporate citizens we can contribute to such forces of reform and human rights as are at work in the communities in which we operate. We therefore have a responsibility in those communities to:

- respect human rights and democratic institutions, and promote them wherever practicable;
- recognize government's legitimate obligation to the society at large and support public policies and practices that promote human development through harmonious relations between business and other segments of society;
- collaborate with those forces in the community dedicated to raising standards of health, education, workplace safety and economic well-being;
- promote and stimulate sustainable development and play a leading role in preserving and enhancing the physical environment and conserving the earth's resources;
- support peace, security, diversity and social integration;
- respect the integrity of local cultures; and
- be a good corporate citizen through charitable donations, educational and cultural contributions, and employee participation in community and civic affairs

Table II.

Second improvement: the concept of waste

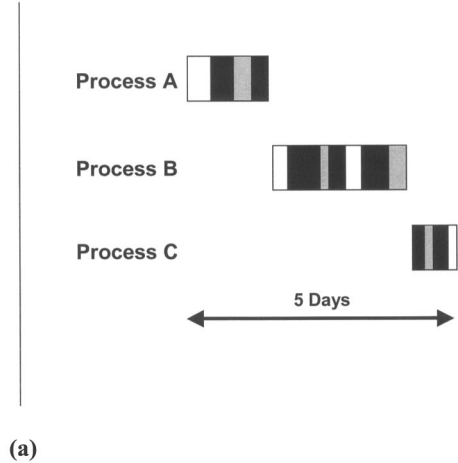
Some companies practice a profoundly different type of management system rooted in the principles and practices created or developed by Toyota Motor Corporation (Basu, 1999; Dyer and Nobeoka, 2000; Emiliani, 1998a, b; Emiliani *et al.*, 2003; Fujimoto, 1999; Imai, 1997; Monden, 1993; Ohno, 1988; Toyota, 2001; Womack and Jones, 1996; Womack *et al.*, 1990). At its core, the "Thinking" (or "Lean") management system is focused on eliminating waste – activities and behaviors that do not add value and can be eliminated – and creating value for end-use customers. This is a profound difference in management philosophy and practice compared to companies that seek to literally "maximize shareholder value" or otherwise optimize their own position in the value stream at the expense of others (Emiliani, 2003b; Womack and Jones, 1996).

Figure 1 shows a key concept that operates in the minds of people who practice the "Thinking" management system (Emiliani, 2003b). The diagram on the left shows that there are two types of work: value-added and non-value added but necessary. The remainder is waste (Emiliani, 1998a; Ohno, 1988). Identify and remove the waste, and the response time for any process is dramatically reduced. This results in lower costs and improved customer satisfaction. However, most work activities, whether in the office or factory, are designed without this understanding in mind and therefore typically contain only 5-10 per cent value-added (Emiliani *et al.*, 2003). Remarkably, this is one of the outputs of conventional management education.

Figure 2 shows another key concept that mirrors Figure 1. Namely, there are human behaviors that add value and behaviors that are non-value added but



Figure 1.
Classical model representing the two types of work, value-added and non-value added but necessary, and waste



(a)

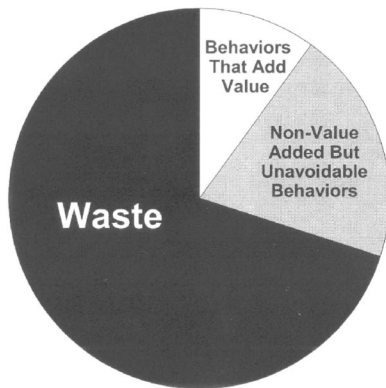
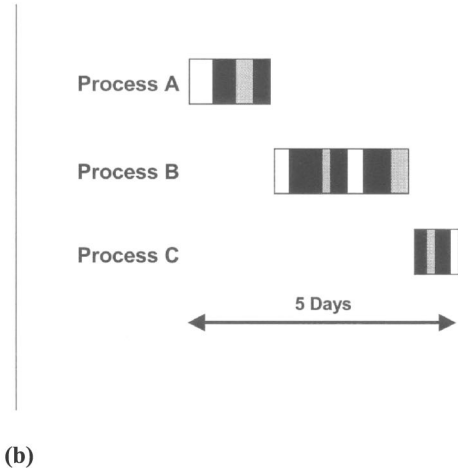


Figure 2.
Model extended to include human behaviors that add value, behaviors that do not add value but are unavoidable, and waste



(b)

unavoidable and perhaps even necessary in some cases (Emiliani, 1998a, b, 2000). The remainder is waste. Behaviors are part of any process to perform an activity. Wasteful behaviors lead to delays and rework, which result in higher costs and lower customer satisfaction. Conventional management education has had little or no impact in reducing wasteful office politics, turf wars, fear, and defensive routines (Argyris, 1990).

Instead, balance, mutual co-existence, co-prosperity, and harmony between social and economic interests are important principles that guide management decision-making, without losing sight of the importance of generating profits. "Corporate unilateralism" is not seen as an effective solution because it divides key stakeholders and forces people to act in their own self-interests. It is the last resort,

rather than first resort, to business problems. A central point is that “Thinking” businesses are managed in ways that reduce or eliminate conflict between people because it is viewed as waste (Emiliani, 1998a, 2003b; Emiliani *et al.*, 2003).

Management education that includes the concept of waste, as well as related processes such as *kaizen* (Japanese word meaning “continuous improvement”) and its associated tools (Imai, 1997), would result in greater social and economic benefits if put into practice. Specific benefits associated with identifying and eliminating waste in both work activities and behaviors include (Emiliani, 2003b; Emiliani *et al.*, 2003):

- more valuable management competencies;
- minimizing or eliminating tradeoffs between key stakeholders;
- lower costs, higher quality, and speed to market;
- products and services that meet end-use customer needs;
- stable employment;
- improved financial and non-financial performance; and
- higher levels of satisfaction among key stakeholders.

Third improvement: root cause analysis

A fact of business is that people make mistakes. To reduce mistakes, some senior managers skilled in conventional management practice call for “flawless execution” or state “failure is not an option”. While well intentioned, these statements usually result in people hiding mistakes for fear of being blamed. Requiring “flawless execution” in an environment that blames people and in the absence of processes to identify root causes – and concomitant rewards for doing so – will not result in any substantial reduction in errors.

In the “Thinking” management system, people are not blamed for mistakes, instead, the process is closely examined with the help of various tools to determine the root cause, and countermeasures are applied to avoid repeated mistakes. A “no blame” environment is essential for gaining employee participation and to obtain information to flow. Genuine improvement cannot be achieved if people are viewed as waste, when in fact it is business processes that contain waste.

Management educators, however, rarely use root cause analysis methods in class (Doria *et al.*, 2003). Instead, they often use case studies whose solution is indeterminate in the absence of root cause analysis. Should not they teach students how to avoid common management errors in addition to the theories, models, principles, and practices? There is a common bias among business educators, which suggests that root cause analysis should be used to solve only technical engineering or manufacturing problems. It is shortsighted and unrealistic to think that problems outside of engineering or manufacturing have no root cause. Those who do must believe that it is of no consequence to repeat mistakes over and over again. This position is clearly indefensible, as repeat problems can cause great distress to a business (Berman and Blumstein, 2001; Bianco and Moore, 2001; Byrne, 1998; Cassidy, 2002; Frank and Sidel, 2002; Harris, 2002; Kaufman, 2001; Maremont and Berner, 1999; Stecklow *et al.*, 2003).

Table III shows some of the common mistakes made by senior managers sorted by key stakeholder group, plus a general category that affects all stakeholders. For many of the mistakes listed, root cause analysis would reveal the cause to be related to shareholder value maximization or other local optimization routine, or dysfunctional individual and organizational behavior (i.e. office politics, defensive routines, fear, etc.) rooted in wasteful business practices and related business measurement systems (Emiliani, 2003b; Emiliani *et al.*, 2003).

Summary

Recent financial scandals indicate the need for improving US-style management education. As an important stakeholder in the practice of management, management educators must do much more than re-emphasize the business ethics component of

Stakeholder	Practice or behavior
Employees	Unfair pay Layoffs (elective) Cutting benefits Discrimination/harassment Unsafe workplace (physical or mental)
Suppliers	Ignoring employee suggestions Avoiding or cutting payments/debiting suppliers' accounts Squeezing suppliers margins
Customers	Ignoring supplier suggestions Channel stuffing Incomplete disclosure of terms of service Ignoring customers/customer complaints Profile-based pricing, non-uniform pricing, overcharging, extra fees
Investors	Money games: expense and revenue recognition, hiding debt, self-dealing Failure to respond to the competition Lack of new products or services
Community	Incomplete disclosure Plant closings Tax evasion/reincorporating offshore
Competitors	Damaging the environment Predatory pricing Antitrust violation False/misleading advertising
All	Acquiring competitor's proprietary information Power-based bargaining (win-lose) Not understanding the problem Blaming people Politicizing the workplace Conflicts of interest

Table III.
Common mistakes made
by senior managers

Note: These are presented as mistakes because they are used as solutions in the absence of root cause analysis. They also divide key stakeholders and are often used to support management's efforts to achieve single-valued objective functions such as "maximize shareholder value" in the short term

management education. They must question the sensibility of delivering a learning experience that results in:

- ignorance of the existence of waste and a poor understanding of business process;
- the repetition of common errors that often threaten the existence of the business; and
- strongly favoring shareholder's interests above all other stakeholders' interests.

These outcomes require managers to behave unilaterally and force others to act in their own self-interest, which ultimately results in undesirable outcomes for all key stakeholders. Management practices that destroy financial and non-financial value are well known and should be de-emphasized or eliminated – yet recognize their potential usefulness for comparative purposes – while those that create value for end-use customers should become centerpieces of management education.

An important difference between conventional management practice that results from management education and the “Thinking” management system is awareness of the concept of waste. In the former, senior management is unaware of the existence of waste, and so the amount of waste in business processes is high. This leads to high variation in financial and non-financial performance. In the latter, senior managers and non-managers alike are acutely aware of the existence of waste, and therefore seek to eliminate waste using simple processes and tools (Emiliani *et al.*, 2003; Imai, 1997). This reduces variation in financial and non-financial performance and also reduces the amount of resources demanded by the corporation. Managers often say: “resources are scare”. The truth is that waste is abundant.

Three improvements to management education are proposed that will deliver greater benefits to society while simultaneously promoting the interests of business. They are shown in Figure 3.

Achieving such a change will take time, as management educators must themselves first learn the features and benefits of the “Thinking” (i.e. lean) management system (Basu, 1999; Dyer and Nobeoka, 2000; Emiliani, 1998a, 2000, 2003b; Emiliani *et al.*, 2003; Monden, 1993; Ohno, 1988; Womack and Jones, 1996; Womack *et al.*, 1990) and not become trapped by misconceptions or other false impressions. Doing so will deliver a more valuable classroom experience that students will hopefully translate into future management practices that result in greater social and economic benefits.

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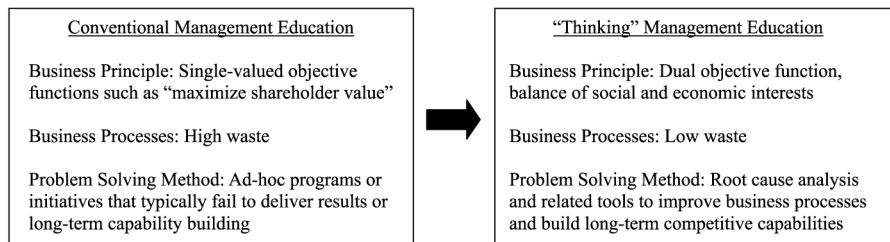


Figure 3.

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