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Are Business Schools Failing the World?

By WILLIAM J. HOLSTEIN

JEFFREY E. GARTEN, 58, who is stepping down after 10 years as dean of the Yale School of Management, says he does not think American business schools are doing a good enough job. Here are excerpts from a conversation with Mr. Garten, who became the dean after a career on Wall Street specializing in debt restructuring abroad and a stint as under secretary of commerce for international trade.

Q. Do you feel that in your 10 years, you were able to improve the way business students are educated?

A. Ten years ago, the role of business in society was on an upward trajectory. There was a sense that business leaders would be the champions of globalization and would in fact fill in where governments had left a huge vacuum in terms of the rules of the world economy.

Today, that seems like a very fanciful notion. Post 9/11 and post [Enron](#), the role of business leaders has been enormously diminished. It's been an enormous challenge to have an impact on business education because the ground has shifted so dramatically. I have been enormously humbled by the task.

It's extremely difficult to figure out what to teach in a two-year course, to reflect today's realities, let alone what the world will look like 10 or 20 years from now when the graduates reach their stride in terms of their careers.

Q. Is this challenge confronting all business school deans?

A. I'm sure this confronts all the deans. The real question is how to be relevant. What do you teach about corporate governance when the rules and the expectations of society are changing so quickly? What do you teach about the global competitive landscape when countries like China and India are likely to fundamentally reorganize the way production and trade are conducted? I was an investment banker for 15 years. I was in four presidential administrations. But this job has been the most difficult of all.

Q. Are you a critic of how your own students have been educated?

A. I think the current model of business school education needs to change dramatically. I think there should be different criteria for tenuring faculty. Right now, a professor would get tenure on the same qualifications as he or she would if they were in a department of economics or a department of history. What business schools need to do is add some

criteria for promotion. One of them should be some real-world experience, in the same way that a doctor teaching at a medical school would have had to see patients.

Q. What percentage of business school professors have had experience in real companies?

A. I would say it's minuscule. This is a very radical proposal. But let me give you a second. Business schools need to have a two-track faculty, with the second track being a clinical faculty, that is, people who may not have the academic qualifications to get tenure or even do real academic research, but who would bring into the classroom the world of practice and experience.

Q. What else would you say has to change?

A. Business schools need to rethink the way they're preparing students to operate in a global economy. There's a lot of lip service to this and no end to courses that have the word "international" in front of the name. But the fact is that most business schools are quite insular. I think there's a strong case for mergers between American schools and schools abroad. Not episodic exchange programs. Not an occasional exchange of professors. But a global school that matches a global market. A school in which the students can go back and forth between the United States and China and where the professors are rotated. No business school is even close to approaching that degree of global focus.

Q. Are chief executives exercising enough intellectual leadership on globalization?

A. If you went back to the time I came here from the first Clinton administration in 1995, which had geared a lot of its foreign policy to accommodate the expansion of American companies, there is such a difference between the role C.E.O.'s were beginning to play then and the role they're playing now. American C.E.O.'s are actually supplying a lot more innovation and ingenuity than is apparent from what you read and what you hear. Executives like Jeff Immelt at [General Electric](#) and Sam Palmisano from [I.B.M.](#) are being enormously creative in expanding their companies and figuring out how to organize themselves to take advantage of a more open world.

Q. Are chief executives doing enough?

A. What C.E.O.'s are not doing is presuming to play a broader role than just ensuring that their companies are profitable. There was a time when leaders of big multinational companies were thinking about supplying some governance of the global economy. The idea was that there was no such thing as world government and that national governments were much too focused on their own jurisdictions to create the rules of trade or finance or environmental protection or labor. Companies were going to move into this vacuum, gingerly, but the world would be run more according to business and market principles. Over this past decade, most C.E.O.'s decided this is not for them. They have created a vacuum into which governments are moving, for better or worse.

Q. But in the current environment, does anybody care what chief executives have to say?

A. The question is, who is in the best position to build a framework for global trade and investment? Every major country is more preoccupied internally, and less focused on global management, than was the case a decade ago. Huge changes are taking place, whether it's the rise of China or the decline of Europe. International finance has become more complex. There is a huge range of labor, environmental and social issues. If companies basically say, "this is not my responsibility," something will fill the vacuum. We'll have another wave of really major government regulation or a degree of chaos, which would not help corporate America at all.

Q. How is the American economy doing?

A. One of the biggest question marks is the financial and trade imbalances that exist, particularly between the United States and Asia. Nobody knows how long these imbalances can be sustained. There is one scenario in which this situation is, in fact, the new model for the world economy and we just don't know it. The United States will consume at enormous rates and the Asians will supply the goods and the money for us to do it.

But there's another scenario in which these imbalances lead to a major financial debacle. I don't think the U.S. government is dealing with this in any thoughtful way. Washington is just holding its breath, closing its eyes and hoping for the best.

Q. Are business schools producing people who understand all this?

A. One of the things that has really perplexed me is, what should aspiring business leaders be taught about their role and responsibility in managing the world economy? I had hoped when I came here there would be a great interest among the faculty and the students in producing business leaders who first and foremost would run profitable organizations, but who also would have some involvement in creating a more prosperous and equitable world economy. But the second part of that seems quite remote.

Q. Have you been frustrated by your experience at Yale?

A. No, I'm not frustrated. I had a wonderful experience. But I leave with many more questions than when I came. The biggest one is, is it possible to produce M.B.A. graduates who will not only be greater leaders of their companies but also make a much broader contribution to the world economy and the society at large? The formula for doing that has still to be invented.

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