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Abstract: This paper examines the larger role that business education must begin playing in developing a generation of new leaders with the skills required to tackle the complex and increasingly serious challenges of sustainability. It posits a new framework for cultivating more responsible ways of thinking and acting in our current and future business students. The foundation of this framework seeks not just to complement, but to strengthen the two most common arguments for sustainability - the moral case and the economic case - with a third argument—the governance case based on Aristotle's concept of practical wisdom (Gr. phronesis) as the 'middle ground' of thoughtful action. Practical wisdom stands between science (Gr. episteme) and cunning (Gr. metis) and is the habit of acting in ways that are both ethically and economically effective, but above all that support the common good. Practical wisdom strikes balances between individual and common interests, short-term and long-term perspectives as well as between adapting to and shaping the environment. The article notes how accreditation standards for business schools are now including sustainability issues and practices, but more must be done. The article proposes several fundamental changes in how we educate students to start leading businesses beyond the profit motive and corporate social responsibility (CSR) paradigms into responsible and sustainable practices that serve the common good.

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Practical Wisdom:

Making and teaching the governance case for sustainability

v 30 Oct 2015

Johan Roos

Abstract

This paper examines the larger role that business education must begin playing in developing a generation of new leaders with the skills required to tackle the complex and increasingly serious challenges of sustainability. It posits a new framework for cultivating more responsible ways of thinking and acting in our current and future business students. The foundation of this framework seeks not just to complement, but to strengthen the two most common arguments for sustainability – the moral case and the economic case – with a third argument—the governance case based on Aristotle's concept of practical wisdom (Gr. *phronesis*) as the 'middle ground' of thoughtful action. Practical wisdom stands between science (Gr. *episteme*) and cunning (Gr. *metis*) and is the habit of acting in ways that are both ethically and economically effective, but above all that support the *common good*. Practical wisdom strikes balances between individual and common interests, short-term and long-term perspectives as well as between adapting to and shaping the environment. The article notes how accreditation standards for business schools are now including sustainability issues and practices, but more must be done. The article proposes several fundamental changes in how we educate students to start leading businesses beyond the profit motive and corporate social responsibility (CSR) paradigms into responsible and sustainable practices that serve the common good.

Keywords

Business school, practical wisdom, phronesis, common good, sustainability, leadership

Highlights

- Business schools should be educating future "global citizens," not just "business leaders."
- To cultivate responsible actions, the moral and business cases for sustainability are not enough.
- A third, governance case based on the old notion of practical wisdom is proposed.

1. Introduction

"I have to be honest, as the world watches us today I think our ability to take collective action is in doubt right now…That's why I come here today – not to talk but to act." The words were President Obama's, spoken at the United Nations Climate Change Conference (COP 15) meeting in Copenhagen on 18 December 2009. International media had just reported that the climate talks were in disarray and that summit collapse was likely. The steam that had energized hope before Obama's appearance at the meeting seemed to have dissipated into the cold winter storm that unexpectedly arrived to cover the Danish capital in snow.

Since that meeting, four more COP climate change conferences have convened, with barely any agreements of serious impact to begin curtailing global warming and reset humanity on a path towards sustainable development. Conflicting points of view, stalemates, walkouts, resistance, and non-negotiable positions have marred all of these conferences. Behind the talks, high level political leaders, delegate ministers, and competing lobbyists for industry and environmental organisations spend most of their energy clashing about what future actions to take and who owns the financial responsibilities to clean up the world and alter our course. As a result, when the Intergovernmental Panel of Climate Change (IPCC) issued its Fifth Assessment Report, their conclusions were dire: it is possible to limit the increase in global mean temperature to two degrees Celsius above pre-industrial levels, but this will call for *major* institutional, technological, and behavioural change.

Still, little is being done, and the situation is now becoming more dire. In 2015, even the Pope believed it was time for the Papacy to join the public debate. A year after a combined Pontifical Academy of Sciences and Academy of Social Sciences conference on "Sustainable Humanity, Sustainable Nature: Our Responsibility," the Vatican published in May 2015 the encyclical *Laudato Si* (Praised Be). In this text, Pope Francis outlined what will become Catholic doctrine about environmental stewardship and, specifically, the Papacy's agreement that humans are having an effect on the climate. Pollution, waste, a throwaway culture, warming, depletion of drinking water, and loss of biodiversity—all result, he argues, in decline in the quality of human life and the breakdown of society. In sum, "*the climate is a common good, belonging to all and meant for all"* (§23).

I write this as Dean of Jönköping International Business School (JIBS) in Sweden, because I feel an obligation to contribute to shaping new leadership to help break through the quagmire we have created for ourselves regarding business's role in sustainability.[1] In the broadest sense, the issue before us is how to educate a new generation of leaders who can make decisions and take actions that can be judged "responsible" by the community we are a part of. Business schools need to be turning out leaders who excel at systems thinking and who have the capacity to understand the "interconnectedness of the myriad sustainability-related problems,"[2] including climate change, poverty, pollution, the potential failure or short-falling of our food-

[1] I was dean of JIBS during a time period of great transformation, 2012-2015, in terms of strategy, structure and ways of execution, which culminated in winning both the EQUIS *and* AACSB accreditation in 2015. From January 2016 I am part of the leadership team of Hult International Business School.

[2] I gratefully acknowledge the phrasing used in the call for papers for this special issue.

production systems, and the erosion of trust in our socio-political institutions. These leaders need to appreciate the ideal of the *common good*—what is shared and beneficial to all—while shunning the *tragedy of the commons*—when powerful individuals pursue self-interest contrary to the best interests of the community as a whole. Cross-disciplinary, cross-ideology and cross-sector leadership are now required to create the innovative solutions we need to solve the looming problems in our unsustainable societies.

1.1 More than business ethics

Initiatives like UN Principles for Responsible Management Education, World Business School Council of Sustainable Business, and the Globally Responsible Leadership Initiative already encourage the necessary transformation of business education and provide invaluable guidelines for what business schools need to do. In this paper, however, I present an overarching framework that I believe can lay a strong foundation for any set of guidelines regarding how we move forward to build new leadership for a sustainable world. This framework seeks to complement, and boldly strengthen, the two most common arguments for sustainability – the moral case and the business case – with a third corollary argument—the governance case. By 'governance,' I refer to the broadest sense of the word: defining expectations, making decisions, granting power, and allocating resources towards a goal *based on wise choices* that lead to creating a harmonious, lasting society.

Many would argue that the moral and economic arguments for sustainability are already strong in and of themselves. In my view, however, both continue to be susceptible to manipulation and "Trojan-like" backdoor objections from parties who have vested self-interests to maintain the status quo of unsustainable business practices. The governance case that I posit is the strongest, most logical and irreproachable of all arguments justifying the new type of leadership needed to preserve and defend the common good and avoid the tragedy of the commons. It is a solution that I propose all business schools and practitioners adopt going forward.

This is not to suggest that sustainability, ethics, and responsibility are not already taught in business schools worldwide. Most often covered under the rubric of "corporate social responsibility (CSR)," elements of sustainable thinking are increasingly incorporated into business education. In fact, CSR has long been part of the academic discourse as well as business practices (e.g., Carroll, 1999; Lee, 2008; Porter and Kramer, 2006, 2011; Orlitzky et al., 2011). Most business schools offer courses in CSR, or at least the somewhat adjacent concept of "business ethics" in their programs (Christensen et al. 2007). Of the 13,000 business schools in the world, more than 550 have signed up to educate *"a new generation of leaders capable of managing the complex challenges faced by business and society in the 21st century"* by implementing the six principles of responsible management education (PRIME, see www.unprme.org). Many corporations have also committed themselves publicly to adhering to a range of CSR-related standards.

However, I contend that this is far from good enough. The six principles of PRME are overall strategies that state in general terms what business schools ought to do; they are not law, nor are they concretely prescriptive. All signatories can do whatever they like or what sounds good to them. To what extent these principles are meaningful drivers of profound transformation remains a debatable question—and there are some experts in the sustainability field who would say they aren't.

From my decades in business education, the current manner of teaching CSR in the business curricula as well as practicing it in the business world do not go far enough to integrate deep, systematic sustainability thinking into the mind-set of the next generation of business leaders. CSR is still highly rooted in the moral and economic arguments for sustainability, leaving it vulnerable to attacks and counterarguments that these frameworks invite from naysayers and doubters. CSR has clearly yet to win the hearts and minds of the entire business world, especially during economic downturns when businesses appear to abandon it first to save their ships. It is not surprising that CSR has taken decades to become a somewhat acceptable corollary to economic theories of growth, nor is it shocking that CSR activities are still most often relegated to cursory post-profit activities that have little to do with comprehensive and globally integrated efforts to create businesses committed to sustainability.

1.2 Objective: a governance case

My objective in this paper is to push deeper into the nature of systematic leadership thinking and demonstrate a robust framework that can withstand the challenges of vested interests and maximize the chances of increasing the knowledge, thinking capacities, and decision-making skills of today's business, social, and political leaders to create meaningful sustainable business activities. The governance framework I propose seeks to transform the fundamental thought processes for how leaders analyse their business operations and approach both long-term strategy and short-term operations using a far more enduring and humanistic heuristic than 'profit' or 'moral obligation.'

1.3 Outline

I will begin by examining the moral and economic cases for sustainable business thinking, then present my complementary, reinforcing governance case. To be clear, throughout this paper, when I talk about sustainability, I am referring to the widest, most comprehensive range of attitudes and actions that humans must perform in order to ensure and protect the continued survivability of the human species and the planet. In this sense, sustainability includes ecological and environmental concerns, but also economic, social, political, and health-related issues. Sustainability is, *a priori*, about maximizing the survivability of as much of the planet and the human race as possible. It cannot be about ruining one portion of the planet for the benefit of some group of vested parties, nor about forsaking one group of people to improve the lives of others. These criteria for sustainability may exist as possible solutions in the eyes of some organizations, but they should not be accepted as the normative definition of sustainability for the rest of us.

2. The Moral Case for Sustainability

The moral case for sustainability is built on ethical principles that have little to do with normative business practices. In its purest form, the moral case does not even recognize a profit motive for the existence of firms. The moral case asserts that businesses exist, *a priori*, under a contract with society and as such, have an obligation to act in socially responsible ways to preserve that society, including protecting both environmental quality and human well-being. Business decisions should be based on moral principles to uphold human and ecological values above everything else. The moral case targets our intuitive sense of justice and fairness that businesses should not rip off, pollute or destroy our planet, and possibly human

existence along with it. Moral principles must drive business; everything else is in the aft.

The problem with the moral case is that arguing for its veracity leads to a sort of Gordian knot, opening the door to numerous quagmires that challenge the very meaning of fairness. For example, if the developed world has created its prosperity and wealth through centuries of unsustainable business practices that have depleted many of the world's resources and created the conditions for global climate change, is it fair that it impose on undeveloped and developing economies regulations that reduce their opportunities and prevent them from catching up to create their own wealth and satisfy their populations? Similarly, should the most vulnerable countries of the world that are already starting to feel the effects of global warming (e.g., droughts, hurricanes, ocean rise, extreme weather swings) be held responsible for paying to mitigate climate change when their economies played no or little role in creating it?

The moral case often comes down to a question of "whose morality" is to be used. This is why we see China and other growing economies protest that the West cannot ask them to reduce their development – despite its destructive impacts—when they are simply catching up. The COP climate change conferences are regularly bogged down by conflicting views of the moral case. This illustrates how difficult it is to reach a global understanding of what is the common good and how easy it is to risk ending up with a tragedy of the commons. Regardless whether Alexander cut though the Gordian knot with his sword or pulled the central pin to find the ends and unravel it, we are still faced with a conundrum that requires us to look at the problem from many angles and to think outside of the box.

In 2010, the International Organization for Standardization (ISO) launched a new guidance standard, ISO 26000 standard, that in many ways attempted to revive the primacy of the moral case for sustainability. ISO 26000 is a non-binding standard aimed at clarifying and normalizing the definition of CSR activities. It *"provides guidance on the underlying principles of social responsibility, recognizing social responsibility and engaging stakeholders, the core subjects and issues pertaining to social responsibility and on ways to integrate socially responsible behaviour into the organization"* (ISO, 2010: vi). In effect, ISO 26000 seeks to reinsert morality back into the CSR discourse by emphasizing ethics as a normative framework for understanding and guiding business behaviour, that is, morality is at the forefront while profits are in the aft. But given that profit is a must for all businesses, it is not surprising that this ISO standard is simply guidance, not a requirement.

The moral case for sustainability is also often shorted by the instrumental logic used to define the business-society relationship and justify the primacy of a firm's profit-making behaviour over its social responsibility. One could even argue that business, by definition, is intrinsically inept in the moral dimension, and that the culture of business schools is incompatible with building a sustainable world. Porter and Kramer's renowned 2011 article about the benefits of creating "shared value" illustrates well how the moral case still falls behind profit making, despite their claim that not all profits are equal. Regardless of growing CSR activities, the legitimacy of business has fallen, they argue, so a company's policies and practices need to enhance its competitiveness while *simultaneously* advancing social and economic conditions in the communities in which it operates. Porter and Kramer's position is that profit from creating new, shared value enables society to advance more rapidly and allows

companies to grow faster, and thus profit should dominate over morality. The first principle of PRME similarly asks us to create sustainable value for business and society at large.

The dilemma with all these ideas is that "shared value," "conscious capitalism" and similar approaches depend on the ability of firms to generate profits from their sustainable actions. The pure moral case would place non-financial values and human purpose ahead of any profit motivations and thereby integrate business with the rest of society, exemplified by the "corporate humanistic responsibility" approach suggested by Arnaud and Wasieleski (2011). However, company leaders rarely use this pure morality-based rhetoric (Marais, 2012). The Pope's entry into the debate illustrates a renewed moral case when he urges *a new and universal solidarity* (ibid. §14) and *universal fraternity* (ibid. §228) to, in my interpretation, safeguard the common good and avoid the tragedy of the commons.

Ultimately, we must conclude that the moral case for sustainability sounds good and is a necessary argument, but seems insufficient as the *primary* irrefutable logic that business schools can use to teach future leaders and managers how to develop a robust thinking framework for a next generation approach to sustainability.

3. The Business Case

The business case for leading organisations towards sustainability is deeply entangled with theories of "the business of business," as well as the question of what constitutes "complying" with whatever the laws require. As noted in the discussion of the moral case, the profit motive of firms has, since Friedman (1970), been the dominant normative foundation for business operations. In the evolution of the industrialized world and the creation of corporate charters, the impact of business on the environment and on human ecology has, until recently, not been of any concern. The use and depletion of the earth's natural resources, the life cycle of products ending up in refuse heaps, the dumping of manufacturing residues, the impacts of polluted water and air, the social impacts of unfettered urban growth, and the rise of economic inequalities – all have been largely unheeded repercussions of unsustainable business practices.

The most common interpretations of CSR have their foundations in the economic case for sustainability, including Elkington's (1999) triple bottom-line and Porter and Kramer's (2011) shared value where corporate responsibilities are conditioned by profit motivations (Cochran, 2007; Dahlsrud (2008); Lee, 2008). Moratis (2013) argued that the vast majority of CSR literature assumes that business interests and societal concerns converge. In the same vein, the European Commission states that companies should maximise the creation of shared value for their owners/shareholders and for their other stakeholders and society at large (European Commission, 2011: 6).

The economic case for sustainability in the guise of CSR effectively makes the following argument: *Companies can perform and invest in CSR activities only if they help contribute to profits or do not reduce profits significantly*. This case thus takes for granted the co-evolution of profits and social responsibilities. The good guys make a profit because it profits to be a good guy—clearly a no-lose proposition. Peter Drucker (1973) admitted that social problems can be turned into business

opportunities—a message further developed by Porter and Kramer (2011) who said that social value creation makes for good money.

The challenge with the business case is that all interpretations have at the root of their logic to preserve profit, not preserving of the environment or universal human values. Moratis (2014: 15) captured the "perversity" of the business case for CSR, writing: *"when a company is not able to make a profit out of social issues, it is not inclined to take part in the solution of these issues either."* In this view, leadership thinking is always clouded by the need to create monetary value for shareholders. Other forms of value – a better society, equality, clean air and water, preservation of the earth's resources – are neglected or not considered worth as much as monetary value. This position is also supported in the legal framework of corporate charters, at least in the US, which requires boards and CEOs to maximize profits for shareholders.

4. Practical Wisdom as the Basis of the Governance Case

The inherent flaws of the moral and business cases require us to seek a new framework for how we might proceed forward as a civilization to opt for sustainable life choices. To this end, I propose the governance case for systematic responsible leadership thinking. Going beyond moral and economic arguments, the governance case asserts that a kind of informed and "wise" leadership is necessary for the future stability and sustainability of our societies and our planet. The question is: how do we teach such "wise" governance in practice?

My answer has ancient vestiges and is grounded in Aristotle, who framed the notion of "practical wisdom" (Gr. *phronesis*). This concept is rooted in human intelligence related to, yet distinct from, pure rational understanding. In business, we might say it is the habit of acting in ways that are not just ethical (read: the moral case) and effective (read: the business case), but that, above all, support the *Common Good*. To achieve this combination of behaviours, practical wisdom comprises knowing how to strike balances between individual and collective interests, short-term and long-term perspectives as well as between adapting to and shaping the environment. These important balances must be played out every day, everywhere and in all kinds of situations.

Aristotle originated the concept of practical wisdom to be the 'higher ground' of thoughtful action. He sought to make a distinction between scientific knowledge and what he referred to as 'cunning intelligence.' In the Nicomachean Ethics, Aristotle wrote that scientific knowledge (Gr. *episteme*) seeks to understand the laws and principles of things in the natural world. This articulation has become the foundational touchstone for all modern traditions of inquiry in the natural sciences—where every appearance of change or transformation is presumed to occur in accordance with an immutable principle or law that holds by necessity and in eternity.

On the opposite side of scientific intelligence, according to Aristotle, is cunning intelligence (Gr. *metis*). This is knowledge that seeks not to discover immutable truths, but to win advantage regardless of truth. He associated cunning intelligence with military generals who seek victory, politicians who seek to persuade others using rhetoric, and doctors who seek to cure and comfort their patients. The truth behind their actions is, from this perspective, far less important than the results they achieve. The Greeks fully recognised that cunning often involves deception, manipulation, and

lawlessness in pursuit of advantage. Consider the voyage of Odysseus as the ultimate example of cunning sustainability.

Aristotle rejected that scientific knowledge could be applied to the affairs of the human social world, which he believed were too complex and unpredictable to govern with certainty. But he also did not accept that cunning alone was capable of creating a society filled with the 'good life.' He was quite sceptical about using goals to justify the means, as it likely leads to 'might makes right' (the basis for the philosophy that Machiavelli eventually promulgated as the right form of governance).

4.1 Between science and cunning

Precisely in view of the tension between science and cunning, Aristotle sought to define practical wisdom as the virtuous habit of making decisions and taking actions that serve the common good, *regardless of the scientific truth or cunning advantage*. This wisdom requires a distinct form of human intelligence *to be a leader* in the service of fulfilling the good of the community, even in the face of ambiguous or uncertain circumstances. Where the predictive capacity of scientific knowledge breaks down, practical wisdom steps in to guide decision making about what should occur in the future. And while practical wisdom may draw on cunning to achieve certain goals, it restricts it to focusing only on advantages that *can be shared by all members of society*.

The Aristotelian virtue of practical wisdom as an intellectual pursuit relevant to governance faded into the background with the rise of modern science over the last several hundred years. Following the Enlightenment, one might say this type of intelligence came to be associated more with utopian versions of governance. With a certain amount of justification, it was shunted away as a weak relative of the sciences—e.g., political science, economics, social sciences—incapable of generating the kinds of fact-based 'hard' truths with which to govern modern societies. With the rise of management science embedded in objectively determined and measurable causes and effects, and the dominant epistemology of positivism, practical wisdom could provide only *subjective* normativity to leadership choices.

There is no doubt that an underlying prejudice for the sciences continues to hold firmly within the academic tradition of management and business studies. Indeed, scholars subscribing to positivism usually regard case and ethnographic-based business wisdom as almost the equivalent of astrology. But such scholars and proponents of science-based governance fail to see their own blind spot. Of all contemporary human pursuits, leadership and management, precisely to the extent that they must deal with *the uncertainty, ambiguity and unpredictability of the future* stretch the limits of scientific certainty—including the certainty that we are heading towards unsustainability—and ultimately must call for alternative epistemological frameworks. Without denying the importance of methodological rigor and peer review, the on-going proliferation of practitioner-oriented, story-based 'straight-from-the-gut' kind of management books is evidence that, despite our bias towards science, people still seek precisely the practical wisdom identified by Aristotle as the most useful—and possibly most truthful--exemplars of intellectual thought.

4.2 A habit, a practice, and a pattern of actions

Practical wisdom is not a discrete function that exists in the world, or an objectively identifiable personality trait possessed by certain individuals and not by others. Practically wise habits can imbue a qualitative improvement of human well-being on an everyday basis, irrespective of the uncertainty of a future that looks like what we often mean by unsustainability. It is a habit, a practice, and a pattern of actions that emerges in certain circumstances, just as it can fade in others, but when it is there, it leads us to the common good. In sum, for me, practical wisdom:

- describes a form of human intelligence that is most relevant for, and appropriate to, ambiguous or uncertain circumstances in which the limits of scientific knowledge and cunning action are approached or surpassed
- is a unique form of intelligence that is both effective and ethical
- always involves a creative enactment of the common good.

5. Making the Governance Case for Sustainability

How and to what extent can practical wisdom be applied to developing new leadership to transform all modern human endeavours—both business and life itself—into sustainable practices?

One approach is to look at how philosophy justifies practical wisdom as the basis for governance. Aristotle's differentiation of ethics from physics and metaphysics was so decisive that it shaped and guided 2000 years' worth of philosophical writing and teaching. This intellectual fascination for philosophy carries forward today where we see a contemporary stream of interest in both practical wisdom focused on upholding conservative moral values as the basis for a political orientation, and practical wisdom focused on more liberal theories of justice and ethical obligations. This paradox illustrates precisely how *at the limits of knowledge and action, leaders will always have a need to make value judgments requiring some take on practical wisdom*.

Perhaps a more useful and concrete method of applying practical wisdom to build the governance case comes from how psychologists have begun in the last few decades to situate the concept of practical wisdom with respect to modern theories of intelligence. In psychology, practical wisdom is variously correlated to an expert knowledge system (Baltes and Kuntzman, 2004), and viewed as the application of intelligence, creativity and knowledge (Sternberg, 2004) or as an integration of cognitive, reflective and affective personality characteristics (Ardelt, 2004). Practical wisdom has also been associated with such positive human qualities as good judgment skills, psychological health, humour, autonomy and maturity. Educational psychologists tend to emphasize the importance of imagination for the development and exercise of wisdom (Noel, 1999). Cognitive psychologists have emphasized the importance of imagination for the development and exercise of wisdom (Noel, 1999). Management scholars have also given their own meaning to practical wisdom, including Tsoukas and Cummings (1997), Clegg and Ross-Smith (2003), Wilson and Jarzabkowski (2004) and Roos (2006).[3]

All these approaches support how the application of practical wisdom can work to transform business into a sustainable human endeavour. As we move towards the limits of thinking and limits of the possible by practicing unsustainable business, practical wisdom offers the best option to become the leadership framework by which we begin to govern anew our endeavours. It provides the necessary higher ground of

[3] See Statler and Roos (2007) for a more complete review of the literature on practical wisdom.

thought between the certainty of science and the uncertainty, ambiguity, and unpredictability of the future. Practical wisdom as applied to sustainability provides the necessary methodological approach for assessing the common good. It is how we can deal effectively *and* responsibly with the complex sustainability problems and uncertainty we face globally, regionally and locally.

6. How Can We Teach Students the Governance Case for Sustainability?

That business schools equally have an obligation to advance future leadership thinking is irrefutable, especially since they harbour some one-fifth of all students in higher education. I agree wholeheartedly with the United Nations Global Compact admonition that any meaningful and lasting change in the business of businesses toward societal responsibility and sustainability must involve the institutions that most directly act as drivers of business behaviour, particularly academia (United Nations Global Compact Office, 2007).

For example, it is sensible that engineering schools are already beginning to play an important role in transforming their field towards sustainability (and, as such, also help to turn the governance case into reality). Broman *et al*. (2002) argue for giving university engineering students a solid understanding of sustainability issues during their basic education. They point out that sustainability concerns need not displace existing subjects from the curriculum, but can be integrated into existing courses, which does not weaken their study but makes learning more relevant in the world those future engineers will live in.

6.1. A more holistic education

If we accept the governance case and the need for practical wisdom, it is clear the key to a new model of business education must start from a holistic perspective to teach the next generation of leaders about the creation of value, redefining it as shared societal value, i.e., the common good. Business education can no longer remain in the old world defined by the standard discipline-based curricula of finance, accounting, marketing, and the usual suspects. Agency theory, transaction cost economics, game theory and negotiation analysis are a great theoretical foundation for ruthless, shareholder-value obsessed business leaders. But, the idea that business leaders should be cunning for their own good only and thrive solely on emotionless reasoning does not seem to be the best basis for acting wisely to contribute to society at large (see Margolis and Walsh 2001; Goshal 2005; Statler and Roos 2006; Roos 2007).

To instil, inculcate, and influence business students in practical wisdom thinking, we must involve them in many individual-, group-, and organizational-level dialogues and activities. The pedagogy required for cultivating the habits of practical wisdom call for physical, emotional, and spiritual elements in addition to traditional cognitive learning. Aristotle argued for rhetoric, drama (tragedy and comedy) and sport to develop peoples' ability to understand, empathise with, and deal with moral dilemmas. This training also prepares leaders to make on-the-spot decisions and to viscerally experience the benefits of managing for the common good. It's time to bring these classical subjects back in.

In addition to teaching sustainable competences through scientific facts, analytical tools, optimization models, and management techniques, educators should enable

students to develop a deep "passion" for sustainability (Moratis 2013). Although personal passion for it is good, it may not be enough. Reflective practices and critical conversations, informed by a personal, professional, civil, corporate and global sense of responsibility should be key elements of business education (Robinson and Dowson 2011). Some also suggest that business schools should confront students with "critical views" that help them question the role of business in society rather than merely including ethics in understanding corporate behaviour (Moratis, 2013; Cornuel, 2005).

In a dynamic model of practical wisdom, Statler and Roos (2007) argued for a business curriculum with increased emphasis on action learning, simulations, internships, and mentoring that prepare people for unexpected surprises at work. To this end, they called for hands-on, playful, and aesthetic learning processes in business schools and urged educators:

> *"…don't forget about the normative and embodied aspects of human experience. We believe that historical contexts, embodied perceptions, and subjective considerations are just as important for effective management as the rational, objective, and observer-independent 'laws' and 'principles' of markets and governance." (p. 151)*

To cultivate practical wisdom, they argue for intensive face-to-face and hand-to-hand interaction, along with a variety of experiential, multi-sense, playful and aesthetically rich activities (Roos, 2006), which are similar to those Aristotle wrote about as necessary to prepare the leaders of that ancient time.

We also need students to become more reflective about their own lives, to learn to ask questions and deal with ambiguity and uncertainty in the answers. A handful of business schools are beginning to do this, as reported in a 2014 *Wall Street Journal* article, "Why Some M.B.A.s Are Reading Plato: Schools Try Philosophy to Get B-School Students Thinking Beyond the Bottom Line"[4] that came out as I was writing this. *Fast Company* published an article at the same time noting how studying practical wisdom helps students learn to "cultivate habits and virtues" that go beyond understanding right and wrong and lead to learning to "live life well."[5]

All this obviously calls for business school faculty to acquire practical wisdom necessary to teach it to their students as future global citizens who will advance more powerfully the common good and avoid the tragedy of the commons.

6.2 The need to integrate STEM into practical wisdom

In addition to recommendations above, I strongly support the need for business students to develop a greater understanding of science and technology, their potential extensions and benefits, but also their limitations. In 1985, the year the first *Back to the Future* movie was released, Hans Jonas (1985) probed deeply into mankind's duties toward ourselves, our posterity and our shared environment given the potential threat our technologies pose to us. He urged caution over commerce.

[4] http://online.wsj.com/news/articles/SB10001424052702303948104579533610289092866?tesla=y
[5] http://www.fastcompany.com/3029867/bottom-line/how-your-philosophy-degree-can-be-relevant-to-tech-startup-success?partner=newsletter

Ironically, I make the final touches to this article on 21 October 2015, which is the day to which Marty McFly and his friend Doc time travelled in the 1989 sequel movie *Back to the Future II*, in order to prevent Marty's son from getting into trouble. Robert Zemeckis got a few techie things right in predicting the future, like large flat screen TVs, fingerprint-scanning devices and drones. Yet, much of the film's imagined future remains to be realized.

As Jonas and the two Zemeckis films remind us, we simply cannot see very well into the future and caution is always necessary. If we tried to make the movie *Back to the Future III* to take place in 2040, would the business school students of today have any chance of getting it right?

Technology will undoubtedly continue to fundamentally transform the range and effect of human action. STEM-driven developments around the neuron, genome, atom, and byte are more encompassing and faster than in the 1980's and ought to cause pause and reflection over our shared responsibility for the continued existence of humankind. In this context, business schools should, in my view, make students more conversant in science precisely so they can know when to use caution. They should be aware of recent advancements in multiple STEM (Science Technology Engineering and Math) fields, ranging from genome coding via nano-enabled engineering to the explosive (and controversial) developments in artificial intelligence. We can no longer responsibly graduate business students who are ignorant of basic vocabulary and syntax in the STEM fields so they can be more aware of the potential sustainability issues that science raises.[6]

7. Moving Business Schools Forward

We will not advance students unless business schools themselves adopt a new philosophy. The Principles for Responsible Management Education (PRME) are one beginning effort to institutionalize the integration of sustainability into business school education, as does the new ISO standard 26000. As these show, there is some progress being made, but on the whole, we have a long way to go.

Business schools, and higher education in general, are still not adaptive enough (for an illustrative case, see Roos 2013) to significantly alter decades of teaching business principles and creating leaders who simply carry on the same unsustainable thinking based on the profit motive. In January 2014, I moderated a plenary session at one of the major annual global meetings of business school leaders where *The Economist* columnist Adrian Wooldridge unleashed a set of criticisms at business schools: they are too slow, focused on the wrong things, too distant from realities in their research, and too preoccupied in publishing incremental insights in academic journals with only a modest impact. It is hard to disagree.

7.1 Some promising global initiatives

Several recent global initiatives that seem to share the vision of practical wisdom may help to turn the tide in business schools. The Framework for Strategic Sustainable Development (FSSD - Robert *et al*. 2013) exemplifies more or less the same "common good" perspective of practical wisdom. This natural science-based model outlines two "commons" – the Social and Ecological systems – and defines their

[6] Roos, J., 2015, "Bringing Business Schools into the STEM Era," EFMD Global Focus, 9(3): 32-36.

sustainability in robust operational terms, providing guidelines for systematic approaches to each in order to comply with the sustainability definition. To apply the FSSD for dealing positively with these the two commons, the authors posit that we need more than knowledge of the natural laws (*episteme*) behind each common and being cunning (*metis*). Rather, we must act on the basis of an understanding to help not only our own organizations, which is nothing but enlightened self-interest, but to be a role model for other organizations in the world.

Another initiative deserving of note is the *50+20 Agenda* advocated by the World Business School Council of Sustainable Business. This collaborative project describes a vision for the transformation of management education where the idea is to create business practices that are designed and led to achieve the best *for* the world rather than best *in* the world.[7]

7.2 Integrating practical wisdom as part of accreditation

Perhaps the strongest force that will help drive business school education forward are the new trends in accrediting them. While accreditation is entirely optional for business schools, it is fast becoming *de rigeur* to compete in the world (yes, it's ironic but even business schools have to compete for students, faculty and reputation). Nobody knows for sure how many business schools exist, but by early 2016, the number is estimated to be around 13,000. Of these, only approximately 700 (of which less than 200 are outside the US) are accredited by the US-based agency AACSB; some 160 by EQUIS, which the *Financial Times* calls the 'gold standard' of business schools. All business schools can seek to be accredited with AACSB and EQUIS, which takes several years, although few will be recognized by the organizations behind them to have the quality to be eligible to even apply. Only some 65 schools worldwide are 'double' (EQUIS and AACSB) accredited.

Over the last few years, sustainability and responsibility have become important components integrated into the accreditation standards. For example, the very first paragraph in the AACSB's most recent eligibility procedure and accreditation standard document states that:

> *"Profound changes in the business environment—powerful demographic trends, global economic forces, emerging technologies, new organizational structures, and increasing demands for accountability, including the growing importance of social responsibility, ethics, and sustainability—signal that the needs of business tomorrow will not be the same as they are today and were yesterday."*

To be accredited by AACSB, schools must show evidence that they actively encourage and support ethical behaviour by students, faculty, and professional staff, and demonstrate a commitment to environmental sustainability. They must have appropriate systems, policies, and procedures that reflect their support for proper behaviour for administrators, faculty, professional staff, and students in their professional and personal actions.

Similarly, ethics, responsibility and sustainability are a vital set of criteria for achieving EQUIS accreditation. Candidate schools have to provide detailed evidence, not just thin self-promotional statements, about their activities in the areas of ethics,

[7] http://50plus20.org/wp-content/uploads/2012/06/5020_AGENDA_PRINT_a4_English.pdf

responsibility and sustainability in the strategy, faculty activities, programmes, research, infrastructure, operations & administration and community outreach. EQUIS accreditation asks such questions as: *Does the program design and content explicitly include aspects of social responsibility? How are these integrated into personal development processes of students and faculty? Into research? How do we partner actively with companies and organisations in promoting ethical behaviour and corporate responsibility?*

Yet another strong and early advocate of the social and environmental imperatives that must accompany business practices globally is the European Foundation for Management Development (EFMD), which owns the EQUIS accreditation. This association of corporations and business schools has institutionalized partnerships with three global organizations promoting responsible behaviour: UN PRME, Globally Responsible Leaders Initiative (www.grli.org), and the Academy of Business in Society (www.eabis.org).

I have felt strongly about inculcating sustainability and accountability into my business school, JIBS, that we sought to earn both accreditations. We won the EQUIS accreditation in March 2015 and as I write this, we await the final decision about gaining the AACSB one. So far, the conclusion from being scrutinized by two different global peer-review teams is that JIBS is indeed complying with the accreditation standards on sustainability and responsibility.

Our overall institutional commitment to these matters is also evidenced when at the end of 2012 during a strategy review JIBS added a third guiding principle to the prior two principles we long had. Our guiding principles are now '*International at heart*, *Entrepreneurial in mind,* and our new third one, *Responsible in action*. We recently appointed faculty champions for all three of the principles we think should guide JIBS' behaviour and actions.

In line with our third guiding principle, we also became a signatory of the six Principles for Responsible Management Education (PRME) in March 2013 and we submitted our first progress report in March 2015. The implementation of those six principles into concrete initiatives is an on-going effort at JIBS.

8. We are All Global Citizens

If we are to heed IPCC's recent Assessment Report, it is clear there is precious little time to reveal the blind spots to ethics, social responsibility and sustainability that continue to dominate business thinking in much of the world. Sustainability, ethics, and responsibility are already taught in business schools worldwide. In my view, and in that of many of my peers among deans of business schools, however, much more remains to be done. I propose that the business of business schools is *to cultivate new leaders who understand the concept and value of the common good as they go forth to run today's businesses and innovate the future*. We must become responsible in mind and heart as well as in action.

Going further, I would suggest business schools must revision their *raison d'être* as educating not just "future business leaders" but rather "future global citizens" who can think reflexively and relationally about the impact of their decisions from many different perspectives, including political, economic, social, technical, cultural and environmental (Lilley *et al*. 2014). Sustainability, ethics, and responsibility are

already taught in business schools worldwide, but more needs to be done to avoid compromising the conditions for our continued humanity.

In the framework I have presented in this article, the deep meaning of *practical wisdom* would naturally be inculcated into the hearts and minds of our students, who would finally know how to integrate, not separate, humanity from business. They would be able to look even closer at the long-term consequences of their actions and reconcile commerce and caution.

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