**Legitimising the Business School through Responsible Management Education: An Integrated Theoretical Framework**

## Abstract

Events such as the credit and banking crisis alongside general global corporate social responsibility and sustainability concerns, have led to renewed debate as to the legitimacy and purpose of business in society. Some are calling for a new approach, one that eschews the profit orientated exploitative business practices of the past for a new model of ‘responsible management’. Indeed, many business organisations are already moving beyond social and environmental compliance and fundamentally rethinking the role their business should play in light of broader societal changes. In response to this some business schools are seeking to realign their curriculum, research and engagement activities around the core concept of responsible management. There is a need however to better understand the drivers and enablers of responsible management education and related practices within the business school and wider university environment. This paper seeks to construct a theoretical framework for interpreting the implementation of responsible management in business schools. Three relevant theories are suggested; institutional theory, stakeholder theory and legitimacy theory. The intention is to develop a theoretical framework though which to establish the key motivators for business schools to develop responsible management activities.

**Keywords**: Legitimacy, Responsible Business, Responsible Management, Institutional Theory

## Introduction

The world is changing rapidly and new demands face business leaders to deal with the planet and environment more sustainably, to deal with the numerous societies their organisations operate in more equitably and with greater cultural understanding, and to be more open, transparent and responsible with respect to their stakeholders. However It is also important to recognise that business represents the predominant productive resource of the economy providing financial and human resources, infrastructure, innovation and technology: thus sustainable development cannot be achieved without the support of business (Barkemeyer et al. 2011; Hopwood et al. 2005).

There is solid evidence that intergovernmental organisation and business support bodies are placing increasing emphasis on the concept of sustainable development and by extension responsible management (Barkemeyer et al. 2011). In addition to this business leaders themselves are increasingly aware of the need to embrace the principles of sustainable development (Elkington 1999; Porter & Kramer 2006). There is a recognition that far from a niche area of business, sustainability and sustainable development are considered global megatrends in the 21st century which result in profound implications for corporations interactions with society and the natural environment (KPMG 2012). Despite this increasing recognition, there is still the important question of how sustainable development is operationalised in a business context.

Alongside increased awareness of sustainability and sustainable development from corporations and business support organisations, evidence increasingly suggests that there is growing demand from business and management students for a more globalised curriculum and focus on corporate responsibility initiatives within management programmes. A recent study of MBA students from, 75 countries reported that students gave the highest importance ratings to CSR within their programmes (Haski-Leventhal 2012). Similar evidence is emerging that suggests business and management undergraduates are also placing greater importance on corporate social responsibility education within the programmes they study (Leveson & A Joiner 2014).

Events such as the credit and banking crisis alongside general global corporate social responsibility and sustainability concerns, have led to questions as to whether current management education is adequate to equip and develop future leaders with the requisite skills to meet these new demands (Carroll & Buchholtz 2014; Colby et al. 2011; Datar et al. 2011; Weybrecht 2010). For these reasons many universities and business schools are seeking to embrace principles of sustainability and responsible management into their teaching, research and enterprise activities.

The purpose of this paper is to develop a theoretical framework that may be used to better understand the drivers, barriers and enablers of responsible management within business schools and the wider university environment. In doing so it seeks to address the following research questions:

* What are the drivers, barriers and enablers for business schools seeking to realign their activities around the core of responsible management?
* How can business school demonstrate legitimacy through engaging with the reasonable management agenda?
* What theoretical frameworks can be used to examine the drivers and motivations for business schools engaging in responsible management education?

## Literature Review

The role of business in society is a topic that has been an important issue for many years (Baumhart 1961; Donham 1927) motivated by growing awareness of unfair business activities alongside increasingly high profile social and environmental scandals (Epstein 1987; Matthews et al. 1985). More recently a wave of financial scandals, increasing concerns over creeping globalization and deeper understanding of the social and environmental impact of multinational corporations have combined with the changing expectations of society to demand improved social commitment from business (Scherer & Palazzo 2007). Corporate legitimacy is now coming under unprecedented public scrutiny (Castello & Lozano 2011). Accordingly criticism has become more prominent leading many observers, including Occupy protesters and sympathisers to believe that the world needs systemic reform of the role of business in society (Waddock 2015). Recent years have seen a rise in pro-democracy and anti-capitalist protests on the street. There is clearly a mood for change in many societies.

The social context in which business are currently operating is uncertain, complex and demanding. Technological advances in communication have created greater connection between corporations and stakeholders resulting in instantaneous transparency whether companies like it or not (Waddock 2015). This increased transparency coupled with the rigidity that large, globalised organisations can experience in a world of collapsing boundaries has the potential to have a profound impact on how business is conducted. The business world needs to decide whether it wishes to continue to be seen as the problem, or reposition itself as a means through which to deliver large scale societal change in the move towards a more sustainable world.

Many organisations are already seeking to develop new ways of working that leading voices are questioning the continued relevance of the conventional model of capitalism. The president of the World Business Council for Sustainable Development, Peter Bakker has stated that “The conventional model for capitalism is found wanting in terms of the benefits to the majority of society, the impact on the planet and even in terms of economic prosperity.” (Bakker 2013). Movements such as ‘Conscious Capitalism, B Corps and the NETpositive initiative seek to propagate a model of business that incorporates the principles of higher purpose (as opposed to profit maximisation), stakeholder interdependence (rather than shareholder dominance), conscious leadership and culture (in place of command and control and obsession with the bottom line) (Pillay & Sisodia 2011). Such movements have arisen in response to the failure of traditional models of capitalism to deliver long-term economic, social and environmental value. They seek not to replace profit with altruism or philanthropy, but to act as models that protect and maximise profit alongside social and environmental interests

Even large multi-national organisations are challenging the assumption that the role of business is to create value through profit whilst the state provides public goods. Such a strict division of labour does not hold anymore as many private business have found themselves assuming social and political responsibilities where the state has fell short (Scherer & Palazzo 2011). There is an emergent trend amongst some businesses that moves them beyond optimization of the organisations individual performance through the mitigation of adverse social and environmental impact, to fundamentally rethinking the role of businesses in light of broader societal changes (Loorbach & Wijsman 2013)***.*** Here businesses are moving to transform value chains and markets along with their own company's internal practices (Loorbach et al. 2009). For example some multi-national organisations engage in public health, education, social security and human rights protection whilst operating in countries with failed state agencies (Matten & Crane 2005) whilst others actively protect the natural environment

(Hart 2005)***.*** There has also been a rise in the number of organisations categorised under the banner of social entrepreneurship (Dacin et al. 2010). Social purpose business ventures can be conceptualised as hybrid enterprises straddling the boundary between for-profit business and socially driven public and non-profit organisations (Hockerts 2006).

Despite these developments, discussions on the role of business in society continue to focus primarily on the activities of companies, without any meaningful examination of the context within which they're operating (FitzGerald & Cormack 2006). Context is increasingly important however with the recent ethical scandals, growing concerns over issues such as climate change and the rise of the Occupy movements illustrating the delicate interplay between business and society (Doh & Tashman 2012). From an academic perspective, there is a lack of literature in the business journals which seek to gain a wider societal perspective on transformative business strategies (Loorbach & Wijsman 2013). Instead academic literature has mainly focussed on business sustainability at the firm or industry level (Jermier et al. 2006; Kearins et al. 2010; Orlitzky et al. 2011). The result is that many of the cutting edge, radical ideas such as conscious capitalism and the B Corporation movement are arising not out of the academic institutions, but from business leaders themselves who aspire to be not only leaders of their organisations, but also leaders within society (FitzGerald & Cormack 2006).

In light of this, the missions, visions, curricula and research agenda of business schools need to change to better reflect practice based changes. If we take the development outlined here as a starting point, the way in which we develop managers and leaders within business schools may look radically different. It is important then to consider the role and purpose of the business school in society and the drivers and motivations for developing responsible management education and practices.

## Research Method

The aim of this paper is to examine the motivations for business schools implementing responsible management through the lens of institutional theory, stakeholder theory and legitimacy theory. The literature review will demonstrate the broad environment within which business schools are operating and constructed the argument that business schools need to re-evaluate their role and purpose within society to better reflect changes in society and industry. In order to examine in more detail, the drivers and motivators for adopting responsible management practices. Three common organisational theories are applied:

* *Institutional Theory*: This is applied as a means to examine the way in which organisational structures, norms and routines act as enablers or barriers to the development of responsible management education in business schools and universities.
* *Stakeholder Theory*: This is applied in order to examine the way in which the business schools’ stakeholders have perhaps changed over time to include a broader range of stakeholder groups with differing expectations of the role and purpose of business and management education.
* *Legitimacy Theory:* This is used as a lens to investigate the means through which responsible management education and associated activities can contribute to business schools’ efforts to remain legitimate in a rapidly changing societal context.

These three theories are then combined to form a theoretical framework which integrates the concepts they embody in relation to responsible management. Based on these relationships these concepts underpin one another in explaining the drivers and motivations for business schools engaging with responsible management practices.

Is envisioned that there will be a range of possible applications for the framework in future research. First, it can be employed as a theoretical foundation for future empirical studies that examine the drivers, or perceived drivers, for business schools in developing responsible management approaches as a means to promote increased engagement in responsible management across the higher education sector. Second, the framework could be used to examine the barriers to responsible management implementation as a means to design strategic responses to address these constraints. Thirdly the framework can be applied to assess potential correlations between the level of responsible management integration and practice, and a range of organisational characteristics in order to provide insight into enabling actions and behaviours.

The author seeks to elicit comments, suggestions and criticism from peers with respect to the application of the theories chosen. Indicative questions to for the workshop include:

* Are these theories considered useful in examining the integration of responsible management in business schools?
* What other theory could be considered?
* What other applications may there be for the framework?
* Should legitimacy be considered a key driver of responsible management education?

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