

# The Path Ahead for Business Schools: Looking Beyond Capitalism for Sustainability

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Publication Date: 2025/02/20

**Abstract:** The purpose of this paper is to examine the current position of the Business Schools at a time when criticism and protests against capitalism are rising across the world, which is also the main ideology served and propagated by Business Schools. Capitalism has been blamed for increasing gap between rich and poor, stagnation in wages, increasing corporate influence on Governments, climate change and environmental impacts, increasing consumerism and many other negative effects on the society and the planet. In this context the relevance and legitimacy of management education provided at B-schools is questioned. The paper builds on existing literature on criticism of B-schools and Capitalism to assess the relevance of Business Schools in current scenario. The paper proposes different alternatives that could be taught and incorporated in Business Schools' curriculums to create more sustainable economies and societies. What could be the purpose and role of Business schools in such disruptive times is pondered upon.

**Keywords:** Business Schools, Capitalism, Management Education, Management Research, Economic Inequality, Sustainability.

**How to Cite:** Dr. Jagdish Sambada (2025). The Path Ahead for Business Schools: Looking Beyond Capitalism for Sustainability. *International Journal of Innovative Science and Research Technology*, 10(2), 201-206.  
<https://doi.org/10.5281/zenodo.14899143>

## I. INTRODUCTION

Since they initially appeared in Europe in the 18th century, business schools have advanced significantly. The first business school in history, ESCP, was established in Paris in October 1819. Harvard Business School was the first to provide an MBA degree when it was founded in 1908. Harvard University in Cambridge, Massachusetts, was the first institution to offer an MBA program. In 1908, the Harvard University Graduate School of Administration became the site. Before applying to the business program at the Graduate School of Business Administration, students had to finish four years of undergraduate coursework.

In 1940, the University of Chicago Booth School of Business launched the first Master of Business Administration program for professionals in the business sector. Additionally, campuses in Singapore and London provided the Executive MBA degree. Programs that are currently provided by most business schools in the United States were made possible by the program.

More than ten years before IIM (A) was founded (1961), Jesuit priest Fr. Quinn Enright, S.J., founded India's first B-school in 1949 in the steel city of Jamshedpur. Prior to establishing a two-year full-time degree in industrial welfare in 1953, XLRI began by providing management and trade union courses in 1949.

MBA program has so far enjoyed great popularity and importance among graduates as well as employers looking for skilled managers and leaders. Thousands of students in India enroll in MBA programs every year with dreams of lucrative jobs and flashy careers in corporate world. The number of students pursuing an MBA, for instance, grew from 4, 09,432 in 2014-15 to 4, 62,853 in 2018-19.

MBA programs have gradually evolved over time and now they have critical issues like sustainability and ethics covered in their curriculum especially after the financial crisis of 2008. But still these issues are like mere decorations which hardly get that much attention or importance in curriculum.

Till now main focus of Business schools have been to produce astute leaders and managers who can understand various business functions like accounting, finance, marketing, Human Resources, Operations and apply their knowledge to run the businesses efficiently.

What is being asked of B-schools today is whether they are capable enough of producing the students who can control and resolve complex problems facing the world like climate change, declining wages, rising income inequality, sustainability etc. These problems require systemic changes and solutions and it is in this context that B-schools have to introspect and reimagine their role. Before looking into why Business Schools are losing relevance it makes sense to look

into the ideology and assumptions on which Business Schools are based that is Capitalism.

## II. WHAT IS WRONG WITH CAPITALISM?

Merriam-Webster dictionary defines capitalism as “An economic system characterized by private or corporate ownership of capital goods, by investments that are determined by private decision, and by prices, production, and the distribution of goods that are determined mainly by competition in a free market.” (Smith, 1776) in his work “An Inquiry into the Nature and Causes of the Wealth of Nations” stressed upon leaving the markets self-regulated and introduced the concept of invisible hand which is a metaphor for unseen forces driving the free market economy.

So, the assumption is that if markets are left uninterrupted then the forces of supply and demand in the market will lead to equilibrium as well as competition in the market will benefit everybody participating in the market and to the society as well. Prices will adjust according to the supply and demand and competition will lead firms to innovate and finally everyone in the society will be well off. Profit maximization seems to be the noble goal which capitalism or free market economy pursues.

It was the great depression of 1930 which led many people to question the free market economic system. But since then, free markets and capitalism have been the dominant systems in the world. During the period of 1970s rapid increases in economic inequality also led many people to doubt the long-term viability of the capitalist system. Capitalism has been blamed for many problems the world is facing today. These problems range from economic inequality to more extreme destruction of natural resources at unprecedented pace.

Karl Marx (1844) was of the view that Capitalism is not good for the workers. In the Economic and Philosophic Manuscripts, he wrote about alienation of labour which was based on Economics and human nature. According to Marx in a capitalist economy the means of production are owned privately and hence there are two classes in a capitalist economy, those (bourgeoisie) who own the means of production and those (the proletariat) workers who do not. In a capitalist economy as works compete with each other for wages and raises it actually brings down their wages and the class benefiting from this competition is not the workers but the capitalists. In this situation workers are alienated from other workers. As workers do not own the means of production and whatever they produce is sold by the capitalists in the market. Here workers are alienated from the products of their labor. As capitalist own the firms where Workers are employed it is the capitalist who decide what to make, how to make and how much to make. In this situation workers are alienated from the act of labor.

Marx also noted that the capitalist class takes advantage of workers by stealing their excess value, which serves as the capitalists' source of profit. Workers must sell

their labor to capitalists for less than the full value of the things they produce because they do not possess the means of production. Therefore, capitalists profit from workers' productive efforts.

Capitalism has done more harm than just class divide and workers' exploitation. Economic inequality is also one of the grave consequences of capitalism. Some statistics at the inequality in the world paints a grim picture of the world we live in. Although there could be many factors responsible behind this, capitalism is one of the dominant one in creating this economic inequality. According to an Oxfam analysis, the wealth of billionaires worldwide rose by \$3.9 trillion between March 18 and the end of 2020. In contrast, the International Labour Organization reports that millions of people worldwide lost their employment, resulting in a \$3.7 trillion drop in their total incomes.

The wealth gap between the world's billionaires and the poorest half of humanity is widening rapidly, according to an Oxfam analysis. The number of billionaires needed to match the wealth of the world's poorest 50% of people decreased from 380 to 26 between 2009 and 2018. According to data from the World Inequality Report, the wealthiest 1 percent's share of national income has grown significantly in North America (here defined as the US and Canada), China, India, and Russia since 1980, while it has expanded more slowly in Europe.

Above statistics show that there is something wrong in the way different elements in capitalist system are organised. If that was not the case then the world would not be facing such extreme inequalities in wealth. In his book "Capital in the Twenty-First Century," Piketty (2013) examined global inequality data and found that in capitalist society, capital and the money it generates expand more quickly than economic growth. He demonstrated how financial inequality is increasing in the twenty-first century and doing so at a very risky rate.

As stated by Sara Stevano (2021) in "COVID-19 and crises of capitalism: intensifying inequalities and global responses," "The COVID-19 crisis is a stark reminder that the core of human activity is intrinsically material and embedded in the socio-economic and biophysical basis of production and reproduction, despite the significant transformations of globalized contemporary capitalism through financialization and technological progress."

The loss of biodiversity and climate change have also been attributed to capitalism. "In just 200 years of existence, capitalism has brought us to the brink of such a calamitous breakdown in the world's natural systems that our entire civilization is now under threat," according to James Plested (2020) in "Capitalist roots of the environment crisis." He goes on to say: "The breakup between the primary forces behind economic activity and the environment that supports us is what makes capitalism particularly destructive when compared to earlier systems." Additionally, he contends that the capitalist elite transfers environmental degradation to society as "externality."

In their 2015 paper *Climate Change, Capitalism, and Corporations: Processes of Creative Self-Destruction*, Wright and Nyberg accuse large corporations of continuing to engage in environmentally exploitative practices while concealing the link between relentless economic growth and environmental degradation. They argue that organizations often challenge perceptions of the climate crisis by framing it as a partisan issue, rather than acknowledging it as a serious social, economic, and political problem that needs to be addressed (Wright & Nyberg, 2015).

The WWF's Living Planet research reveals that between 1970 and 2016, wild animal numbers declined by 68%. "Global trade, consumption, and population growth have all exploded in the last 50 years, and there has been a massive shift towards urbanization," the research states. Humankind's ecological footprint was less than the pace of regrowth of the planet until 1970. At least 56% of the Earth's biocapacity is being overused by humans to feed and fuel our 21st-century lifestyles. The paper also identified a number of indirect drivers of biodiversity loss, including overuse of natural resources, production, consumption, finance and governance, migration, and urbanization demography.

"Nature is declining globally at rates unprecedented in millions of years," warns Marco Lambertini, Director General of WWF International in their report, *The Living Planet*. Our existing economic model's egregious disrespect for the environment, coupled with the way we produce and use food and energy, has pushed the natural world to its limits.

Agriculture and farming are also not spared by capitalism. While the current capital and technology-intensive farming systems have been incredibly productive and able to provide low-cost food, Miguel Altieri (1998) discussed the devastating effects of capitalist agriculture in "Ecological Impacts of Industrial Agriculture and the Possibilities for Truly Sustainable Farming" and wrote: "The very nature of the agricultural structure and prevailing policies in a capitalist setting have led to [the present] environmental crisis by favoring large farm size, specialized production, crop monocultures, and mechanization." Due to the widespread use of chemical fertilizers and pesticides, the biological imperative of diversity is being undermined by the increasing integration of farmers into global markets. Specialized farms are being rewarded by economies of scale.

There have been many critics of the capitalism and as can be seen here from above critics that capitalism as a system is arranged in such a way that in pursuit of unlimited growth and profits so many vital things are compromised. These vital things are ecological balance, preservation of biodiversity, economic equality, workers' rights and the planet itself. So, it is indeed the need of the hour that humans explore and try alternatives to this system where growth and profits are realized but within the ecological limits of the planet. Only time will tell whether humans will

be able to shift to a new sustainable system which demands radical changes in the lifestyle and behaviour of the people.

### III. CRITICISM OF B-SCHOOLS

B-schools have been facing lots of criticism and scrutiny from many academics and scholars recently. There have been critics on modern managerial theory, management research, management curricula, B-schools' narrow focus on Capitalism etc.

(Mitroff, 2004) made numerous attacks on business schools in "An Open Letter to the Deans and the Faculties of American Business Schools." "The business theories that we have developed and thus teach are based upon the narrowest and the basest of human motives," he wrote. He went on to criticize faculty, saying: "A lot of business school faculty members make a lot of erroneous assumptions and claims about the topic of ethics. They first claim that ethics is merely a question of personal values. Put otherwise, ethics is about values and nothing else. Additionally, they believe that by the time a person reaches business school, their values are set in stone. And is the role of one's parents and religious instructors to teach values, not business school faculty. Thus, to state it somewhat differently, business faculty has little, if any, role in teaching values."

Business schools have aggressively released their students from any feeling of moral obligation by spreading ideologically driven amoral ideas, according to Ghoshal's 2005 paper, "Bad Management Theories Are Destroying Good Management Practices."

Bennis (2005) critiques the direction that many business schools have taken, arguing that they have adopted an inappropriate model of academic excellence over the past few decades. He asserts that rather than focusing on the competence of their graduates or understanding the key drivers of business performance, these schools prioritize the rigor of scientific research. According to Bennis, this shift has led to a focus on abstract financial and economic analysis, statistical multiple regressions, and laboratory psychology, which ultimately undermines the practical applicability of the education provided in these institutions.

Grey (2005) of Warwick Business School argues that many business schools have transformed into "finishing schools" for elites, primarily preparing students for careers in finance and consulting. He critiques the lack of emphasis on ethical and moral challenges of leadership, asserting that these institutions do not encourage students to reflect on their broader roles in society.

In *Confronting Managerialism: How the Business Elite and Their Schools Threw Our Lives Out of Balance*, Locke (2011) discusses how methodologies commonly introduced in business schools—such as numerical analysis, mathematical modeling, and financial economics—can lead to rational decisions that overlook critical issues of culture, managerial behavior, and ethics. Locke critiques the emphasis on these methods, arguing that they often neglect

the broader societal and ethical considerations that should guide effective leadership.

Hühn (2014) critiques MBA programs in his paper *You Reap What You Sow: How MBA Programs Undermine Ethics*, arguing that the curriculum, pedagogy, and underlying epistemological assumptions of these programs contribute to making managers and leaders both unable and unwilling to confront ethical challenges. Similarly, Reich (2014), in his article *How Business Schools Can Help Reduce Inequality*, highlights the role of institutions like Harvard Business School in perpetuating inequality, asserting that the set of ideas and principles instilled in future CEOs has contributed to a widening pay gap between CEOs and ordinary workers, which has increased from a 20-to-1 ratio fifty years ago to nearly 300-to-1 today.

Fotaki (2015), in her article *Questioning Neoliberal Capitalism and Economic Inequality in Business Schools*, argues that there is a lack of critique surrounding the systemic failures of business models grounded in neoclassical economics. She highlights that the question of how businesses contribute to and are affected by economic inequality is often absent from business education and discourse. According to Fotaki, this absence is largely due to the continued dominance of orthodox economic perspectives, which view income inequality as a result of differences in labor, capital, and land contributions. She further critiques management educators for omitting discussions on neoliberal capitalism and its role in perpetuating structural economic inequality in their teaching.

McDonald (2017), in his book *The Golden Passport: Harvard Business School, the Limits of Capitalism, and the Moral Failure of the MBA Elite*, critiques the purpose of business schools, arguing that business has lost sight of its true societal function. He states, "Business is to provide a mechanism by which we can work together and with our environment to achieve our common goals. It is not, and never has been, to simply make a profit." McDonald also critiques Harvard Business School for failing to engage with the intellectual challenge of examining the nature of capitalist society and the role of the firm within it, pointing out that the school has not fostered a meaningful, ongoing discussion of these issues.

Parker (2018), in *Shut Down the Business School: What's Wrong with Management Education*, critiques business schools for their failure to address key contemporary challenges, such as the transition to a low-carbon economy, localized supply chains, and social justice and inclusion. He highlights the absence of critical topics like cooperatives, mutual organizations, community shares, and social enterprises from the business school curriculum. Furthermore, he notes that concepts like degrowth, the circular economy, and worker decision-making are missing from business education. In a related article, *Why We Should Bulldoze the Business School* (Parker, 2018), he argues that by teaching students that profit is the sole focus of business, business schools make sustainability, diversity, and social

responsibility seem like secondary or irrelevant concerns, reinforcing the idea that capitalism is an inevitable system, with financial and legal mechanisms being presented as scientific tools for managing it.

In the article *The Ghost of Capitalism: A Guide to Seeing, Naming, and Exorcising the Spectre Haunting the Business School*, Kociatkiewicz (2021) compares capitalism to a ghost—something invisible yet ever-present within business schools. He argues that while business schools may teach a capitalist framework, it is often treated as an unquestioned and natural state of affairs, with no alternatives explored or even acknowledged. Kociatkiewicz further observes that business schools rarely explicitly acknowledge that their curricula are based on capitalist assumptions, nor do they offer modules dedicated to critically examining capitalism as a socio-economic system.

Business Schools till now have embraced the ideology of capitalism and failed to address today's most important economic issues. So far, the research in business schools have not given enough attention to the most urgent problems like climate change, inequality, achieving growth within the ecological limits of the planet which require an interdisciplinary and trans disciplinary approach.

#### IV. TIME FOR INTROSPECTION

Today Business Schools stand at a juncture where they will have to reimagine what they are and what their role should be in the society. Business Schools can no longer afford to continue on the path they have been pursuing till now because it is not sustainable. Business Schools' curriculum can no more be only about management theories and practices which only emphasize profit and maximizing shareholder value but fail to take into consideration costs which are externalized by the companies. Topics like Corporate Social Responsibility and Business ethics are not enough to get a holistic view of how everything is interconnected in the world as the branch of Ecological Economics explains.

Fotaki (2015) conceptualizes that management education should go beyond traditional curricula by introducing new topics and offering counterintuitive, novel interpretations. She emphasizes the need for management programs to make visible the inequalities often masked by technocratic and value-neutral discourses of management, and to explore alternatives to neoliberal capitalist development.

They also add that both educators and students should reflect on how management education can enable students to take moral responsibility for their actions as future leaders, managers, and business professionals. Rather than relegating ethics to abstract, invisible market principles, she advocates for fostering moral agency and responsibility. Additionally, Fotaki calls for academics to question the prevailing ideology of neoliberal capitalism within business schools, encouraging a critical examination of its assumptions and impacts. To create sustainable businesses and society we



also need emphasis on sustainability in Business Schools which produce future managers and leaders. Because if these people have understanding of sustainability, then only, they can implement it in the firms where they work or lead.

(Mollie Painter-Morland, 2016) in “Beyond the Curriculum: Integrating Sustainability into Business Schools” emphasize ‘Systemic Institutional Integration’ and suggest that: “Any business school which aims to integrate sustainability further into the curricula cannot succeed without the following: (1) Systemic thinking and systemic leadership, (2) Connectedness to business, the natural environment and society and (3) Institutional capacity building.”

To change and stay relevant Business Schools will have to think about alternatives to Capitalism. They will need to embrace new innovations and economic systems which are sustainable for everyone. At few places in the world people have already started working in social economy where cooperation replaces competition and emphasis is put on community, mutualization of benefits and sharing of resources. Projects like Platform cooperativism are opening up new possibilities of organizing online economy which is decentralised and free from surveillance, extraction and monopoly.

The Food Commons Fresno project exemplifies how individuals can be organized for the collective benefit of all. It operates as a network of community-owned trusts that collaborate with landowners, farmers, food processors, distributors, retailers, and workers to achieve a common goal: providing high-quality, safe, locally grown food that is accessible to everyone. Rather than diverting profits to investors, the Food Commons redistributes financial surpluses across the system, alleviating market pressures that typically lead to soil depletion, the exploitation of farm workers, the degradation of food quality, and rising prices.

Relocalization, platform cooperativism, Eco socialism, degrowth and circular economy are some of the alternatives to the current economic system which present great possibility for sustainable society but these ideas challenge the assumptions of current capitalist system and ask for radical overhaul of different factors like finance, production, consumption, regulation in the economic system.

These alternative ideas or systems place great emphasis on ecology or nature and don't see economic growth and profit as the ultimate goal but rather these systems try to achieve balance between economic growth and nature by adopting a holistic approach. These are some of the alternatives that Business Schools will have to incorporate as main part of their curriculum and also offer as core specialization in MBA program. Only then it will be able to make some effect on the businesses and society.

Till now Business Schools have postulated that there do not exist alternative forms of organization as mentioned above and capitalism is the only model which has surpassed all other models. But now it is time for introspection for

Business Schools as whether they will continue serving the ideology of capitalism which has had devastating effects on the people and the planet or dare to explore and think about alternative economic systems which could be embraced and taught to students.

## V. CONCLUSION

The ideology of capitalism has almost become ubiquitous across Business Schools. And as has already shown in this paper that how capitalism has proven devastating for the whole planet. In this context Business Schools face existential question of their relevance to the society. The ideology of capitalism upon which Business Schools are predicated needs to be questioned by all. Some of the alternatives like platform cooperativism or circular economy or degrowth have still not found place in the curriculum of most Business Schools or they have not even been part of the discourses or talks in Business Schools.

If Business Schools need to stay relevant and play a role in creating sustainable future then they will have to acknowledge other forms of economic systems. Their focus will have to shift from ideology of profit maximization to sustainable business practices which are performed within the ecological limits of the planet.

Business Schools will have to see that they do not have a narrow view of business only but also how the business impacts society, people and environment. Academic research in Business Schools will also have to explore alternatives to capitalism as well as other forms of organization like platform cooperativism or internet ownership. Business Schools can really transform the society and be catalysts in creating sustainable future only if they dare to look beyond capitalism.

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