“Down the yellow brick road”
Challenging the Existing Business Models in Business Schools

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Abstract

The important role that businesses play in society today requires the adoption of new business strategies that takes into consideration financial, social and environmental impacts. Both the public and the regulators demand more sustainable business models based on shared value as a foundation of corporate social responsibility (CSR). As the importance of CSR grows it becomes clear that business schools should take part in this positive drastic change, not only by teaching CSR but also by demonstrating and creating a new model of management. This paper presents the case of an implementation of such a new model in an Israeli business school, the largest one in Israel. We describe the changes that have been made by a decision making mechanisms, academic roles and physical setting and the way those changes promote stakeholders' dialogue and engagement by increasing inclusion, openness, tolerance, empowerment and transparency.

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**Introduction**

The wide acceptance of CSR - is one of the most important management trends of the 21st century and it provides promising tools for coping with the new challenges of this era. Business schools have an important role in educating the managers of tomorrow and provide them with the proper knowledge, skills and tools for the dynamic business world. Though the traditional academic world is conservative, some may even argue – an orthodox one, in recent years, ambiance of transformation emerges in varied forms, mostly due to free access to information throughout the open electronic media, all calling for a change. As part of the Israeli academic field representing CSR, we see this change as a venue which enables us to create new opportunities, through which we offer our students to become part of the process of forming a new business models.

This paper aims to describe the first steps that have been done towards this goal in an Israeli school of business administration. First, we provide a brief description of the legal and practical developments of CSR in Israel and the penetration of this paradigm to higher-education institutions. Then, we describe the main change in our business school's management model and discuss the way these changes promote CSR values and principles. Finally, we analyze the challenges that the new management model has created and the questions still left unsolved.

**Embracing CSR**

During the last decades global processes have pushed businesses to a greater demand to integrate social and environmental considerations in decision making. Among those processes are:

- The "small globe"- Globalization contributed to the understanding that we affect one another even when we think our actions are local.
- Realization of the limited resources of natural and environmental assets -The increasing awareness to the ecological crises reminded us that our globe, shared by all humanity and all living creatures, is a small planet and not inexhaustible.
- Quick development of social technology enabled faster and tighter contacts among people all over the world, including information about irresponsible behavior of firms.
- Political and economical shifts created corporate global power which exceeded governments' power and therefore influenced society even more strongly.

CSR evolved as an answer to the challenges that these processes present and offers new business strategies and models. In a nutshell, CSR refers to actions that business voluntarily undertakes in order to promote social and environmental goals and to minimize damages to the environment and society. It is based on the business rationale of "shared value" (Porter & Kramer, 2011) that seeks for actions that can contribute simultaneously to the society and the company itself by decreasing risks, providing opportunities and improving the competitive advantage of the firm. Another justification for responsible behavior is the concept of
“Corporate Citizenship” that refers to corporations as "Citizens" of society and of the world, hence, is responsible to all the stakeholders who are influenced by them or are part of them.

From Israeli Law perspective, the change in companies' liability towards their stakeholders was actually expressed in 2000 when the new Company Law enacted by the Knesset (the Israeli Parliament) became valid. For the first time the Israeli Law anchored the companies' liability to take into consideration the interests of their employees, creditors, and the public in general.

Article 11(a) of the Israeli Companies Law states as follows:

"Company Goal
The company goal shall be to operate in accordance with business considerations in realizing its profits, and within the scope of such considerations, the interests of its creditors, its employees, and the public may be taken into account".

In many ways, even comparing to corporate laws of other western countries, this article in the Israeli law is a substantial innovation. Firstly, for the first time the Israeli legislator explicitly referred to the question of the purpose of the company. Until 2000, the Israeli Supreme Court was the only one to set in its ruling guidelines the proper liability to be imposed upon the companies, their officers and controlling shareholders. However, the Israeli Supreme Court was extremely cautious. The validation of the new Company Law anchored these rulings in the written law, and it paved the way to keep the companies' stakeholders interests. Secondly, although the corporate laws in many countries in Europe and in the United States include similar instructions allowing the directors and officers in the company to take into consideration the interests of the stakeholders (as part of their duty of conduct), only the Israeli Company Law dedicated a specific article titled "Company Goal", in the chapter of the law preamble.

Therefore in the Israeli law, the article of the Company Goal serves as sort of a compass for the companies, and the modern perception embodied in this article passes like a thread throughout all other instructions of the Company Law. The perception that stems from article 11 (a) is that the company goal is no longer the benefit of the shareholders, but of the company itself (according to the best benefit of its members as a whole).

Despite the aforesaid innovation in the Israeli Company Law, and its conceptual importance for the advancement of a managerial culture that fits the 21st century, as mentioned supra, this article is not free of criticism. The first criticism that is raised pertains to the declarative wording of the article, and to its vagueness. The article of the Company Goal was a priori drafted as a declarative article that did not set an internal mechanism for its implementation. For example, the article does not set clear standards for cases in which one needs to take into consideration the stakeholders' interests; the article does not explicitly state who is the organ in the company (director or other officer) that carries the duty to act according to the instructions of the article; and the article does not grant to the stakeholders a cause of action when the company did not take their interests into consideration. Due to the vague and declarative nature of this article, it is also understood that the instructions of the law do not impose a mandatory duty on any of the officers in the company to take into consideration the
interests of the stakeholders. This is only a permission granted to the discretion of the company's managers, only if such a consideration is within the business considerations:

“[A]nd within the scope of such [business]considerations, the interests of its creditors, its employees, and the public may be taken into account”.

However, even if the article of the Company Goal is drafted differently, in such a way that answers these criticisms, it seems that even then it will not be able to change the managerial culture of the business companies that was established over 200 years ago. The law can never change by itself perceptions or human behaviors. To do so, you need to harness additional social mechanisms, such as the media, social organizations, and of course the system of education, includes the institutions of higher education.

As stated before, in the Israeli law, the Company Goal article only grants the permission to consider the company’s stakeholders, and it does not impose a duty to do so. The fear of the article critics is that as a result, the article shall become ineffective, and the forces of the markets shall affect this possibility not to be exercised. However, the new article did have a declarative power that can affect managerial perceptions. The Company Goal article may give a tailwind to a progressive perception according which the interests of the company's employees, credit suppliers and the public in general are seriously taken into consideration, in addition to its business considerations. This consideration is not taken instead of the shareholders' interests, but in addition to them, as a worthy and more efficient tool to lead the company to prosperity and long term stability.

Another important milestone in the development of the CSR field in Israel was the establishment of "Maala - Business for Social Responsibility” in 1998. Maala is a nonprofit organization that works with its network of about 100 member companies to promote CSR in Israel by transferring knowledge. It also conducts an annual ranking of the social responsibility of the biggest Israeli firms (Maala, 2016). Only a small portion of Israeli firms participate in Maala ranking and there is a wide criticism towards the ranking indicators and the self-report mechanism (Ortar, 2015a), nonetheless, Maala succeeded to promote awareness to the field that was un-known and un-developed in Israel until then.

During the last decade more and more Israeli firms began to publish CSR reports but the total amount of reporting firms is still very low. According to KPMG’s CSR reporting survey in 2013, the reporting rate in Israel was 19% and the lowest amongst the 30 participating countries (KPMG International, 2013). A law proposal for mandatory sustainability reporting was submitted in 2015 but as for now it is mandatory only in the banking sector (Ortar, 2015b).

To sum up, CSR is still in its early stages in Israel but it is an emerging concept and therefore requires an attention from both the business community and business schools. The school of Business Administration is the breeding houses of the future managers, business persons, directors and accountants who shall manage the market in the upcoming years.

Our Business School and the New Concept

What is the role of business schools in the field of CSR? Most of the literature concerning this issue deals with the entry of CSR materials to the school’s curriculum either as specific
standalone CSR subjects or as embedded CSR subjects on various subjects on the academic curriculum (Okpara, Koumbiadis, & Idowu, 2013). The top 50 global MBA programs (as rated by the Financial Times in their 2006 Global MBA rankings) have been investigated with regard of deans’ and directors’ response to questions about the inclusion and coverage of the topics of ethics, CSR, and sustainability at their respective institutions. A five time increase was found out in the number of stand-alone ethics courses since 1988 (Christensen, Peirce, Hartman, Hoffman, & Carrier, 2007).

The School of Business Administration also made major steps in this direction and was the first to include a CSR course as a required class for both under-graduate and graduate students. As part of the general perception of COMAS, its different schools and the Academic CSR Center, in order to implant the ideas of Corporate Social Responsibility, it is worthwhile to start educating today the managers of tomorrow. This all can be done by exposing them to different managerial approaches from Israel and worldwide; by teaching them theories in the 21st century in the fields of management, economics and law; by developing a critical sense to the existing theories; by meeting experienced business persons and scholars from Israel and from around the world; and of course by experiencing the market through workshops and practicums organized in cooperation with existing businesses. Findings from the United States (Okpara, Koumbiadis, & Idowu, 2013) show that only a few MBA curricula include standalone CSR subjects and a similar picture comes from a research conducted in Australia and New-Zealand (Wright, & Bennett, 2011), which found out that only about fifty percent of MBA programs include ethics as a required subject (and even then it may only constitute part of a larger subject), and that only six percent of MBA programs examined incorporated sustainability to their core curriculum. In light of those findings we are proud that our students are required to pass a standalone CSR course since 2013.

The Academic CSR Center within SBA is the pillar of CSR in COMAS, ergo we have decided to act as well as teach and give our students the finest tools in order to become responsive and work in teams, principals which are the core of nowadays management. The Center perceives its responsibility in guiding and motivating the students to be the managers of tomorrow and think “out of the box”, by inventing new ways to lead as both persons and managers.

Nonetheless, teaching the material is not enough. We believe that each one of us, managers and change–agents, should implement the CSR values in our own yard and become leaders and role models for others. According to Sánchez-Hernández, & Mainardes (2016) the corporate responsibility of universities should not only be philanthropic activity, but build a responsible approach to their core activities of education and research. Correspondingly our mission is to find new strategies and business models that will enable us to be more responsible in the way we conduct our business.

Therefore, in this short essay, we will openly share our experience as a leading part of the School of Business Administration (SBA) of the College of Management Academic Studies (COMAS). While the concepts and logic behind CSR are intuitively simple, implementing them is rather challenging. Especially in our "here &now" world where things are instant and consequences are immediate, while attention to changes is a process which needs long term thinking. We took active as well as ideological part in a change process which began almost 4 years ago and is continuing to be dynamic and a rolling ball. We will try to reflect the various
difficulties, obstacles and successes, pointing out the unique relationship between physical and conceptual issues in changing the management model to an innovative academia. The changes listed above, echo the school principals—Be active, be partner and be initiative.

Implementation

A business model that addresses the needs of its various stakeholders and not only the shareholders must establish mechanisms that will enable it to grasp the needs and interest of those stakeholders. Indeed, stakeholder engagement or stakeholder dialogue is important parts of CSR and have always been common in CSR literature. Moreover, in an article dealing specifically with the implementation of CSR in higher education institutions, the writers claim that those organizations should seek and use ways of engaging in a dialogue with its various stakeholders in order to learn where it can do better (Jongbloed, Enders, & Salerno, 2008). According to Pedersen (2006) creating a participatory and inclusive dialogue requires high levels of inclusion, openness, tolerance, empowerment and transparency. In the following section we present five main pillars built by our school and analyze the way they promote those dimensions of stakeholder engagement.

Management Committee

Our world is complex, therefore a transverse conceptual change is essential. The strategic thinking has been modified from linear thinking to a multifaceted one. Jongbloed, Enders, & Salerno (2008) further discuss the ‘proper management model’ for higher education and claim that research is needed to explore which different governance models can place stakeholders in a more central position. They suggest that a shift to a networked governance, which is carried through civil society participation in a complex, diverse and continuously changing networks, might balance the needs of a diverse set of stakeholders. A step towards more networked governance was a change in the decision making mechanism and the management structure. As an example of setting a tone, the SBA’s Dean formed a School management led by a multidisciplinary committee of 7 members. The committee is very diverse both demographically (age, gender, status and seniority) and professionally (psychology, human resources, law, accounting, finance & CSR). This diversity promotes various ways of thinking and reflects a tolerance to new alternative voices that now can be respected (Pedersen, 2006). The committee meets once a week to discuss, conduct, design, learn, decide and deal with emerging problems.

Learning HUBS

Change, according to our experience, needs to be seen and felt. A proper ambiance is crucial in order to change modes of thinking and behaving. Therefore, a major change was made in the physical conditions, setting and spaces of our school. A few old “ordinary” classes were physically transformed to well equipped, welcoming open spaces suitable for peer learning, guidance and assistance (see picture 1).

This significant change creates a convenient, informal and intimate atmosphere which formed an added value for both the students and the academic staff. Furthermore, it encourages studying together based on a dynamic dialogue, immediate assistance and cooperation. This flexible and informal communication promotes the openness dimension of engagement that
reflects a shift from a dialogue that is structured around a fixed range of issues to a more open one (Pedersen, 2006).

![Figure 1 - learning HUB](image)

**Mentors**

New management of the stakeholder engagement needs a different way of “listening”. To achieve it, the school created a new role of "mentors" which serves as homeroom teachers. Young academic staff was chosen to this job according to their ability to be attentive and empathic. Each mentor is responsible for a class of first year BA students. The mentor interacts with the class students; meets them formally once in a while; visits them informally between classes; invite them to personal meetings; and answers to questions via e-mails. In the students' second year the relationships continue on a more flexible basis whenever students needs or wants to keep in touch.

From the students' point of view, the mentors make important information more transparent and accessible and by that allow students a full involvement in what is happening. Mentors also serve as a bridge to the Chairs of Academic Departments and allow the students' voice to be heard more quickly and clearly. From the school's point of view, mentors are an important source of information concerning the student's needs, problems and preferences. This new function might ease the students' integration, improve satisfaction and allow problems to be taken care off.

**Access to Knowledge**

One of our main guiding lights is that knowledge must be available to *everyone* and *everywhere*. In SBA we believe that a student should have all that is necessary to learn. We acknowledge the fact that life has its own withholding circumstances such as army reserves duty, pregnancy, illness etc. hence every semester we film and record a variety of courses, in the BA and the MBA programs. All of them are available on our YouTube channel. This way
students can take their classes, find a substitute lecture if they missed one and avoid re-sit classes.

In addition, these recordings are open to the general public, enabling anyone with internet connection to watch, learn and widen their horizons. Some of the lecturers are key business persons or finance managers from the business community in Israel and worldwide, exposing students to maximum updated and personal information, that among other things enable vivid connection between the academic and practical methods. Jongbloed, Enders, & Salerno (2008) states that higher education institution's mission of community engagement should be realized through the core activities of teaching and research. Sharing knowledge with our business, academic and social community promotes an inclusion of all those audiences in the dialogue. Those stakeholders can not only benefit from the use of the resources but also contribute by commenting, raising questions and suggestions.

Partnerships

According to Pedersen (2006), the meaning of transparency is giving stakeholders a full access to information about the process and outcomes of the dialogue. Indeed, a model of dialogue and engagement is not full if stakeholders are being heard but their voices do not count. Therefore the school makes a huge effort not only to report back to students about the way their involvement affected decision but also to provide them with resources to carry on their ideas.

One example is a complaint that an MBA student raised on a course internet forum about poor conditions in the security guard's room in one of the colleges gates. The student described that the guard needs to work in high temperatures due to mal functioning air-conditioner. The complaints got an immediate care by the college's CSR center and the students got a clear and transparent description of all the things that were taken care. It is important to notice that a lot of dialogue mechanisms, like surveys, forums, round tables and even informal discussions, already exist in higher education institutions and what is needed is a feedback to the students about the contribution of their suggestions and the way they impact and change decisions. A remark regarding mid-semester feedback made by an MBA student in a CSR course forum exemplifies the importance of this approach to dialogue:

"I must point out that in corporate responsibility course the staff really acts responsibly and I refer to the publication of the results of the feedback that was conducted in the middle of the course. It is nice to find out that there is a practical treatment of the issues which were raised by us. Thank you (-:"

When a more complex solution is needed, the school gives the students the opportunity to manage the change by providing them with mentoring process, required resources, knowledge and managerial tools. For example, a BA student was concerned about the need to copy new study materials every year, a behavior that harms the environment due to use of paper and toner, and consume money and time. This student decided that there must be a solution offering students the enjoyment of a more sustainable study environment. Through this process, the student initiated and built a social library, enabling students to carry forward and reuse of the learning material. That way the students save both money and paper. The student got a full support during the process, including consultancy, a proper room and marketing
materials to promote his project. This approach reflects the engagement's dimension of empowerment that means giving equal freedom to various stakeholders not only to express themselves but also to decide and carry out these decisions. The third example can be given due to successful collaboration of the Center with the School of Computer Science in our college. The students’ were requested to submit a final project for their third and final year of the BA. During the last two years, we took under our wings, each year, a group of students which developed unique apps. The first one was “Green Campus” which offered green solutions to all the college stakeholders, such as finding parking spot in the campus parking lot (saving time and money); finding the nearest shelter to your current location (unfortunately it’s relevant due to our country security threat); finding a recycle bin etc.

![Figure 2 – Social library](image)

**Challenges**

Our discussed perception of an open, flexible approach to stakeholders’ engagement and dialogue might be a promising way to promote CSR in business schools, still there are challenges to overcome. We will begin with describing some practical challenges and continue with a discussion of limitations and recommendations for future research.

One main issue that has historically plagued stakeholder theory is the question of how managers should prioritize among the different demands of various stakeholders (Phillips, 2004). From our experience prioritizing is a difficult challenge in higher education too. While within SBA this new thinking and out of the box implementation is on action and fruitful, we face complications in the widen scope. Managing and dialoguing with all COMAS stakeholders can be quite a challenge. For example, the administration units of COMAS are concerned with practical and financial restrictions and are more committed to immediate and economic performance. It is sometimes difficult to explain the justification of those changes and to prove their contribution, which can only be seen in the long run.

One good example is the case of Contractor Employees in the college. Although employees are considered as core, COMAS still hires contractor employees, mostly for cleaning and maintenance. The demand for a change was originated by students, who put the issue on COMAS’ management table, with the assistance of knowledgeable faculty members. The demand for direct employment is also raised by worker rights advocates and civil society
organizations. We mentioned previously our willingness to react to bottom-up ideas, but so far the management has not agreed to accept the demand.

Furthermore, academic institutions have a few characters that are less easy to change because they are traditionally accepted or dictated by the authorities. For example, academic institutions in Israel have a several defined academic roles with a strict definition and fixed employment conditions. The new role of "mentors" is not part of the traditional roles and therefore it was difficult at the beginning to create this new function.

Moreover, aligning to a change is always difficult to an organization as whole and to the people involved, (e.g.: Lewin, 1952; Watson, 1982), whether the organization is a business or a school (Evans, 1996). Transparency, for example, is an important and valued component of engagement but its practical manifestation is not easy. The need to be transparent regarding both successes and failures might be an obstacle to a new manager that is still willing to prove his/her abilities. Transparency was also a delicate issue to the lecturers who were asked to openly share their filmed classes on the internet. Taking part in this process raised embarrassment to be seen publically and fear to lose their control over their learning materials. It is important to mention that today, after 3 years’ experience, the lecturers are more enthusiastic to take a part in this new method. Needless to say that our filmed courses are widely popular in academic institutions all around Israel and the lecturers understand their benefit.

Finally, the implementation process described above refers mainly to two stakeholders: students and community. In order to deepen and widen this process, another stakeholders should participate and take part in the dialogue. Jongbloed, Enders, & Salerno (2008) provide in their article a detailed list of the various stakeholders of academic institutions. A better integration of some of these stakeholders in the dialogue, like employees and governing entities, might be a good step forward.

These examples show that creating a new business model is a long term process which clashes with material obstacles like finance, and should overcome behavior and psychological barriers. We believe that we are now in the beginning of the blossom period where the “Greenwash” concept is no longer an option and the change is initiated by our students, who are the "future" managers. We are proud to be the ones to plant the seeds.

Apart from the practical challenges which were described above, there is a need to consider the more fundamental issue of the stakeholder dialogue part in the whole CSR plan. The implementation process we described is constructed to improve stakeholders’ engagement. As we mentioned above, this engagement plays an important role in promoting CSR but it does not stand alone. According to greenwood (2007), if engaging with stakeholders is used only to serve shareholders' interests it becomes a plain tool for enhancing reputation and legitimacy. Only when a company balances the interests of legitimate stakeholders based on justifiable moral principles it is truly responsible. Our school already uses various tools for engagement but still needs to find mechanisms to promote a moral and ethical judgment of our actions and balance responsibly between conflicting needs of different stakeholders.
We would like to conclude with few recommendations for a future research. The change we described is new and therefore we still don't have empirical evidences to its implications. It seems that it has a potential to accelerate learning excellence, enrich learning, promote creativity and create a feeling of involvement and connectedness. Nevertheless a further research is needed in order to examine the influence of these acts on stakeholders' satisfaction, the school business’ outcomes and other constructs.

Summary

The last decade introduced fascinating changes in the business world. As the leading business school in Israel we see ourselves responsible to give our students up to date knowledge, confront them with reality, and enrich their values, ethics and responsibility not only by teaching CSR but also by act and modeling it. We decided to take the long road and feel fortunate to have open minded, multi-talented person as our SBA dean, as well as a group of dedicated academic staff who is responsible for the re-education of both faculty and students.

Additionally, the above changes have created an atmosphere of caring and involvement, enabling young faculty to feel they belong to a mission more important than the daily tasks and responsibilities.

The "language" has changed, became more transparent and at the same time clearer and assertive.

We look forward to see where the CSR field is developing to, particularly in light of the social changes the world is now witnessing.

References


