



Business education: more than the bottom line

Remarks by Sharon Allen

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AACSB International Conference and Annual Meeting • April 27, 2009

With greater business literacy, there can be improved economic health.

Pat, I appreciate your kind words and very gracious introduction. And to Dean Stevens of Kent State, Jim Viehland, and all of AACSB's guests who have gathered from around the world — I am absolutely delighted to be Beta Gamma Sigma's International Honoree. To be recognized in this manner by the global organization dedicated to business excellence is a great honor. Thank you again, and thanks to everyone here today for your warm welcome!

Recently, I came across a news item with an interesting connection to the ability of business schools to build a better world. In September, UNESCO — the United Nations Educational, Scientific, and Cultural Organization — will promote International Literacy Day. The organization says that more than three-quarters of a billion people worldwide do not have even minimal literacy skills.

While that number is staggering on many levels, perhaps what's most significant is UNESCO's finding that there's a high correlation between illiteracy and poor health. I mention this because, when you think about it, there should be another high correlation between literacy and health.

With greater business literacy, there can be improved economic health. And there is no group of people that can make the power of that connection more meaningful for business students than this audience. Through the research you produce and the business leaders you help develop, your influence runs deep and wide. I know from personal experience how true that is.

While I grew up on a farm in Idaho, my studies took me all the way to Moscow — Moscow, Idaho, that is. I started out at the University of Idaho with the intention of becoming a teacher. But my roommate talked me into taking an accounting course — and I was hooked.

I'll always remember my professor, Bob Clark. To this day, I can still visualize him standing in front of the class — and what he did with a blackboard, a piece of chalk, and his wealth of knowledge opened up an exciting new world for me. Seeing information presented so logically helped me become literate in an exciting new language — the language of business. But we all know the language of business is complicated. There are nuances and "dialects," if you will, that need to be mastered before fully realizing its potential.

Thirty-six years ago, I was a student taking classes to learn business and accounting. But what I learned on the blackboard was not enough to fully prepare me for success in business. I needed to learn how to challenge conventional wisdom, think critically, and develop my skills in communication, team building, and ethical leadership.

These lessons did not come from books but from observing people I respected for their knowledge and their values. And I took cues from my professors and others who took a personal interest in my success. In fact, by learning from Professor Clark how to think for myself, I made a rather bold decision to enter the accounting profession at a time when few women did.

From my vantage point today, I see the need to further integrate what I learned so informally back then into the business curricula of today. And I have a much greater appreciation for well-rounded business knowledge when it's vigorously supported by a set of values — values that steer knowledge to its best and most ethical use.

In today's economic environment, that combination is more important than ever. And that's not just my opinion. I've seen debate recently about the role business school graduates have played in creating the conditions which led to our current recession.

I see that this complex subject is a part of your conference agenda ... a fascinating session, I suspect. One could argue that business leaders who were trained to capitalize on opportunity were just one part of a perfect storm — a storm that included changes in the regulatory environment, complacency in risk management, and flawed assumptions by consumers who believed a never-ending increase in asset values would fund lifestyles that may have been beyond their means. Clearly, there is no shortage of perspectives or opinions on the subject.

And while the storm continues, I believe we — both the business community and the community of business educators — have an opportunity, and an obligation, to enhance not just the development of the people in our organizations, but their approach to business as well.

Today, the business community is looking beyond the core technical skills that should be a "given" in any business student's portfolio. We're counting on your efforts to help us meet three challenges of vast proportions — namely the changing talent landscape, the importance of diversity, and the value of ethics to long-term success.

Talent and diversity: the fuel of growth

Let's start with talent, the fuel of growth. As an accountant, I've always believed that numbers tell a story. Here are some that have my full attention:

- Currently, age 62 is the median age for retirement in the U.S.
- This year, an estimated 10,000 Baby Boomers will turn 62 — every day.
- And in the next 10 years, 43 percent of the population will become eligible to retire.

That's what's happening at the end of the U.S. talent pipeline — and there appear to be similar trends in Europe, Russia, and Japan.

As for what's taking place at the beginning of the talent pipeline, the numbers are equally sobering. Research conducted by Deloitte indicates that there will be fewer young people to replace retiring workers every year for the next 30 years.

With numbers like that, our newest employees probably will be called upon to lead earlier in their careers than any previous generation entering the workforce. So we have an urgent need for business students to be fully prepared to become business leaders — sooner rather than later.

I will acknowledge that according to the Graduate Management Admission Council, 77 percent of full-time MBA programs reported an increase in applicant volume last August. Apparently, that trend continues into this year. Globally and in the U.S., the number of Graduate Management Admission Tests® taken in the first quarter of this year exceeds the number taken during the first quarter of 2008 — and 2008 was a record year. This is encouraging, although it may also be influenced by the fact that there are an increasing number of undergraduates without ready jobs.

And, as with most opportunity, there is also a challenge — in this case having enough faculty to teach the increasing student population. According to AACSB International — your

organization — all business disciplines are suffering from faculty supply issues, and I applaud your attention to this important issue. Business schools may experience faculty shortages of more than 20 percent, as retirements rise and a smaller number of Ph.D. students begin to teach.

We at Deloitte are very aware and concerned about this issue and are joining with the other Big 4 firms, the AICPA Foundation, and others to create the Accounting Doctoral

Scholars Program. The goal of this program is to attract, recruit, and provide support for at least 120 additional accounting Ph.D. students in auditing and tax through 2012.

While this and initiatives like the AACSB bridge program will provide a much-needed boost in the coming years, it is clear that more attention needs to be devoted to the talent challenge facing not just businesses, but also business schools over the long-term. We share a joint obligation to help future talent choose business — and business education — as a career path. And, in times like these, we cannot leave such an important decision to chance.

Whether it's in academia or in commerce, the most successful organizations continually plan for the future — regardless of current conditions. Employers whose priorities are based on long-term success recognize the need to find fresh new approaches to attract, develop, and retain talent. Not only because of the numbers related to supply and demand that I've shared, but also because of a new law in the talent marketplace.

It's what I call the law of supply and demands — plural — specifically, the demands associated with the latest generation to enter the workforce, the members of Generation Y born after 1980.

Generation Y has different priorities from those of previous generations. I'm a Baby Boomer. As many of you know, my generation has placed a high priority on work, work, and more work. According to research findings, Gen Y values work — and is eager to make a contribution. But Gen Y also values other things in their lives and what they want from employers is greater flexibility in integrating their work into their life and their life into their work.

They also want trust to be a two-way commitment between employers and themselves. The research findings are quite pointed. Gen Y believes that despite what corporations say, businesses value financial success far more than they value the people that work for them or the communities in which they live. Said one college student who was strongly supported by others in her focus group, "We are looking to be loyal to an employer if that employer will be loyal to us, but we don't think business operates that way today."

It's imperative, therefore, that business regains trust — broadly, and in particular with Gen Y. In a Gallup poll conducted last November, business executives ranked 15th out of 22 professional groups for their honesty and ethical standards. (Nurses ranked first; lobbyists ranked last.)

We need to make business "cool" again — through values that are both professed and lived — in a workplace that takes a creative approach in helping people honor their commitments and priorities relative to their work and life.

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This recognition has led to some new and innovative thinking from Deloitte. It's called Mass Career Customization and is built upon the consumer-business notion of mass product customization from our jeans to our cars — so why not our careers, too? Through conversations between our managers and colleagues, we reach individual agreements that meet the needs of the business while enabling employees to either “dial up,” “dial down,” or continue their current trajectory — across the variables of pace, workload, location and schedule, and role. To learn more about it, I encourage you to visit the website <http://www.masscareercustomization.com>.

I should mention one constant that endures. Whether our colleagues choose to work more, work less, or work differently at various stages of their careers, they will continue to work hard.

What's most important, however, is to have an array of options available to meet the changing priorities and life needs of our people. I'm convinced such flexibility will be a major factor in attracting and retaining the talented people who can position organizations to move forward when this recession ends.

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While no one knows exactly when that may happen, history tells us that it will. And when it does, I'm convinced that the convergence of economic and demographic forces will call for every source of talent — including women, minorities, and those of every generation — to be

fully utilized in restoring global economic strength. Which brings me to the second important challenge that I am asking you to help us address: diversity.

The impact of diversity extends far beyond its mere presence in the workplace. Creating a diverse workplace is much more than just the right thing to do. It's a business imperative and key dimension of the talent equation — especially when it serves as the basis for diversity of thought that contributes to outstanding business performance.

I've observed this with my clients and experienced it in my own board room. Diversity of thought, when fostered and encouraged, can lead to the kind of ideas, questions, and good thinking that can forge new innovations and improve organizations.

There's a strong business case for bringing people together from many different backgrounds, both

professional and personal. Several studies over the past few years have concluded that a diverse workforce performs better — and, in many cases, far better — than those with the least diversity.

I'm sure similar benefits can accrue in the classroom so I encourage and challenge you to focus on diversity ... by recruiting students — and faculty — from under-represented populations. And it hasn't gone without notice that many of the graduate and MBA programs in business schools today have a lower percentage of women — in some cases considerably lower — than the percentages that are signing up for your undergraduate programs.

Ethics: first among equals

While diversity can drive positive results, perhaps the most important business outcomes are those that are the result of ethical decision-making. Compared with the challenges related to talent and diversity, the challenge of developing ethical leaders ranks first among equals. I'll use Deloitte as an example to illustrate why. My organization has four shared values that unite our people globally:

- Integrity
- Outstanding value to markets and clients
- Commitment to each other
- Strength from diversity

Bringing our shared values to life takes *more* than knowledge. Our values cannot exist without a strong moral compass or an array of intangibles that comprise our most important business offering: trust. Every interaction we have, with our people, with our clients, and with our stakeholders, is based on trust. And with technology creating so many new and virtual opportunities to have these interactions, the reinforcement of trust, through ethical behavior, becomes that much more important.

From an organization's most senior leaders to those spending their first day on the job, modern communications technology enables everyone to communicate beyond the four walls of a business. More than ever, how their impact will register through interactions large and small hinges on everyone's ability to consistently do what's right.

Over the past three years, I've commissioned surveys to help gauge public opinion on various aspects of ethics and the workplace. In previous years, we've looked at the link between work-life balance and ethical behavior, and the impact of leaders' transparency on ethics and productivity.

With a new Internet phenomenon of social networking upon us, I recently commissioned Deloitte's third annual Ethics & Workplace survey to examine its impact on business ethics and reputation management. We took a look at social networking from two perspectives. First, we polled 500 executives whose businesses may or may not have policies about social networking in the workplace. We also polled 1,000 employed people over the age of 18 regarding their attitudes about social networking.

We conducted the surveys two weeks ago. The findings that I'm about to share are just in and are the first to be made public. We'll release the complete report to the media next week.

Let me begin with what we learned from the business executives we polled:

- 78 percent felt that there is nothing unethical about employees freely expressing themselves online.
- However, 60 percent said that employers have a right to know how employees are portraying themselves or representing the company on a professional or personal networking site.
- And 58 percent felt that the reputational risk associated with social networking should be a board room issue.

I suspect that last number about social networking as an issue for board room discussion would be much higher, and perhaps unanimous, if we had conducted our executive survey after, rather than before a recent video

posting on YouTube — the one made by two former employees of a global pizza company.

I'll spare you the gory details about the video. But I will share the quote from its company spokesman who said afterward: "Nothing is local anymore.

That's the challenge of the Web

world. Any two idiots with a video camera and a dumb idea can damage the reputation of a 50-year-old brand."

Incidents like this and others reflect some of the feedback we received from the people we surveyed:

- While 74 percent strongly agreed or agreed that it is easy to damage one's reputation as a result of increased use of social networking, 34 percent rarely or never consider what customers or clients might think before posting online.
- 47 percent say either their employer has no formal policy governing the use of social networking, or don't know.
- And even if there were a clear policy, 41 percent say it would not make an impact on the way they behave online.

Clearly, there are aspects of social networking that carry profound business risk. That's why I think it's especially important to ensure that students, young professionals, and workers of all ages, for that matter, have a thorough grounding in ethics — and, a keen understanding that decisions do have consequences, some with far-reaching impact. As Warren Buffett says, "It takes 20 years to build a reputation and five minutes to ruin it."

But that's where it's absolutely vital for business leaders to set the ethical tone for an organization. In our first ethics survey two years ago, we asked people to identify the top factors that influence their conduct. Seventy-seven percent of respondents cited the behavior of management or a direct supervisor.

By setting a consistent ethical example, senior leaders can help their organizations avoid a culture of excess that can lead to ethical misconduct. Those who instill ethical values in their corporate culture will make it easier for the people who work for them to step back immediately if they ever find themselves running too close to the line — and that goes for their public and their private lives. Which leads me to a point that can't be overstated: there is no difference between personal and professional ethics.

Frequently, however, "professional ethics" are treated almost separately from personal ethical behavior. I've seen all too often how that kind of thinking can make its way into the papers. And, now, you can even see it playing at a theater near you.

You may have heard about a new movie called "Sunshine Cleaning." In essence, the plot is about a mom who starts up a very new and unusual cleaning business so that she can raise the tuition to send her young son to private school. Hardly the stuff of business ethics, you might think.

But one of the scenes from the movie absolutely nails the prevailing notion that personal and professional ethics are different. It takes place between two of the movie's stars: Amy Adams, playing the mom who started the cleaning service, and Alan Arkin, playing her father who will help her. In the scene, Alan Arkin shows her a new truck that carries the name of their cleaning service and the message "Since 1963." I emphasize "1963" because it's a brand new business — and, as they look at the truck, their faces are a study in contrasts. Alan Arkin's — full of pride. But for Amy Adams — a portrait in disappointment. She says: "Since 1963?" He says: "Yeah ... It gives a sense of stability. People like that." Her response, softly: "It's a lie." And, then, as only Alan Arkin can do, he shrugs, and says, "It's a business lie. It's different from a life lie."

Well, I have three words for the character played by Mr. Arkin: "No it's not!" There can be no distinction between personal and professional ethics. That would be like keeping two sets of books!

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Superior technical skills may help students win their first job — but it is how they apply their knowledge *and* values over the long run that will determine if they're on the path to business leadership.

An enormous opportunity: an even larger obligation

For business leaders today, talent, diversity, and ethics represent critical, long-term investments in the future. So does business education. A Chinese poet in 500 B.C. wrote:

*“If you are thinking a year ahead, sow a seed.
If you are thinking 10 years ahead, plant a tree.
If you are thinking 100 years ahead, educate the people.”*

In closing, our current environment provides an enormous opportunity to advance business education and restore commerce to its rightful place. A place that values the efforts of those organizations that innovate, create,

produce, and ultimately improve the lives of those who purchase its goods and services. And in doing so, earns a profit for the value it creates.

This kind of thinking — this kind of value proposition — will attract the right people to your classrooms. Teach them to find — and, ultimately, lead — organizations that are mindful of the desires of its employees and the needs of the communities they call home. And when you instill valuable competencies, promote critical thinking, *and* calibrate their ethical compass to point true north, the business world will have the future leaders it needs.

Yours isn't a job. It's a calling that will continue to have a tremendous impact on the lives of countless people.

Thank you for having an impact on mine by honoring me as you have — and by inviting me to speak with you today. I would be glad to answer any questions that you may have.