

## AN INTRODUCTION

Some rather remarkable changes took place in North American business schools in the twenty-five years between 1945 and 1970. The changes altered the character of business schools, the possibilities for their future, and the terms of discourse about them. They transformed the position of business schools in the academic community. They changed the balance between experiential knowledge and academic knowledge in management education. They clarified and articulated several concerns about university education for business and the rhetoric surrounding it. In many respects, the changes constituted a minor “revolution.”

The changes in business schools were anticipated by issues that had agitated management educators before the Second World War; and the revolution was, for the most part, a gentle one. There was little sustained conflict. The old guard and old ways were supplanted with only minor whimpers. The traditional lubricants of peaceful change—money, growth, and evolving social consciousness—worked their magic. The resulting developments helped to shape the subsequent history of business schools, in particular a counterreformation that took place in the 1980s and 1990s.

James E. Howell described the transformation in an unpublished memorandum to the Ford Foundation in 1962 that became the basis for a subsequent report of the foundation:

Ten years ago collegiate schools of business, with a few notable exceptions, were regarded as the slums of the educational community. . . . Many business schools are today intellectually exciting places in which to teach and to study.<sup>1,2</sup>

The significance of the changes was also acknowledged by business leaders. Looking back, John Reed, the former CEO of Citicorp and Citigroup, said:

There was virtually a revolution in the study of business and of decision making in organizations. That started I believe at Carnegie Tech at the time in the late 50s and the early 60s. . . . This changed business practice just as I think it has changed military and policy practice in this country.<sup>3</sup>

The story of this “golden age” became part of the folklore of North American business schools.

### 1.1 THE UNFOLDING OF CHANGE

During the 1950s and 1960s, coalitions of deans, faculties, foundations, and business executives sought to change business schools (Bach, 1958; Cyert and Dill, 1964; Simon, 1967). The effort was both reported and heralded by a well-known report written for the Ford Foundation by Aaron Gordon and James Howell (Gordon and Howell, 1959). Their report concluded:

The general tenor of our recommendations was that the business schools (and departments of business) need to move in the direction of a broader and more rigorous educational program, with higher standards of admission and student performance, with better informed and more scholarly faculties that are capable of carrying on more significant research, and with a greater appreciation of the contributions to be made to the development of business competence by both the underlying . . . disciplines and the judicious use of . . . materials and methods. (p. 425)

#### *A Program of Reform*

The reformers advocated programs of research that might lead to improvements in practice, not so much through diffusion of “best practice” as

through changes in fundamental knowledge. They emphasized closer links with academic disciplines; more rigor, including the greater use of mathematical models and the research findings of psychology and economics; and the substitution of formal analyses for rules of thumb. They proclaimed the importance of problem framing more than problem solving, of a thoroughgoing augmentation of the commitment of business schools to fundamental research. They believed that there was a larger purpose of business education in contributing to society. They had a sense of empowerment and a vision.

The champions of changes in management research and education portrayed the goal of management education as being twofold: First, at all levels in the education of managers—undergraduate, graduate, and executive programs alike—the training of practitioners of management should be based on the foundational disciplines of economics and of behavioral science as well as the quantitative disciplines. The analogy was to the way in which the schools and practice of medicine were based on biology, physiology, and chemistry. Two well-known activists declared:

The student of management . . . is expected to learn enough about mathematics, statistics, and the computer to be able to understand and use decision models from the management sciences and operations research. He is expected to understand the theoretical and research underpinnings on which economists base their advice to corporations and governments. He is expected to know the main findings and hypotheses about human behavior from psychology, sociology, and political science. (Cyert and Dill, 1964, p. 223)

Second, business schools should be seen, in particular at the graduate level, to be responsible for the education of future teachers and researchers of management and for research that is both relevant to management and respected in the underlying disciplines. The vision was that by doing problem-driven research (research driven by real-world problems but aiming more at understanding than at solving those problems in a specific context), business schools and researchers in management education would both help define and frame practical problems and help advance the disciplines from which they drew.

*A Success*

The efforts of the reformers were successful to a considerable extent. In the space of two decades, the cultures and practices of many, probably most, North American business schools were changed substantially. Curricula became more analytical and demanding. The quality of students relative to the quality in other programs was improved. New methodologies (such as statistical models), tools (such as computers), and innovations (such as business games) were introduced into business schools. New faculty, particularly those drawn from the disciplines and from research-oriented business schools, became more important and more demanding of a significant research presence in the schools.

Graduate programs became more important relative to undergraduate. Graduate students were drawn increasingly from undergraduate disciplinary programs at major universities. The commitment to faculty research became ritualized in the form of tenure reviews and publicity releases. In the process, many North American business schools sought to become and, in fact, did become academically respectable (Porter, 1963).

The changes were facilitated by the fact that business schools were undergoing dramatic growth in students, faculty, and resources. Many new faculty members were recruited from disciplinary training. The changes were made “on the margin,” but the margin was increasing rapidly enough that it quickly swamped the rest of the institutions. The “old guard” was to some extent converted, but mostly it was simply overrun by new immigrants.

Some schools changed more dramatically or more rapidly than others who made fewer changes or moved more slowly. Overall, however, the changes came relatively rapidly and relatively painlessly. The changes were in a certain sense titanic, but the processes were not. They occurred without heroic battles, extraordinary heroes, or prolonged political battles. They were noteworthy, but straightforward, extensions of the times.

In subsequent years, North American business schools found confirmation of the desirability of the changes in their successes. They were successful in establishing their basic MBA programs as primary routes to business success. They were successful financially, developing major support from

alumni, foundations, and businesses that freed them from exclusive dependence on tuition income or public subsidies. They were successful in building academic standing by recruiting highly talented students and highly valued research faculty.

They were also successful in building a record of fundamental research with applications to practice. Academic operations research (for example, linear and dynamic programming, queuing theory) transformed business practice in the management of operations. Academic financial economics transformed business practice in financial management. To a lesser extent, academic accounting and academic organizations studies transformed practice in accounting, personnel and human resource management, and strategic management. As academic enthusiasms shifted over time, the ambition to draw from and contribute to fundamental knowledge led to inquiries into the seemingly esoteric wonders of game theory, chaos theory, evolutionary theory, theories of cognition, artificial intelligence, literary theory, neural imaging, and the nuances of cultural differences, some of which seemed similarly to contribute useful ideas to management practice.

#### *Variations on the Theme*

The history varied from one institution to another. History and institutional inertia make a difference, and adaptation at the Harvard Business School was different from adaptation at the Wharton School, which was different from adaptation at the Kansas State College of Business Administration. Those differences are reflected in the way the different schools addressed the questions, the answers they reached, the kind of leaders and visions they stimulated or endorsed, and the changes they experienced. Before the changes took place, the University of Chicago Graduate School of Business was different from the Wharton School of the University of Pennsylvania; the two continued to be different after the changes evolved.

Moreover, it is possible to question both the breadth and depth of changes that took place in management education generally. Most of what we know about management education comes from studies or observations of the prestige schools—such as the University of California, Berkeley; Chicago; Columbia; Harvard; Michigan; Northwestern; Stanford; Texas; and the

Wharton School of the University of Pennsylvania. Those schools are important, but they are only a small, nonrepresentative fraction of the faculty and students in business schools in North America. Even the more enthusiastic proclamations (or lamentations) of change would have to concede that business school education in some universities was only superficially altered by the postwar changes that affected the higher-ranking schools.

There appears, however, to be little serious challenge to the proposition that not only the leading schools but many other business schools changed in a fairly consistent direction. It was a direction that increased the emphasis on academic knowledge relative to experiential knowledge and that increased the presence and importance of faculty trained in, and attentive to, disciplinary knowledge. As a result (or at least at the same time), the academic standing of business schools improved. Programs in business at the undergraduate level and the students in them continued to be viewed with various degrees of scorn by disciplinary-based departments; but graduate programs gained a certain amount of academic respectability, as did the research record of business faculties. Those business schools in which the changes came relatively early and were relatively substantial gained (at least temporarily) in academic standing compared with business schools in which the changes came relatively late or were relatively modest.

### *A Complement to Other Histories*

The present book seeks to provide a modest complement to many important recent histories of North American schools of business. Studies of management education range in focus from specific histories of particular business school (such as Sedlak and Williamson, 1983) to broader looks at the institutional history of the community of business schools (Khurana, 2007). Some focus heavily on specific parts of management education such as the MBA (for example, Wanker and DeFillippi, 2006; Daniel, 1998), others on business education in Europe (Djelic, 1998; Durand and Dameron, 2008; Engwall, 1992); and others on the ideas and content of management education through time (Wren, 1994).

Some of the volumes are reports commissioned by major institutional players. For example, the study by Porter and McKibbin (1988) was com-

missioned by the American Association of Collegiate Schools of Business (AACSB) to focus on the future of management education. It covers issues such as the rise of executive education, the changing market for management education, the role of accreditation bodies, and changes in student motivations and in faculty.

Many of these studies offer observations on the recent history and possible future of business schools and management education. For example, Daniel (1998) provides a history of the development of the MBA program from before 1910 to the future and offers a discussion of the problems of early resistance to business schools in academe. Starkey and Tiratsoo (2007) develop a critique of what they see as a tendency toward “more business and less school” as competition among schools has increased. They also discuss the biases they associate with the use of business cases in teaching management (Chapter Four). Some general aspects of the history can be found in Kast (1965), Edelfelt (1988), and Engwall (1992). And some small parts of the story and its relevance for the development of organizations scholarship are outlined in Augier, March, and Sullivan (2005) and in March (2007).

Many of the books combine analysis with prescription. For example, Khurana (2007) argues that business schools have moved from higher aims to “hired hands,” a transformation that he views with little enthusiasm:

The logic of professionalism that underlay the university-based business schools in its formative phase was replaced first by a managerialist logic that emphasized professional knowledge rather than professional ideals, and ultimately by a market logic that, taken to its conclusion, subverts the logic of professionalism altogether. (p. 7)

Mintzberg (2004) finds that business schools teach the wrong students in the wrong ways. He also decries the lack of diversity among the schools, describing Harvard and Stanford as being differentiated mostly “by geography” (p. 65).

The present chapters should be seen as a set of footnotes to such contributions. They are more modest in aspirations and less sweeping in conclusions. Within the population of North American business schools, variations across time and among graduate and undergraduate schools,

private and public schools, large and small schools, rich and poor schools, and all their combinations are daunting to any attempt to generalize. Although we try to be conscious of that variety and to attend to phenomena that extend throughout the North American business school world, we focus our attention, for the most part, on the prestige business schools of North America and consider in detail only a sample of them. As nearly as we can tell, the impact of the period on other important business schools, particularly those in major public universities, was similar; but we have not attempted to confirm that fact directly. Our consideration of the vast majority of less-well-known schools is even more limited. The limitations are real, but so also, we believe, is the general picture we draw.

## 1.2 A MENU

In the chapters that follow, we examine the context of the 1950s and 1960s, some origins of the efforts at change that typified the postwar period, some features of the ways in which those origins found expression in the rituals and practices of business schools, and some of the key issues and rhetoric that surrounded those efforts. We explore the ways in which the changes after the Second World War were orchestrated in business schools, the stories and heroes they spawned, the arguments they fomented, the truths they enhanced or diminished, the differences they created or reduced, the strains they exposed or concealed. Along the way, we try to find some clues to the underlying processes of change in a set of institutions.

The story we tell has four major components.

### *The Contexts of Change*

In Chapter Two, we consider some major elements of the context in which the changes in business schools took place. Like the rest of North American higher education in the decades after the Second World War, business schools were ripe for change. The United States had emerged from the war with military and economic power rivaled only by the Soviet Union. As the countries of Western and Central Europe and of Asia struggled to recover from the ravages and disruptions of war, North American economies rather



quickly established themselves as dominant. Higher education enjoyed a boom. Students flocked to universities in rapidly increasing numbers. The turnover in faculties was substantial, fueled not only by growth but by the replacement of an aging faculty with younger, more recently trained teachers and scholars.

Not particularly by intention but more by happenstance, the conditions and instruments of change were in place waiting for a direction. A number of possible directions might have developed; the course that business school history took after the war was not completely determined by the preconditions. However, by 1960, fifteen years after the end of the war, it was clear that those conditions for change were being exploited for a particular course. Business schools had begun to institute changes that would make them decidedly more academic, more research oriented, and more dedicated to identifying and developing new ideas, concepts, techniques, and procedures for management. They were moving from a vision of being depositories of good practice as established in business to a vision that pictured them as primary creators of good practice.

### *The Roots of Change*

In retrospect, it is possible to identify some aspects of the genealogy of such a direction. In particular, three elementary ancestral threads are important. The first thread is one that traces its history from the Flexner Report. The Flexner Report was prepared by Abraham Flexner in 1910 as a critique of medical schools in the United States. It became the widely acknowledged “bible” of changes that introduced greater rigor into medical education and a greater involvement of medical schools in fundamental research. By 1945 the story that had been crafted around the history of medical schools was a story that lionized Flexner and his report, and that story had become a template for reformers of other professional schools. Flexner and his report are discussed in Chapter Three.

The second thread is one that is critical to the history of North American universities—the development of the University of Chicago creed under Robert Maynard Hutchins. Hutchins championed a university dedicated to intellect, to the idea that the best instrument for a practical life was a

mind shaped by fundamental knowledge. The Hutchins conception of a university permeated both the disciplinary departments at the University of Chicago and the famous “committees” of interdisciplinary discourse. It is not an accident that some of the principal purveyors of change in business schools after the Second World War had links less to traditional business schools than to the glorification of the intellect represented by the University of Chicago of Robert Hutchins. The history of the Hutchins creed is examined in Chapter Four.

The third thread is one that emphasizes the contribution of science to society and the solving of practical problems. The thread emerged from experience in the Second World War and was given an added boost by Soviet successes in space and by the Cold War. It found expression in a major expansion of public funding for science after the war, in the founding in 1950 of the National Science Foundation and in 1958 of the Advanced Research Projects Agency, and in the postwar expansion of the National Institutes of Health. Nowhere was this orientation more clearly exhibited than in the RAND Corporation, a nonprofit corporation created in 1948 after evolving from earlier experience working with the U.S. military. Key figures in the development of RAND subsequently became key figures in the reform of business schools. The role of the RAND Corporation in shaping the directions and leaders of the reform of business schools is detailed in Chapter Five.

### *The Rituals of Change*

These three threads were woven together to become the fabric of business school change during the 1950s and 1960s. The existing business schools in North American universities were ripe for change. Each brought its own history to the changes, shaping the elaboration of the adaptation. Each institution struggled to reconcile the pressures of the postwar era with the structures and personnel developed in an earlier period and with a specific institutional history encapsulated in the rituals, routines, practices, and beliefs of that specific school.

In addition, the story implicates two remarkable postwar institutions. The first institution was the Ford Foundation. After the deaths of Edsel

Ford in 1943 and Henry Ford in 1947, the Ford Foundation changed from being a relatively small player in philanthropy to being a very large player. Beginning in 1948 and through the 1950s, the foundation struggled to define its new role. In the course of that struggle, it involved itself for roughly two decades in management education, seeking to change business schools. It commissioned a major report, provided grants to business schools, supported graduate fellowships, established prizes for business school dissertation research, and supported conferences and training sessions in new methods for old faculty. The management education initiative was a relatively minor program in a foundation that primarily pursued other, grander visions of virtue, but for this brief time it was vital to change in business schools. We explore the place of the Ford Foundation in the reforms in Chapter Six.

The second institution was the Graduate School of Industrial Administration of the Carnegie Institute of Technology (GSIA). GSIA was founded in 1949 and became a “poster child” for the Ford Foundation’s efforts and more broadly for the reform of business schools. GSIA emphasized fundamental research and a scientific, interdisciplinary approach to management research and education, pioneering in applications of mathematics and computers to solving business problems and to reconstructing economics and other social sciences. Despite its youth and small size, GSIA became a model for those who sought to make business schools more academic, more analytical, more interdisciplinary, and more effectively research based. It was by no means the only model, and the changes would undoubtedly have occurred without it, but, for a relatively brief period, it was a nova of management education and research. The role of GSIA in the postwar period is elaborated in Chapter Seven.

The changes spread through the business school world and deeply affected their character, but the orchestrations of change and its forms were all embedded in the rituals and practices of individual institutions and their histories. In Chapter Eight we detail the different developments in four different leading business schools: the Harvard Business School, the Wharton School of the University of Pennsylvania, the University of Chicago Graduate School of Business, and the Stanford Graduate School of Business. They

all responded to the pressures for reform, and they all moved in broadly similar directions, but each found a way to fit the “new look” into an old template. We also consider briefly the evidence for diffusion of the changes through the whole population of business schools and the relevance of the changes in North America for the development of business schools in other parts of the world.

### *The Rhetorics of Change*

The history of change in business schools is preeminently a history of words. The history was unquestionably political. Power was involved. Money was involved. Interests were involved. However, power, money, and interests were all elaborately entangled in argument and ideas. As nearly as we can determine, the principal actors in the history often believed in the justifications they provided and believed that the arguments had persuasive force that was to some degree independent of the power, money, and interests associated with them.

Although it occasionally wanders into other issues, this book, to a larger extent than is typical of histories, is an examination of the rhetorics and arguments associated with change. It seeks to trace and assess the words that were used to justify change or resist it. Such a history of words is necessarily a limited history. We confess the limitations without shame. Academics deal in words and arguments as instruments of conflict, conquest, and resistance. They are the manifest arms and armor of academic discord, thus both one of the tools of academic history and one of its primary artifacts.

The rhetorics of the history decorate three major questions that have organized arguments over the changes and justifications for them. In the later chapters of the book, we consider these questions. None of them is resolvable, although many, perhaps most, of the actors involved believed fervently in resolutions of one sort or another.

The first question is how managerial education connects its teaching to some version of virtual reality, some exposure to the realities of management within the confines of a university campus-based education. The analogue is to the clinical training of physicians, and the instinct is to find a way to make as close an approximation as possible to reality. How does

management education provide training in the application of academic ideas to the reality of managerial life? The discussion of this question turns heavily on the role of business cases in business school instruction, but it extends to consideration of other possibilities, for example the prospects for simulating business reality through computer-based business games. This aspect of the rhetoric is detailed in Chapter Nine.

The second question is whether business schools should concern themselves primarily with experiential knowledge of known and immediate relevance to business problems or with academic knowledge with its unclear, uncertain, and distant relevance. Should they gather and disseminate information about the best practices of management as those practices have evolved in business? Or should they be responsible for creating best practice on the basis of academic research? What is the relevance of relevance? We explore such questions in Chapter Ten.

The third question is what kind of vision of managers and management should be reflected by business schools. In particular, should they conceive managers as professionals analogous to physicians, engineers, teachers, or lawyers and themselves as professional schools? In many ways, the issue is whether management education should be driven by a logic of appropriateness or by a logic of consequences (Hirschman, 1977; March and Olsen, 2006). The latter ties business education to a quest for favorable outcomes, to instruction in how to maximize expected individual and social utility. The former ties business education to ideas about managerial behavior that are linked to fulfilling a managerial identity, one that defines rules of proper managerial behavior, including the social responsibilities of professionals. These issues are treated in Chapter Eleven.

In Chapter Twelve, we try to provide some general conclusions that might be drawn from our examination of the 1945 to 1970 period: what the period meant for North American business education and what our explorations suggest for students of institutional change. We also consider briefly the post-1970 history of business schools and its lessons. The forces that shape business schools did not disappear in 1970, but the world changed in important ways.