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How Management Education's Past Shapes its Present

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Management education has always striven to inculcate a culture that is both practical and responsive to society's needs. Every tension the industry has experienced in its past continues to affect it today—and will reverberate into its future.

Management education is a product of its time—and always has been. Business schools are not free-standing educational enterprises or academic accidents; they are educators' thoughtful responses to particular questions posed by the wider socio-economy. They are reflections of society itself, and their future is society's future viewed through a business educator's prism. We see this truth more clearly when we examine forces that have shaped the industry thus far.

One illustration can be found in the 2007 book From Higher Aims to Hired Hands, written by Harvard's Rakesh Khurana. In this important book, Khurana divides management education into three periods. In the first, the late 19th century, management education arose as business sought practices that would balance public benefit against personal gain. In the second period, after WWII, management education was reframed as a science and became the property of management academics rather than of practicing managers. In the third period, beginning in the 1970s, neoliberal economic thinking "colonized" academic thinking and prioritized shareholder return. As a result, management education became the property of a small subgroup of rationalist economists rather than of theorists of broader disposition.

Khurana concludes that our industry's focus shifted from business' social duty to organizational efficiency to shareholder return. The lesson we need to learn is that business schools should rebalance the curriculum away from theory and quantitative analysis toward greater attention to social duty; as they operate now, business schools are no longer responding appropriately to today's socioeconomic challenges.

Management education evolved through a series of responses to tensions that have been in our field for decades.

Khurana's analysis is powerful, but I see our industry's history differently, and this leads me to different conclusions. Business schools have not merely shifted rhetoric from 19th-century moralizing to modernity to a narcissistic post-modernity; each change was a response to the events and political philosophies of the day. The evolution of management education can be viewed as a series of responses to tensions that have been aspects of our field for decades—particularly the tensions between freedom and order in the socio-economy and in the workplace.

Though management education did not originate in the U.S., the American model now dominates worldwide. One reason is that many 19th-century European schools were set up to train public administrators, while American schools were established to train private sector managers. As the private sector has become more significant in almost every economy, the influence of U.S. thinking has grown. A second reason is that many European schools of commerce were independent and lacked the resources and legitimacy of the American schools set up within universities. A third reason is that, after World War II, the U.S. was the dominant global power and could export both its business techniques and its management education practices around the world.

ESTABLISHING ORDER

The first period of American business education was marked by recovery from the Civil War (1863-1865). Immigrants were flooding into the country. The nation was extending its territory in both the West and the South, and the North's economy was turning from agriculture toward manufacturing and trade. To help agriculture and industry move on from traditional methods and absorb the developing sciences, Illinois businessmen formed the Industrial League, which helped push through the 1862 Morrill Land-Grant Act. The Act, the first in a series, provided states with federal land they could sell to establish public state universities for "farmers and mechanics." Eventually 76 schools were founded.

In 1875, Joseph Wharton was executive director of the Industrial League. He was also one of the country's leading steel and nickel producers—and a monopolist whose pro-tariff and anti-freetrade politics separated him from many U.S. economists and politicians. He believed business should interplay with government to establish a new social order that reflected not only the politics and morals of the recovering nation, but also the logic of its industry. Thus, business education should be rigorous, but meshed with social concern and practical morality—a higher purpose than vocational education. It followed that business education belonged at the university level, where character and personal values were formed. He funded the Wharton School of Finance and Economics in 1881 on those principles. Other schools soon followed.

During this first period, management education was part of a nationwide search for an industry-friendly social and political order. It grew along with the anti-trust movement, which resulted in legislation such as the Interstate Commerce Act in 1887, the Sherman Act in 1890, and the Clayton Act in 1914. Through these acts, the electorate pushed back against the robber barons and capitalists whose self-interest was served by industrialization. At this point, business education's goal was to create a better society rather than greater profit. But this would change.

THE RISE OF SCIENCE

In management education's second period, beginning in the 1890s, science and measurement became central to analyzing social and business organizations. Led by West Point, engineers began to model businesses as rationally designed "engines" that transformed scarce inputs into marketable outputs in a competitive economy. This led to the theory of scientific management, which became internationally influential around the end of the 19th century. It helped shape notions of management planning and organization that remain familiar today. Efficiency was the watchword.

The move toward a scientific view of the workplace also had the effect of instrumentalizing business education, teaching students to view firms as logical mechanisms whose components could be measured and compared using scientific methods. The cultures, values, and histories of particular firms and industries became irrelevant arcana. Researchers began the search for business's "invariants," the unequivocal definition or "theory of the firm" for which we are still searching today.

As management was reframed as a science, the demand for business graduates expanded rapidly, reflecting the new realities of business: the extending size and geographical reach of many firms; increasingly complex production, distribution, and control technologies; and the search for more effective ways to maintain order within the firm and the socio-economy. Businessmen hoping to increase the local supply of trained managers donated funds to establish new business schools, and the number of those schools increased rapidly.

The curricula covered accounting, economics, statistics, and scientific approaches to management. There was less discussion of morality and more discussion of business metrics and analyzable systems. But the steady societywide turn toward a culture of numbers was at odds with the older, more socially oriented approach to business. Tension grew between two views of management—either as an exercise in order creation and control or as a system that provided a context for socially responsible and fulfilling work—and administrators had to learn to manage these tensions.

THE HUMAN FACTOR

Management education's third period reflected further changes in U.S. society. After WWI, efficiency was pushed aside by national anxiety about social unrest, which had been sparked by factors as diverse as the spread of Marxism, the Russian Revolution in 1917, and the class experience of WWI trench warfare. Labor organizations such as the Knights of Labor, the American Federation of Labor, and the Industrialized Workers of the World (the Wobblies) evolved into major political forces challenging business logic as the source of social order.

In this context, many politicians, business academics, and managers hoped for a "science of the workplace" that would supplement what was known about incentives and wage systems and alleviate the growing conflict between workers and owners. They began a new discipline—industrial psychology— which held out the possibility of a rigorous theory of the workplace, whether based on extrinsic or intrinsic rewards. This ushered in a softer era of managerial education, labeled the human relations (HR) movement. Management educators seeking order in the workplace were already balancing first-period moral leadership with second-period command-and-control approaches. Now they embraced psychology-based HR management as well. The mix was sophisticated, and handling it became more a matter of managerial culture than calculation.

The Depression and WWII also precipitated the end of the old social order in which moneyed elites provided both political and business leadership. Business schools began to claim that anyone who was appropriately motivated could learn business leadership, not just wealthy owners or entrepreneurs who could create great enterprises. This created additional tension over whether leadership should be taught as a calling that would further social aims or as a personal enterprise that would help leaders win against their competitors.

Psychology played a significant role in the selection of personnel and leader ship training during WWII, and managers adopted many of the techniques developed during the war. No longer did consultants focus narrowly on managing tangible assets and mastering the practical skills of accounting, production, and logistics; they helped develop and deploy HR management programs as well.

But even as the HR movement gained traction, the pursuit of a rigorous science of management gathered new strength, bolstered by operations research (OR) techniques learned during WWII. The RAND Corporation, especially, showed U.S. businesses how to make use of computers and the OR techniques that had proved so effective for the military. Business leaders everywhere were eager to apply these to peacetime management problems. Schools like Wharton, the University of Chicago, and Carnegie Mellon brought mathematical business modeling to new levels. Rigor was the watchword now. Command-and-control-oriented researchers began to look deeper into the firm's structures and systems. Individuals and resources were redefined as nodes within logical networks of rational decision making.

During this period, the U.S. also began exporting its management education model overseas. Until now, European business schools largely had followed their earlier traditions, where instruction in commerce was both delivered at the university level and oriented toward public policy. This began to change as private sector schools began to multiply and complement the older university programs. In France, local chambers of commerce established elite business schools called Écoles Supérieures de Commerce. In Germany, where merchants and manufacturers were considered to be of a lower class than those who attended research universities, local businessmen established vocational schools, Handelshochschulen, that offered broad curricula. Many of these eventually evolved into degree-granting institutions or were absorbed into local universities.

The U.S. model shaped European management education after 1947, through the Marshall Plan's United States Technical Assistance Productivity Program (USTAP). It provided funds to help Europe re-industrialize, as long as recipients adopted American management methods and ideology. USTAP funded some 24,000 European managers to visit the U.S., tour plants, attend business schools, and learn U.S. management. Large numbers of foreign students were attracted to U.S. schools, which also helped globalize the U.S. model.

THE TIPPING POINT

At the end of WWII, business schools in the U.S. and Europe were embracing a shared fourth-period model that layered quantitative analysis over human relations, organizational modeling, and social purpose. It defined a managerial culture justified by the longsought “science of management” and the hope that it would transform managerial thinking and analysis into a true discipline. Business schools became professional schools, able to stand beside the university’s older professional schools, particularly medicine and engineering.

The impact of this fourth-period managerial culture was heightened by the 1959 Carnegie and Ford Foundation reports and the funding that followed. Analysis was prized over personal judgment. Business schools began to hire young academics with proven quantitative research skills, displacing seasoned managers with only stories to tell.

If the first period of management education was about social aims, the second about firm efficiency, and the third about human relations, the fourth presumed that goal-oriented rigor should be prioritized over practical relevance. The new paradigm was rapidly institutionalized through the rising number of academic journals, and even more so through changes in faculty hiring. Professors now earned their status through academic publication, not their classroom performance or their grasp of managerial practice. But given the astonishing growth in student numbers, schools were convinced they were on the right path.

Inevitably, tensions escalated between those b-school departments centered on hard mathematical models and those centered on softer psychological, sociological, and historical methods. At the same time, a cadre of economists was anxious to advance the political impact of their theories that focused on the firm as a purely economic entity. They promoted the view that management education should focus on maximizing shareholder return. Other difficult-to-measure performance criteria were sloughed off, leaving the firm defined by its tangible capital and ROI. But with this step, business educators legitimized the notion that good management might mean dissolving the firm to improve shareholder return, without concern for the social costs to employees who lost their jobs or to communities that lost employers.

During this transition, universities began to hire new kinds of b-school deans—entrepreneurial business developers rather than the disciplinary leaders or institution builders of earlier decades. Most schools initially were funded privately to serve local needs; now deans were rewarded for fundraising, especially from local firms and alumni. Resources were poured into improving placement services and student facilities, ushering in an era of business schools as career launching pads.

MORE TENSIONS

As business schools shifted their orientation toward shareholder return in the late 1960s, different questions about the role of business emerged. But the earlier questions did not disappear—rather, the business school’s curriculum expanded. This threatened an internal disorder famously labeled as “more than a problem in organizational design” by Carnegie Mellon professor Herbert Simon in 1967.

The tensions also were exacerbated by the way management research was being conducted. Some scholars researched at a macrosocial and macroeconomic levels; some at the level of the firm; and some at the level of its components, including its employees, technologies, customers, and capital, whether tangible or human.

Methodological disputes arose at each level. At the macro level, those who presumed society to be an efficient market contested those who considered business firms to be part of an institutionalized capitalist society. At the firm level, some focused on rational analyzable systems, networks, and structures, while others looked at firms as communities with profit-oriented cultures, histories, and politics. At the component level, some researchers considered specific tangible resources and their scarcity, while others turned their attention to entrepreneurial individuals and their innovations. The resulting 3x2 matrix laid out underlying tensions that are disruptive today, causing even more discord than the academic tensions between disciplinary silos.

Tensions also reflected how schools were “infected” by their local context— the politics of host universities, the special interests of local business communities, and the competitive environment of the management education industry itself. Most modern universities are not underpinned by some kind of cohering logic, such as a professional practice or a shared religious faith; they are deliberately opened to impact from the political and social movements of the day, from women’s rights to environmental causes. These external tensions can be exacerbated by events in the business world. Even though economists “did not see it coming,” critics were quick to blame business schools for events like the fall of Enron and the economic collapse of 2008—at the very least, they suggest- ed that business schools had given their graduates insufficient tools to deal with such calamities. This rang especially true because most schools had excised economic history and corporate law from their curricula.

PRESENT AND FUTURE

Today management education is marked by heterogeneity, with a long heritage of conflicting philosophies piling up to shape its anxious state. Not only have schools expanded the number of subjects and methods they cover, but many faculty members are incentivized to use their research and class time to further their own professional interests.

Schools no longer spell out an overarching managerial culture that integrates their offerings into a model of effective and contextualized managerial practice—students must work this out for themselves. The central part of the student experience has become managing the heterogeneity of topic and method, and the staggering workload that follows. Their challenge has become survival, not learning.

Even so, there seems to be no limit to the number of students interested in management education. About a quarter of all college students now study some aspect of business, viewing it as their key to social mobility. Business schools no longer treat management education as an academic discipline, but as a ladder that offers able young people a path into today’s financial elite.

This forces an existential question: What is the proper role of the business school? To help students master an established discipline? To train them to be more effective managers? Maybe—but there is no agreed-upon body of practical knowledge or intellectual discipline, and little research that connects the curriculum to managerial effectiveness. If business schools exist merely to acculturate graduates and help them climb the socioeconomic ladder in an increasingly inequitable society, then their principal role may be as “finishing schools.” In that case, they might serve their customers better by abandoning the idea of teaching management as a science; instead, they should prepare students to dress, talk, and behave as prospective members of the top echelon of the private sector.

In this situation, students will not choose a school based on what it can teach—perhaps neither they nor their employers care —but on its reputation. This means that the school’s most significant product is its reputation among employers. Reputation is difficult to measure, and business academics chose long ago not to do so. This opened the door to nonacademic ranking systems developed by journalists, who saw an importance in management education that academics did not and captured the spirit of the age by making rankings seem scientific. With the advent of U.S. News & World Report’s first ranking in 1987, management education may have entered a fifth era in which reputation is more important than curriculum.

LESSONS LEARNED

This conclusion may seem dismissive and cynical, but that is not what I intend. I believe we have yet to clarify what makes our industry so successful, and so to grasp what makes the acculturating experience so valuable. We cannot do that if we misconstrue today’s managerial culture and the place of the business school within it, holding on to bygone academic myths. Two things are clear: Management education always evolves to suit changing times, and it has always struggled to articulate its purpose.

A century ago, management educators were probing for answers about business's social duty appropriate to their time. Some of their questions are still relevant today: How should we resolve the tension between theory and practice? Should schools be managed as profit centers or acculturating institutions? Should schools teach students to emphasize shareholders' short-term interests or enable them to assess the social, political, and ecological impacts of business? What value does business education add to students' lives? But social changes and the unintended consequences of how we addressed yesterday's questions generate fresh ones: Should deans focus on the nonacademic criteria of the rankings or pursue more university-like aims? Will new modes of pedagogy—such as online programs, MOOCs, or flipped classes—be adequate to schools' objectives? Should management education in India, China, and the emerging economies be based on the U.S. model? How should business schools, especially in the U.S. and Europe, respond to the rising political concerns about inequality?

Since the mid-19th century, management education has been shaped by the hope that business could be run according to a science of management. This science has yet to emerge in ways that have radically informed managerial practice. So perhaps it is time to re-imagine managing as a culturally contingent art form—perhaps the most crucial art within democratic capitalism. No educated person would expect art to be reducible to a science.

We still lack empirical confirmation of how management education contributes to our students' professional skills, their employers' competitiveness, or the economy at large. We have serious work to do, and a better sense of our history will surely help—whichever of its stories we choose to tell.

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QUICK TAKE

Business education in the U.S. can be broken into four major periods:

1. THE POST-CIVIL WAR ERA. Business leaders advocated for education that would help modernize both agriculture and industry.

2. THE TRANSITION FROM THE 19TH TO THE 20TH CENTURY. Science and measurement became the watchwords; efficiency was the goal.

3. THE POST-WWI ERA. Social unrest led to greater emphasis on labor relations.

4. THE POST-WWII ERA. The "science of management" became the goal, and rigor replaced relevance.

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