Pride and Prejudice

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Pride and Prejudice launches the Towers/Cresap Lecture Series at the Graduate School of Business. The series was established through the joint efforts of Towers, Perrin, Forster & Crosby, Inc., and Cresap, McCormick and Paget. Each year the series will feature a lecture, also presented as a Selected Paper, by a leading scholar or business executive.
As a very senior citizen of a leading business school and a sometime itinerant professor at others, I have been invited to reflect upon the education of M.B.A.’s—its origin, its development, and the possibilities for its future. Such efforts to understand the nature of the educational process have a long tradition. Some two and a half millennia ago, Socrates asked:

“Who is the expert in perfecting the human and social qualities? I assume from the fact of your having sons that you must have considered the question. Is there such a person or not?” “Certainly,” said he. “Who is he, and where does he come from?” said I, “and what does he charge?” “Evenus of Paros, Socrates,” said he, “and his fee is [five minae].”

Like Evenus of Paros, business schools charge fees. Unlike the Socratic dialogues, however, such schools have a short history. The first was founded in 1881 when Joseph Wharton endowed the University of Pennsylvania to educate “young men of inherited intellect, means, and refinement,” who might then be better prepared to manage their patrimony. And surely other men of affairs then shared the view that “it would be
sensible for young men to learn to do something useful in college and not merely how to conjugate irregular Latin verbs or strum upon the mandolin.” Mr. Wharton recommended that the curriculum include: the functions of the clearing houses; the phenomena and causes of panics and money crises; the nature of pawn establishments and lotteries; the nature of stocks and bonds [not to mention] business law, elocution, and other useful knowledge.’

Reportedly, he also hoped the new school would offer instruction on “the nature and prevention of strikes” and on “the necessity for modern industry of organizing under single leaders or employers great amounts of capital and great numbers of laborers, and of maintaining discipline among the latter.”

In 1898, the University of Chicago and the University of California also established “schools of commerce,” and a year or so later an endowment at Dartmouth established the Amos Tuck School, the first exclusively graduate business school in the United States.

In the ensuing twenty years, many departments of accounting and of economics (sometimes including office management and secretarial studies) expanded course offerings and emerged as departments or schools of business and commerce. These soon enjoyed huge popularity among students. Indeed, business education has been a great growth industry. Bachelor’s degrees in business increased from 3 percent of all undergraduate degrees in 1909-10 to 10 percent of all first degrees conferred in 1939-40. Returning World War II veterans elected the field in such numbers that baccalaureate business
degrees numbered more than 72,000 in 1949-50—almost 17 percent of all bachelor’s degrees.

Graduate business programs, largely a post-World War II development, also found a receptive market. From fewer than 100 master’s degrees awarded on the eve of the First World War, the number increased to over 4,000 in 1949-50, doubled between 1953-54 and 1963-64, and tripled (from 6,375 to 19,325) in the ensuing five years. Indeed, in the twenty years from 1960 to 1980, M.B.A. output increased at an average annual rate of 12 percent. This year, 1986-87, will see more than 70,000 master’s degrees awarded.5

Although students had been electing collegiate business education in ever larger numbers since the 1920s (and eroding established market shares of other university departments), enthusiasm for business schools was not shared by all educators, nor, indeed, by all prospective employers.

By the mid-fifties, the direction business education should take had been called into question. Professor Frank Pierson has observed that:

the question was raised with increasing insistence whether business programs were attracting students of inferior academic ability and [it was charged] that academically superior students found little to challenge them [and] questions. . .were [also] being asked about graduate business programs as well.6

In 1957 two major foundations commissioned extensive studies of the field-surveying curriculum, faculty, students and clientele. Not since Abraham Flexner’s 1910
report prompted a major reform of U.S. medical education had so much attention been focused on a field of professional educa-
tion. Both the Carnegie (Pierson) and Ford Foundation (Gordon-Howell) reports appeared in 1959.

Most management education stood indicted for slack standards, inferior quality of both students and faculty, and uninspired teaching of excessively fragmented subject matter in incoherent curricula. Business studies, harshly characterized as the “restless and uncertain giant” of American higher edu-
cation, were described by one informed observer as a field marked by “unimagina-
tive, nontheoretical faculties teaching from descriptive, practice-oriented texts to classes of second-rate vocationally-minded students.”

With an abiding conviction in the impor-
tance of effective business management and the potential of business schools for bringing it about, the Ford Foundation incited and supported a revolution in business education. The engines of reform were fueled by founda-
tion grants, which pumped some $35 mil-
lion into “the movement” between 1954 and 1965. That initiative was probably the single most important element in a pervasive reorientation of American business education.

Assumptions undergirding foundation sup-
port for “bold pioneering and innovation” in the schools ran something like this. The rate of change in the business environment had increased greatly and would accelerate in the years to come—the now familiar theme of Future Shock. Effective management became a matter of comparative advantage in a world of exploding technology, large-scale enter-
prise, and intensified competition from both
domestic and foreign sources—all in a context of increasingly complex governmental and legal regulations, changing institutions and values, and unstable demand patterns. Not only was there need for improving professional education, there was also believed to be unprecedented opportunity for doing so. The post-World War II period had inherited the arsenal of developments in the behavioral sciences and a growing inventory of mathematical techniques for analyzing problems.

Although notoriously uneven, the years of Ford commitment did make a difference. The coauthor of the 1959 Gordon-Howell (Ford) study observed in 1966 that:

in 10 years, a major revolution was launched in business education, one which raised its academic respectability, reoriented it to the realities of a complex fast-changing economy, and reduced the awesome waste of resources and opportunities that heretofore characterized it. . . A revolution was launched [but] it was and is an incomplete one.9

Foundation largesse plus the increasing tuition revenue (and rates) generated by the onrush of M.B.A. applicants facilitated upgrading curricula and faculty—not least of all because it helped “bid away” faculty members (some quite distinguished) and newly minted doctoral students from arts and science faculties. And so virtually all the leading business schools—including case-hardened, business-oriented Harvard—soon came to boast prides of economists and econometricians and a fairly generous sprinkling of management scientists, statisticians, sociologists, psychologists—even a few anthropologists and applied mathematicians.
Although one might suppose that the legal system and environment would be at least as relevant to business studies as, say, anthropology, law professors seem to have been underrepresented in the new wave—possibly due to the then favorable salary differentials in law schools.

The infusion of talent and different perspectives from other graduate departments doubtless raised the intellectual level of B-school commons rooms. The hope of the foundations and of “forward-looking” deans was not only that faculty members would generate higher standards in business schools, but also that the substance and methodology of the disciplines would yield research of great value to practitioners and, ultimately, a coherent theoretical framework of business management and such functional subjects as marketing. Better theory and research would, eventually, lead to better practice.

Not all academicians were, or are, so sanguine about interdisciplinary undertakings. On one occasion, Robert Maynard Hutchins observed that:

personnel and programs of one [university] branch can be of little interest to other branches except as the practices of various occupations may accidentally come to a common focus: the schools of theology, music, speech, and mortuary science might, for example, discover a common interest in funerals.”

One need not be that cynical. But a generation after the advent of the nouvelle vague in business schools there is still little evidence of unified management theory—or even much that can be defended as marketing theory.
The single exception—the jewel in the crown, as it were—is finance. As Professor Merton Miller observed when he received his honorary doctorate at Leuven last spring, modern finance “began” with Harry Markowitz’s work in the 1950s. Evolving from and elaborating on that work, a number of scholars developed a theory of equilibrium valuation—the Capital Asset Pricing Model. Paralleling work on the theory of the demand for risky securities were the Modigliani-Miller models of capital structure choice and dividend policy choice on the supply side of the market. As Miller says:

What gave the academic field of finance its great impetus in the ’60s and ’70s was a powerful and almost unique interaction of theory and empirical research. Management science surely has had as much or more sophisticated theorizing; marketing had its mountains of statistical material. But neither had quite the reinforcing action of the two that can produce the almost explosive, cumulative growth of a new field of study.¹¹

The fond hope (and expectation) of those who argue the case for an “increasingly abstract and theoretical . . . approach to business education [has been that the] success in finance [will be] replicated in other disciplines.”¹²

So far there is little evidence that “the finance paradigm” is applicable to or predictive of developments in such areas as industrial relations, marketing, or business policy. Despite sophisticated and even elegant applications of ingenious and “high tech” (management science?) research methodologies in
marketing, business planning, and policy, we are virtually as far away from a science of marketing (much less policy) as we were twenty-five years ago. I suspect the prospect is dim—perhaps an ever-receding horizon.

Nonetheless, it strikes me that marketing management and policy (to name only two fields) are essential to business education and therefore merit even more, rather than less, emphasis in M.B.A. programs. Their genetic low potential for theoretical development should not argue for therapeutic abortion.

Considered as academic subject matter, marketing or business policy—like pediatrics, or, for that matter, the practice of medicine generally—is more a constellation of problems than a coherent discipline. Policy is concerned with diagnosis and with prescriptions for problems of product/market choices, logistics, communications, pricing, and organization.

Corporate strategy, marketing, and economics are all preoccupied with “demand.” But strategy is concerned with phenomena largely taken as given in economics. The challenge of policy makers coping with incomplete and ambiguous information is to estimate the relevant parameters and to invent “solutions” that, with luck and skill, provide a differential advantage to the firm.

As Paul Hirsch has argued, “business policy is an eclectic field drawing on ideas and research from military strategy, political science, economics, current events, organizational sociology, and psychology. Its hallmark is the pragmatic use of an available stock of ideas rather than disciplinary purity.”

Do the Schools Really Train Managers?

Despite such eclecticism, the leading busi-
ness schools-like Evenus of Paros-claim a remarkable uniformity of purpose in their catalogs. Each characterizes its institutional mission as the training of managers.

The M.B.A. curriculum is designed to prepare students for significant careers in management. [University of Chicago]

The primary purpose of the Stanford Master of Business Administration is to provide men and women with the expertise they need to become effective, professional, high-level general managers. [Stanford]

We are in an excellent position to prepare the manager of the future with the skills and perspective necessary for success. [Columbia]

The Sloan Master’s Program [is designed] to prepare our students for leadership roles in an increasingly complex world. [Massachusetts Institute of Technology]

The School [is a] place that develops future management leaders. [University of Pennsylvania]

The primary mission of the Harvard MBA program is to prepare its students to assume general management responsibilities. [Harvard]

The principal goal of Tuck’s MBA program is to produce graduates who have the motivation, ability, and education to perform effectively as high level general managers. [Dartmouth]
Tomorrow’s successful executives must have the knowledge and skills to lead and manage in a rapidly changing environment. Our graduates reach high level management quickly. [Carnegie-Mellon]

These statements run together as though they had been composed by the same computer. Moreover, the catalogs make ubiquitous claims to “pioneering,” “innovative, path-breaking” programs packaged in hyperbole that puts the much maligned Madison Avenue huckster to shame. All of us, it appears, are not simply leaders and innovators but also producers of “future general managers”—not for us any “narrow specialization” or training of mere staff-support personnel.

Over the past twenty-five years, however, the “innovative curricula” have shown remarkable convergence. The body shells, power train, and engine design seem much the same. The lexicon of the catalog writers is rich in references to “disciplines,” “analytic skills,” and “functional literacy,” not to mention “breadth” and “a generalist, integrative perspective.”

But to say there are no significant differences among the leading schools would be an exaggeration. The differences tend to be more in the substance and richness of electives rather than the required core. Casework is still more important at Harvard than elsewhere but less so than a generation ago. Stanford’s program is less like Harvard’s than it used to be with increased stress on “disciplines and quantitative methods” that were once the hallmark of Carnegie-Mellon and Chicago—hardly surprising since the Stan-
ford faculty now includes so many one-time professors and doctoral students from those schools. And of all the schools, Chicago offers the least work in organization, management process, and corporate strategy.

Comparison of curricular architecture is bound to be imperfect. For one thing, teachers make a difference. Among instructors offering the “same” course at the same school, there are fairly wide differences in skill, style, interest, grading standards, and belief systems. Especially in mature institutions, it cannot be assumed that rewriting the curriculum will change either what or how teachers teach or students learn. And, like timetables, course offerings are subject to change without notice.

Nonetheless, the dominant model of the general manager implicit in these programs is that of an “information processor” dominated by deliberate, rational choice in the wake of careful, if not exhaustive, analysis of data. The frequent, almost vulgar, assessment of today’s M.B.A. as a “number-crunching nerd” may be unfair, but as one recent (and literate) B-school graduate has observed of typical B-school curricula:

in addition to [a few] courses in an area of specialization, every student must survive a “comprehensive introduction to the theoretical foundations of management”—an introduction that includes accounting, finance, marketing, microeconomics, macroeconomics, organizational behavior, management decision analysis, statistics, . . , calculus, and [computers]. (How did anyone ever get the idea that this training
produces managers who overemphasize quantitative techniques?)”

The somewhat disgruntled author of that passage risks being branded a latter-day Lud-dite. His observations prompt me, however, to emphasize that management is more than measurement, more than mechanics, and to admit that we know less about what is relevant for the formation of aspiring managers than we need to know.

Henry Mintzberg has attempted to distinguish folklore from fact about the managerial job. He argues that it is a gross exaggeration to characterize managers as reflective, systematic planners. Rather, the evidence suggests that managers “work at an unrelenting pace, that their activities are characterized by brevity, variety, and discontinuity, and that they are strongly oriented to action [rather than] reflective activities.”

Despite prayerful exhortation that they should plan, delegate, control, and manage by exception, the facts seem to be that, besides “managing exceptions,” executives are almost inevitably “doing things” themselves-seeing customers, negotiating, presiding at tribal rites, “and processing. soft information that links the organization with its environment."

Not many years ago, Mintzberg notes, “in keeping with the classical view of the manager. . . perched on the apex of a regulated, hierarchical system, the literature’s manager was to receive his information from a giant, comprehensive MIS. " Currently, the reality seems to be “that these giant MIS systems are not working-that managers are simply not using them. . . . A look at how managers actually process information makes the reason quite clear. Of the various media
available to them, “managers... favor the verbal media-namely telephone calls and meetings.”

Finally, Mintzberg finds that “the managers’ programs-to schedule time, process information, make decisions, and so on—remain locked deep inside their brains,” and when we describe these programs, we rely “on words like judgment and intuition, seldom stopping to realize that they are merely labels for our ignorance.”

He finds that competent executives today “are fundamentally indistinguishable from their counterparts of a hundred years ago (or a thousand years ago, for that matter). The information they need differs, but they seek it in the same way-by word of mouth.”

Regardless of whether one accepts Mintzberg’s manager with his portfolio of interpersonal, informational, and decisional roles, it seems clear that the management curricula discussed above (and notably that here at Chicago) are limited to the “decisional roles”: entrepreneur, disturbance handler, resource allocator, and negotiator—with emphasis heavily skewed toward resource allocation.

Now, as we have seen, the schools do profess to educate, train, and develop managers. The fact may be, however, that Mintzberg’s assessment is more nearly accurate. “Our management schools,” he concludes, “have done an admirable job of training the organization’s specialists-management scientists, marketing researchers, accountants, and organization development specialists. But for the most part they have not trained managers.”

Mintzberg is emphatic in characterizing managerial work as art or craft rather than
science—however helpful scientific disciplines may sometimes be. I find his perspective persuasive, consistent with my own experience and observation and with such perceptive commentators as Chester Barnard, Peter Drucker, and H. Edward Wrapp, among others.

Now many argue that the M.B.A. curriculum should be framed wholly in terms of the comparative advantage of instruction in a university-based institution, that is, discipline-based subject matter with a strong analytical cast. The academy, it is argued, is the place for students to learn what can best be learned in school and all the rest can, will, or may be added “when they go to work.”

We have seen, however, that business schools define their mission as the education and development of managers. If we are serious about the objective of training business leaders and general managers, more is required than a curriculum dominated by “technical rationality.”

A Modest Proposal

How then to proceed? Clearly, my prejudice is toward added weight to the clinical, policy-oriented, management process component. Courses like the GSB’s “New Product Lab,” Carnegie-Mellon’s “Operations Management Projects,” and Harvard’s “Creative Marketing Strategy” provide students with a “real world” experience to address significant live challenges. 17

An essentially clinical and action-oriented course component is justified partly as a matter of transition. It would help students with little business exposure get some notion of the parameters of real-world activity and
introduce them to what it is like “out there.” Further, all students are not alike, so it would be reassuring to those M.B.A. candidates who suspect they may be experiencing diminishing returns to further investment in “academic” subjects that assume more continuity, more reliable data, more certainty, and less politics in corporate hierarchies than one can expect to find in the real world.

Perhaps more importantly, problem/project-oriented courses offer students the opportunity to “try things out” and even to fail, but to fail in a comparatively low-cost, low-risk environment—an environment that offers the opportunity to reflect on “what went wrong.”

It is of no small consequence that problem/project teams working under effective faculty coaches may (and do) exploit the repertory of disciplines that has become the core of the curriculum. Such exercises offer the opportunity for internalizing and “seating” the methodologies and disciplines to which students have been exposed. The initiates have the opportunity to assess both the power and the limitations of the “tools.”

In any event, M.B.A. programs should and can do more to integrate theory and research with training for the practice of management. Donald Schön, Ford Professor at M.I.T., proposes such an integration in what he calls “reflection-in-action.”

He illuminates the troublesome dichotomy between rigorous theory and real-world practice with a topographical metaphor. He sees “research-based theory and technique” applicable largely (or only?) on “a high, hard ground which,” alas, “overlooks a swamp [where] problems are messy and confusing and incapable of technical solution.”
Schön appreciates the irony of a situation in which “the problems of the high ground tend to be relatively unimportant to individuals or to society at large, however great their technical interest may be, while in the swamp lie the problems of greatest human concern.”

Schon makes some provocative suggestions for reforming professional education by developing in aspiring (and practicing) managers the capacity for “reflection-in-action,” [which] is not at war with the instrumental problem-solving that we are used to associating with professional competence. Rather, reflection-in-action on the problematic situation at hand may convert “messes” into the well-formed problems to which research-based techniques can be applied. Competent practice. demands a marriage of problem-setting and problem-solving.”

He proposes that the “normative professional curriculum” be “turned on its head.” Rather than asking “how research-based knowledge can be applied to practice,” the “practicum” should become central: teachers would act more as coaches than as conduits (or even creators) of theory and doctrine. His proposal urges that more attention be paid to such models of professional training as the conservatories, the studios, and various other apprenticeship programs. Whatever the merit of the preceding argument, with its large debt to Mintzberg and Schön, it seems clear that advancement and improvement of M.B.A. education demand more experiment and variety than they appear to be getting.

In a parallel development-particularly interesting since some business schools have
looked to the medical schools as models before-medical education may already be turning the curriculum “on its head.” Almost since the 1910 Flexner report, medical students have enrolled in two years of science courses prior to their clinical studies. Last year (1985-86) Harvard initiated its “New Pathway” experiment. Fifteen percent of first-year medical students were assigned to a program in which “clinical and scientific instruction are merged from the start [under] senior faculty members [serving] as tutors.” Although several other medical schools had earlier opted for such “problem-based” instruction, Harvard is the most prestigious and well-known “school to take the new route, and its reforms are the most sweeping.”

It has now been a full generation since the landmark Ford and Carnegie studies of business education. Perhaps it is time for a counterreformation—or at least “some next steps.” Despite the well-publicized generous starting salaries of many of our graduates, business education is largely an act of faith, an untested hypothesis. Indeed, the M.B.A. is for the most part a species found almost entirely on the industrial littoral of the United States. Neither Germany nor Japan, much less such burgeoning enclaves as the newly developing countries of the Far East, has invested much in academic institutions professing to serve as incubators of embryonic managers.

The fact is that we really don’t know what difference the curriculum makes. It is somewhat anomalous (or at least curious) that however important evidence may be to estimating the parameters of decision models that now figure hugely in the formats of
leading (and lagging) business schools, we have, to my knowledge, no hard data on the effect of alternative paths to professional education for management. Our pride and prejudices continue to be supported by argument from first principles or the inherent logic to which each institution subscribes and interprets in the “sacred writings” of its B-school deans.

The current state of knowledge—or of ignorance, if you will—is reflected in a recent Business Week cover story, which frames Dean John McArthur’s “dilemma” in the following abbreviated parody of a Harvard case:

PROBLEM: You are head of the nation’s largest graduate business school. It has been No. 1 for three-quarters of a century. . . and [has] an endowment that is the envy of competitors. But the market. . . is changing fast. Other business schools have dramatically expanded capacity, creating a glut. . . Rivals [now] challenge your supremacy. Your reputation is still strong, but even your administrative superiors question your methods and priorities. What do you do? 21

It is clear that lack of hard evidence as to which curriculum is most effective in developing managers has impeded neither the growth nor the prosperity of professional management education. Understanding the nature of the educational transformation, however, is a hard problem, and one that business schools have so far failed to solve.

The brief quotation that marked my opening remarks, restated now, resonates with the unresolved problems that characterize the history of business education:
“Who [asked Socrates] is the expert in perfecting the human and social qualities? I assume from the fact of your having sons that you must have considered the question. Is there such a person or not?” “Certainly,” said he. “Who is he and where does he come from?” said I. . . “Evenus of Paros, Socrates,” said he. . .

Socrates’ reflection on this exchange in that centuries-old dialogue was perhaps unduly modest:

I felt [mused Socrates] that Evenus was to be congratulated if he really was a master of this art and taught it at such a moderate fee. I should certainly plume myself and give myself airs if I understood these things; but in fact, gentlemen, I do not.22

After two thousand intervening years, most of us, I’m afraid, must also admit to not knowing enough about the yield of alternative curricular models.

I have argued here for more experimentation and especially for increased emphasis on business environment, technology, management process, and policy. But my prescriptions, like those of others, are based on impressionistic evidence, preconceptions, and “first principles."

I submit that we should commit ourselves to serious study of the value added of alternative B-school programs as we seek to discover the most productive means of selecting, educating, and counseling students interested in managerial careers.” Surely, the potential contribution of professional education is too important to be left to curricular choices dictated by pride and prejudice.


   It should be noted that the data base and facilities of the Center for Research in Security Prices (CRSP) here at the GSB have been crucial to the empirical research to which Miller refers.


16. Mintzberg defines the manager:
as that person in charge of an organization or one of its subunits. Besides chief executive officers, this definition would include vice presidents, bishops, foremen, hockey coaches and prime ministers. Can all of these people have anything in common? Indeed they can. For an important starting point, all are vested with formal authority over an organizational unit. From formal authority comes status, which leads to various interpersonal relations, and from these comes access to information. Information, in turn, enables the manager to make decisions and strategies for his unit.

Ibid., p. 54.

17. Another “real-world” experiment is the recently established ARCH Development Corporation, which expects to use the expertise and experience of GSB faculty and students in developing business plans and proposals as the new corporation implements a strategy for Argonne National Laboratory and the University of Chicago to translate results of research into commercial ventures.


19. Ibid., p. 22.


23. An effort to move toward assessment “of business schools as measured by [learning] results achieved” has been undertaken by the American Assembly of Collegiate Schools of Business in its “Outcome Measurement Project.” Interim reports appeared in 1980 and 1984, and Phase III is in process.