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1 The business school: history, evolution and the search for legitimacy

INTRODUCTION

Since the 1960s, young, ambitious managers have regarded attending a programme at a high-quality business school as almost a pre-requisite for business success and eventual promotion to the executive suite.

More recently, despite business schools being one of the acknowledged success stories of higher education over the past forty years, there has been a wide range of comment and criticism and a growing sense of concern about the value, purpose, role and academic stature of business schools.

There is, for example, criticism about them being too market-driven (Bennis and O'Toole, 2005), about the impact and relevance of business school research (Pfeffer and Fong, 2002) and some doubt about whether attendance at a business school actually makes anyone a better manager (Grey, 2005: 106; Mintzberg, 2004). It is argued that management is an art and not a science (Mintzberg, 2004) and that it is not even a profession since it has no widely accepted body of knowledge, unlike accounting, medicine or law (Spender, 2007).

This chapter, therefore, poses the following questions:

(1) What is a business school? How did it become a commonly accepted model? What is its espoused role and purpose?
(2) How did the business school concept develop?
(3) How has the business school evolved from an historical perspective?
(4) What is the evidence of both success and failure of the business school?
(5) What is its current positioning and strengths/weaknesses?

It starts with some background on the evolution of the business school concept followed by a brief historical examination of its development. This is complemented by a discussion of the evolution of the business school from a social constructionist perspective (e.g. Porac and Thomas, 2002). The argument is that, through a social process involving the 'selling' of alternative visions of what a management school should be, the concept of the modern business school was created.

BACKGROUND: THE 'BUSINESS SCHOOL' CONCEPT

How did the term 'business school' become the commonly accepted shorthand term for a school of management? There have probably been four main spheres of influence (France, Germany, the UK and the US) in the development of business and management education. They exerted their influence mainly in the late nineteenth and early twentieth centuries – the period of the late Industrial Revolution, which is often dated from 1870 to 1914 (the advent of the First World War).

These four major industrial powers developed forms of educating managers in the practical aspects of management such as finance, accounting, management control and operations, and distribution and sales in a highly vocational manner. The material was very practical and focused on increasing the basic skill levels of managers. The French called their vocational schools 'écoles de commerce', the Germans 'Handelschochschulen', the British 'schools of commerce' and the Americans 'business schools'.

Educators in all four countries discussed, debated and recognised their differing viewpoints about the conduct of management education in various conferences and via other channels of communication.

In the US, 'product champions' such as Edmund James at the Wharton School of the University of Pennsylvania were, for example, well aware of the philosophy of the German schools and had studied them in forming their models of the US 'business school'. Indeed, Wharton and Harvard, founded in 1881 and 1908 respectively, were very much influenced by the German Cameralist education system.[1]

Largely because of private donations (e.g. Joseph Wharton to Wharton, Amos Tuck to Dartmouth), the business school concept grew very quickly in the US, much faster than in France, Germany and the UK. By 1936 there were nearly 200 business schools in US universities.

Accompanying this fast growth, the US business education industry also invested heavily in generating textbooks (the Richard D. Irwin publishing company, for example, grew rapidly by publishing focused business texts) and case study material (Harvard Business School Publishing) that facilitated the development of a wide range of curriculum innovations.

Using the principles of competitive advantage, it is clear that these complementary assets (textbooks, cases etc.) along with sample curricula were, in due course, the benchmark assets adopted by French, German and British schools as exemplars of best practice and modern trends in business education. Through this process the term 'business school' became the socially constructed and accepted term for an institution of commerce, management training or management education. The 'business school' thus became the basis for a cognitive and learning community describing the institution in which management education takes place.

> It is important to recognise that the development of business and management knowledge within higher education originally started in Europe, not in the US.

[1] According to Richard E. Wagner (2012) the Cameralists have been described as 'consultant administrators'. They were engaged in real-world administration (e.g. managing mines and glass works) and also academic administration. They were partly economists, political scientists, administrators and lawyers. The first Chairs of Cameral Science were established in Halle and Frankfurt (in commercial economics) and there were over twenty Chairs by 1800. These Cameralist Chairs were not titled Professors of Business yet their syllabi were essentially those adopted by Wharton and Harvard in the early twentieth century (Spender, 2007).

Although 'business school' became the generally accepted term, this did not mean that all the business schools in different countries developed in exactly the same way. It is clear in examining the history of the development of business schools that while the US model provides a basic framework, a wide range of local, regional, cultural and educational differences have led to adaptations of the US-style business school model.

HISTORICAL REVIEW OF THE EVOLUTION OF THE BUSINESS SCHOOL

Business schools became recognised institutions in the US from the early twentieth century and have expanded worldwide since then, stimulated by the growth of US multinationals and the investments of leading American private business schools. Formidable competitors sensitive to local market needs have also since emerged in Europe, Asia and Latin America.

As noted already, it is important to recognise that the development of business and management knowledge within higher education originally started in Europe, not in the US. The main purpose was to improve the relatively low societal and professional status of business managers, although impetus also came from military sources who pioneered the study of logistics, operations and operations research.

In France, the Paris-based Ecole Supérieure de Commerce was founded by the Paris Chamber of Commerce in 1819–20 with the aim of complementing the quality of engineering education and with the laudable ambition of developing a superior education to secondary technical education. The mid-nineteenth century also saw the foundation of a school of commerce in Anvers, Belgium, in 1852. In Italy, a school of commerce was founded in Venice in 1867. In the late nineteenth century, similar schools appeared in Austria (Vienna, 1856), Germany (Aachen, Leipzig, 1898; Cologne, 1901; Frankfurt am Main, 1901; Berlin, 1906; Mannheim, 1907; Munich, 1910) and Switzerland (St Gallen, 1898).

However, despite this initial burst of activity, business school education in Europe developed slowly and on a national, rather than regional, basis. The main reasons were the shortage of good management faculty able to enrich the efforts of the original university pioneers. This was on top of the consistent and very strong resistance to the development and incorporation of the field of business administration as a formal university discipline by university professors in other areas of study.

In the UK, for example, there was little development of research or theory after the foundation of schools of commerce at the universities of Birmingham (1902) and Manchester (1904). As Larson (2003: 2) notes: 'The London School of Economics and the universities of Birmingham and Manchester experimented with "business", "commerce" or "industrial administration" curricula throughout the first half of the twentieth century [...] There was no academic research done to drive these courses and the lack of a theoretical framework hurt their reputation.'

The post-war recommendation of the British Institute of Management (BIM), created in 1947, that business schools should be developed in the UK was not implemented.

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Foundation (Pierson, 1959) in the US, that the business school model was accepted in the UK.

Franks' policy recommendations led to the creation, with strong government backing, of two elite (indeed, at the time only) 'business schools' in the UK, London Business School and Manchester Business School, both loosely integrated into their parent universities.

As we have noted above, the development of schools of management education in the US was heavily influenced by European models and, particularly, the Cameralist traditions of German universities such as Halle and Berlin (Spender, 2007). This development was consolidated in the twentieth century. The spread of this type of institution across America was rapid, with the development of both independent and university-based business schools.

By the early 1900s, a range of private schools such as Wharton (endowed by Joseph Wharton, owner of Bethlehem Steel, and built up by Edmund James after he had studied economics at Halle), Chicago, Harvard (formed by Edwin Gay in 1908 after he had studied economics at Berlin), Columbia and Dartmouth had already started to gain recognition.

Formalisation of degree-level business education progressed quickly. Wharton launched a bachelor's programme in business in 1881 influenced by the so-called scientific management principles developed and promoted by Frederick Taylor and often known as Taylorism. Interestingly, Taylor was an employee at Joseph Wharton's Bethlehem Steel.

> The rather mechanical management training stage of business school development in the US from the turn of the twentieth century until the late 1950s has been described as the 'trade school' era.

Dartmouth offered the first master's degree in business in 1900 and Harvard launched the Master of Business Administration (MBA) degree in 1908. A number of business schools were created later but tended to rely initially on the educational philosophy of the earlier models.

In 1916, a group of leading US business schools set up the Association to Advance Collegiate Schools of Business (known as AACSB International and sometimes described as the American Association of Collegiate Schools of Business) with the objective of bringing scientific rigour to the study of business. They mandated the knowledge base required in business schools in order to establish quality standards and certify management as a legitimate profession. The signatory schools were: University of California, University of Chicago, Columbia University, Cornell University, Dartmouth University, Harvard University, University of Illinois, University of Nebraska, New York University, Northwestern University, Ohio State University, University of Pennsylvania, University of Pittsburgh, University of Texas, Tulane University, University of Wisconsin, Yale University.

The rather mechanical management training stage of business school development in the US from the turn of the twentieth century until the late 1950s has been described as the 'trade school' era, which Nobel Laureate Herbert Simon has typified as a 'wasteland of vocationalism'. Roger Martin, Dean of the Rotman School of Management at the University of Toronto in Canada (Moldoveanu and Martin, 2008), has characterised it as 'Business 1.0'. 'Trade schools' typically catered for undergraduate students (with some practically based masters' programmes), did not undertake much research and taught from a 'descriptive' viewpoint.

This 'trade school' orientation changed rapidly, following the very influential reports on the state of management education from the Ford and Carnegie Foundations in 1959. These reports formulated a number of policy prescriptions that drove the development of business schools towards a research and discipline-led focus.

For example, Gordon and Howell (who wrote the Ford report) advocated the study of all business operations and functions from a broad, integrated managerial perspective and championed education about the political, economic and social environment. They stressed analytical rigour and problem-solving ability, scientific method, research and knowledge creation, and placed a strong focus on graduate and doctoral education in business.

Pierson's Carnegie report further emphasised the scientific rigour element by endorsing the innovative quantitative methods (including statistics, simulation and operations research) of the GSIA (Graduate School of Industrial Administration) at Carnegie-Mellon University.

Following on from the two reports, in the early 1960s the Ford Foundation committed over $50 million to promote business education and research, initially in five business schools: namely, Carnegie-Mellon, Chicago, Columbia, Harvard and Stanford. UCLA, University of California, Berkeley, and MIT were added at a later stage (Augier and March, 2011).

Subsequent investments by these and other management schools led to the growth of scholarly, discipline-based academic research anchored firmly in the economic and social sciences. Those business educators who argued for a 'clinical' and 'practical experience' research imperative in business schools that focused on relevance through understanding and improving management practice felt disenfranchised and disillusioned.

To this day, these tensions between rigour (scientific logical positivism) and relevance (practical, applied research) in management still exist. Indeed, Bennis and O'Toole (2005) ask why 'business schools have embraced the scientific model of physicists and economists rather than the professional model of doctors and lawyers'. Nevertheless, the positivist model of management education became the dominant design from the 1960s to the 1990s.

However, there has been persistent and growing criticism about the nature and value of business schools, particularly those who have followed the US-dominant design embedded in the discipline-oriented prescriptions of the Ford and Carnegie reports.

Some critics accuse business schools of producing arcane, academic research, doing a poor job of preparing students for management careers, pandering to the market and the rankings, and failing to

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ask important questions. And, in the process of responding to demands from their environment, losing claims of professionalisation as they 'dumb down' the content of courses, inflate grades to keep students happy and pursue curricular fads.

> Critics stress that business schools do not encourage managers to incorporate an integrative, team-based philosophy and do not provide sufficient ethical and professional guidance.

Others argue that contemporary management education does a disservice to the profession by standardising content, being too analytical and not action-oriented, focusing on business functions (instead of the process of managing) and training specialists (rather than general managers). They also criticise business schools for being too parochial and not global in their thinking and values, and for not fully integrating experience, theory and reflection into group (rather than individual) decision-making processes.

Finally, these critics stress that business schools do not encourage managers to incorporate an integrative, team-based philosophy and do not provide sufficient ethical and professional guidance.

But many academics stoutly defend the research traditions in business schools developed in the years following the Ford and Carnegie reports. For example, Cooley (2007) argues that '[t]he research mindset brings a unique and powerful focus to business education. It is forward looking rather than backward looking. It moves education away from teaching students a collection of facts to teaching them how to think. It moves them from a stultifying "best practice" mentality toward developing analytical ability.'

Grey (2005), in contrast, notes that this analytic positivistic research tradition, particularly as practised in US business schools, has created 'norms' of what 'good' research is and has developed the bulk of textbook knowledge. Yet, in Europe the consensus of US-based researchers that social science and business research should follow an essentially positivistic route has been questioned, particularly by critical management theorists, who stress the value of action-based qualitative research embedded in management practice.

By the early 1990s Continental European business schools had developed strongly and their growing stature in the field was being recognised. Indeed, both Professor Pedro Nueno (1995), a pioneer activist in both the Spanish business school IESE and EFMD (European Foundation for Management Development) in Brussels, Belgium, and Claude Rameau (1995), a pioneer at INSEAD, stated that European schools are more international than US schools . . . and that their international character should be a catalyst for transformation and change in management educators.

How did these European models evolve and prosper? Were they defined in local or regional terms or by reference to international prototypes (e.g. the US model) or in terms of a mix of national role models and international prototypes (Thomas, 2012)?

To help our discussion, Table 1.1 provides a partial 'map' of the management education landscape in Europe, which demonstrates the breadth of the marketplace and its heterogeneous nature.

European schools are generally regarded as eclectic and flexible. Europeans have never been very comfortable with the North American model's focus on shareholder management, market populism and entrepreneurial capitalism (Hubbard, 2006). Rather, they have advocated the need for stakeholder management and a more social democratic form of capitalism. (See Currie et al., 2010 and the work of EABIS (European Academy for Business in Society) and GRLI (the Global Responsible Leadership Institute).) This is apparent in the much more direct influence of governments, and regulation, in continental Europe on both public-sector and private-sector management. Consequently, across Europe, it is not surprising that there is a range of leadership styles and cultural influences on business schools.

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