Business Schools and the Crisis

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Abstract:

How should business schools respond to our global distress? They certainly stand accused of failing to educate a generation of executives, analysts and traders into appropriate attitudes towards their work and clients - the bankers especially. But is business education about acculturation or acquiring an expert's set of tools and skills - or more? It seems, after a century of splendid growth and curriculum development, we still cannot decide. Recent histories of business education illuminate a century of change and criticisms, helping us probe how it might add value. We leverage from the AACSB's 2005 Report *Why Management Education Matters*. Most of us assume business education has measurable value but others are less sure. There is surprisingly little research into the impact of business education on students, employers or the economy - most data is anecdotal. We conclude wondering whether BSchools are places of education or of training.

Version 1 - April 2009

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The upheaval in the world's economy will impact business schools, no question, but in what way? Doubts about the kinds of domestic and global economies expected in, say, 5 years, complicate any thinking about business education for that future. First, some facts. The business of business education is one of the most significant educational phenomena of the 20th century beginning, more or less, in 1908 with the foundation of the Harvard Business School, still our industry's trendsetter (Khurana, 2007; Locke, 1996; Spender, 2008). The business is a huge success - if product volume and global acceptance are the right indicators. In the US there are around 19 million post-secondary students and one in five studies business, our most popular major, so exerting a huge influence on universities' finances and overall strategy. Around 270,000 MBA degrees were awarded worldwide in 2008, roughly half in the US. Perhaps triple this number take bachelor and associate degrees in business. The AACSB reports the MBA is the 'most sought-after advanced degree in the world' and the most widely awarded, while the BBA is rising fast in popularity (Fernandes, 2005; Reid, 1994).

To peer into our future we must have a model that bears on what BSchools do and what might affect their fortunes. This much seems obvious; even as decades of on-again off-again debate about why BSchools exist and how they deliver value has produced, as they say, much heat but little light. The debate is now heating up again and even exploring that might help illuminate our situation - but that is for later.

In the meantime, using the analytic tools we provide our strategy students, we might try to analyze the demand for business degrees. What are the independent variables? Demand seems driven from several directions; employers' needs and students' ambitions and, less directly, parental pressure and changing occupational and social norms. Around half the US's approximately 70 million white-collar workers have post-secondary degrees and their earnings are significantly greater than those without, suggesting degrees are valued by employers. By extension there is demand for more business degrees in the future, driven by economic and population growth and the socio-economy's structural transformation. The white-collar share of the US labor force has increased steadily over the past century, a measure of the economy's increasingly complexity, division of labor, specialization, inter-relatedness and information intensity. Long run increases in blue-collar manufacturing productivity and global transportation efficiency have transformed the US economy, now dominated by services and hungry for qualified professionals. The white-collar workforce is trending towards being double the size of the blue-collar workforce. In the rest of the developed world the penetration of business education is less, but the economic situation is much the same, suggesting even greater potential for business education outside the US, Europe and Australasia. Likewise as the developing world's manufacturing and service sectors evolve and expand so the demand for supervisors, managers and other white-collar workers will rise rapidly too.

Presuming business education equips students to take part in these economies, its future looks good. Students and their parents clearly look to it to help them access white-collar life. Democratic economies are typically stratified into a quasi-class structure of elites, mainstream, and vocational work, with a matching structure of business education providers; top schools, mainstream, corporate, community colleges and on-line. The globalization of the US economy, especially since the 1970s, and globalization in the business education business, precipitated various experiments - joint ventures with overseas universities, overseas campuses, group marketing and teaching agreements, and so on. These moves vastly extended US business schools' disciplinary influence and cultural footprint and, reflexively, have changed most schools' self-perceptions from narrowly regional or domestic to fully internationalized. Most notably the AACSB, the keepers of our business's seal of good housekeeping, changed its name several times to put parochial nationalism behind it and grasp a global future as the world's business education accreditor of choice.

Two trends can be observed. First, variation, proliferation and diversification in the degrees' content and specialization - marketing-based, IT-based, financial services-based and a host of other niche products for maturing markets - and in its delivery options - full time, part time, executive, on-line. Second, while English has been the *lingua franca* of business since WWII, a reflection of postwar Anglo-American economic dominance, regionalization and non-English language business schools are appearing in great numbers. Competition is rising between the US-based parts of the business and the European, Australasian, Chinese, Indian, Latin American, and South-East Asian parts. All learned greatly from the US model but are also developing independent attitudes and capabilities. Within Europe the 1999 Bologna Accord and its BMD (Bachelor, Masters, Doctoral) system is forcing schools into strategic choices to imitate or innovate. Likewise the Chinese and Indian BSchools are being forced to choose the what and how of their offerings. On the input side, GMAT test-taking worldwide is rising, more so outside the US than within where there are periodic signs of saturation. The percentage of US women students has also remained in the 25 - 35% range in spite of policies designed to create a more equitable balance and the same goes for minority students.

In short, if we use the perfectly reasonable model that ties the demand for business degrees to global economic development, the future looks pretty bright. While economies might slow down or even decline from time to time - as we are being reminded - the basic trend is up. So as the world economy picks up after the present crisis business schools will follow right along. The BSchool and its product are securely institutionalized until such time as the global economy operates in a quite different way. Indeed, the geographic and linguistic spread indicates an increasing degree of localizations, students being prepared for their own national economies not merely for the globetrotting electronically-tethered life of the MNE-executive.

While each school faces its own challenges the business education business looks promising far into the future. At best, each school's plans should reflect its crisis-independent situation - the impact of further globalization, demographic change, and increased competition between (a) the regional economies and (b) globalizing education providers seeking economies of scale and reputational reach. As the global economy becomes more integrated and complex, we can expect all its principal regions to experience rising demand for the degree-earning white-collar workers who keep it operating. Given such healthy strategic circumstances, most schools' best response to the current financial crisis might be to step back from their last two decades' headlong rush to expand to review and re-ground their strategies, processes and facilities and prepare for an expanding demand in an even more competitive future.

Other Stories

It is easy to find Deans telling this story - but there are other stories with different implications (Hubbard, 2007). Even as the economy is turning down, some enrollments are going up, explained without contradicting the basic assumption of a value-relationship between

BSchools and the economy by arguing the relationship is more counter-cyclic rather than cyclic. When job opportunities were high, as they were until recently, there were indications that the opportunity costs of not joining a hedge fund or boutique investment house had risen to the point that some of the most promising students were skipping BSchool. Now, with fewer jobs to be had, students are 'parking' themselves in places where they can polish their resumes and enhance their future job chances. Clearly these students see BSchool as a value-proposition that matters for the strategy requires real money, maybe more than $100,000, not merely the opportunity costs added when jobs are plentiful. This points to students from the group or strata of society that both sees the investment's value and is able to take the time-out. Others might see greater value in traveling abroad, learning another language, social service, etc.

The counter-cyclical model, driven by those whose ambitions are towards business, suggests there will be enrollment growth in the elite schools. Lower strata schools are likely to suffer as unemployed students, or those from families suffering unemployment, while a modest percentage of the US labor force, can no longer afford such discretionary post-secondary education whose cost has been increasing more rapidly than the growth of the economy. In the last decades the elite's income has increased substantially while the non-elite's earnings have scarcely increased at all. Business education may be becoming too expensive for all but the elite, or those benefiting from the financial aid at well-endowed schools, and this may be why total US GMAT and BSchool applications are falling. The counter-cyclical model suggests a wealth-driven 'flight to quality' matching this group's investors' response to the present crisis - in contrast to those whose savings and pensions have been pulverised. If this model holds, the elite schools have to decide whether to make room, both physically and organizationally, for a temporary increase in enrollment intending, perhaps, to enlarge their market share and strategic options permanently. Or they might use increased enrollments to compensate for their declining endowments, or raise their entry criteria, or otherwise burnish their reputations. Their lower status fellow providers, in contrast, must choose whether to downsize in the short-run and plan for better times to come, to lower entry standards to maintain enrollments, or to re-strategize completely.

Business Education's Value

Both cyclical and counter-cyclical models presuppose a basic value-proposition about what BSchools do with and for their students and the rest of the economy. Its focus is teaching rather than, for instance, the students' own networking or the value of BSchool research to the economy. Research, whatever its scientific value, is often considered valuable if it does no more than support teaching by obliging faculty to remain current with the literature (Hodgkinson and Rousseau, 2009). Few in our business doubt the BSchool's basic value-proposition. But some do. Complaints about business education go back at least 150 years though we are seeing a new generation of critics and criticisms that suggest the value-proposition that has been central to the US model for a century may be less adequate in the future (Bennis and O'Toole, 2005; Ghoshal, 2005; Kieser and Leiner, 2009; Mintzberg, 2004; Spender, 2007). The AACSB, aware of these criticisms and possibly feeling defensive, set up a task force which in 2005 issued a report 'Why Management Education Matters: Its Impact on Individuals, Organizations and Society' (AACSB, 2005).

Given the research and analysis methods courses delivered in our BSchools, this report is curious. The reader is given some data on the benefits to individuals, for whom value is proven in terms of 'personal ROI' on the costs of attending BSchool. Networking, personal growth or even the values of the skills acquired are not considered. All is subordinated to the salary and signing bonus on exiting the program. Value to organizations is demonstrated by the ROI to investments in SBDCs (Small Business Investment Centers). These centers support start-up and small businesses and are often co-located with educational institutions, though their relationship is normally science and technology oriented. We know incubators are surprisingly successful, markedly reducing the probabilities of early business failure. Yet their supposed relationship with business education seems problematic. No other organizational benefits, such as the competitive advantage of more up-to-date or widely informed management are considered. Finally, when it comes to the value of business education to society, vague comments are supported on Michael Porter's nonprofit Initiative for a Competitive Inner City. There are around 1.5 million not-for-profit organizations in the US, few of them involving business education or educators and we live in a society dominated by for-profit organizations who eventually employ the bulk of our graduates. All in all, very curious.

The point here is not to criticize the AACSB's report -more to suggest it confuses commerce's contributions to the US capitalist democracy with the contributions made by business education - two very different matters. The business of business education is a distinct business in its own right, like software or flute making, and while BSchools are the most visible aspects of its production process, the ramifications reach well beyond our classrooms into corporate hiring policies, national education policies, university strategies, and the cultural evolution of our capitalist society.

Business education leads to human capital of a rather narrow type, and even within that milieu can vary from highly specific training in, say, fashion industry supply chain management or international banking law, to the more general, such as basic accounting practice or leadership theory. As human capital researchers know, it is extremely difficult to establish rates of return on educational investment even when it is specific. Indeed the societal return to education, long assumed to be high, is increasingly debated (Field, et al., 2000). But the hope for metrics based on the value of education rather than its costs not only persists but seems greater than ever, a reflection of a widespread cultural move towards modeling outputs as the proper support for social policy choices (Joint Economic Committee, 2000). The AACSB task force's inability to determine returns at the individual, organization or societal levels does not mean that there are none or that we should not seek such data.

How might we get into the black box of the BSchool value-proposition, the simple assumption business education is valuable? Doing this might lead towards a more strategic model of the BSchool process that would help us get clearer about the relationship between what we do and the socio-economy - and thereby equip us better to understand the impact of the crisis. Perhaps there are several black boxes. For instance, one familiar argument is that business education is no more than a way of perpetuating class differences, seeming to benefit the individual but actually sustaining a whole socio-political structure, implying a major difference between the elite schools and the remainder (Whitley, et al., 1981). Whether or not this is true, it reminds us that business education is now so large an industry that it contains much variety (Segev, et al., 1999). BSchools are not all the same, not simply in terms of the top 25's rankings, but the more profound differences between, say, the research schools, the teaching schools and all the Business Week survey categories. Understanding how the crisis is likely to affect any particular BSchools may mean being aware of the differences between these categories.

Against this there is the difficulty of separating the BSchools from the social systems of which they are part. Consider, for instance, the human and social capital literatures. Coleman argued their interdependence, and the interaction of individual and social benefits, suggesting they are so intertwined, co-dependent and co-evolving that they cannot be usefully separated (Coleman, 1988). Becker noted the difference between specific task-oriented education and the more general (Becker, 1993). Business education may be more like co-investment in the socio-economy's infrastructure than an identifiable human resource such as training in C++, a measurable input for those in software industry but no more than a co-investment enabling programmers to use the software and hardware through which their skills generate economic value. Knowing C++, in and of itself, has little value for it does not illuminate the human condition as learning animal husbandry does. The worth of a skill is contingent on the paths by which social value is created. The history of failure to determine the payoff to IT expenditure indicate the difficulties even though it is clear that the US's high productivity growth and consequent economic growth are much determined by it (Denison, 1974). If management is seen as a skill, some aspects of which might be learned in BSchool, its value is contingent on the complex socio-economic apparatus within and through which it gets applied. Even with such a model in hand the difficulties of measuring business education's benefits would be complicated by the small percentage of US white-collar workers with business degrees versus, for instance, the high penetration of IT into the US workplace.

A different like of attack would be to get away from the problems of determining value and focus on how business education reduces the cost of bringing bright young people into the socio-economic apparatus that actually generates value. For instance, we might research how it affects the time and cost of the transition between being a novice incomer and being a fully functioning member of that organization (Allen and Meyer, 1990). This is clearly a short-term return, but measurable. A longer-term value might lie in the increased likelihood of accelerated advancement to senior management, a reflection of the qualified student's ability to make the better decisions and choices that improve the organization's performance. But the chains of causality quickly get so entangled and open to serendipity that the model collapses in confusion.

There seem to be remarkably few empirical data on these matters though they seem relatively examinable; our research priorities clearly lie elsewhere. But when employers look towards less firm-specific skills and focus on 'critical thinking', 'team players', 'global awareness' and so on, they are speaking to infrastructural issues, towards bringing new people into an existing system - who maybe innovate later. But this kind of value-proposition must be modeled into the employer's context rather than into either the student's ROI or that of the economy at large - meaning we can only address the impact of the crisis on business education after we have modeled its impact on our students' employers. We do this trivially when we ask them about their hiring plans, which tell us little or nothing about their strategies for responding to the crisis. For example, if we could get closer to their strategizing we might find they have concluded domestic markets are falling while the Asian markets will be the first to open up, indicating it would be good for BSchools to teach Asian languages and focus their research on those economies.

At this point, with little idea of how or whether MBAs generate value, when one informed guess seems as good as any other, we remain at a loss to know what the curriculum content should be. Even though faculty curriculum designers argue hotly over content, it is not clear it has much impact on the degree's value to the employers. The faculty arguments may be more self-serving, to ensure their courses are retained in the degree's core, with attendance compulsory as opposed to being cast out into elective-land. At the same time the firm's ability to externalize the costs of preparing self-selected students for their workforce is obviously attractive. In which case what happens during the degree process is probably less important than the mere fact that something challenging takes place and that succeeding or failing has some positive correlation with the student's subsequent usefulness.

Building an Evidence-Based Picture

All this is more speculation than analysis - and we can conjure up half-a-dozen more models without drawing any conclusions. It is clear that much BSchool strategizing is done without reference to evidence. Perhaps one should be guided by data though, as most researchers know, to choose some data rather than some other data (often un-gathered) is the point at which the analytic rabbit gets put in the hat, to be brought out later with a flourish as conclusions rather than the necessary consequences of one's assumptions.

But four things seem reasonably clear about our industry. First, it is part of the stupendously complex apparatus that is the modern economy, and that it must be valued therein for it to have prospered as it so obviously has. Second, firms differ and business degrees are valued for reasons that seem more general rather than firm-, industry- or even sector-specific. Recall HBS's initial broad curriculum covering banking, finance, insurance, industrial organization, transportation, commercial law, economic resources and public service, along with courses in French, German and Spanish correspondence (Cruikshank, 1987; Science, 1908). It also went beyond the classroom to include practical work in the summer and was explicitly intended to teach students how to work and apply their powers of observation, analysis and invention in practical business situations, an aspiration later addressed with cases (Donham, 1922; McNair and Hersum, 1954). The tension between the generality of the MBA and the specificity of the faculty's disciplinary focus goes back to these first days. The generality thesis seems empirically supported by Segev et al's finding that each of the US's five leading BSchools is located in a different ‘strategic cluster’, where these are defined by disciplinary program offerings. Third, the students' appetite for business degrees is increasing. Fourth, and more controversial, is that management is probably not a profession in the normal sense, it seems more of an occupation, mindset or culture (Khurana, 2007; Spender, 2007). Controversial, of course, because much of the history of the business school is tied up with the vision of management as a profession like, for instance, law, accounting or dentistry (Donham, 1927; Metcalf, 1926; 1927). Management lacks what these professions have; an established body of knowledge, an institutional apparatus for policing entry into and exit from the discipline and oversight of those engaged in its practice, a set of professional values, and so on.

The faculty member's anecdotal belief in the value of specific skills might be self-serving, but it could be countered by research evidence about what students value in the MBA course. A 2008 GMAC survey indicated 90% of students considered their degree of good to outstanding value (GMAC, 2008b). The 'drivers of value' were predominantly the degree's 'meeting their expectations', the curriculum, the faculty and the program management. Skill development lagged a distant fifth, supporting the notion that the students valued generality rather than specificity. While many saw the MBA credential as a means to changing jobs, companies and even industries, they rated personal satisfaction in gaining the degree and improving their marketability more importantly. Another 2008 GMAC survey of European BSchools indicated student satisfaction with collaborative, team-based, inter-disciplinary approaches over individualistic, competitive, skills oriented approaches (GMAC, 2008a). In the 1960s Schein researched socialization during the MBA process and noted a tension between the disciplinary-oriented faculty who dominated the early part of the program and the more executive-oriented faculty who dominated towards its end (Schein, 1967). While the program overall evidently socialized students into the executive view, the tension with the faculty's interests had the effect of broadening the students' view, giving them a more balanced and less parochial sense of the situation, a faint echo of the ancient Sophist principle that education means being able to see both sides of every question.

Van Maanen studied the contrasting student bodies at HBS and MIT and argued MBA programs could be understood best as a process of 'anticipatory socialization' into the business community (Van Maanen, 1983). It is about learning its language and local mores, so facilitating entry and, of course, helping students put on an authentic show to recruiters. While the two schools' similarities were considerable, there were revealing differences. HBS, in Van Maanen's reading, was more about the complex practices of achieving full membership of the section, as a community under significant pressure from the faculty and each other, effectively smoothing the individual's edges, while MIT was more individualistic and, perhaps, entrepreneurial. There were significant differences in the jobs students went to, MIT's going more to small companies while HBS's went to big companies. Schleef's research into why students chose Law and BSchool further supported the generalist view (Schleef, 2000). She found students were seldom driven by a specific career interest in either law or business. Rather they were conscious of the need for 'professional' qualifications if they were to achieve upper-middle class income, prestige and lifestyle. As an aside, the BSchool students were notably less interested in 'altruism' than the law students. Schleef's important and persuasive conclusion was that these professional degrees have taken the place of the generalist liberal-arts bachelor's degree of a generation or two ago. There has been 'degree inflation' along with grade inflation. The bachelor degree is no longer sufficient to sustain the class and status aspirations of the students - nor of their parents.

She argued parental pressures are high even while often denied. But in this framing the high money and time cost of acquiring an MBA merely to 'keep one's options open', without acquiring the defined skills of, say, an engineer or an accountant, seem reasonable (Orth, 1963; Robinson, 1994).

Business's Place Post-WWII

Though a misquotation, Coolidge's remark that 'the business of America is business' is a reminder of how things have changed since 1925, especially in the extent to which outsiders, unrelated by family or social relationships, can now move into the inner-sanctums of US corporations based on their abilities alone. Many analysts note the impact of the 1944 GI Bill which made college education available to returning GIs and thereby to social groups that had never previously entertained it, but overlook where and how these new graduates found work (Khurana, 2007; Locke, 1984). After WWII the demand for executives exploded as the economy boomed and it began its absorption of the war-impelled science and technology and its transformation towards services. Aside from the sheer number of white-collar workers needed, the new demand collapsed many pre-War employment mobility barriers. The returning service-people were obviously disciplined and organizationally savvy but knew little about how private business worked or talked. They turned to BSchools to socialize them and smooth their entry. At the same time the increasingly specialized business environment demanded knowledge of business beyond the basic virtues of enthusiasm, honesty, loyalty, and the willingness to work hard that impelled the Horatio Alger version of the American Dream. This nationwide need for a new class of executives and white-collar workers seems the most probable cause of the huge post-WWII expansion in business education. But as Penrose's contemporaneous theorizing about managerial capability limiting the growth of the firm implied, the BSchools output or lack of it can have done little to determine the rate of US economic expansion (Penrose, 1995). The economy functioned, changed and grew, and continues to, without any help from the business education business. Hambrick’s conjecture that the Academy does not matter may be more than mere rhetoric (Hambrick, 1994). At best it may have facilitated some growth and eased some graduates into jobs.

The important changes were towards a more egalitarian democratic capitalist society into which business education fitted, taking on its current role as a selection and certification process for those heading into it. Gradually the present compact between firms looking to BSchools to help them find the most promising recruits and BSchools looking to corporations to prefer their graduates became institutionalized. No question, the need for business graduates springs from the economy's huge appetite for 'anticipatorily socialized' young people. Consequently there has never been much interest in quantifying the real costs and benefits, even if that were possible, because it is more about maintaining and developing an institutionalized infrastructure for a new variety of democratic capitalism. The relative lag of business education in Europe and elsewhere indicated the slowness with which these other nations' socio-economies adopted the means and mores of post-WWII US capitalism. In France and Britain especially the existing class and educational structures delayed the current development of business education, which has now become institutionalized there, albeit at a lower penetration than the US. In the UK the 1963 Franks Report finally kicked the system into setting up the London and Manchester Business Schools (Locke, 1996).

Analyzing the costs and benefits of business education is impossible without knowing where to set the boundaries, around the individual student and her/his ROI? The firm? The industry? The national economy or that of the world? We discover similar problems in other analyses. The difficulty of analyzing the returns to infrastructure lay, for example, behind Alchian & Demsetz's notion of 'team production', defining the firm as a legally established infrastructure in which to hold and deploy profits which cannot be rigorously allocated to the individual contributors (Alchian and Demsetz, 1972). Likewise the comparison of transaction costs is undercut by not knowing the overheads of the firm or the market, or how to allocate them to any particular transaction. These infrastructure complexities face anyone trying to analyze the ROI to IT expenditures. Business people often refer to these investments as a 'cost of doing business', implying that without them there is no being in the business even as the specifics of the ROI are lost in the complexity of the firm and its processes. The thrust of Schleef's argument is that for students applying to post-graduate schools, often under unacknowledged pressure from their parents, a second degree is an increasingly unavoidable 'cost of doing business'. In short, the institutionalization of our white-collar dominated economy is the principal 'independent variable' driving the demand for business education.

Business Schools' Changing Role

How does the present crisis affect these pressures? It seems unlikely to change them much, though there may be a plateau. Post-WWII changes shifted US society from post-Depression caution towards today's service economy and consumerism - and so drove the demand business schools expanded rapidly to meet. Socio-economies elsewhere, first in Europe and then further afield in Latin-America, China and India seem to be following along, dragging a more or less generic notion of business education behind them.

In the US these changes were not universally welcomed. A cadre of commentators following in the footsteps of Sinclair, Tarbell and those who protested the between-wars conditions of US blue-collar workers, pushed back and commented on the institutionalized de-humanizing of the new executive class. Mayo's work at HBS on the *Social Problems of an Industrial Civilization* drew academic and policy-makers' attention to the changes and the new attitudes and methods needed if the economy was to grow, establishing the 'human relations' discipline needed to balance the focus on organizational efficiency and profit (Mayo, 1945) (1945). Donham's foreword noted the 'existing warfare between labor and management and the growing hatreds and prejudices which distress us' and hoped better relations could be forged (Mayo, 1945:ix). Others were less optimistic. Whyte's *Organization Man* appeared in 1956, lambasting the 'company man' business education seemed designed to produce (Whyte, 1956). Bell's *Work and Its Discontents* appeared in 1956 (Bell, 1970). Young's *Rise of the Meritocracy* appeared in 1958, likewise warning against a bureaucratized society obsessed with qualification, conformism and technological determinism (Young, 1994). Bell's analysis of the nature and workings of this new knowledge-based post-industrial society warned that while formal qualifications may assist entry, the real challenges lay in subsequent performance (Bell, 1999). The ideological tension between the economic, social and technological optimists such as Donham or Shanks (*Stagnant Society* 1961), who looked to the new executive cadre to move the socio-economy forward, versus those such as Whyte, Young and Bell who warned of its dehumanizing consequences continues today, newly flavored by environmental and ecological concerns. Like those who feared the advance of technology, such as Mumford and others, took up Weber's 'iron cage' concerns with the institutionalization of rationalism in social life (Mumford, 1967). It is the old ideological struggle of the planners against the humanists, of those who believe in perfectible systems against those who believe in imperfect people and their imagination and creativity.

Business education is a small part of this wider social drama, a part that is of special interest to us engaged in the business. The argument thus far is that business education does not matter much in the sense that economies everywhere move ahead without it, and have clearly done so in the past. Hambrick struck this note loudly with his 1993 Academy of Management Presidential Address (Hambrick, 1994). At the same time all can see business education's rapid expansion as an integral and influential part of the evolution and institutionalization of a white-collar culture in which credentials matter and are increasingly mandatory for ambitious young people. They can enter this new milieu by many doors, many more than before WWII, through training and employment as well as their own entrepreneurship. But the BSchool door is looming ever larger, attracting more attention from students, employers, university trustees, government policy-makers and critics alike as a shorter less-chancy path into the inner sanctums of increasing privilege and income.

Much of the anxiety in the BSchool community is around whether our own increasing influence and visibility makes it urgent to change how we work - as if it mattered and had a material impact. These anxieties are not new, but seem exacerbated by the crisis. Perhaps it does not really change anything, merely elevating our anxieties into greater visibility. There may be other concerns. The problematic impact of business education on a generation of people such as McNamara, G. W. Bush, Skilling, Lorenzo and those others examined by Mintzberg threatens our business's understanding of itself (Mintzberg, 2004). In spite of the AACSB's many expressions of satisfaction with our industry's success, and in spite of Khurana's pointing to the AACSB itself as having signally failed to hold our industry to its founding vision, the debates about 'what is to be done' are raging.

A glance through the AACSB's own journal *BizEd* shows a mix of satisfaction and concern about what must be fixed if business education is to move forward. Many of the faculty's suggestions are self-serving, pushing their particular disciplinary positions as cure-alls. Accountants propose better accounting, marketing people more marketing, human relations specialists more attention to intrinsic rewards and so on. The discussion shows up both sides of the rationalism versus humanism debate, on the one hand those who press for more objectivity, research and evidence-based analysis, on the other for a richer more socially conscious or sensitive approach. The post-WWII history helped highlight this argument. Especially after the 1959 'Foundation Reports' (Gordon and Howell, 1959; Pierson and Others, 1959) the business school style and ethos became both increasingly 'rigorous' and 'scientific' and increasingly 'managerialist' or 'corporatist', directed towards organizational goals. Instead of a general education for leadership in the commercial world it became training in rational analysis and decision-making. The disciplinary shift to greater 'rigor' reshaped our industry under the deft leadership of Lee Bach, the founding Dean at Carnegie Tech and Donald David, the Dean at HBS (Bach, 1958; Khurana, 2007). Analyzing a century of business school development Khurana argued the schools were less part of a new institutionalizing socio-economy than of a narrower managerial and university 'project' to professionalize business, somewhat like law and accountancy. For this it had to have an overarching professional ethos, a humanist or moral commitment to social purpose and service that balances its capitalist profit-orientation. Khurana argued the socially oriented ethos that attended the birth of US business schools around 1908 - 1920 was diluted as BSchools focused on analytic tools and techniques, especially in the postwar years. They lost the last remnants of their moral compass in the 1980s as they accepted shareholder value as the ultimate measure of business activity.

The theme that business education is disabled because it has lost something essential stands against the argument that it has yet to absorb or take up some new way of thinking or analyzing. Selling what is new and promising, we, and our colleagues, push any number of nostrums; agent-based modeling, self-organizing systems, organizational economics, servant leadership, knowledge management, and so on. Each has its own literature and micro-institutional structure of blogs, professional meetings, technical language, journals and so on, proliferating the specialization of our field. As we proclaim the world has changed and this or that new theory is crucial if our students are to 'remain relevant' and grapple with it effectively, we demand our own share of curriculum space, preferably in its core (Fincham and Clark, 2009).

The notion of loss seems equally powerful, especially as we see senior executives testing the limits of the law, and occasionally stepping beyond it, as they use their power and relationships to reward themselves and each other handsomely and probably disproportionately from their firms' flow of funds. There is a resulting call for more ethics in the curriculum, an omission already noted in Donham's writings during the Depression (Donham, 1929; 1931) and again in Bok's notorious commentary on the state of HBS in 1978 (Bok, 1978), to balance or anticipatorily socialize the 'greed' which Schleef noted many of her MBA student sample confessed to (Dolan and Raich, 2009). We might note little more than a modest call for a 'greener' more ecologically conscious approach, in spite of the vigorous public and corporate discourse about carbon trading and global warming and fact that students everywhere see this as the dominating issue of our time.

While Khurana pointed to the BSchool's loss of ethos and moral dimension, Hopper & Hopper argued that the important loss has been of the pre-1959 era's generalist approach (Hopper and Hopper, 2009). Business schools became 'temples of the cult of the expert', of the young consultant who speaks theory to the experience of the seasoned executive. Hopper & Hopper argued this began with Taylor's Scientific Management and his parsing of the work of the supervisor into differentiated staff activities. The result is the balkanization of business education and its processes and faculty members end up with little understanding of each other’s work. Given the lack of general management research journals, 'general management' disappeared from the syllabus. As a result the students had fewer opportunities to acquire skill with the seasoned and balanced discourse that is key to, say, the military or political staff colleges, or that articulated into the Balanced Scorecard (Kaplan and Norton, 1996). Curiously this tool is generally dismissed by faculty on the grounds of its lack of rigor in spite of its being widely adopted by executives. Clearly today's students confront a tricky integration task as they listen to innumerable specialists who lack managerial experience or interest in communicating across the BSchool’s silos. Many schools show anxiety about this and address it by offering latter-day versions of Harvard's 1909 summer internships or the 'college-practice-college sandwich' has been a persistent feature of European business education in for more than a century.

Change What?

Given business degree certification matters for accessing to the white-collar life, it seems reasonable to suppose its content matters. But we are unsure where the crucial content lies, as opposed to the parental influence, the pre-degree and GMAT preparation, the BSchool selection process, the GMAT scores of the student cohort, the extra-curricular activities which seem necessary for entry, the intra-section socialization, the curriculum's balance of rigor and relevance, the balance of individual versus group work, the BSchool's reputation management and recruitment services, and so on. The proposition that curriculum content is important cannot be proven and must be taken on faith by those who think their work worthy of respect. The curriculum is where we have power, so we tinker, perhaps obsessively, with its structure and process. As we do this many unaware of our history assume they are breaking new ground. Closer inspection may show us moving in circles as we respond to the social and economic issues of the day. The birth and proliferation of the 'human relations' discipline is one example, followed by the introduction of MIS courses as computers became popular. Looking at curriculum changes over the decades and seeing how little they affect a BSchool's rankings, and at the apparent absence of any 'dominant logic' to our business (Segev, et al., 1999), we have to wonder whether we are making improvements or merely scratching the itch of our anxiety.

No question we lack a core logic to the curriculum, a lack that goes back to the beginning of the US model as faculty pondered what the MBA degree should contain (Copeland, 1958). History's subtle message may be that we are asking the wrong questions if we propose new curriculum as the answer (Mintzberg, 2004). So rather than engage in the endless 'rigor versus relevance' debate (Fincham and Clark, 2009; Starkey, et al., 2009) or the challenge of relating theory to practice (Hodgkinson and Rousseau, 2009), or in wondering whether what our research produces is indeed theory rather than tenure, there may be room for a different thesis, one that bears on education generally rather than on business education in particular. Among contemporary education's many critics are those like Postman who point to its philosophical underpinnings (Postman, 1996). He argued education has failed in that our ever more educated society has lost its central overarching narrative, that which binds a nation together. Khurana's story is of losing the narrative of public service. Hopper & Hopper's arguments were along the same lines - the loss of the integrating notion of general management (later the strategic management capstone course now displaced by increasing disciplinary specialization).

The resulting distancing of the theoretical integrity of the disciplines from the under-considered core values has left management students and others without an understanding of business leadership's central problems - which have little to do with the Carnegie School's decision-making tradition (Gavetti, et al., 2007). The argument is less about the loss of ethics, as one dimension of capitalism's varied core values (McCloskey, 2006), than a systemic overlooking of the valuational burdens of managerial practice attendant on exercising power over others. The task of probing and choosing context-related values has all but disappeared as the students were encouraged to step back from subjective engagement with the qualitative problems of life to fetishize objective analysis, to prefer technology and evidence-based observation over the complexities of human action.

The more general argument is that education differs from training. Training is essentially vocational, the process of acquiring competence with tools and technologies, be they as modest as a paintbrush or as complex as SAP's ERP system or statistical analysis. In contrast to the practical engagement of training, education is a distinctive mode of being, a state of stepping back from immersion in the everyday to seek a more nuanced view - perhaps to explore the differences between language and practice or between explicit and tacit knowing. For centuries universities taught based on the Sophist principle of *in utramque partem*, the student's experience of discovering and arguing both sides of a question - for, given the uncertainties of the human condition, all social questions have many sides and language is the tool. Thus law schools teach students to argue prosecution and defense, debating societies survive in high schools, public administration schools teach democratic society is pluralistic and that politics is the 'art of the possible' rather than the totalizing theory of the optimum (Luhmann, 1995). So what went wrong in BSchools? How did positivist theorizing come to dominate their discourse? Hopper & Hopper argued credentialism and quasi-scientific expertise emasculated a generation of post-WWII national and corporate leaders. Khurana argued corporate interests conspired with the AACSB's failure and let faculty adopt first, the role of objective experts ready to obey the Board's orders and, later, shareholder wealth maximization over social service.

Rather than blame individuals or even particular interest groups or classes, it might be more useful to go back to the philosophical issues that Postman, like Dewey and other educational theorists before him, touched on. The most basic of questions is whether the social sciences differ from the natural sciences. This goes back to the Greeks, like much else, but was tellingly re-formulated by Vico in the 1740s in ways that greatly influenced subsequent

European thought (Vico, 2000). He argued humans know in two different ways; (a) as observers or (b) as actors. As observers of the natural world, we can only knows its phenomena, for to know its essence or cause would be to enter God's mind. On the other hand we know the social world, such as law, economics, business and language, quite differently because it is our creation, the result of our choices, actions, agreements and disagreements. While we see the natural world as one-dimensional, rationally comprehensible, anchored by reality, and open to the kind of hypothesizing suggested by Popper (Popper, 1969), the social world is multidimensional, a pluralistic world of boundedly rational human beings interacting with different views, ambitions, sentiments, resources and so on (Marcuse, 1991). Action in the social world is therefore either about naked power or about discourse as the means to persuade others (Etzioni, 1961). Action in the natural world, in contrast, is about energy, and its application based on theory and empirical validation as the approach to Truth.

If we see the natural and social sciences as dissimilar, we assert the social world lacks the determining reality of the natural world and since persuasion it the principal means of the social world's construction, the closest we can come to its 'truths' are the arguments that moved people to action. A firm, in this framing, is a complex of persuasive discourses acting on insiders and outsiders alike. Analyzing it means unpicking the discourse's various themes as they manifest the different actors' interests and motivations and since no one individual can ever get to the bottom of this process there can be 'no right answer' to why or how a business does this or that. Many argue the same is true of our academic activity as social theorists; there is no reality to throw our hypotheses against, we are simply talking to each other trying to persuade others to our views. This frames our activity as primarily rhetorical and denies the quasi-scientific positivistic framing so evident in our journals (Gross, 1990; McCloskey, 1998). It also means that it is important for leaders and managers to understand how to analyze such discourse that they might better advance their interests.

What is the essence of post-graduate education for the socio-economic world? Schools of public administration or law see themselves in an institutionalized but pluralistic society in which discourse within a carefully defined professional milieu is the primary instrument of action. Schools of business, in contrast, have come to see themselves as training students to use analytic tools to support, as far as is possible, rational decision-making, especially so after the 1970s as they focused on financial services and consulting. Natural science methodology rules in the BSchools because institutionalizing a rigorous positivistic view was the main agenda of the 1959 Foundation reports. But these methods were epiphenomena of the post-WWII shift rather than its cause. At the same time the positivistic framing of social, individual, and organizational behavior as a form of natural science has had some success; major parts of sociology and psychology operate this way and train students accordingly. Insofar as business schools train students to be analysts and modelers, supporting the line managers who deal with the uncertainties, positivism seems appropriate. But if they aspire to train strategy-making executives positivism leads to grave errors of omission on at least two fronts. Great strategists, von Clausewitz argued, are those able to hold two contrary views of the situation in their mind (von Ghyczy, et al., 2001). This is ability to ‘think out of the box’ and construct a new world through persuasive discourse synthesizes relevance with rigor in ambiguous situations.

The root question is whether BSchools are places of training or of education. If the first, where are the tools? Most of those used by managers were developed outside the BSchools and we still lack the body of scientific knowledge against which to test their 'rigor'. What corresponds to the knowledge underpinning the natural sciences? In its absence we remain unclear what to teach. This lack was behind Pfeffer's appeal to police our theorizing and begin the process of accumulating scientific knowledge (Pfeffer, 1993). In spite of economic theory’s many achievements illuminating macro-economic phenomena (under some cloud at the moment as a result of the crisis, but still the basis of various nations' attempts to control the situation) we still lack a viable theory of the firm (Demsetz, 1991). Yet this is the BSchool's specific focus as a school for private sector executives who spend little time considering the public sector, a matter on which Bok also commented (Bok, 1978). A hundred years of BSchool research has still not given us the scientific theories that should determine management's decision-making - we have found illumination, without question, but nothing that corresponds to deterministic laws. Indeed, we remain unclear even about the axioms for such theories (Simon, 1979; 1997). The most widely accepted are Rational Man and Perfect Markets - and even as we ignore Simon's famous critique we are quick to agree that their 'unrealism' makes it difficult to account for what we observe - hence recent excitement about behavioral economics, neurological research into human decision-making or the assertions that art or theater can give us important insights.

But second, and even more important, even if we found the theoretical platform to support the positivist approach we would miss giving our students experience of *in utramque partem*, of how to negotiate with others like themselves and lead in a rhetorically constructed pluralist context. This is a crucial omission for those whose work is always rhetorical and through other human beings rather through inanimate tools. Here business differs from the military or religious orders whose individuals display homogeneity utterly different from the diversity and pluralism we meet in today's business organizations. Today we have an astounding division of labor supported by a huge variety of specialisms. It follows a crucial aspect of management is their coordination, which must be done across specialized experiences, languages and ways of thinking (Kieser and Leiner, 2009). Language rather than control becomes key (Grant, et al., 2004).

We can wonder whether this ancient rhetorical view of education for the social world is a feature like ethics or general management that BSchools lost along the way or whether it was ever present. The history of the Harvard case method shows it was derived from two different sources (a) founding HBS Dean Gay's training with the seminar method under Schmoller in Berlin (Heaton, 1968) and (b) Langdell's earlier adoption of the case method at the Harvard Law School. Both provided contexts in which students were expected to argue the pros and cons the case while recognizing there were ‘no right answers' (Christensen, 1987; Donham, 1922; McNair and Hersum, 1954). But both have a heavy historical hand on their shoulder, being framed in terms of alternative 'lenses' for analyzing an empirically grounded situation whose facts are not in dispute, merely incomplete. In this sense both were creatures of a view in which all educated right-thinking people should have several similar views available, a reflection of times that seem simpler than today's. Now we are post-modern and, on top of multiple lenses, have differences of interest that make all evidence problematic. Today no single framing suffices, for we have multiple sources of heterogeneity - culture, gender, class, ethnicity, professional discipline, and generational differences - some of which are irrevocably silenced in any stated view. Our world has no single narrative to hold it together and here writers like Postman or Putnam (Putnam, 1995) were simply being nostalgic. There is no central scientifically-grounded narrative to lose. Social order, national or organizational is a temporary rhetorical coalition of incompatible and divergent discourses, in which case democratic discourse is the last best hope of avoiding force. If BSchools are to offer education rather than training they must help students engage in the rhetorical processes of democratic coalition building along the lines explored by March, Simon, Olson, and others (March and Simon, 1958; Olson, 1971).

The debates from 1908 onwards about the case method - by no means universally adopted in business education nor even used the same way by those that have adopted it - show it has always been seen as an option. BSchools are without *in utramque partem* as a pedagogical principle because they adopted a positivist totalizing approach instead. The history here is singularly American for the BSchools' foundation came at a time when US universities were struggling to transform themselves from religious institutions into more open places of practical relevance (Marsden, 1994; Marsden and Longfield, 1992). The late 19th century passion for science drove out the humanist rhetorical approach, just as the post-WWII Foundation Reports drove out the seasoned executives' 'war stories'. The transcendental metaphor that held US universities together at the start of the 20th century switched from service to God to (a) service to society, often local, and (b) science. Hence the unique trilogy of responsibilities in US universities, adding American local and public service to the scholarship of the German research university and the teaching tradition of Oxbridge. The clash between the scientific new and the religious old continues today in the debates about teaching evolution. It was also visible in the clashes between universities like Harvard, Chicago and MIT, which embraced science as the core method for research, versus Princeton, still without a business school, which stuck to a humanist approach to knowledge. Unlike the law or political schools, institutionalized before the rise of the scientific method, or the medicine and engineering schools, which stand on a body of natural science and empirical evidence, American business education has been stuck like Buridan's Ass, dithering between two stacks of hay, so content with its growth that it has not yet had to choose whether it stands on science or social discourse, between training and education. Perhaps the present crisis will force this choice, perhaps not.

Once Again - What's the Impact of the Crisis?

This paper argues that to analyze the impact of the current crisis on our industry we need a model of the business school and its relationships to its various stakeholders - students, parents, employers, universities, society, etc. The fact is that our industry is curiously under-researched and under-theorized and we have no accepted models. Many operate assuming BSchools are useful with their fortunes tied to the economy, rising and falling along with it, a cyclic model. We also consider a counter-cyclic model, arguing enrollments will rise at elite schools as those who can afford it 'hide out' until the economy recovers. The implication is that the lower-status schools will suffer. Both models presume a value-proposition between the personal costs of business education and the personal rewards it generates that reflects some as -yet unidentified value to employers. It also assumes business education is securely institutionalized and under no strategic threat from competition or implosion through losing confidence in its value. While our business survives and prospers there seems little reason for hiring firms to hesitate to take advantage of how it selects bright and ambitious young people. The salaries and signing bonuses they end up paying are small beer compared with the costs of doing their own selecting - and they may get lucky and hire someone who transforms the company.

There is surprisingly little research on how these models work, they are simply taken for granted by those in the business education business, allowing Deans, administrators and the AACSB's executives to make all kinds of claims about the BSchools' economic and cultural impact. But whether we understand the mechanisms or not, and even though BSchools are educating only a minority of managers, it seems incontrovertible they are rising in influence as certification becomes mandatory for those aspiring to enter our socio-economy. From this point of view the present crisis can only be a hesitation in the BSchools' upward march.

Does the curriculum's context or balance of relevance versus rigor matter? Against the view that the curriculum content is more or less irrelevant, we see a vigorous debate between those who argue BSchools have lost something essential, such as an ethos or a sense of inter-disciplinary balance, versus those who argue BSchools need to take up something new at the disciplinary level. Hawking their own wares, generally without any historical or empirical support, many faculty members insist the crisis makes curriculum or structural changes ever-more urgent if BSchools are to 'remain relevant'.

A third possibility is that the American model of business education set off on the wrong foot for reasons grounded in US universities' strategies towards the end of the 19th century. Khurana, one of the few to research why US BSchools do what they do, argued they were created as part of a professionalization project, underpinned by an ethos of service to the nation. A contrary thesis is that the universities who established the early schools were merely opportunistic. On the one hand greedy to acquire the profit-making business that was being done by a nation-wide system of vocational or secretarial schools, and on the other anxious to transform themselves into quasi-scientific institutions that would serve the community in practical ways. *Inter alia* this would put them in a stronger position to negotiate the land on which to expand and for the kinds of endowment that, for example, determined the growth of HBS from 1908 onwards, most vividly in the $5 million Baker endowment in 1924 that helped make their new campus possible (Cruikshank, 1987:111).

But the tripartite vision of scholarship, teaching and service did not answer the BSchools' basic pedagogical or curriculum questions. These have yet to be answered. One way of getting unstuck from the rigor versus relevance debate is to consider the differences between the natural and social sciences. Management is then either the application of the scientific laws which rigorous research produces, the vision of social engineering so fashionable at the turn of the 19th century, or management is a talking game, the ancient rhetorical practice of persuading others to work towards the leaders' goals. If the latter it may be useful to look once again at the classical training in discovering and arguing both sides of the question.

Paradoxically the present crisis is not like the Black Death or the Thirty Years War, nor is it like the climate changes which wiped out the Native Indian civilizations of the high plateaus. Our crisis was of rhetoric, the result of persuasion and its impact on human behavior, in its extreme Madoff's Ponzi scheme but more generally a global discourse about limitless progress, wealth, debt and consumption. Looking back it seems we lacked the leaders who could penetrate the new worldview and persuade us of the condition of 'irrational exuberance' and its risks. But where were they to be found or trained? BSchools everywhere bought into the new way of thinking, not so much adopting a wrong ethic as failing to appreciate themselves as places of education wherein students stepped back to analyze others' boostering rhetoric for what it was. Our crisis has little to do with greed, which is with us always, or with failing to use analytic tools or better regulation, though both might have helped. The failure was human and was simply us doing what we do, no matter how we view executive salaries, irresponsible house-buying or short selling. So perhaps the present crisis will force us to reflect once more on ourselves, and within the business schools prick our satisfaction with the success of our business and prod us into pondering its failings as a leadership education for our times.

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