

## **The Past as Future: Something Lost on the Way to the Present**

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Many women of my generation say Betty Friedan changed their lives. I knew Betty - and some of those she changed. Mentioning her lets me explain that Richard Whitley changed my life when he showed me the way of critical scholarship. I did not expect to have this opportunity to thank him. But here we are. So thank you, Richard, for changing my life.

I shall talk about Professor Whitley's work indirectly, through the prism of its impact on my life. In the US, professors are evaluated in terms of their community service, their research and scholarly contributions, and their teaching. Richard's long history of service to the MBS community was discussed yesterday. Likewise several speakers, including Hari Tsoukas, have talked about Richard's academic contributions, and more will follow. Actually I am not qualified to talk about Richard's work since I do not know it well. So I shall talk about Richard's teaching, not with revealing anecdotes, such as his tendency to prod students about their sloppy use of language, but rather about his teaching changed those who came into contact with him.

I will talk about myself as something Richard had a hand in creating, and illustrate this by showing how I have deployed what he gave me, his gift of critical scholarship, which is really the theme of my talk. I apologize for the autobiographical nature of some of my comments, given this event is about him not me, but I have to show how events, contingencies and specifics came to matter. Second, I remind you that my story is the one I tell, and that Richard's impact on me may not be what he wished for, so he bears no blame for what I shall say.

I arrived at MBS in Fall 1971, a long-shot admission. I was a manager and had never done anything remotely like academic research. Those admitting me may have been intrigued I came from the City, from the very firm Ted Heath called the 'ugly face of capitalism' - Slater-Walker - if you recall that

previous era of disastrous 'messianic banking'. Actually I knew little about capitalism or much else of what BSchools did. I needed a break and remain grateful that MBS helped it happen.

Being in a PhD class with Gibson, Bruce, Harry, David and the others was awesome. Richard's role was to bang some research methodology into us - of which much more in a moment. It was tough getting up to speed and finding direction, though Derek Channon helped by failing me on his strategy course. Strategy gradually became my topic after a detour through industrial location theory. My project reflected Richard's, and David Weir's, interest in a critical Schutzian approach to strategic practice.

After 8 years I only dimly grasped what this was about, so my thesis was a half-baked institutional theory of the firm framed as a critique of strategy theory and entrepreneurship. But it won the 1980 AT Kearney Prize, the US Academy of Management's PhD prize - a first for Richard, and for MBS. Indeed, I may be the only UK business school student to have won this prize - a research excellence metric for AIM to consider, perhaps.

*Industry Recipes* lives on, more cited than read, though I was pleased that Richard, who was forced to read my huge tome in two days after stepping in as my internal examiner, went on to develop papers on 'business recipes'.

From Richard we learned Popper and Lakatos thought criticism the spur to the growth of knowledge - that without criticism something quite different went on. The contrast between researches that extend what we know, and critiques that open up our thinking to Kuhnian change, suggests there are two cultures in business schools too. The first is value-directed, about delivering the fruits of a century of research to the BS and MBA student body.

This may not be going as well as we think. In 1993 Don Hambrick, as President of our Academy, courageously asked 'What if the Academy really mattered?' BSchool history is punctuated by periods of methodological doubt, so learning how they have changed over their long history gives us insight

into why we do what we do, as Khurana's book<sup>1</sup> shows. Unfortunately we seem not much interested in our history and there may be less change than we imagine. As Lars, a major figure in this field, knows better than I, the estate management syllabus at Oxford in the 14<sup>th</sup> century is as recognizable today as the 18<sup>th</sup> century public administration syllabus at the University of Halle. No computer courses, of course, but have there been important changes in management?

There's a lot at stake. Today's economic upheaval, coupled with the global expansion of 'biz-ed' over the past decades, has made BSchools important to universities, their budgets, and to nations. One in five US college students is studying business – a tidbit that chills me and maybe you too. There are serious issues here. Mintzberg, Ghoshal, Pfeffer and so on, have suggested we may be dis-educating students because our teaching stands on an inappropriate model of the human being. Rational Man is the villain of this piece rather than a hero of the scientific revolution. The anti-rational man commentary has achieved wide circulation; but if Rational Man is to be abandoned, what then?

Which gets us back to scholarly criticism - as Richard intended us understand it. It is one thing to disagree, as I disagreed with Derek Channon about what strategy was, and another to become a critical scholar, what Richard hoped for on his sunnier days. Having our noses pushed into Popper, Lakatos, and much else besides gave us a tacit feel for knowledge production in the social sciences. An apprenticeship of hard labor, not tricks – it was about becoming a scholar, not a journalist, talking head, or even an opinionated faculty member - certainly not a statistical technician.

Nor was it about being right. Uncritical realism lulled many of us into naively believing we could compare ideas against reality. Richard showed us this was an error of method, not of fact. As the Duhem-Quine thesis reminds us, we know only ideas, not facts, and these ideas compete for attention and

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<sup>1</sup> Khurana, R. (2007). *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession*. Princeton NJ: Princeton University Press.

legitimation. Human knowing hangs between ideas, forcing us to personal judgments about their relevance to the human condition and our experiences. An uncritical appeal to empirical evidence, like an appeal to a holy book, is just another running away from the scholar's true practice of choosing and debating.

I won't fight here with Richard - Whittington that is - about what strategy is, but we can make use of the distinction between strategy and tactics. Neither makes any sense to Rational Man, of course; for him the optimal path is always in full view. We less-capable humans struggle to distinguish a bad plan from a good plan poorly executed – especially because doing the same thing over and over when it isn't working is a handy definition of stupidity. In this situation critique is the method that gets us behind the evidence and able to separate the strategic plan from the tactic that was its methodology.

By definition, business situations are those in which ideas compete and strategy matters; so BSchools cannot be 'single-idea' places. They always need two agendas, (a) scholars critically opening the way to new strategies, and (b) teachers educating students into tested tactics for implementing accepted strategies. I see great attention to the second but less to the first. Our discipline has become extremely risk-averse. OK, we have RAE-type metrics of rising research volume, and maybe of rising quality also. But is it not just more of the same? Has it advanced our strategies or those of managers? If things are on the up-and-up in management education, as the AACSB insists, what is the attack on Rational Man about?

I need to restrain my tone here and be respectful towards those as interested as I am in the future of our discipline. Plus I don't want to tar MBS with my New York pitch, given the PhD program's super rating. But, to be frank, I don't see many BSchools around the world doing or teaching Richard-style critical scholarship. Dismissals, yes, as sociologists or psychologists dismiss rational man-based theorizing, or micro-economists dismiss the need to manage market failures. But where is the opening up of alternatives

Richard taught as the proper function of critique? Pfeffer, Ghoshal and others complained without offering new possibilities.

There are scholars like Gibson, Hari Tsoukas, the post-modernists, critical realists, etc. - and Richard himself - whose critiques have successfully opened up new thinking in management. But they are a minority rather than the majority of those publishing in our A-journals, who seem to have lost the link between criticism and growth I mentioned earlier. As a long-time reviewer I seldom find authors eager to get deep enough into the argument to create the possibility of Kuhnian change. Dean & Kretschmer's 2007 piece on human capital or Priem & Butler's 2001 piece on the RBV<sup>2</sup> are examples of the kind of critique I hope for. In contrast, my twenty plus years of association with *SMJ* saw it turn away from critical theorizing towards idea-confirming empiricism.

Richard taught us about critique, to find the jugular and go for it. That was the scholar's way to the future.

While the mainstream has more or less ignored the doubts Hambrick surfaced, they may be less to do with the topics researchers select than with their methods, whether research students are taught to replicate what we already teach - or to critique and seek its replacement. An analogy is publishing. What is the viable business model when management funds only John Grisham-style blockbusters and no strangeness for the backlist - *Catcher in the Rye*, *Finnegan's Wake* or even *Tuesdays with Morrie* - stuff that keeps selling long after the book-club crowd has moved on?

Come to that, what actually sells in our industry and why? Google Scholar is a useful research quality metric. Oliver Williamson's *Markets and Hierarchies* has around 15,000 hits, while Coase's 1937 paper scores 16,000. Porter's *Competitive Strategy* stands at 20,000 while Herb Simon's *Administrative Behavior* around 10,000.

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<sup>2</sup> Dean, A., & Kretschmer, M. (2007). Can Ideas be Capital? Factors of Production in the Postindustrial Economy: A Review and Critique. *Academy of Management Review*, 32(2), 573-594.

Priem, R. L., & Butler, J. E. (2001). Is the Resource-Based 'View' a Useful Perspective for Strategic Management Research? [Article]. *Academy of Management Review*, 26(1), 22.

Had I time, I would argue these were successful because they critiqued prevailing views. But look closely and you see that Porter's work was not, as argued in his 1981 *AMR* paper, a critique of those blue Learned, Christensen, Andrews and Guth casebooks from Richard Irwin. It was actually countering the rational choice and equilibrium theorizing already coming into strategy in the 1970s. Porter positioned rent-management against Chandler's efficiency seeking. Earlier, Simon's 1946 critique of the 'proverbs of administration', the seed of our field's only Nobel, what became Chapter 2 of *Administrative Behavior*, likewise countered rational-man.

OK, nothing new here. But if academic reputation is about critique, what about Jensen & Meckling's 1976 paper with its 21,000 hits or Barney's 1991 RBV paper with its 18,000 hits? While the numbers are wobbly, a power-law is implied and, given the Barney paper's recency, its influence must soon exceed that of any mentioned. This amazing empirical fact gives us one articulation of our predicament. Is the RBV the epitome of what thousands of research man-hours is to produce? What precisely did it critique?

I have no idea if Richard had his students hone their critical skills on any of these works, but given their standing they would be a good place to start. This is not a triflingly matter. This session is about the Nature of Management and Management Studies and obviously it would be good if our teaching stood on a viable theory of the managed firm. But far beyond our ivory tower, in the real world of politics and public policy, how can we discuss, say, what went on in the City or Wall St without a tenable theory of the managed or mis-managed firm?

Merely asking "Where were the BSchools?" as some do and as Donham did last time around in 1929<sup>3</sup>, may miss the point. Our failing was not our ethics teaching or our students' moral turpitude (you know they cheat more than others?); it was our claim to be scholars of managing - but without a theory of what managers do. Shades of the Emperor's clothes.

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<sup>3</sup> Donham, W. B. (1929). Business Ethics - A General Survey. *Harvard Business Review*, 7(4), 385-394.

The works mentioned propose theories of managing, of course, but where have they been picked apart and critiqued, as opposed to merely slandered?

Jensen & Meckling's paper, like Becker's on human capital, was a move in microeconomics' 'colonizing' attempt to seize the problematics of sociology, politics and much else besides. Such imperialism is important for historians of economics, but also for us, for it was part of rational-choice theory's attack on the BSchool curriculum - via the 1959 Foundation Reports and their dismissal of 'old guys telling stories'. Richard has written much about this, for instance, in his work on the transformation of business finance into economics.

But why did this imperialism succeed? If you read the Jensen & Meckling paper critically, you see a fallacy; a contradiction that reveals their argument is deeply incoherent. To wit: If the perfect markets necessary for their single-period solution actually existed, there would be no agents; every economic actor would be a principal. There would be no principal-agent relationship to theorize.

Given their paper does not work as an argument, we realize its appeal lay in delegitimizing the historians' multi-period methodology - without comment or acknowledgement that historians had been studying principal-agent relationships since before the Bible. Not only was Jensen & Meckling's model not testable, it was ironically dismissive of Adam Smith's sage comments on managing agents. In short, once you focus on Jensen & Meckling's argument, it becomes transparently ideological rather than scientific in any sense of the word. OK, we should not be surprised.

Things get even odder with the RBV. In 1975 I left MBS for the Cass School and in 1981, through the AT Kearney Prize mentioned earlier, moved to UCLA. There, Jay Barney, Kathleen Conner, Dick Rumelt and I sought weaknesses in Porter's arguments. In 1982 I did papers on 'culture as a strategic resource' and 'a property-rights approach to strategic analysis' - so I had a horse in the RBV race.

Recently Jeroen Kraaijenbrink, Aard Groen and I got to thinking about how to engage the RBV, given it ignored Penrose's seminal distinction between resources and services, and offered no theory of the firm. Our critique - along the lines Richard might have suggested - was published in January last year<sup>4</sup>. Like the Jensen & Meckling work, once you accept the RBV's vacuity, its popularity - with its 18,000 and counting citations - becomes the thing to be explained. Pivotal, of course, was its philosophical attachment to rational man, what also lay behind the popularity of Jensen & Meckling's paper.

Why do we think this scholarship? What happened to the business school's double teaching-advancement agenda? Why is our ever-expanding army of researchers doing what it is doing, avoiding the critical mode? Khurana noted our goal posts moved, first from 19<sup>th</sup> century management as a social duty (his higher aims) to 'managerial capitalism', the pursuit of efficiency rather than duty, and thence to 'investor capitalism' (his hired hands) that prioritized shareholder returns over efficiency or even firm survival. He lambasted the AACSB for professional neglect, and fingered Rochester's principal-agent theorizing, with a supporting chorus in Chicago, for providing the language crucial for the switch. But he did not explain where it all came from.

Then there is Herbert Simon and his critique of rational man. Once you get past the paeans to 'renaissance-man' breadth, you see his career was a fighting retreat from the invading rational man theorizing that crested in von Neumann's game theory and Lucas's Nobel-winning critique. Simon was pointedly critical of game theory and Friedman's work in his 1978 Nobel speech. And he had reason.

His 1949 Merriam-based multi-method approach to administrative theorizing had been trashed by 1956 when Deans Bach and David conspired to push rational man methods into the BSchools with Ford and Carnegie Foundation funds. The duo did not invent this strategy; it had been shaped at RAND and the Cowles Commission, specifically to confront the Soviet

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<sup>4</sup> Kraaijenbrink, J., Spender, J.-C., & Groen, A. (2010). The Resource-Based View: A Review and Assessment of Its Critiques. *Journal of Management*, 36(1), 349-372.

'menace'. Scientific rigor would defend civilization from fascist and Marxist dogma. As the physical sciences had been harnessed to warfare - radar, encryption, and atom bombs - so the social sciences would be harnessed to the ideological struggle as RAND turned from weapons systems to mind-control.

Today it is difficult to comprehend what gave us the arms race, McCarthy and McNamara. RAND-associated scholars like Hayek, Arrow, Hitch, and Buchanan crafted a theory of individualism, liberty and competition that overwhelmed and de-legitimated every alternative. Sonja Amadae's research shows us today's BSchool curriculum is, in large part, an atrophied echo of this struggle<sup>5</sup>. We seem blissfully ignorant of this and its effect. More tragic, as Lars knows, was that many European business schools were paid to adopt the US ideology as part of the Marshall Plan, even as it seldom informed European academic attitudes to administrative science or to the Soviets. So it is doubly disturbing to see European Deans now requiring their students and faculty to publish in our A-journals, forcing them into the American church and its uncritical aesthetic.

After a half-century of the agenda RAND chose for us, management education has little to show for it - as, for instance, OR changed the world's production systems or DARPA changed communications.

Crucially, we have failed to address our discipline's central question - the nature of the managed firm. Coase showed us the question. Simon rephrased it. Mainstream organization theorists mostly ignored it and the critical initiative passed to the invading micro-economists. Now we have theories of the firm from Williamson, Alchian & Demsetz or Grossman & Hart - each grounded on a different empirically framed departure from rational man theorizing but all retaining rational choosing. Yet the indications are that rational man theorizing and a viable theory of the managed firm are mutually exclusive, as Knight argued in 1921.

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<sup>5</sup> Amadae, S. M. (2003). *Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism*. Chicago IL: University of Chicago Press.

Back to the relationship between strategy and tactics; of course they are intimately related and co-defining. Among the moderns, Von Clausewitz showed it is the experience of tactics that produces the practical language needed to frame strategic problems. There is no abstract formal language. Strategy is a creature of reflection on practice and experience, not deduction from principles. It is about dealing with what one does not know about the situation. Analogously, the research methods we choose frame, anticipate and delimit what we can find, not reality's principles or essences. Our methods are the idea-forming handmaidens of practice. Absent facts, they are all we have in our academic toolkit.

So my point is not to dismiss rational man theorizing and its methods. They have been very fruitful and dismissal is not critique. Rather I urge the recovery of scholarly critique as our meta-practice, the scholar's special way to explore each method's limits and value – to be contrasted with abstract speculation or suck-it-and-see empiricism in a costly and uncertain world. This kin of critique got lost on the way to our present. Yet our discipline's vitality depends on critiquing method itself, enabling us to step from one to another making more knowledge from our practice, for no method can be comprehensive without becoming dogma. The bottom line is that Rational Man badly needs a practical companion to save him from his sterile destiny.

Simon's intuitions about this salvaging might work were sound, though he eventually hunkered down in the psych lab looking for chunks of chess-players' heuristics. He gave up his initial project and never offered an alternative or companion to rational man. Absent that follow-up, his critical initiative dissolved and is now scarcely remembered.

Getting back to Porter, his 1991 *SMJ* paper explored the gap between the IO tradition's Commons-based methods and the rational choice approaches he saw denying the very meaning of strategy. His critique opened up 'frameworks' as a conceptual space for a complementary 'agentic or strategic man', a fulfilling companion to rational man, thereby also opening a route to a viable theory of the managed firm. He moved from his initial Wells-Prize

winning microeconomic agenda and into the world of managerial practice, and then, retreating even further from rational man's advances, into public policy.

In conclusion then, it is high time we confronted RAND's self-affirming rational man ideology and admitted we must be crazy, doing the RAND thing over and over again when it doesn't work. Santayana suggested sane people come to grips with their history, and in our case this means coming to grips with our discipline's Cold War legacy. Only then we can move towards the higher aims of corporate social responsibility or to a managerial ethics for a bounded planet.

Note that any answer to Hambrick's question must reflect Simon's famous 1991 thought-experiment that our society is of organizations not markets<sup>6</sup>. It means managing and organization matter enormously - maybe more than anything else we do - and certainly more than economics and markets. Recall De Tocqueville argued our ability to organize ourselves delimits our ability to shape the human condition - or Gaia's.

In short, management is way too important to be left in uncritical hands, whether the business schools' or the scholars'. Pushing management educational product, we stood by as scholarly critique got lost, de-legitimated, detached from academic reputation, and dismissed by our journals. Our future lies in recovering it.

To be clear, I do not presume Richard shares these views. They are simply some of what I have done with what he showed me of critical scholarship, a life that still excites me, gets me out of bed in the morning to put pen to paper - and for that, sir, I thank you once again.

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<sup>6</sup> Simon, H. A. (1991). Organizations and Markets. *The Journal of Economic Perspectives*, 5(2), 25-44.