The Business School Model: A Flawed Design?

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Abstract

The business school business has grown rapidly over recent decades and is now firmly embedded in the top tier recruitment process. But business schools are still unsure of why they teach what gets taught. The curriculum drives the business school’s design, and vice versa. Both are fairly standardized around the world but have little connection with management practice or firms’ design. Decades of anxiety about this rigor and relevance gap have generated little change. This paper suggests the curriculum’s fundamental weakness derives from its implicit theory of the firm, or rather the absence of a viable theory. In spite of most business school members being perfectly comfortable about what they presume a firm to be Ronald Coase’s famous questions about the ‘nature of the firm’, posed in 1937, have yet to be answered. Herbert Simon’s 1967 paper on the design of the business school is worthy of close reconsideration and shows today’s emphasis on analysis badly needs to be complemented by helping students synthesize the disparate materials they are being fed. The present paper urges that rhetoric be restored to the center of the curriculum and that case teaching be used to develop the students’ rhetorical and synthesizing skills.

Keywords

Managerial rhetoric, managerial judgment, synthesis, theory of the firm
The Current Model

Looking at business schools around the world we see a high level of agreement about the nature and content of business education. There is a ‘business school model’ - and it is global. Though there are differing emphases in content and pedagogical method, quantitative analyses dominating while other schools use case-teaching and some stressing social responsibility over the pursuit of shareholder wealth, these differences appear to be variations within a shared conceptual framework and discourse. The education is focused on the private sector. Business schools may be alike in many respects but clearly differ from schools of government, public administration, education, or politics. Business schools also presume the private firm is a relatively unproblematic analytic entity; Pandora, Peugeot, and posh restaurants exist, and are considered comparable rather than unique and incomparable. SMEs are members of a large population of comparable entities whether in Scotland, Spain, or New Zealand. The nature of the management task is likewise relatively unproblematic - data-informed direction and control to maximize performance towards strategic goals such as profit or market share. Again there are variations as some schools emphasize financial management, others the allocation of non-financial resources, others people-management, others international production and commerce. Some schools look to managing in more complex social and political situations but still presume sustainability and corporate social responsibility targets are comparable to financial targets, not of a different genus. In other words firms are firms and managing is managing - a generic activity - that can be taught without reference to the contexts in which students will eventually have to transform what they have learned into managerial practice. There are significant administrative and pedagogical benefits to this view. Students with various interests and orientations can be enrolled into the same courses. Faculty can be hired on the basis of their disciplinary background rather than on their knowledge of the various contexts of its application.

If we look at engineering and medical schools we see something rather different. High voltage transmission differs from robotics and rocket science, dealing with Alzheimer’s is not the same as arthroscopic surgery or infectious diseases; students who get beyond these schools’ introductory courses specialize, faculty are specialists with close involvement with specialized practice. While business schools claim to be professional schools their professional dimensions remain mysterious. However we can explore the design of business schools and their educational objectives by paying attention to two issues. First, the much discussed relationship between theory and
practice. Second, the less examined distinction between generalities and particularities. The first fuels an enormous literature of complaint about business schools and points to the contrast between the business schools’ quantitative and theoretical discourse and its evident lack of relevance to practicing managers. There are surprisingly few business school research achievements we can point to that match the many examples of university-based research with high impact in engineering or medical practice. Yet most business schools trumpet the importance of their (Bok, 1978) research, paying less attention to their non-research aspects such as managerial professionalization and socialization. The theory-practice gap remedies are repeated endlessly - find ways to bring business people and/or their interests into the school's research programs to counter-balance the strong academic incentives to focus on methodological performance and its publication. Remedies may mean bringing business people onto the school’s Board of Trustees, or onto the administrative team that manages the school’s research activities, whether that be fee-earning consultancy, long term strategic engagement with firms, student internships and business ‘placements’, with business-people in residence or as ‘clinical faculty’, or via thoughtful direction of doctoral programs towards the problems found in business practice rather than in the academic literature.

Several decades of discussion around these remedies has failed to produce much correction; indeed the opposite seems to have occurred. The distance between the problematics considered in the business schools’ discourse, teaching, and publications and the concerns of practicing managers seems greater than ever. But there have been important additions to the mainstream curriculum. Bok’s 1978 analysis of Harvard Business School precipitated remodeling the curriculum to include business ethics, now more or less mandated by the AACSB (Bok, 1978). But Bok’s comments about prioritizing quantitative methods and the lack of attention to the public sector has not led to any corresponding change. Corporate social responsibility and ecological sustainability have been added to many schools’ curriculums without doing anything to dilute their quantitative core. The post-2008 financial collapse students’ hunger for entrepreneurship courses has impelled those into many curriculums without shifting their overall quantitative orientation. The thrust of the mainstream business school model has remained the same; give students a good understanding of the theories developed in our field’s principal branches - accounting, finance, economics, marketing, organizational theory, organizational behavior, strategy, operations, management science, IT, and MIS.
Yet we are not clear about what students are to do with this learning, and this is where we seem at great variance from other professional schools, such as medicine or engineering. A professional school’s students are always faced with two modes of value-creation; one theoretical, the other practical. Medical students can become medical researchers, maybe probing the nature of viruses with the possibility of a Nobel, or they can become practitioners, local physicians, surgical specialists, or major hospital department heads. Likewise business school students can become researchers with publications and professorships in mind or they can become executives in SMEs or major corporations. In English language business schools doctoral students are normally in the first category, being trained to join the faculty and the business education profession. But what are MBAs being trained to do? Get jobs, of course, but then to do what? Alternatively we can wonder about the relationship between theory and practice. Is practice the implementation of theory? Does theory supply all the information and insight necessary to produce effective practice? The conventional MBA curriculum seems to suggest ‘yes’ - or shrug its shoulders with a ‘who knows?’

We might describe the link between theory and desired practice as a practical manager’s ‘theory of the firm’ or the practice of identifying and bringing appropriate data into a particular action context. Some call this the firm’s business model so we can wonder if there is a ‘theory of the business model’ - substituting for the economist’s more formal ‘theory of the firm’. Many engineering and medical schools help their non-research oriented students develop practical expertise by exposing them to the complexities of professional practice and confirming that theory alone cannot ever provide all the answers. Alternatively we can argue action is always in the particular and there is a conceptual and methodological gap between the particular and the general. For those with experience action’s complexity is revealed in their inability to apply theory to capture everything that seems to matter to effective practice. Rather than practice being the rigorous implementation of theory it always calls for something beyond what even the best theory provides. In short, there is an epistemological gap between what theory can provide and what managers bring into mindful professional practice. The gap arises from the difference between the generalities essential to the language of theorizing and the particular here-now indexicalities of practice. In a world of certainty, such as that presumed by equilibrium economics, this gap does not emerge. In such a world management - defined as the measurable allocation of knowable and unproblematic resources towards known goals - can be fully captured by theory. But, to the contrary, the world practicing managers inhabit is characterized by
pervasive uncertainty. Indeed, in the background are Frank Knight and Ronald Coase’s suggestions that without uncertainty there would be neither firms nor an economy (Bewley, 1998; Boudreaux & Holcombe, 1989; Knight, 1921). As uncertainty creates a situation that leads to both, it drives a gap between theory and practice, which cannot be ameliorated by placing business people among the faculty or Trustees. Business people can remind the school about the theory-practice gap but there is no reason they should be able to deal with it.

How does mindful professional practice differ from rigorous theorizing? In a famous 1967 paper Herbert Simon described business schools as ‘a problem in organization design’ (Simon, 1967). The paper is much cited though many miss its essence. Simon had been educated in the pre-WW2 University of Chicago political science tradition, marked by multi-disciplinarity and the consequent need to engage human powers of synthesis when it comes to social, political, and economic action in the real world. His Kantian distinction between analytic and synthetic propositions is seldom mentioned today. But Simon deployed it to emphasize what he felt was the basic challenge of designing and managing a business school. Left to their own devices the school’s academics will gravitate towards their own disciplines because that is where their scholarly and methodological investments have highest value and generate the highest return, especially when there are career shaping incentives to do so. Simon called this a move towards the ‘equilibrium condition’. He pointed to the academic value-adding process as very different from that which practicing business people had to develop skills with. Practice is towards the creation of economic value, not scholarly contribution - a quite different field. Consequently the school’s leaders - the Dean perhaps - had to push continually against the ‘entropy’ being created as the school’s academics drifted towards the equilibrium condition in which practice-based disorder (a measure of the gap between rigor and relevance) was increasing relentlessly. Simon surmised the flaw in the typical business school’s design is that it promotes academic entropy creating processes and lacks the effective constraints or correctives necessary to support practicing managers. Putting business people on a school’s Board does not enable the school to withstand the faculty’s natural disciplinary tendencies.

A business school’s model is flawed so long it fails to deal effectively with the consequences of trying to pursue two distinctly different kinds of value - on the one hand scholarly contribution, on the other training in economic value creation. Abandoning one or other is not within their charter. The tension comes with the territory chosen, with presuming there is or should be a relationship between academic theory
and business practice. The reputations of a university's other professional schools such as engineering, medicine, law, architecture, dentistry, education, and so on likewise turn on how they manage this tension within their own mediums. Given this tension between thinking and doing is always present, the history of professional schools waxes and wanes accordingly. In this respect business schools probably perform worse than most other professional schools in that there is such a poor balance between scholarly contribution and practical value creation. What is to be done?

**Framing Possibilities**

The seemingly out-of-place term ‘theory of the firm’ can be used to refer to the two different kinds of value creating evident in business schools. For some, especially micro economists, the term identifies a specific context of scholarly work and strategizing practice is not included. The context is well framed by Coase’s questions; why do firms exist, why are their boundaries where they are, why are their internal arrangements as they are, and why is their performance so varied? (Coase, 1991)

Micro economists have not yet answered these questions, raising questions about our understanding of the nature of managing as well as of the nature of the firm. Under conditions of certainty theory is always completely sufficient to the practice, which thus drops out of the analysis in the sense that practice is no more than the rigorous implementation of theory. But under uncertainty the epistemological gap points to weakness or a breakdown in the theory of the firm as a rigorous determinant of managers’ economic value-creating practice. For those interested in economic value-creation the theory of the firm points to the bridge between available theory and such practice. Within contexts of uncertainty an appropriate theory of the firm is analogous to theories of successful surgical or architectural practice. Knowing this, these professional schools try to give their students some understanding of how they must meld or synthesize the theories accepted by their profession with their personal cognitive and creative capabilities - especially their powers of observation. Medical and architectural faculty members are not likely to suggest that theory is sufficient to the students’ practice. That would be ‘unprofessional’. But business school faculty, especially those in the more powerful departments such as finance, seldom make this point.

For micro economists the theory of the firm fails because it fails to address Coase’s questions. For practicing managers the bridge between theory and practice fails in two
ways; first when it asserts generic answers to their challenges, when it ignores the particulars of their situation, and second when it fails to shape the firm’s activity towards its particular chosen ends. The current business school model pays little or no attention to the uncertainties defining the context of managerial work and so generally presumes generic answers. Other professions have few such aspirations - and focus their education on what practitioners do and the part played by the specifics uncertainties and resulting body of knowledge that defines their profession. Because business schools do little to identify the uncertainties managers actually deal with they cannot appeal to any similar body of knowledge or established professional practice. In the specialized areas of accounting and business law, of course, the uncertainties of valuation and rights are relatively well defined. Without a corresponding body of knowledge business cannot, as other profession do, police its practitioners’ entry into the profession or their activities. Business people have to be found guilty of a federal crime before they can be debarred from practice, as Martha Stewart cannot now become a corporate officer while many whose firms have been bankrupt or even charged with crimes, such as JP Morgan, remain perfectly free to do so.

To academics a theory of the firm suggests something rigorous, perhaps validated empirically - though it is important to note that natural sciences theories are often held in high academic regard even when compelling empirical support is lacking; string theory or evolutionary theory being current examples. Practitioners like architects or dentists make less grand claims that are more along the lines of heuristics revealed through considerable practice. A great deal of medical knowledge is of this form, so changes the heuristics that are included in their body of professional knowledge become events of considerable professional importance, such as those produced by Semmelweis’s research on the transmission of puerperal fever. Medical and engineering research invariably synthesizes theoretical ideas with training in heuristics and practical execution. A professional’s attitude to theory is an epistemological consequence of their dealing with specific real world uncertainties that thereby become central to the notion of professional practice. To be professional is to be able to bridge between theory and practice. Thus the second reason why business cannot and should not be regarded as a profession is because these uncertainties are seldom admitted, let alone defined, considered, and brought into the curriculum’s core. In these respects law is interesting for there is no overarching theory of the law or legal practice. Two traditions contest within law schools; natural law and legal realism.
The true professions’ schools approach the gap between theory and practice from experience as well as from theory. They synthesize empirical generalizations with the available theory without expecting that theory to be determining for it can never provide all the inputs the professional needs for mindful practice. Business educators can learn a great deal from these schools’ approach, as they can from art schools, for instance (Knight, 1923). Obviously art focuses on the creation of some type of uniqueness, such as in painting, dance, or theater. Some media presume repetition of what is unique, many performances of a specific play or piece of music, others do not presume this, such as painting or sculpture. The analogy is important because many see business as an art form, especially those following Knight’s intuition that without uncertainty there can be neither economic activity nor firms to manage. This also puts question marks around what can be learned by comparing firms. Another way of putting this is that if the essence of the manager’s task is building a bridge between what is known in general, such theory, and what is known specifically, such as practice under uncertainty, then comparing firms may not offer an appropriate methodology for advancing the manager’s practice.

Longitudinal methods focus on particulars and offer very different insights. Engineers know how the history of bridge building illuminates which technological and theoretical advances were adopted and which were rejected, a famous example being the results of the Tacoma Falls suspension bridge collapse. These days earthquake proofing is a major design constraint for bridges and buildings alike. Even though their occurrence cannot yet be predicted the uncertainty is something professionals know must be dealt with. Likewise the history of chip fabrication illuminates Moore’s Law and is crucial to managers in many aspects of electronics design. But few business schools pay attention to business or economic history as they encourage the ‘harder’ and more rigorous research that characterizes our academic journals. Nor are MBA students taught to attend to history as a mode of preparation for managerial practice - though many experienced managers are attracted to historical writings, perhaps as a reaction to their absence in their studies. When circumstances are uncertain historical methods complement cross-sectional and statistical methods - which are correspondingly rendered less powerful than they would be under conditions of certainty and predictability.

Professional education, being oriented towards effective and mindful practice under uncertainty, calls for a different methodological toolkit than does rigorous science. Simon’s analysis highlighted the importance of Chicago style social science as a
complement to mathematical rigor. This kind of methodologically eclectic background offers mutually supporting bridges between cross-sectional and longitudinal methods, between methods that focus on what is general across a sample of comparables and what is particular about an entity. The business school model is flawed if for one reason or another it fails to attend to the manager’s need to construct such bridges.

Re-conceptualizing the Business School

Ironically the history of business schools themselves offers suggestions provided we pay proper attention. The aim is not to fill out or extend the present theory-based model’s curriculum with theories of corporate social responsibility or human motivation while keeping to the same rigor-seeking methodological agenda. As Bok’s 1978 critique and a large volume of writings since have clarified, the business schools have successfully elaborated the application of rigorous quantitative methods while more or less eliminating the application of longitudinal methods. The result is that students heading into management practice are not as well equipped as students heading into the practices of the true professions’ schools. MBAs are not well equipped to deal with the uncertainties of professional practice in the real world where to be a professional means to act mindfully and wisely within a specific and uncertain area of the real world - sick patients, collapsing bridges, or complex criminal cases.

Making management into a profession is not the same as equipping MBA students better for management practice. Doctoral students are relatively well equipped for the practice they are to engage in - to be faculty members. Business school doctoral students difficulties are the same as the students of the true professions. Indeed their difficulties are actually less for other professionals’ engagement with practice is greater and the theoretical implications of the constraints to practice carry more weight. Business school doctoral students get a clearer shot, able to focus on problems defined by the academic literature and overwhelmingly using large sample methods that wash out the idiosyncrasies of the firms or managers in their sample. At the same time there is surprisingly little research into their particular difficulties when compared to the large volume of research into the challenges facing doctoral students in education, architecture, and engineering. Their greatest difficulties arise from the same ‘equilibrating’ tendencies Simon noted, the disparities between what we sometimes label ‘silos’. When there is little integration in a school’s faculty, manifest perhaps as the mutual disdain and methodological conflict between the finance and OB faculty, the
student confronts what Hafferty dubbed the ‘hidden agenda’ of negotiating the school’s contested theoretical terrain.

Many of the other professional schools coalesce around a mutually supporting set of theoretical and practical problems; the components that integrate into their intellectual signature. The faculty in business schools is often widely separated in interest and research very different phenomena. Without the intellectual discipline of effective practice to guide the school’s academic activity, ‘entropy’ rises and the Dean and administrators have more difficulty time managing the intellectual terrain than do their colleagues in the other professional schools. Among the US schools Babson’s explicit focus on entrepreneurship makes for unusual clarity, as NorthWestern’s focus on executive education and Thunderbird’s on international business did likewise for a time. In the UK Lancaster’s focus on leadership and LBS’s focus on global business do likewise. The Said School’s growing focus on finance, like the Booth School’s might do likewise. But these maneuvers manage entropy by narrowing the mainstream business school agenda and do not address how that agenda might be changed to the MBA students’ benefit. At the same time there is a growing trend towards specialized MBAs with their explicit engagement with a defined context of managerial practice and its attendant uncertainties.

Must the general MBA go away as ‘general management’ has gone away since the 1960s? General management’s weakness was that it had no theoretical underpinnings and after the 1959 Foundation Reports became less supportable. It was often replaced by strategy, the AACSB’s prescribed MBA ‘capstone course’ until the 1990s. Strategy itself underwent considerable change as it expanded and became a more visible academic discipline. Prior to the appearance of Porter’s 5-forces analysis most school’s way of teaching business strategy was dominated by the planning variant of general management (Porter, 1980; Spender & Kraaijenbrink, 2011). Importantly, HBS had a different approach that meshed with their casework. It was grounded in a long series of strategy texts produced by a succession of HBS faculty that included Learned, Christensen, Andrews, Guth, and Bower (Learned, Christensen, Andrews, & Guth, 1965). Their classic formulation - to find a ‘sweet spot’ between what the firm ‘might do’, ‘wanted to do’, ‘could do’, ‘should do’, and so specifically challenged the students’ powers of judgment as well as of analysis. They had to make judgments about the business’s context, especially its competitive context, and synthesize these with appropriate available theory. HBS intentionally focused on developing their MBA’s judgment through a pedagogical practice that presumed managerial choice was
seldom determined by theory alone, but required a synthesis with the implications of longitudinal methods. HBS is relatively unique in having a business history group that can balance historical methods against the increasingly powerful tool-kit of quantitative methods offered in the other departments and in business schools generally.

Just as having a businessperson around the school fails to address the challenge of ‘designing a business school’ so ensuring a mix of quantitative and longitudinal methods is not a compelling answer either. Simon was somewhat coy in his 1967 paper but his real thrust was towards helping students develop a degree of synthesizing power to apply in their contextualized creative or entrepreneurial practice. His paper was written at a particular time in his career (Spender, 2013). He arrived at Carnegie Mellon in 1949 to help build its business school from scratch, working with Lee Bach, a Chicago trained economist who was then the school’s Dean, and Harold Guetzkow, a newly arrived Chicago trained social psychologist. All carried Chicago’s multidisciplinary vision for social science and designed their school’s initial MBA program accordingly. But as the school grew in size and stature it responded to changes going on in the social sciences generally and in business education in particular. These changes were both formalized and promulgated through the Ford and Carnegie foundations’ 1959 reports (and subsequent funding), which, even though strongly shaped by Lee Bach and Donald David (Dean at HBS), shifted the business schools’ academic agenda radically towards quantitative methods. The result, as we see clearly today, is that doctoral students are not required to have substantive knowledge of any area of business, such as health-care or aviation or telecommunications, but are required to show their competence and prowess with quantitative methods. It is useful to recollect that HBS’s initial curriculum recognized different industries, such as railroading and insurance.

Can a mix of quantitative and historical methods, and careful attachment or attention to specific areas of business, lead to a more viable organizational design? First, there is a production trade-off between specialization, smaller numbers, and the larger numbers implied by universality claims of the mainstream design. Are business schools going to turn away students interested in specializing when their history over recent decades has shown their claiming management and firms are universal categories has so obviously boosted their growth? Does the school’s ‘business model’ allow core courses to be broken up into the smaller class sizes associated with ‘electives’? Even if the school’s finances can stand it, will the faculty permit such changes when their interests are likely in the opposite direction. Second, will redesigning the school's
program to present students with multiple methods as well as the contrast of theoretical
generalizations and contextualizing particulars meet the school’s non-academic
objectives? Even if good arguments can be made that such an approach would help
develop the student’s practical managing skills how might these be assessed? There is
a long British tradition of ‘sandwich’ courses in which students spend some time in the
academic setting and some in the business setting. Their work in the firm would be
supervised by a manager and by academics representing the institution granting the
degree. Sandwich courses are faculty intensive and notoriously difficult to manage,
being open to many conflicts of interest and misunderstanding. The student’s
performance can only be evaluated subjectively.

A Slightly Different Approach

Academics know a great deal about the complexities and vicissitudes of evaluating
scholarly work. While the conclusion may be an exercise of judgment it is typically
against the background of a particular academic discipline that stands on particular
axioms and is directed towards particular problematics. Awareness of all three shows
how disciplines operate within a paradigm even though, as Kuhn argued, such
paradigms often change. Changes in academic paradigms parallel the changes in
heuristics for professionals. Indeed we might regards a discipline’s axioms and
problematics as its professional heuristics since, as we know, they too are adopted as
judgments, none can be related to reality unambiguously. So a different way to
evaluate the academic’s professional practice is that it demands knowledge of and
competence with the specific terminology and the methodological and language
practices that underpin that discipline. In this sense an academic discipline stands
within a carefully structured and constituted language, the ‘language of necessity’ that
follows the discipline’s judgments about which axioms, problematics, and methods to
to consider and which to ignore. Certain questions can then be asked - such as “Why are
there firms?” or “Why did Apple introduce the Newton?” Many other interesting
questions cannot be asked; “How old is the Earth?”, or “Why did Napoleon invade
Russia?” Likewise a business is a language shared among those within the firm in
which certain questions can be asked - such as how is the firm going to respond to a
competitor’s move or should the firm buy its way into another market? Other questions
- such as should the government raise corporate taxes or should the firm’s local
community close its primary school - cannot. The ask-able and un-ask-able questions
are located in separate ‘language games’.

The business school model: A flawed design?
The work of managers differs from that of business school academics because they are located in dissimilar language games. When a professional school responds to that profession’s practice there will be overlaps. Many medical researchers use the same terms as their practitioner colleagues and with the same meanings. There less obvious overlap between business school academics and managers. Even when the terms are the same, such as ‘firm’ or ‘profit’ or ‘capital’ the academics’ definitions differ radically from the managers’. Management practice itself is hung within contrasting language games, one of the propositions behind ‘stakeholder theory’. The term stakeholder does not imply a multi-player zero-sum game, a simple contest for a greater share of the spoils. It presumes the stakeholders differ and that each deploys a different language to capture questions around their interests. Resolving the contrasts is difficult and beyond the reach of game theory, calling for contextualized judgment and powers of synthesis. Likewise the task of constructing bridges between theory and practice in business schools is difficult because their language games are so widely separated.

A school's design is bound up with student evaluation. Students compete. Schools are quite content to measure a student's performance on, say, a finance exam or a strategy paper. All the students are similarly graded. But they are not able to relate grades to the overall educational impact on the student or forecast how the student’s life chances have been changed. Grading is simply part of the professional educator’s practice, justified by tradition. Business is likewise competitive and bound up with evaluation. Firm performance can be evaluated by comparing earnings, growth, longevity and so on, using approved accounting metrics that apply equally to all firms, a matter of tradition, government requirements and the needs of investors. But managers cannot be evaluated with these metrics in spite of recent research into 'managerial quality'. Under real world uncertainty it is almost never possible to evaluate a particular manager’s contributions to the firm’s performance, to isolate the impact of a particular team member. At the same time business school presumes the education provided has a payoff for students and/or their employers and this cannot be evaluated only in the long run - when, as Keynes remarked, we are all dead. Thus the school's design gravitates to grading because there are few alternative means of measurement. But under uncertain circumstances, when the school's objective might be to foster the student’s judgment and synthesizing, grading becomes progressively less relevant. Is grading to be replaced by faculty recommendations based on personal knowledge and experience?
At the same time history shows a powerful trend towards quantitative modes of evaluation. Indeed few of the many who criticize business schools for prioritizing quantitative methods pay attention to this wider social trend, looking at the curriculum as an isolated phenomenon and presuming it is the outcome of power struggles within the school and/or between the disciplines. Thus some accuse economics of ‘colonizing’ the discussion of the business schools’ traditional problematics - choosing markets, arranging production, administrative processes, strategizing, being socially responsible. But economics is only one of the academic language games made more powerful by the wider social trend to quantification; they are on the right side of history. But if, as Knight and Coase both argued, uncertainty is the most fundamental axiom of the firm existence as a value-creating language game, then the power and relevance of present-day economics is hugely reduced. The work of non-traditional economists such as the Austrian economists or subjectivist economists such as Lachmann and Shackle is not often discussed within business schools or our A-journals.

At this point it becomes clear the real challenge with designing a business school lies in our not being sure what a firm is - as Coase indicated. Business people, in contrast, obviously have a pretty good idea what their firm is, even when they are not able to express that in language academics use or can understand. Few business school academics - especially Deans - seem willing to admit this lacuna. As a profession we seem to have agreed to press on regardless, educating increasing numbers of students in the languages we know, even as we admit their weakness to capture the uncertainties and phenomena with which managers must deal. We can look to the HBS tradition for pointers about the nature of the firm and how that might shape a school’s design without denying the possibility that the HBS design is as flawed as any other, but in its own way. HBS does not regard the firm as a language for identifying business uncertainties and indicating how they should be dealt with. Yet being focused on developing the student’s judgment they are not really able to grade their student’s work quantitatively - or rather they grade on the student’s performance in the language-intensive context of the case room. The proposition that every particular firm can be understood as a local language makes it possible to see the central place of uncertainty and judgment in its activity. Firms are unique to the extent they engage different uncertainties with different judgments. This does not prevent them being similar in the tools they adopt, such as land, labor, and capital. These tools can never determine the firm’s activities, when relevant - and not all tools are relevant to all businesses - they merely constrain a firm’s options. Using different language Penrose famously distinguished resources from the services they provide a firm, the
bridge being the management team’s experience-based knowledge. This knowledge is held in the team’s language. The answers to Coase’s questions turn on the judgments that underpin the firm as a language. These are indexical and particular and not generic - they deny the generic theory of the firm many academics seek.

Nonetheless shifting the focus from (a) theorizing in business schools or (b) bridging the theory-practice gap in professional schools to (c) the firm as an idiosyncratic language redefines the management task. Presuming uncertainty fundamental to the firm’s existence, managers can use language to engage the uncertainties they choose, whose successful engagement leads on the economic value-creation and profit. There are two complementary steps. First the entrepreneurial idea must be nailed down in language; second the language can be used to encourage the engagement of others. The second step leverages the entrepreneur’s judgment into areas in which s/he has none. Thus Henry Ford, no metallurgist, was able to harness the knowledge, skills and judgments of many others - designers, production engineers, and logistical and financial professionals - into transforming his vision into his firm’s practices. The production line was designed to minimize his dependence on the knowledge, skills and judgment of the assemblers - whose work was thereby ‘dehumanized’ because the exercise of judgment is as fundamental to the human condition as language. The assemblers had no need to talk, while discussion between the professionals was crucial. Likewise Steve Jobs was able to leverage the judgment of professionals into executing his vision, something he was unable to do alone. The implication is that the firm is both an apparatus for setting up the division of labor, as Adam Smith told us, but also an apparatus of bringing all the judgment necessary to turn an entrepreneurial idea into coherent practice.

Inasmuch as a firm is basically a language, managing embraces the creation of a vision and the creation and application of a language that enables others to support the vision. If we look at how art schools encourage ‘envisioning’ it is by exposing students to constraints to their imagination and imaginings, not by provoke it. Students learn about a medium by discovering experientially what it cannot do. They learn about what art is by studying the history of art and what it is not. They learn about engaging others by engaging in art criticism. Along these lines business school students might be taught how to articulate an entrepreneurial vision by discovering the constraints to their entrepreneurial imagination. Many businesses, like artists, engage physical materials. Microchip development turns on the ability to engineer more transistors into a given space and deal with the increased heat produced. Other businesses deal with
constraints on consumption. All firms are constrained by corporate laws and regulations. Many firms are labor constrained. Research into business models suggests that most firms’ languages are constructed from a dozen or so constraints, some more malleable than others. For instance the primary purpose of lobbying is to change the current legal or political constraints to the firm’s strategic options.

A focus on the firm as an idiosyncratic language suggests overlap between academics and managers. Languages are always bounded by their axioms. Managers build the firm’s language from the specific constraints they find active in the context in which they seek economic value. In contrast most economists presume universal constraints and articulate them into their academic discourse. But academics also have the possibility of researching managerial languages, exposing them to disciplined critique and test. One view of philosophers’ work is that it is about ‘purifying’ everyday language, increasing its clarity, and so advancing our grasp of the human condition collaboratively. If managing is language creation it is a form of local philosophizing, and academics can usefully bring their methodological tools to bear. This is the ‘critical thinking’ educators try to encourage in their students. In business schools the closest most MBAs get to critical thinking is in the case room where they confront the same facts as their colleagues and compete to generate more insightful or persuasive meanings.

For thousands of years teachers of rhetoric have known training and skills with language are essential for leaders. The implication is that rhetoric should be restored to the MBA curriculum; some discussion of rhetorical theories and heuristics, and practice in persuasion in the case room. Managing then being considered a form of theater, artful persuasion. Rhetoric embraces quantitative methods (logos) but reaches beyond them to modes of persuasion that turn on character and history (ethos) and on emotion (pathos). Fortunately a great deal is known about how to teach rhetoric, there is no need to invent topic or pedagogy, though the stubbornness of computer-mediated communication makes on-line courses in rhetoric a stretch. The history of rhetoric also suggests that while there is a general social trend to numbers as a preferred mode of persuasion, logos alone has almost never been sufficient to the rhetor’s challenge to persuade other people to act towards her/his goals. The complaint against quantification cannot be dealt with by having less of it especially in the age of ‘big data’ and full time monitoring. Rhetoric shows the challenge of communicating effectively with human beings requires logos to be complemented. Persuasive communication is
the manager's artistic medium and it can be taught in business schools just as art, or engineering or medicine, can be taught in those professions' schools.

**Concluding Comments**

The implications for the design of a business school are clear. If managing is persuasion rather than rigorous decision-making we might do well to complement our increasing powers of analysis by attention to its ultimate objective - the persuasion of others. Rhetoric dropped out of the university curriculum in the 19th century as many educators became persuaded that the rigorous methods of the natural sciences could be applied to the social sciences in general and business in particular. The history of the decline of rhetorical studies mirrors the rise of business schools and of rigorous methods. But rhetoric (and the powers of judgment it fosters) cannot be taught as theory, for the activities are ultimately indexical. They must be learned through practice, as we learn to ride a bicycle. Business schools that use the case method may be creating the action spaces necessary for students to learn by speaking out to their peers, different to the Socratic approach, but depending on the same mechanisms to convince students to think about what they intend to say, to synthesize what they know into something relevant to the context being discussed, and how to say it persuasively. As they harness the capacities of others they bring into existence the firm as a collaborative practice of value-creation. The result is hugely more powerful than the entrepreneur on her/his own.

This leads to a caution. Rhetoric has a central place in value creation, drawing in theory judged relevant, heuristics, hunches, inspirations, insights, and emotions. But it may have no place where creativity is unwelcomed and suppressed. We know firms as a genus are loci of value-creation; it is their raison d'être. But not all parts of the economy do this. Monopolies may extract value rather than add it. Some parts of the financial services industry may not add much or any value, acting instead as means of value re-distribution. Many scholars have observed the increasing ‘financialization’ of our economy. If we are training MBAs for such work analysis may be all they require, rhetoric and critical thinking may be out of place.
References


