

# Teaching History Courses to Harvard MBA Students: Building Enrollment from 21 to 1,300

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It's laudable that the Business History Conference is offering a session on the use of history in business school teaching. Almost all members of this organization are active scholars, but the majority of us spend as much of our time in teaching and preparing courses as we do in research and writing. So this session hits close to the core of our professional lives. Fundamentally, most of us are teachers. As Maynard Mack, Sterling Professor Emeritus of English at Yale, said in a recent speech to the Modern Language Association (he was accepting its first award for lifetime scholarly achievement), teaching is "what we are paid to do, what our students and their parents expect of us, what—when we do it well—we are looked up to for." He goes on to say that from our interactions with students, "rather than from the passive transmission of information, come those moments of revelation, however rare, that change lives" [Mack, 1998]. So teaching is at the heart of our vocation, and you need no reminder from me that we should regard it with reverence.

This paper describes the character and evolution of history courses at the Harvard Business School, which has always had a strong commitment to both teaching and history. The School's first dean, Edwin Gay, was himself an economic historian. His most influential successor, Wallace Donham, who served as dean from 1919 to 1942, was no less enamored of history. A lawyer and, like Gay, an admirer of the Harvard Law School's "case method" of teaching, Donham continued Gay's adaptation of this Socratic pedagogy to the business school. He instilled in his faculty the importance of using real-life administrative situations as discussion vehicles to instruct students. There is even some evidence that Donham invented the term "business history," although I make no solid claim on his behalf.

Instead, my point is that the founders of our School held teaching and history in high regard. In a sense, the case method is itself a way of teaching about business historically. Most of the cases in our curriculum, regardless of subject, are little histories of administrative situations. Usually much of the analysis is omitted, because so much of our pedagogy is devoted to analysis of the cases by students themselves. (Additional analysis appears in copious "teaching notes" written by faculty members for each other.) Class participation accounts for 50 percent of students' grades in most courses. As one might imagine, this represents a potent incentive for all students to be well prepared.

The whole phenomenon of case-method teaching motivates instructors as well. It encourages them to anticipate every possible direction the discussion might take, and therefore stimulates their imaginations.

In addition to being well prepared day by day, our students are unusually mature. Their average age upon entering the two-year MBA program is 26.5. Most of them have considerable business experience. Given this situation, the best classroom discussions occur when the material is of such a nature that these well-prepared and well-informed students are likely to disagree among themselves on the recommended course of action by the case protagonists.

The biggest differences between our history courses on the one hand and the rest of the curriculum on the other are that most of the events we cover occurred long ago (by business school standards), and the outcome is usually pretty well known. This circumstance has some drawbacks for case-method teaching. But it does permit us to provide additional analysis in our cases, and often to take a broader view than is possible in most courses on, say, finance or marketing.

In combination, the characteristics of our students and our School tend to promote high-level classroom discussions, and to confront all instructors with formidable challenges. For the history courses, the challenges are magnified by two other realities. First, almost no MBA student comes to any business school for the purpose of studying history. Second, even though a large proportion of our students have undergraduate liberal arts backgrounds, few of them have the kind of historical sensibility that so enthalls most of us as professional historians. As C. Vann Woodward once wrote, historians love irony; it is our stock in trade, the source of our best research questions. But few students in professional schools are attuned to the intellectual delights of ironic contemplation. Instead, they want to be practical actors and get on with things. Many of these pedagogical challenges were recognized by the historians at our School from the start. As Harvard's first Straus Professor of Business History, a Canadian-born scholar named N. S. B. Gras, wrote in a letter dated 1927, "Teaching history to a group of professional students just a few months before they expect to enter practical affairs is an exceedingly difficult task. I am not sure I will succeed, but I do sympathize with the motive behind the experiment, that is, to give the students a cultural background for their work and a perspective to their training" [Quoted in McCraw, Koehn, and Nelles, 1999, pp. 246-247; we are indebted to Robert Cuff for showing us this quotation]. These words, written more than 70 years ago, still ring true.

### **Our Elective Course**

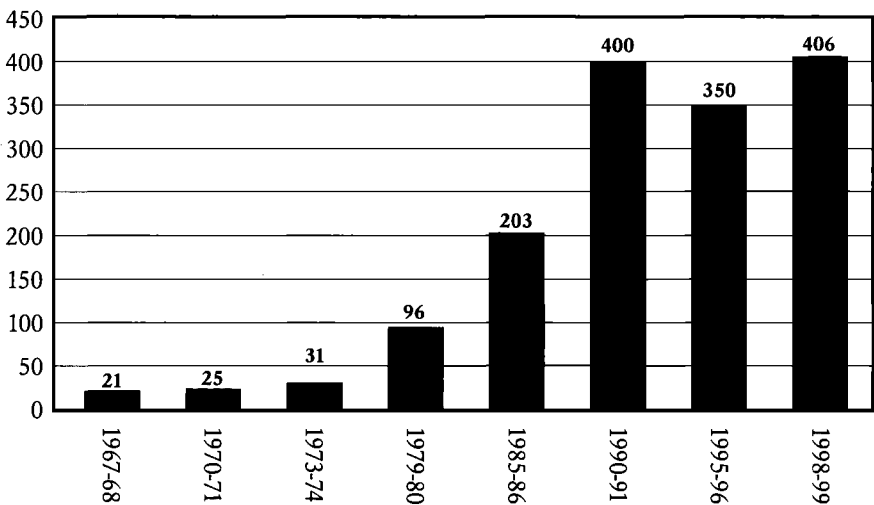
The Straus professorship was endowed specifically as a chair in history, and a history elective has been taught ever since Gras's time. From the 1920s to the 1970s, enrollment in this course was customarily modest, as one might expect for any business school.

Then, during the 1970s and 80s, something remarkable occurred. The course was thoroughly reorganized, first by Alfred Chandler, next by Richard Tedlow working with Chandler. Its title was changed from “Business in Its Historical Environment” to a grander and more pointed “The Coming of Managerial Capitalism: The United States.” From the middle 1980s down to the present time, the course was further refined and developed by Tedlow, Nancy Koehn, and Thomas McCraw. The cumulative work put into preparing materials for this course—and especially in figuring out how best to teach it—was a tremendously time-consuming collaborative effort. In addition to cases, most of which are now collected in a published casebook, we have developed an enormous inventory of illustrative slides and handouts. We also use several short films. We (and especially Tedlow, who is nothing less than a genius in the classroom) have prepared elaborate “teaching notes” for every session—instructors’ guides to possible paths of discussion, informed by years of experience teaching the course.

Because we conceive the course to be not only a survey of business history but also a capstone synthesis of the entire MBA curriculum, we work especially hard to learn the content of our School’s 13 required courses. This has permitted us to leverage off students’ experiences in these other courses as a way of strengthening the importance of our own course to their future careers.

The payoff of our efforts over the last 20 years—and again I underscore that *this work was collaborative*—is evident in the following bar graph, which documents student enrollment for sample years from the late 1960s to the present:

**Figure 1. Number of Students Enrolled, Sample Years 1967-1999**



Our school admits about 900 students annually, so an enrollment of 400 means that 44 percent of all MBA students have elected to take the business history course.

Like many colleges and universities, the Harvard Business School has a system of mandatory evaluations by students. Over the last 15 years, our course (and its instructors) consistently ranked among the top three or four among the 80 or so electives offered each year.

In format, the course is taught by the case method in 30 sessions lasting 80 minutes each. It is offered every semester, in two sections with room capacity of just over 100 students each. In substance, it is organized around three big questions:

1. Once, not very long ago, there was no such thing as professional business management. What happened to make it necessary, and how did it develop in different kinds of industries?
2. What was the impact of the rise of modern business and professional management on the American workforce, and vice versa?
3. What was their impact on American government, and vice versa?

A brief syllabus for “The Coming of Managerial Capitalism” is included as Appendix A of this paper. The ways in which we use particular materials to illuminate the three big questions will be evident from a glance at the list of cases. Despite the preponderance of individuals’ names in that list, from Alexander Hamilton to Michael Milken, we do not teach a “great person” theory of history. We do look closely at numerous leaders of business and government, and a few labor leaders as well. But our real subject is *the relentlessness of change*—shifts in the external environment of business, in industrial and corporate structures, in technological possibilities, and in managerial prerogatives. We spend most of our time on the United States (the country’s name is part of the course’s title), but we continually refer to developments abroad, particularly in nineteenth-century Britain and twentieth-century Germany and Japan. We emphasize that changing markets and technologies present challenges and opportunities to entrepreneurs, and that some people have done much better than others in meeting them. Above all, we try to teach the art of good judgment—to instill a sense of how to tell the difference between important and unimportant events. Thus we try to help students clarify the blurry line between volition and determinism in human affairs.

**The Required Course: “Creating Modern Capitalism: How Countries, Companies, and Entrepreneurs Triumphed in Three Industrial Revolutions”**

Like other business schools, Harvard engages in regular and systematic reviews of its curriculum. These faculty-wide reassessments occur every decade or so, and they almost always shake the place up. Some required courses expand, others contract. A few disappear altogether, to be replaced by new ones.

In the most recent review (1994-96), our faculty decided to inaugurate a new four-week "Foundations" curriculum for all entering MBA students, to be taught at the very start of their time at the School. The idea was to give every student a broad intellectual grounding for the rigors of the main MBA curriculum. In "Foundations" they would learn the fundamentals of quantitative methods, business ethics, cross-functional teamwork, and other topics.

Because of the intellectual aims of the new curriculum, and no doubt because of the success of the business history elective, the School's historians were asked to develop a short (12-session) history course to be taught to all 900 entering students. We regarded this invitation as an imposing challenge, but one we were willing to meet if we received the resources necessary to do it well. (We also saw it as a high-risk undertaking that could easily turn students off to history and thereby eviscerate our elective course.) The administration agreed to give us ample research assistance, and from 1994 until the initial offering of the new course in 1996 and well beyond, we worked hard on this project.

Our key decision was to make the course cross-national, and to explore the business histories of Great Britain, Germany, the United States, and Japan. Even though we have many international students (about 27 percent of total enrollment), the preponderance of Americans in our classrooms creates a sense that the U. S. way of doing business is not only the best way, but also the natural one. In designing the new course, we decided that this ideological fallacy should be confronted head-on. We therefore set up the material so that coverage of the United States does not even begin until the course is half over. Students are exposed to both the British experience and the very different German experience, before the United States even enters the discussion. When the U. S. does appear, it shows up as a third model, and is followed by the Japanese experience, a fourth model. If we had more sessions we'd add fifth and sixth models.

The content of this course, which is titled "Creating Modern Capitalism: How Countries, Companies, and Entrepreneurs Triumphed in Three Industrial Revolutions" is evident in Appendix B, an abbreviated syllabus. The design is simple and straightforward: a systematic overview of each country's experience with capitalism, followed by the histories of two representative companies for each country.

The preparation of this material consumed the equivalent of at least 12 person-years' work, and perhaps more than that. Most of this total was the authors' and editor's time, but a substantial portion came from research assistants and expert outside reviewers; in addition to the eight authors, about 45 people were directly involved. The tangible results were a 711-page text with the same title as the course, plus a booklet of 12 teaching notes averaging 12 pages each. Like the elective course discussed above, this was a decidedly *collaborative* effort. It could not have been done by a single scholar in less than a decade's time—and perhaps not at all, given the necessity for extensive primary and secondary research in German- and Japanese-language materials as well as those in English.

The course makes extraordinary demands on both students and faculty. The reading is so heavy that we now send the book out to all entering students several months before they come to the campus. We urge them to read it carefully and to take ample notes; then, after their arrival, to re-read each chapter the evening before it is taught.

Since the initial offering of the course in 1996, we have (at the time of this writing) taught it to more than 3,000 students in 37 sections of about 85 students each. Five historians have taught sections of the course, as have four economists and one political scientist. All have been successful. Despite the heavy demands of absorbing this dense and complicated material—and nearly all students have been unequivocal in their protests about the inordinate length of the readings—the intellectual rewards have been so obvious that most students have been enthusiastic in their praise. They have consistently ranked the course (and instructors) among the top two or three among the 13 required courses in our MBA program as a whole, and sometimes number one.

### **The Messages of Both the Required Course and the Elective**

Most people tend to learn about the world through stories that stick in their minds. Our courses contain ample doses of theory and statistics, but almost all of our cases and chapters are also memorable stories. Each story contains “lessons,” but, in keeping with our tradition of Socratic pedagogy, we prefer that students discover the lessons for themselves.

At the same time, these lessons are pretty explicit in our own minds. They are interrelated, and some of them may read like clichés or truisms, but their intrinsic power and importance are hard to gainsay.<sup>1</sup> In brief compass, here they are:

1. *Capitalism comes in several viable forms.* There is no One Best Route—whether British, German, American, Japanese, or other—to successful economic development. Each society, if it chooses a capitalist path, must develop its own variant.
2. *Government has a presumptive legitimacy as developer and regulator.* In the absence of a workable legal infrastructure, credible business commitments cannot easily be made, and economic growth will be severely constrained if not thwarted altogether.
3. *Social equilibrium cannot be assumed.* Capitalism, like other economic systems, depends on broadly shared societal values that must be explicated and nur-

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<sup>1</sup> We owe much of the good order and sense of this list to Professor H. V. Nelles of York University, who examined our course materials and reduced them to versions of the seven propositions that follow. See, for elaboration, McCraw, Koehn, and Nelles (1999), pp. 264-268.

tured. If they are not, then the institutions built up over generations can collapse into moral catastrophe, as happened in 1930s Germany.

4. *Economic change imposes heavy social costs.* In Schumpeterian creative destruction, the destruction usually affects people's lives—especially in the short run—quite as much as the creation. Artisans and craftspeople whose work is overtaken technologically suffer traumatic dislocation. So do last year's elite executives who this year are "downsized" into oblivion.

5. *Business requires moral choice.* We happen to be living in a time of free-market fundamentalism, and that ideology, if untempered, holds severe hazards for the human spirit. Relativism may be all well and good most of the time, but there remain some moral absolutes that cannot be broached.

6. *Champion performers tend to be unbalanced personalities.* Such people as Henry Ford, August Thyssen, and Sakichi Toyoda accomplished great things, but at grievous personal cost to themselves, not to mention their spouses and children. Champions are of necessity driven people, and extreme closeups of their lives are not often pretty sights.

7. *Business depends on both the individual and the institution.* For long-term success, the destabilizing influence of the entrepreneurial genius must be offset by the steadiness of the effective organization. The reverse is equally true: organizations can become sclerotic without constant renewal from individuals' initiatives.

## Summary

These are the contours and messages of the business history courses taught to Harvard MBAs. Of course, like our colleagues elsewhere, we do many other things besides teach. We write books and articles, publish a journal, sponsor postdoctoral and traveling research fellowships, and run a research seminar. But we have spent a perhaps unusual amount of our total academic work thinking about what we should teach and how best to get it across to bright and demanding students. As is often the case with teaching, the payoff for our own learning, especially in the kinds of research questions that seem to materialize before us, has been tremendous.

## References

- Mack, Maynard, "On Teaching," excerpted in *The American Scholar*, 67 (Spring 1998, 176).
- McCraw, T. K., N. F. Koehn, and H. V. Nelles, "Business History," T. K. McCraw and J. Cruikshank, eds., *The Intellectual Venture Capitalist: John H. McArthur and the Work of the Harvard Business School, 1980-1995* (Boston, 1999), 245-272.

## Appendix A

### List Of Course Materials For The Coming Of Managerial Capitalism: The United States

Textbooks:

- Chandler, McCraw, and Tedlow, *Management Past and Present* (Cincinnati: South-Western, 1996, 552 pages).  
 Livesay, *Andrew Carnegie and the Rise of Big Business* (New York: HarperCollins, 1975, 202 pages).  
 McCraw, *American Business, 1920-2000: How it Worked* (Wheeling, IL: Harlan Davidson, forthcoming, 250 pages).

Additional materials (loose-leaf cases):	HBS Case #
The Decline of the British Cotton Industry (21 pages)	9-391-253
Explaining the Decline of the British Economy (20 pages)	9-391-254
Schumpeter and the Essence of Capitalism (18 pages)	1-794-003
The Harvard Business School Classes of 1949 and 1999: Comparisons and Contrasts (26 pages)	N9-798-018

### Course Outline The Coming of Managerial Capitalism: The United States

I. Introduction: Forging a National Economy

Class #

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|---|-----------------------------------|
| 1. Alexander Hamilton, 1757-1804  | Management Past and Present (MPP) |
| 2. John Jacob Astor, 1763-1848  | MPP                               |
| The Rise of New York Port   | MPP                               |
| 3. The Second Bank of the United States   | MPP                               |
| 4. Samuel Slater, Francis Cabot Lowell and the Beginnings<br>of the Factory System in the United States | MPP                               |

II. The Revolution in Transportation and Communication

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|--|-----|
| 5. The Coming of the Railroads                           | MPP |
| 6. The Railroads and the Beginnings of Modern Management | MPP |
| 7. Jay Gould and the Coming of Railroad Consolidation    | MPP |
| 8. J. P. Morgan, 1837-1913                               | MPP |

III. The Revolution in Production and Distribution

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|--|--------------|
| 9. Nineteenth-Century Retailing and the Rise of the<br>Department Store <i>also</i> Chain Stores | MPP          |
| 10. Andrew Carnegie and the Rise of Big Business   | Livesay Text |
| 11. The Integration of Mass Production and Mass Distribution                                     | MPP          |
| 12. The Standard Oil Company   | MPP          |
| 13. Du Pont: The Centralized Structure   | MPP          |
| 14. The Multidivisional Enterprise   | MPP          |



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|--|--|
| 15. Antitrust: Perceptions and Reality<br>in Coping with Big Business  | MPP  |
| IV. Management and the Workforce   |  |
| 16. Slavery  | MPP  |
| 17. Work: Craft and Factory in Nineteenth-Century America  | MPP  |
| 18. The Decline of the British Cotton Industry (Abridged)  | 9-391-253  |
| 19. Explaining the Decline of the British Economy<br>Schumpeter and the Essence of Capitalism  | 9-391-254<br>1-794-003   |
| 20. Mass Production and the Beginnings<br>of Scientific Management   | MPP  |
| 21. Organized Labor and the Worker   | MPP  |
| 22. The Labor Movement Between the Wars  | MPP  |
| V. Management 1920 - 2000  |  |
| 23. Introduction: Eighty Years of Change and Turmoil<br>(Cars and Modern Management)<br>The 1930s: Depression and Consumers:<br>The Case of Procter & Gamble | <i>American Business,<br/>1900-2000 (AB)</i><br>Chapters 1, 2, and 4 |
| 24. The New Deal and the Mixed Economy   | MPP  |
| 25. World War II: Regulation and Decentralization  | AB, Chapter 6  |
| 26. Chemicals and Pharmaceuticals Toward a Peak<br>of Prosperity, 1945-1973—RCA and Color TV   | AB, Chapters 7 and 8   |
| 27. Silicon Valley 1973-2000: Slower Growth,<br>Franchising, and McDonald's  | AB, Chapters 9 and 10  |
| 28. Michael Milken   | MPP  |
| 29. Patricia Ostrander and the Perils of Finance   | MPP  |
| 30. The Harvard Business School Classes of 1949 and 1999:<br>Comparisons and Contrasts   | N9-798-018   |

## Appendix B

### Course Outline

Textbook: Thomas K. McCraw, ed., *Creating Modern Capitalism: How Entrepreneurs, Companies, and Countries Triumphed in Three Industrial Revolutions* (Cambridge, MA.: Harvard University Press, 1997, 711 pages).\*

#### I. Introduction and Great Britain

##### Class #

- |  |           |
|--|-----------|
| 1. Introduction: Creating Modern Capitalism                | Chapter 1 |
| Josiah Wedgwood and the First Industrial Revolution        | Chapter 2 |
| 2. British Capitalism and the Three Industrial Revolutions | Chapter 3 |
| 3. Rolls-Royce and the Rise of High-Technology Industry    | Chapter 4 |

#### II. Germany

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|--|-----------|
| 4. German Capitalism   | Chapter 5 |
| 5. August Thyssen and German Steel   | Chapter 6 |
| The Deutsche Bank ( <i>will not be discussed in class; will be used as the basis for a very short essay exam</i> ) | Chapter 7 |

#### III. The United States

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|--|------------|
| 6. Henry Ford, Alfred Sloan, and the Three Phases of Marketing | Chapter 8  |
| 7. American Capitalism   | Chapter 9  |
| 8. IBM and the Two Thomas J. Watsons                           | Chapter 10 |

#### IV. Japan

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|--|------------|
| 9. Toyoda Automatic Looms and Toyota Automobiles | Chapter 11 |
| 10. Japanese Capitalism                          | Chapter 12 |
| 11. 7-Eleven in America and Japan                | Chapter 13 |

\*A comprehensive 100 page teaching manual is available with bulk orders of 20 or more copies of the text from Harvard University Press. The manual can be obtained by contacting Karima Abdel-Maguid at (617) 495-9102 or [kabdelmaguid@hbs.edu](mailto:kabdelmaguid@hbs.edu)