The Impact of Employment Opportunities on the Evolution of Collegiate Business Education, 1918-63: Northwestern University as a Case Study

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When Alfred H. White of the University of Michigan noted in the late 1920s that in the last analysis the development of higher education was shaped "not by the college but by the employer of the college graduate," he nicely captured one of the most potent processes underlying the transformation of many educational institutions, particularly professional schools, during the 20th century. It is valuable to apply White's perceptive observation regarding the latent influence of market forces to the history of collegiate business education -- especially after World Was I, a watershed period in the evolution of the field. These observations are based primarily upon my reconstruction of Northwestern University's venture into professional business education immediately after the turn of this century, the history of a program which reflected the development of at least 15 other prominent institutions, including most of the private schools founded before World War I as well as a number of public institutions.

The history of collegiate business education can be conveniently divided into three principal periods. The formative era, during which the basic approaches and institutional arrangements were initiated and refined, extended from the founding of Wharton in 1881 to 1918, just after the American Association of Collegiate Schools of Business was organized, and just before the explosive expansion of the industry during the early 1920s. The second period, extending from 1918 through the late 1940s, was characterized by the rapid diffusion of the educational approaches introduced prior to the war, especially the widespread acceptance of specialized, technical undergraduate training. The final period, which consists of several distinct phases, began after World War II and was characterized by the dramatic transformation of the undergraduate schools, the emergence of distinct graduate institutions which eclipsed the place of the undergraduate divisions as the preferred mode of training, and the remarkably rapid expansion of executive development institutes for midcareer administrators.

Although my discussion of the impact of employment-market opportunities on the evolution of collegiate business education will focus on the second and third stages, it is necessary to consider the first period briefly because the fundamental issues and tensions that have shaped the history of business education in the 20th century first surfaced in recognizable form prior to World War I.

Collegiate business schools were organized in the United States between 1880 and 1915, with varying degrees of success in different communities, in response to a dramatic transformation of the economy and, subsequently, a concommitant change in the occupational structure. Briefly, changes in the organization of finance, production, and distribution spawned comparable shifts in the scope and nature of whitecollar technical occupations. This process stimulated demand for employees familiar with office customs, language, and practice, as well as rudimentary bookkeeping, an historically small group customarily trained in commercial apprenticeship programs. By the turn of the century, however, the transformation had proceeded to such an extent that employers could no longer depend upon either the internal apprenticeships or the network of private, proprietary commercial colleges to provide the quantity or quality of technical employees increasingly necessary to sustain the flourishing corporate sector.

Consequently, a radical fission occurred within the business education market. Commercial high schools and business tracks within public comprehensive secondary schools siphoned off most of those students interested in terminal positions requiring relatively little skill. Embroyonic collegiate business schools and commercial courses in traditional liberal arts colleges attracted those young men and women more interested in challenging technical and administrative positions. Because of this structural differentiation within the business education market, the role of the private commercial colleges was eclipsed, leaving them to provide terminal education for those who lacked access to publicly funded programs or who required retraining after graduation from high school or college.

The fact that collegiate-level business schools emerged from this fission confronted most of the first generation of leaders in the movement with a disturbing contradiction in their mission. Prior to World War I, the vast majority of administrators and faculty members in these institutions were classically trained economists committed largely to promoting the challenging, theoretical, executive-development thrust of their programs. Their students, however, were determined for the most part to enroll in only a few highly technical, professional courses, carefully selected to advance their careers in banks, brokerage houses, insurance companies, or merchandising firms. Few were seriously committed to fulfilling comprehensive graduation requirements, and fewer still sought the broad liberal-arts-oriented, managerial training that the faculty aspired to provide.

The students' decisions were based on their perception of employer preference, since firms tended almost exclusively to recruit students with facility in the technical disciplines. Corporate demand for broadly educated managers remained almost nonexistent through this period. Promotion within the administrative ranks remained a matter of vertical ascension through one of the functional specialties, primarily through production, which often left whatever managerial education there was to be done to engineering rather than to business schools.

Business employment, recruitment patterns, and expectations routinely have determined, to a great extent, who attended collegiate schools of business and what the students sought from their programs. This was particularly true when formal course work in business at the college level was optimal, when employers neither expected nor anticipated their employees to have had such advanced training. In the era when academic credentials in business were only beginning to appear, individuals who chose to avail themselves of opportunities for collegiate training had a greater impact on the direction of curricular development than they would be able to exert once such preparation became accepted as a prerequisite for employment. To remain solvent, especially during the formative period, fledgling schools had to respond to and accommodate the desires of prospective students and employers.

Prior to World War I, therefore, collegiate business school authorities were forced to issue two very different public pronouncements. On the one hand, to their peers and superiors, they spoke of the theoretical, managerial, executive development mission of their institutions. Continually haunted by the specter of the disreputable proprietary commercial colleges, they spent much effort disassociating themselves from low-level trade training. Before audiences that felt that collegiate business schools were rather suspect ventures, at least for ambitious universities, the social scientists who were always interested in maximizing their academic respectability and legitimacy, regularly argued that the primary purpose of their programs was to expose future corporate leaders to the underlying theoretical disciplines and to develop their analytical skills through "active" pedagogical techniques, such as the case method.

On the other hand, promotional literature they prepared to advertise their schools -- usually addressed to young men migrating to the city from the country or from abroad and to prospective employers of white-collar workers in the finance and merchandising communities -- consistently stressed the practical, technical nature of the courses offered and emphasized the extent to which they had been developed in cooperation with successful, practicing businessmen. The resulting programs were often a fascinating amalgam taught by German-educated economists who were ambivalent about the image business classes had among their peers in liberal arts institutions. One dean recalled that, as a result, most courses in business administration "were characterized by a grotesque combination of pure theory and clerical techniques."

Prior to the war, therefore, collegiate business education was a tension-riddled, occasionally fragile enterprise. An incident in 1912 illustrates the preoccupation of the movement's leaders with the status and image of their institutions. Northwestern's Dean Willard E. Hotchkiss prepared an impressive brochure advertising several significant developments with regard to his School of Commerce, established as a distinct program in 1908. Most of the brochure's copy was taken from an article on collegiate business education that had appeared earlier in the year in *Outlook* magazine. In discussing recent trends in business education, the essayist had included Harvard's School of Business, also founded in 1908, in the "and elsewhere" category. Disturbed upon receiving a copy of the brochure, Harvard's Dean Edwin F. Gay immediately wrote to Hotchkiss, expressing his compliments regarding Northwestern's success, but also raising the issue of Harvard being slighted in the promotional literature. "Of course we are only a young school in its beginnings," Gay admitted, and should be "modestly inconspicuous, but do not you think this is almost hiding our light under a bushel?" Hotchkiss replied, mentioning that although Gay's letter embarrassed him, he was not responsible for Harvard's omission from the *Outlook* article, which he agreed was "absurd." Gay's startling sensitivity to the apparent slight in the brochure reflects the relatively precarious situation in which many collegiate business education leaders found themselves, particularly those affiliated with expensive private institutions which continued to have problems attracting serious students at the same time they were in competition with other established university programs for scarce revenue. Their position within the structure of higher education was not yet so secure that they could confidently overlook statements that might have disparaged their national image -- even Harvard, which was one of the very few schools able to maintain anything approaching an executive development program.

Within a decade, however, the position of collegiate business schools became secure. Whereas only a handful of distinct institutions were sustained prior to the war, by 1925 more than 160 schools had been organized, together enrolling a total of 50,000 students. The cumulative effect of continuing changes in the white-collar occupational market brought thousands of young men and women to the universities after World War I, seeking a sound technical preparation in the business functions, especially in accounting, finance, and marketing. Universities responded by establishing departments and schools of business, primarily at the undergraduate level, but increasingly at the masters level as well. In order to meet the demand for highly trained technical specialists, those institutions which established graduate schools of business, including Northwestern, organized graduate programs similar to those they maintained in the liberal arts: intensive, specialized, functionally oriented, one-year programs designed for students who already possessed a great deal of knowledge of the business subjects, rather than a two-year, theoretical, managerially oriented program, such as Harvard's, designed for students with liberal arts and engineering backgrounds.

The posture of the second generation of academic leaders in business education toward the tension between the elite, theoretical mission of preparing executives and the reality of training bank clerks and bookkeepers changed significantly during the 1920s. The conflict characteristic of the prewar era subsided for several reasons. First, because collegiate business education was generally accepted in most highly regarded universities (to a large degree the result of unprecedented enrollments in business courses), administrators no longer felt as defensive about the status of their programs, especially as the public came to distinguish collegiate-level institutions from the traditional proprietary commercial schools.

Second, the tension dissolved because the composition and character of business school faculties changed dramatically after World War I. The classically educated economists who dominated the programs between 1880 and 1920 were rapidly replaced by men who possessed both training in one of the business functions, certified by the M.B.A. or doctorate in commerce, and actual experience in one of the technical business fields. The situation at Northwestern was representative. At the time of his appointment in 1919, Dean Ralph E. Hellman was perturbed by what he sensed was a lack of commitment to professional business classes on the part of his faculty, virtually all of whom held doctorates in economic theory or were lawyers. Many, he complained, had "no sympathy for, nor interest in, the professional objectives and purposes of schools of business," and, in fact, "if they had their own preference in the matter, many would choose to be members of the Arts and Science faculty, but they happen... to be members of the school of business faculty." The vast majority of faculty members appointed during the next decade and a half, however, were educated in graduate business schools, at Northwestern and elsewhere. This group was far less resistant to the pressure that students and prospective employers exerted for increased emphasis upon specialization in narrow technical fields. Since they were educated in an operational field, conducted extensive research in that field, authored the first texts in that field, and served as consultants to businessmen in that field, it was natural that these faculty members would have had a different attitude toward the issue of the proper mission of collegiate business education than would academics with doctorates in general economic theory.

Increasing demand for technically trained students, coupled with a change in the backgrounds and expectations of business school faculties during the 1920s, therefore, led to an explosive increase in the number of technical fields in which instruction was offered and in the number of specialized elective courses in each of the functional divisions. Between 1915 and 1925, Northwestern's commerce faculty increased the number of separate fields in which students could major from five to 15. They increased the number of distinct professional courses from 76 as late as 1921, to 173 by 1936, virtually all in elective subjects, while the number of basic introductory classes remained unchanged.

The economists who remained on the faculty were increasingly disturbed by this effort to expand the specialized, technical work of their institutions -- a trend which they understood was aggravated by "business demand" for certain types of classes and accelerated by "enterprising" departmental chairmen seeking to expand their academic domains by forcing students to enroll in ever more narrow electives and by faculty members intent upon enhancing their reputations by writing textbooks in the functional fields "to fill the demands of new courses and offering new courses to justify the writing of new texts," as one professor of business cynically observed in 1928. Even Frederick Deibler, a Northwestern economist who understood that financial constraints on institutions of higher education, particularly private professional schools, frequently fostered this sort of capitulation to student and employer preferences, complained bitterly that a degree of specialization had developed which was "not justified on the ground of the welfare of the students."

During the 1920s and 1930s, nevertheless, such criticism had little impact on administrators and faculty members who were both convinced of the legitimacy and importance of technical education and eager to increase the size and financial resources of their respective institutions. Even Harvard's Graduate School of Business, widely regarded as the nation's most liberal, managerially oriented institution, with many faculty members deeply committed to fundamental social science research, was often accused of catering to student pressure to specialize. Wallace B. Donham, dean between 1919 and 1942, spent millions of dollars developing elaborate case materials to help students overcome their narrow perspectives. Even though these "active" materials were designed to cut across functional boundaries and develop abstract analytical skills, Donham noted that "in far too many cases," students made extraordinary efforts to use the school's resources to make themselves into "narrow specialists." Although Donham's efforts to prepare challenging curricular materials generated enthusiasm for Harvard's managerial perspective and atmosphere, during the early 1930s Abraham Flexner, one of the leading analysts of professional education in the United States and Europe, criticized the narrow vocationalism endemic even to Harvard's Business School, which he characterized as simply "a more pretentious and specious imitation of a true professional school"; and he recommended that it be separated from Harvard and renamed the "Boston Graduate School of Business Administration."

Between the world wars, therefore, collegiate business education remained relatively technical and vocational in nature. The financial security of most institutions was assured as faculty members who became increasingly committed to the expansion of narrow, specialized professional courses rather enthusiastically acquiesced to the continued external pressure to permit such a pattern of concentration. Outside of only a few pockets of resistance, largely ineffectual in the vast majority of institutions, the expansion of both undergraduate and graduate programs proceeded harmoniously until the World War II era; then external circumstances called attention to several glaring deficiencies in collegiate business education, and market forces became altered to such an extent that substantive reform became possible.

After World War II, underlying social and economic changes shaped conditions for the rapid transformation of business education at the collegiate and graduate levels. Several trends coincided to breed unprecedented demand for consumer goods and services. Domestically, suburbanization, coupled with the opportunity to fulfill consumptive aspirations thwarted by the depression and the war, generated demand for housing and both basic rudimentary and luxury material goods. Many smaller firms which traditionally had been forced to rely upon relatively underdeveloped merchandising departments were able to take advantage of this demand to build up their marketing and advertising staffs, particularly as electronic media began to supplant print media for advertisers. After the war, US firms were also able to develop and exploit rich international markets in devastated Europe and in the stirring economies of Third World nations.

Increasing affluence, combined with the G. I. bill, contributed to the vast expansion of higher education after the war. Families became both more willing and more able to defer professional training, especially to the graduate level at the more expensive private institutions. In many fields, consequently, the preferred educational model consisted of a four-year liberal arts program followed by an advanced, highly professional course of study. Within the context of professional education, therefore, the minimum credential for entering many fields, including social work, education, librarianship, and business, escalated from the bachelors to the masters degree.

These forces and trends spawned an unprecedented demand for higher business education at both the undergraduate and graduate levels, a demand which enhanced the freedom and opportunity of deans and faculties to develop exciting and challenging programs with few of the financial constraints that they had historically faced. The form that the eventual revision of most prominent business schools would take was determined by problems inherent both in existing corporate enterprise and in professional business education itself.

After World War II management theorists, such as Peter F. Drucker, began to comment critically on the problems associated with inadequately developed administrators at the highest corporate levels, problems that they argued had been brought into sharp relief by the wartime emergency. Since most executives were promoted vertically through one of the basic functions, they were ordinarily ill equipped to comprehend and manage complex institutions at the highest level of organization; they were too commonly unfamiliar with the broader responsibilities of corporate management. Furthermore, to compound the problems associated with this occupational myopia, it appears that after the stock market crash of 1929, many firms replaced their entire administrative staffs with young men in their thirties. By 1950 this cohort was approaching retirement. The depression, which confined many younger men to the lowest levels of corporate responsibility, and World War II, which depleted the ranks of middle-level executives entirely, also significantly reduced the number of potential, qualified replacements. Observers of the situation began to remark publicly in 1950 that "we have five years before the wholesale retirement of the present management generation," and to note that the pool of qualified replacements was dismally insufficient.

Discouraged by these developments, the critics then examined the condition of collegiate business education and were further disturbed by the nature of the preparation students were receiving. Continued preoccupation with excessive technical specialization, the commentators warned, would soon cripple business and industry. They were joined by a small group of vocal deans who agreed that there was "no justification for highly specialized undergraduate business instruction. To force the... student to specialize... is to sell the poor boy down the river." In the decade after World War II, a number of influential surveys and analyses of higher education for business were conducted, the most significant of which were those commissioned by the Ford and Carnegie Foundations: Robert A. Gordon and James E. Howell's scathing *Higher Education for Business* (1959), and Frank Pierson's more sympathetic study of *The Education of American Businessmen* (1959). Although the foundation reports were not released publicly until 1959, faculty members at most schools had become familiar with the investigations and were aware of the critical attitudes that had spawned them nearly a decade earlier.

The reports, which according to the editor of *Business Week* would "knock the stuffing out of the business schools," identified several fundamental defects in collegiate and graduate programs and painted a "dismal picture" of the entire enterprise in the United States. Most collegiate business schools, they claimed, had low academic standards. In many universities, the least capable students were business majors, the reports contended, leading one business journal editor to remark that business schools all too often served as a "dumping ground for inferior students who probably should not be going to college at all." The reports were also critical of business school faculties whose outlook too often tended to be "buried in their own specialties." Moreover, they maintained that most schools failed to provide a sound, basic education. Class offerings were far too numerous, narrowly vocational, and overly concerned with descriptive rather than analytical examinations of business organizations and processes. The result, according to one prominent commentator, was that business schools, particularly at the undergraduate level, often provided only "a sort of white-collar vocational training instead of higher education."

Convinced that business schools ought to prepare their students to become managers or upper-level administrators, the economists who authored these reports recommended a program of four years of liberal arts courses followed by a two-year analytical M.B.A. program as the ideal training for a business career. They stressed the importance of inaugurating core curricula, focusing on controls and information systems, quantitative analysis and measurement, managerial economics, organization and human behavior, the "environment" of business (including its legal, political, historical, and social framework), introductory courses in the fundamental functional fields of finance, marketing, production, industrial relations, and as much exposure as possible to policy analysis. Finally, although the authors acknowledged that there existed a place for a "moderate" degree of technical training for students preparing for specific staff careers, they concluded that "even at the graduate level, students planning careers in management do not need a particularly specialized business training."

Publication of the foundation reports confronted virtually everyone involved with collegiate business education with the specific inadequacies of their respective programs. The reports established the tone, direction, and standards that dominated the debate over, and attempts to reform, business school programs during the ensuing decade. Much like Abraham Flexner's seminal report on medical education a half-century earlier, they challenged schools to compare their programs with those adopted by the most progressive, innovative institutions in the nation.

Although the reports had a substantial national impact, reflected in the extraordinary increase in the proportion of liberal arts credits required for graduation in most schools of business, their influence at Northwestern was not particularly dramatic, at least at the undergraduate level. In anticipation of the challenges to business and business education leveled by the foundation reports and the management development commentators, Northwestern, under Dean Richard Donham, had completely revised its undergraduate School of Business by the mid-1950s, with substantial financial support from the Ford Foundation. Technical specialization was drastically diminished: a broad core curriculum, combining year-long sequences in business history and quantitative methods to a number of analytical policy courses (all taught on the case method), was developed and refined between 1945 and 1952. The school's "general business" major was transformed to such an extent that business students were permitted to "major" in one of the liberal arts disciplines.

Coupled with their recommendations that technically stifling undergraduate programs be extensively liberalized, the reports also suggested that graduate business education was inadequate for the preparation of corporate executives. They disparaged the intensely specialized, one-year functional courses of study and praised the two-year, analytical case system approach characteristic of only two or three institutions. As at the undergraduate level, the reports' recommendations to expand quantitative, analytical, common core requirements at the expense of technical, operational electives, had a substantial impact, nationally and at Northwestern. Dean Donham and the faculty completely overhauled the M.B.A. and doctoral programs between 1960 and 1963. This renovation of the graduate school was based upon a revitalization of the program in the early 1950s, when it had been completely and visibly differentiated from the undergraduate school, had begun to recruit liberal arts graduates rather than students with bachelors degrees in business, and had formally instituted a policy against admitting women to the full-time M.B.A. program. By the early 1960s, Northwestern's graduate division had been brought into conformity with the ideal program codified and presented in the foundation reports.

In response to the management crisis posed by the dearth of qualified executive personnel after the war, collegiate business schools, joined on occasion by various professional associations and large corporations, also organized intense executive development institutes for administrators in their thirties and forties. Several universities, including M.I.T., Harvard, and Pittsburgh, had pioneered in establishing these programs -- which were ordinarily residential and kept the executive off the job and away from home for several months or more -- before Northwestern founded its Institute for Management in the summer of 1951, again under the direction of Richard Donham, who attempted during his tenure at Northwestern to institute many of the objectives his father had pursued at Harvard.

In addition to calling for the reorganization of all levels of business education programs, from those serving 17-year-old freshmen to those refreshing 50-year-old corporate executives, commentary during the 1950s and early 1960s hinted that although there might remain reasons for some undergraduate business schools to remain open, it was somewhat disreputable for those prominent universities with highly regarded graduate programs to continue to keep their undergraduate divisions functioning. Consequently, many administrators and faculties at such institutions, which customarily charged high tuition and attracted students from families able to defer professional education to the graduate level, decided during the 1950s and 1960s to terminate their undergraduate schools. Northwestern and a number of other similarly situated institutions were able successfully to divest their universities of these programs by 1967 because affluence and the structure of student demand facilitated such a radical departure from their traditional missions.

The tension between liberal and technical business education which had lain relatively dormant for several decades was therefore largely resolved between 1950 and 1965, not simply because of ideological pressure exerted on behalf of the liberal, managerial ideal, but because finally external economic and occupational circumstances provided business school leaders with sufficient latitude to reform their programs, even to the extent of eliminating the troubling undergraduate schools altogether.

This effort to reconstruct the evolution of collegiate business education within the context of critical developments in the economy and changes in demand for different intellectual and technical skills demonstrates the inherent weaknesses of viewing social and educational institutions internally, removed from the vital forces and constituencies that have shaped their development within a variety of markets. Although it is important to explore the impact of external forces on the development of educational institutions of all kinds, we must also acknowledge the role that professionalization has played, as well as the reciprocal relationship between employer preferences and labor market pressures on the one hand and the evolution of curricular changes on the other. In the effort to remedy many of the problems of earlier scholarship, we must be sensitive to the subtlety and complexity of institutional development.

NOTE

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