

From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession. By **Rakesh Khurana**. Princeton University Press, 2007.

Reviewed by Tamotsu Nishizawa

Rakesh Khurana maintains that his book, *From Higher Aims to Hired Hands*, is “not a critique of business education.” Nevertheless, his concern with “the unfulfilled promise of management as a profession” informs his analysis of the direction taken by business schools. In tracing the 125-year history of business education in American universities, Khurana shows how an institution that was created to legitimize management has become a vehicle of *delegitimization*. In his view, the “180-degree turn in the fundamental orientation of business education” is the result of “the substitution of market logic for . . . professional and managerial logic” that occurred during the 1970s and 1980s. Khurana disapproves of the current “investor revolution,” which has replaced managerial capitalism with a system of investor capitalism.

When the American university system was first established, the founders struck “a delicate balance” between their mission of instilling future elites with the character, values, knowledge, and skills that would enable them to contribute to the common good. As their principles were overtaken by the ideologies of shareholder primacy, and as managers began to act as fallible, corruptible agents of shareholders, the “cultural authority of the managers” was undermined.

In 1926, Clinton P. Biddle of Harvard Business School provided a framework

for the contentious question of whether business schools belonged in universities: One camp was of the opinion that if the purpose of graduate work in business was to train “hands,” to produce technicians, or merely to turn out successful moneymakers, then business courses had no place in a graduate department. The other camp was of the opinion that the purpose of such graduate programs was sufficient justification for their existence, if its purpose was to train “heads” or future leaders in business. This question was by no means confined to the American business education.

The Beginnings of Japanese Business Education

University-based business education was first introduced in the United States and Germany at the turn of the century, in response to the rise of corporate organization, and then spread to other countries. The United States put forth the greatest effort to establish these schools, and it made the most progress. In the United Kingdom, the Faculty of Commerce was founded at the University of Birmingham in 1901. William James Ashley returned home, after a stint of teaching at Harvard University, to join its faculty, becoming the country’s first professor of commerce. Ashley wrote that the training of businessmen was just as important to the community as the training of lawyers and doctors. He commented that the creation of the Faculty of Commerce was “one of the most striking manifestations of a new and most significant movement in university circles by no means confined to Great Britain” (*North American Review* [1903]: 31). A number of students from Japan who studied with Ashley at the University of Birmingham subsequently had a major influence on business education in their own country.

Alfred Marshall's Economics Tripos (the final honors examination for a bachelor's degree in economics) at Cambridge University and Ashley's Faculty of Commerce at Birmingham began with a number of shared ideas. In 1902, Marshall published *Plea for the Creation of Curriculum in Economics and Associated Branches of Political Economy*, which was summarized as "Marshall on Economics for Business Men" (*Journal of Political Economy* [1902]). Eventually, however, the Tripos became a distinctive school of economics that no longer had any connection with the real-world "science of business" that was taking shape in Germany, the United States, and Japan.

Despite the atmosphere of celebration that marked its beginnings, the experiment in university education for businessmen in Britain did not proceed smoothly. Ashley described the work at Birmingham as being "of an uphill character," and "the conservatism of the English business world" occasionally discouraged him, especially when he contemplated the American and German accomplishments. The numbers of students enrolled at the school in the early years were disappointingly small, and what was worse, many were foreigners. Among the first five graduates was Shinji Tazaki, who came from the Tokyo Higher Commercial School (THCS) and subsequently became the first president of the Kobe University of Commerce. In January 1906, Teijiro Ueda, later a president of the Tokyo University of Commerce (TUC), entered Birmingham in order to study "business policy" with Ashley. The lectures that he later delivered on business administration as a professor at THCS reflected Ashley's influence. He also advocated the study of business administration within economics, inspired in part by Ashley's article "Enlargement of Economics" (*Economic Journal* [1908]).

Although a latecomer to industrialization, Japan enthusiastically set about

organizing business education. Following the Sino-Japanese War of 1894–95, a long article appeared in the London *Times* entitled “Commercial Education in Japan” (August 27, 1897). It concluded that “Japan’s whole system of commercial education is one to which, in its completeness, even Anglo-Saxon countries have not yet attained.” Rudolf Beigel of Germany wrote in 1898 that THCS was “most nearly allied to what the German people tried to establish as Handelshochschule [College of Commerce].”

Tokyo Higher Commercial School was originally founded in 1875 and was renamed the Tokyo University of Commerce before finally becoming Hitotsubashi University. Its first postgraduate course was offered in 1897. The degree of bachelor of commerce has been awarded to its graduates since 1901 (the same year that the London School of Economics first granted the Bachelor of Science degree in economics). In 1901, the Osaka Commercial School became the Osaka Higher Commercial School, and the Handelshochschule in Köln started in Germany in the same year, and the second government-sponsored higher commercial school was founded in Kobe in 1902. In January 1901, eight young scholars from THCS who were then studying in Europe gathered in Berlin to discuss plans for establishing a full-fledged university of commerce in Japan. By the time they left, they had drafted the “Berlin Manifesto.”

The Tokyo University of Commerce

The Tokyo University of Commerce, the leader among the institutions that offered business studies and education in prewar Japan, typified the development of Japanese business education. It managed to achieve “balanced excellence,” combining vocational and academic training in cultivating the “cultural authority of managers.”

TUC produced more executives and managers in prewar Japan than its nearest competitors, Tokyo Imperial University and Keio.

When the Tokyo Higher Commercial School became TUC in 1920, its purview was expanded under a decree ordering universities to cover disciplines such as the social sciences, the humanities, philosophy, and literature, in addition to economics and commerce. The school had to take a strong stand against the “Imperial University Priority Policy” issued by the Education Ministry, which ordered the consolidation of commercial studies within the Imperial University curriculum. The sharp divergence in goals produced a state of underlying tension between supporters of the ideals of business education, who emphasized the importance of practical and technical courses, and backers of including more academic studies in the curricula.

The business camp accused the supporters of academic studies of encouraging a “propensity to metaphysics and philosophy.” Even outside Japan, it is rare for an academic institution of commerce and business to offer courses in philosophy and the humanities. Talented managers emerged from TUC as a result of its broad liberal curriculum. The school’s ambition was reflected in this statement: “Only by becoming a full university which includes the various fields of the social sciences can we start to rival Tokyo Imperial University” (quoted in *Hitotsubashi University, 1875–2000* [2000], 107).

Tokuzo Fukuda, a pioneering economist at TUC and one of the contributors to the Berlin Manifesto, recommended turning the school into “a full university of social sciences,” a “Universitas Literarum” (University of Literature), which would maintain as its nucleus the study of commerce. The idea was approved, and plans went ahead to establish a commercial curriculum.

At the address he delivered on the fiftieth anniversary of TUC in 1925, Zensaku Sano, TUC's first president, warned that no curriculum, whether it specializes in trade, transportation, finance, or insurance, is complete unless it offers studies in the five basic areas: history, economics, ethics, technology and politics. During its early years, however, the university emphasized technology and paid less attention to the other areas. Its graduates were until recently criticized for not being well rounded: "While they are employees things are fine, but once they reach positions where they employ people, they are not particularly impressive." Recently, however, this judgment has been reversed: While TUC graduates are thought to possess considerable theoretical ability, they tend to perform assigned tasks poorly. In reaction to criticisms that its curriculum emphasized technique at the expense of theory, the university reversed course, with the result that many graduates who enter industry have not received sufficient technical training.

Teijiro Ueda's Influence on Japanese Business Education

Ueda lectured at THCS and TUC on business enterprise and on the part that managerial personnel could play in the country's social reconstruction after World War I. These were groundbreaking years, representing a period of transition for the labor movement and reflecting the influence of socialism, Marxism, and the strong democratic movement of the Taisho era. Because of their engagement in large-scale domestic production, Ueda pointed out that the success, or failure, of corporations would affect the lives of thousands of people. Thus, he urged managers not to act merely as businessmen, but to become "public men of the country," working for the best

interests of society.

Ueda taught courses in management theory in which he emphasized that management was an important social duty, performed in the spirit of "economic chivalry," or *Bushido*. He agreed with Heinrich Nicklisch, an influential German business economist, that the goal of business should be high efficiency but not high profits. He also attempted to separate the science of business and administration from profit-making, refashioning it as a science of socially efficient management that could be applied equally in private business and in public corporations.

In 1920, Ueda gave a lecture entitled "The Theory of Social Reconstruction and the Role of Managers." He argued that even when capital was nationalized and the social system transformed, organizations with efficient production systems should not be permanently abolished. Even in the event that all profit-making enterprises and capital were socialized, production and trade had to continue if society were to be maintained. That same year, Ueda wrote, in "Socialism and the Duty-Role of Managers" (*Journal of National Political Economy* [1921]), that "the capability of managers and their duty-role would become increasingly important [under socialism]." He continued: "Even if we could remove profit-making and enterprise, we could never remove administration or management, as long as production is necessary." He pointed out that even Lenin of Soviet Russia was studying American scientific management. Frederick Taylor's scientific management system had been introduced in Japan and widely disseminated in Japan outside academia by Yoichi Ueno, who founded the Taylor Society in Japan in 1925. Teijiro Ueda also launched the journal *Enterprise and Society* (1926–1928), whose theme was that "corporations should recognize society, [and] society should recognize corporations." Ueda's basic ideas there seemed to be the

societal legitimacy of business enterprise and management.

Conclusion

The adoption of professionalism as the logical basis for university-based business schools one hundred years ago reflected the founders' mission of elevating social norms and values and was part of their refusal to limit them to the instrumental goal of training students just to perform particular functions in corporations. The professionalization project depended on the ability of business schools to infuse the new occupation of management with values that extended beyond the technical requirements of the job. Within this framework, managers became the central actors of the corporation, functioning as the primary link between the narrower concerns of business and the broader ones of society.

Khurana's message about the societal legitimacy of university business education will resonate both inside and outside America. When educators abandoned the professionalization project and turned away from the idea that managers, rather than shareholders or the market, should exercise control over the corporation, the business university lost its grand sustaining narrative. During their 125 years of existence, American business schools have turned into their own intellectual and institutional antithesis. At one time, managers had to attach a normative component to their claims of cognitive exclusiveness. They did this by allying themselves with existing institutions whose own cognitive claims were interwoven with normative values that were aligned with broader social aspirations and were in the public's interest. Against this normative dimension, efficiency and performance are not sufficient to establish societal legitimacy.

Business education in Japan, particularly, those in the business schools that have been founded following the American model, are suffering from the same problem as in America. So Khurana's message about the societal legitimacy of university business education will resonate here.