

TRENDS IN CHANGES IN SCHOOLS OF BUSINESS PROGRAMS IN THE UNITED STATES

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Introduction:

If we express the characteristic of American life in one word, the keyword must be "change." During the past ten years, the changes in American life have been a gigantic scale with bewildering rapidity that alteration itself has come to the central core of the American existence. Business firms, as one of the most influential social organizations, have been vitally affected by this constantly changing society, and at the same time, they have played the key role in changing the styles of American life.

Business educators, whose role is to train our young people for personally fruitful and socially useful careers in business or in related activity, must reassess, reevaluate, and develop educational programs to meet the constantly changing needs which our business community has called for.

In this paper, I try to examine briefly the chronological development of business education programs, mainly undergraduate programs, in the United States and to present problems and business educators' sustained endeavor to solve such problems.

Business Schools and Business Programs Prior to 1959:

Chronologically 1959 is regarded as the most important year in business education. The well-known Gordon and Howell report and the Pierson's report were published in 1959. After both reports were made to the public, a giant leap was made in business programs in the United States. I, therefore, examine briefly business education programs during the periods of both pre-1959 and post-1959.

Ever since the first business school was established in the United States in 1881 at the University of Pennsylvania, the Wharton School of Finance

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and Commerce, many other business schools were emerged in finding a foothold in the academic world. The origin of these schools can be traced into three types: the first, originated from the economic department of various universities which expanded into the business field, In this origin, the economic and business programs were closely tied together, and business programs were centered around the economic discipline. The second type of business schools originated from independent business programs and the economic program grew out of the business department. Their business programs in this type were focussed upon accounting and vocational business courses such as secretarial training and office management courses. The third type was derived from more diversified disciplines such as engineering, political science, etc. which later recognized the needs for some types of business curriculum. These schools in their initial stage of development did not have clear educational philosophies underlying their business programs and the ties between business programs and other disciplinary areas were vague. Consequently their business programs varied from one school to another.

In the early stage of development in schools of business, programs focused upon specific trade practices and practical business skills. These skills and practices were expanded into numerous courses. For example, by 1914 the Business School of New York University offered 105 different courses.⁽¹⁾ As many schools expanded their course offerings, the student enrollment rose rather sharply particularly after the Second World War. The earned degree in business increased from 1,689 in 1920 to 19,725 in 1945. The number rose rapidly to 40,726 in 1948.⁽²⁾ Faculty members were drawn mainly from business communities, and their main emphasis was placed upon business practices, the business community, and businessmen rather than upon academe. Courses outside of business were mainly in economics although some schools required students to take speech, English, and some courses in history, particularly the history of the American Economy.

The most ambitious effort to develop greater content and coherence came when the schools began to introduce a company-wide managerial viewpoint into their programs. Although some schools in their early stage of development already taught management on a regular basis, the idea of

(1) Frank C. Pierson, *The Education of American Businessmen*, McGraw-Hill Book Company, 1959, p. 39.

(2) Robert Aaron Gordon and James Edwin Howell, *Higher Education for Business*, Columbia University Press, 1959, p. 21.

looking at all phases of business operations from a broad managerial point of view was to remain quite formal and empty. The early discovery of Taylor's scientific management techniques and Mayo's human relation aspect of management stimulated the further exploration of the management field. However, the real stimulus to education for general management was brought about by the rediscovery of Henri Fayol in 1949.

This new development in management, combined with the spectacular increase in student enrollment (the earned degrees in business in 1950 was 76,530) stimulated business schools to widen their activities in education. Some schools developed the so-called business "core requirements" which consisted mainly of business functional areas such as marketing, finance, management, and production, etc., and of some tool areas such as accounting and statistics. Based upon the core requirements, schools also developed in depth each functional area as an area of concentration. Needless to say, the development of a core of required subjects constituted a major step in giving coherence and content to the business studies.

Teaching methods were almost exclusively descriptive, and course contents were almost exclusively business functions and practical techniques of business. I recall a corporate finance course I took about 15 years ago. We studied major characteristics of various financial securities, functions of financial managers, the role of investment bankers, etc. In marketing, we studied functions of marketing such as transfer of title, physical distributions, and other facilitating marketing functions. We also studied marketing institutions and their functions. Very little analytical method was used in conducting courses and few analytical tools were applied. However, I must say that faculty and students were deeply concerned about business, businessmen, and successful business practices. The focus and orientation of business schools was in this direction.

Business Programs 1959—Present:

The major break with the traditional descriptive and practice oriented programs came in 1959 when the Gordon and Howell Pierson's reports were published. Both reports were lengthy and thorough in presenting the problems of business school programs. Certain recommendations were made to strengthen these programs. Both reports stressed that functional and descriptive approaches in business education were irrelevant to modern business operations, problems, and executive functions. Changes in the internal

and external business environment called for more and more analytical skills in business. Business managers were facing a constantly changing world and they had to solve business problems through a rational decision-making process. Both reports emphasized that problem solving skills through identifying problems and through application of scientific problem solving techniques must be the center of business education.

The emphasis placed upon analytical approaches in business education was the result of the changing business environment that we observed since the end of World War II. After 1945, business firms grew in such a scale that increasing emphasis was placed on organization problems. Coordination and planning functions became more complex and more uncertain and managers were facing rational decision making based upon available information. The information management required involved knowledge in social science, mathematics, and other tools such as computer science. As the tempo of scientific and technological change was accelerating, communication became an important managerial problem to solve. Automation required more scientific capital budgeting, manpower management, and resource allocation to adjust to this new technical environment. The business community began to recruit managers who were capable of facing up to the demands of an increasingly complex and scientific oriented economical environment. As other social organizations such as government and labor unions grew, managers had to have capacity to interact with these powerful organizations.

Under these changes in internal and external environments, business placed greater emphasis on the kinds of knowledge that contribute to analytical capacity and to the ability to cope with the technological, social, economic, and political environments. Many schools of business began to reassess and revise their programs, and courses became more analytical rather than descriptive. Programs placed heavy emphasis upon behavioral science on one hand, and tools of management on the other hand. The new structure of business programs consisted of prebusiness requirements, core requirements, and additional requirements in each functional area as a part of the area of concentration. Required courses in prebusiness were usually economics, behavioral science such as sociology and psychology, mathematics, statistics, and computer science courses. These courses were to provide knowledge of the tools of management. Once students learned these tool areas, then they began to take business core requirement courses. These

courses were usually business functional areas such as finance, marketing, production, business policy, management, business law, as well as some advanced quantitative courses such as simulations. Once these students completed the required courses, they started to study in depth in the areas of their selected business functional areas. Again, emphasis was placed upon the basic disciplines, theories, and various model building techniques in solving business problems. The above brief description was typical of business programs offered by schools of business administration in the United States in the 1960's.

Higher Education for Business in 1970 and its Problems:

Business education in the 1960's made a substantial improvement and gained in academic prestige as an excellent professional program. The Newman Report recognized the improvement made by schools of business stating that some professional schools-particularly in law, medicine, and business-have been gaining in academic prestige and attracting better students.⁽⁴⁾ However, there were also highly critical reports on business programs in recent years. Let me list some of these criticisms and explore some reasons and causes of these reports.

1. "We have seen disturbing trends toward uniformity in our institutions, growing bureaucracy, over emphasis on academic credentials, isolation of students and faculty from the world..."⁽⁵⁾
2. Business schools, in collaboration within modern businesses, need to make certain that the businessmen being turned out of our educational institutions today are more aware of the variety of goals that have to be implanted into our system.⁽⁶⁾
3. "...Because of the irrelevance of schooling to national needs, priorities, and opportunities, the United States is suffering a "fantastic loss of brainpower"..."⁽⁷⁾
4. In many cases people are spending four years in college and are not prepared to do any specific job when they finish.⁽⁸⁾

(4) *Report on Higher Education*, U. S. Department of Health, Education, and Welfare, Office of Education, Washington, D.C., 1971, pp. 36-37.

(5) *Ibid.*, p. vii.

(6) Robert V. Hansberger, "The Role of Business in the Environment of the 1970's," *Proceedings*, AACSB, May 1971, p.4.

(7) *Perspectives for the '70's and '80's Tomorrow's Problems Confronting Today's Management*, National Industrial Conference Board, Inc., New York, 1970, p. 6.

(8) *The Wall Street Journal*, September 22, 1971

The major criticisms of higher education for business at the present time were similar to the old criticisms; that our higher educational programs were irrelevant to current problems of the business world. In the old days our business education was irrelevant to business problems mainly because we overemphasized practical techniques and routine works rather than decision-making techniques and academic disciplines. Let me explain, then, why the present business educational programs are irrelevant to business problems and the business world.

In the 1960's we moved more and more into the analytical field by emphasizing tools of management and behavior sciences. New faculty became more theoreticians and model builders. Business faculty was no longer concerned about business and businessmen. They tended to move away from their real business-business operations and business problems. They were concerned about methodology of model building rather than content. As a result business faculty tended to ignore the operations of business firms and the problems confronted by these businessmen. We taught our students various tools of management but we failed to teach them how to use them because we did not know much about business problems. One business faculty summarized irrelevancy of the business school program in this way,

"Often we are insensitive to the lack of exposure to organizations and 'the work itself' that characterizes most students; and yet the products of our institutions go out to teach others, both under-graduate and graduate, concerning theories and applications. Lacking a basis for conveying the effects of environmental and situational factors upon application of theory, our Ph. D. graduates (even worse the MBA graduates) may be ill-equipped to translate theory into real-world situations, and hence unwittingly may be preaching doctrine or 'theory' in a vacuum."⁽⁹⁾

The new criticism of our programs seemed to be based upon the fact that our programs tended to over-deemphasize actual business operations. Good business educators should be well aware of the business world and try to identify business problems so that our students would know how to apply tools of management to solve those problems. Many business executives I met expressed their opinions regarding qualifications of business faculty by stating that business experiences for business faculty are as important

(9) Jack A. Parrish, "Behavioral Science Trends in Schools of Business," *AACSB Bulletin*, Vol. 8, No. 1, p. 43.

as a ph. D. degree. Dr. Joseph McGuire, my former professor and presently the vice-president in charge of planning and development at the University of California, Berkeley, summed up our programs which place heavy emphasis upon methodology rather than content in this way, "our problem is similar to the case of the woman who by habit has borrowed a cup of sugar and not must decide what she will do with it."⁽¹⁰⁾

The significance of understanding business problems and businessmen was reinforced by the new role of business in the different environment of the 1970's. We witnessed that the public attitude toward business was changing. After we went through the period of the 1960's, the era of protest; protest against the value system in American culture, protest against the business establishment and the military industrial complex, against war, the education system, and pollution, the public began to judge business not only by its profit performance but by its social performance. Prior to the 1960's, the major function of business was perceived as the production of goods and services through efficient allocation of resources to achieve its goal-profit making. Profit was a noble word by that time, mainly because we thought profit tended to promote social welfare by providing more job opportunities and by raising the standard of living. However, business in the 1970's became more and more socially oriented. In an affluent society, output oriented business practice was tested by the public through their questions such as, "is it socially desirable to produce more by polluting water?" or, "can we measure dollar amount of output we produce as a yardstick to measure our social progress?"

Many business leaders in the 1970's are convinced that investment in social improvement is a good investment. The change in our social value system has certain implications to the business education system and programs. Business faculty must strive to understand more about business problems of non-business. The place of business faculty is not the Ivory Tower at the present time, but the business world. Business problems are not as simple as they used to be. They are more complex and interdisciplinary in terms of the skills needed to study and analyze them. The question that many business executives have now is how much of their resources is to be allocated for social improvement and how much for goods and services. To answer this question, we must develop our social cost

(10) Joseph W. McGuire, "The College Business School Today," *The College News and Views*, South Western Publishing Co., Vol. XXV, No. 3, p. 2.

system. We must develop new measuring techniques in the allocation of resources such as cost revenue basis combined with cost-benefits basis. We should also be concerned about the measurement of human value. In accounting, as I understand, one of the recent criticisms of financial reports is that the total value of assets is the sums of physical assets excluding the value of human resources, which in many cases is the key to the future success of the business. These examples represent some of the tasks that business schools must accept in the 1970's if their business programs are to be relevant to current problems.

Another reason our programs seemed irrelevant to business problems is a lack of interrelationship within the structure of business administration programs. Let me explain this further. Students who learned the tools of management through prebusiness required courses such as mathematics, computer sciences, behavioral sciences, statistics, accounting, and other quantitative courses, found that these tools had very little application for courses in business core requirements. This disconnection between prebusiness and core requirements seemed to be the result of two key elements in our programs. One was that those who taught business core courses were trained under the old programs, therefore, they did not know how to apply those modern scientific tools of management into their own functional courses. This problem could be solved if new faculty trained under new programs take over these functional courses. This problem could also be solved by retraining old faculty members with analytical tools of management. However, often we observed that each functional course moved in its own direction so that students could hardly see any interrelationship among functional courses. This brought the second element the lack of horizontal relationship among functional courses.

The lack of horizontal relationship among functional areas combined with a lack of transferability of prebusiness courses into the next layer of the program, business core requirements, brought the criticism that our students could not visualize the over-all business operation. The development of an integrated program seems to be the essential task for schools of business administration in the 1970's.

It seems to me that the basic reason the business administration program lacks integration among courses we offer, as well as between layers of our program, is that there is no basic foundation upon which our program can build. For example, all branches in the field of economics

international economics, public finance, regional economics, and monetary economics are built under the solid foundation of the basic micro and macro economic theories.

In business administration, we do not have such a solid foundation. We borrow from various disciplines economics, mathematics, behavioral sciences, engineering, etc. Some management scholars claim that management courses should be the basis for all functional areas of business. Although universally applicable theory of management has developed since Henri Fayol, still Koontz's management theory of Jungle⁽¹¹⁾ exists at the present time and the disentangling of this jungle is still not in sight.

The above brief sketch of the present business administration programs and problems has given impetus to development of new innovative programs by some universities after the later part of the 1960's. Many schools of business are in the process of reassessing and readjusting their programs through careful evaluations of some of these new programs. Now let me introduce some of these programs.

New Directions of Business Programs in the 1970's:

1. The development of communication between business community and schools of business.

There are numerous programs which promote better understanding between schools and business. Using business executives as adjunct professors, rap sessions with business leaders, community caucuses, businessmen in residence, and lecture series sponsored by individual and student organizations on the campuses are some of the worthwhile programs to mention. Many schools have initiated internship programs for business students as a selective course. Faculty and business exchange programs have been established through the summer faculty internship program sponsored by the academic associations and the business firms. Recommendations made by these visiting professors to industries are valuable in improving both business operations and business educations.

The campus-industry committee of many chambers of commerce has held all-day symposiums by inviting students to discuss the areas of critical economic and social problems such as the welfare system, guaranteed

(11) Harold Koontz, "The Management of Jungle," *The Journal of the Academy Management*, Vol. 4, No. 3, pp. 174-188.

income, profit motive and social performance of business, revenue sharing, ecological problems, etc. On our campus, the annual businessmen-business students' banquet promotes interactions and exchanges of ideas and problems of business and business students.

However, these programs, although worthwhile, fail to bring about a truly significant interface between education and business. Such programs are initiated as short-range, stand-alone efforts. These programs fail to establish an ongoing relationship whereby the two groups, business education and the business community, each work together to help solve some of the major problems facing our society. In the 1970's I expect that these interface programs will be an integral part of the business education program. I understand that Southern Methodist University in Texas has already established a session for businessmen and students' interaction as a regular course in business school.⁽¹²⁾ I anticipate in the 1970's that more schools of business and business firms will jointly engage in efforts to develop such courses which will promote interface between business and higher education for business.

2. The development of school of management or administration.

This development is based upon the growing recognition that every organization in our society is striving for rational decision-making to allocate scarce resources for social needs. Growth of the public sector of our economy, and labor unions gave impetus to move in the direction of establishing a school of management of administration rather than a school of business. Advocates of this movement state that management problems are problems of all social organizations and business and industry are but a sub-set of a broader managerial problem. It is suggested that programs of the school of management are to be based upon the common management problem of the efficient allocation of resources rather than the traditional business functional basis such as marketing, finance, and production, etc. Management of resources should be the basis for all disciplines in business and public administration as micro and macro economics are a basic foundation for all branches in the field of economics. A lack of integrated programs in business schools could be solved by constructing programs centering around the common problem, the management of

(12) Robert R. Dockson, "The Business-Government-Education Interface," *Proceedings*, AACSB, op.cit., p. 13.

resources. Based upon this philosophy, some possibilities of program structure are proposed and implemented. One example of such a proposal is as follows:

1. Human resource management which includes traditional courses such as personnel management, human relations, labor relations, organizational theories and behavioral sciences.

2. Information management encompassing traditional courses in statistical analysis, computer sciences, accounting and information systems, etc.

3. Physical resource management including traditional work in production management, micro economics, marketing, finance, and operations research, etc.

4. Environmental studies which encompass macro economics, social responsibilities of business, political and legal environments, and ethics, etc.

5. General and comparative studies which include cross-cultural studies, policy formulation, etc., which interrelate the four areas I mentioned above.⁽¹³⁾

This trend is in a healthy direction. Management of resources could be the universal problem of all organizations. Management could be the basic foundation upon which all other phases of business operations could build. However, this trend deserves some comments.

The first, management as I mentioned before, is still an undefined term. If we still teach management based on managerial functions such as planning, organizing, staffing, directing, and controlling, schools of management would not really change our programs. The second, there are many differences in organization structures and in executive functions among social organizations. For example, in public administration, politics is a very important function of an administrator. Governmental organizations are quite different from business organizations. Purposes of this organizational settings are different. The measurement of performances in public organizations are different. For this reason, Dr. Joseph A. McGuire stated that, "Unless we can determine the nature of management and then begin to probe into it deeply and sensibly, we shall never satisfactorily create a discipline of administration."⁽¹⁴⁾

(13) Daniel A. Wren, "Toward a School of Management Arts and Sciences," *Proceedings*, Academy of Management, Thirty-first Annual Meeting, Aug. 1971, pp. 91-94.

(14) Joseph A. McGuire, *op cit*, p. 5.

3. Four course integrative core--Indiana University's program.

The Indiana University attempted to develop the integrated business program by offering Finance, Marketing, Production, and Business Simulation as a package and by requiring students to take these four courses concurrently as a 12-credit package. Prerequisites to this package are economics, statistics, mathematics including calculus, accounting, sociology, psychology, and legal environment, a total 30 semester credits, which provide the students with competency in tool subjects. Students are divided into several teams and each company-team functions as a unit in the three functional courses as well as in the simulation course. The simulation exercise is used as a vehicle for applying and integrating the student's work in the basic three functional areas of business. All teams make a number of financial, marketing, and production decisions for each period and do so from an interrelated point of view. This program began in the fall of 1968—69 and the University continued to develop further program integration and to refine and revise the courses. This program happened to be the first winning program of the AACSB-Western Electric Fund Award for 1970—71. (16)

The above trend indicated that schools of business administration tend to move toward more and more integrated programs. Some schools try to achieve the integration centered around the discipline of management and some focused upon integrated business functional areas. Both the business community and schools are concerned about changes in social environments and both try to solve some of these social problems through constructive interactions between the higher education for business and the business community.

(16) If you are interested in this new innovative program, please read Innovation Section of Bulletin of AACSB, Vol. 8, No.1 in October 1971, pp. 58—66.