
Edwin F. Gay, Arch W. Shaw, and the uses of history in early graduate business education

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Introduction

Business executives in the United States practised management long before academics studied it. In contrast with science and engineering faculties, for example, professional business educators contributed very little to the organizational and managerial revolutions which transformed American industry at the turn of the century. Railroads, mass distributors, large-scale industrials – firms in these sectors invented their own administrative practices, devised their own organizational forms, trained their own management cadres. At least that appears a reasonable conclusion to draw from recent work in business history[1-4]. “So far”, Gordon and Howell wrote as late as 1959, “the success of American business has depended very little on either the teaching or research activities of the business schools”[5, p. 17].

Universities launched undergraduate programmes for accountants and office staff. Wharton was first in 1881. But graduate programmes designed explicitly to educate students for managerial responsibility developed slowly. Before the First World War there were only two: Dartmouth’s Amos Tuck School (1900) and Harvard’s Graduate School of Business Administration (1908). Given the ubiquitous MBAs of recent decades, graduate school expansion might have seemed assured. But academic entrepreneurs at the time could assume no such outcome. They still wondered what to teach, and how to teach it.

By all quantitative measures, accounting overshadowed other business disciplines before 1930. It was the *raison d’être* of university business education[6, p. 79].

See also[7-12].

How did pioneers in graduate study for management answer these questions? And what role, if any, did they give historical concerns in the process? Edwin F. Gay, founding dean of the Harvard Business School, and Arch W. Shaw, a Chicago publisher, are two early contributors whose responses warrant attention. Their views helped to shape institutional practice at what became one of the most influential centres of management education in the United States.

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The Gay-Shaw collaboration

From a contemporary perspective, Edwin Gay might seem an odd choice for dean of a business school. He was an economic historian. He had spent 12 and-a-half-years in German university seminars and British archives earning his PhD. He got his first academic job at Harvard in 1902 at 35 years of age. He had no business experience, no business contacts, and no background in the rapidly emerging field of factory or production management pioneered by engineering consultant Frederick W. Taylor and his circle. Little wonder, then, that in thinking through curriculum matters he welcomed assistance from Arch W. Shaw, a Chicago business publisher and editor of *System*, one of the era's few general magazines of business (see [13] on Gay and [14] on Shaw).

In 1899, Shaw had co-founded the Shaw-Walker company, a manufacturer of business filing systems and office-equipment. A few years later he entered the publishing business. He made *System*, a promotional newsletter for Shaw-Walker products, an independent business publication; hired a staff of technical writers – self-styled “young crusaders”[15-18] for advanced business practice; and proceeded to chart the administrative infrastructure of a new managerial capitalism. *System* reporters described the administrative techniques of such firms as Armour, United Cigar Stores and Western Electric and urged readers to emulate them; advice that Shaw supplemented with a long list of “how books” that described for small business the administrative secrets of economic success (see Appendix 1).

Shaw had a “restless, inquisitive, and imaginative mind”[18, p. 313]. He brought to publishing the temperament of an amateur social scientist. He conducted surveys of readers and advertisers to test marketing ideas. He published the early work of Northwestern psychologist Walter Dill Scott, a pioneer in personnel testing and in the application of quantitative measurement techniques to consumer behaviour. He had L.C. Marshall, a Harvard-trained economist and later dean of Chicago's School of Commerce, lecture his staff on economic theory. (One staffer described working for *System* as attending “a Mutual Aid Business College, Arch W. Shaw, Principal”[19].) And he studied and promoted what he interpreted to be Frederick W. Taylor's application of scientific method to analysing factory work. In his view, all business activity – from purchasing to marketing – required similar investigation and analysis (see [20-28]).

Intent on pursuing such ideas, and anxious to take a sabbatical from business affairs, Shaw in the fall of 1910 repaired to Cambridge, Massachusetts, where he quickly struck up a warm, admiring, and ultimately enduring friendship with Harvard's Business School dean. Shaw had already joined Northwestern's campaign for a school of commerce. He also supported business education at the University of Chicago. But largely because of his friendship with Gay – a tribute to Gay's skills as institutional recruiter – he championed Harvard's experiment most aggressively of all: “I do not thank you for your constant interest in the Business School”, Gay wrote Shaw at one point, “since I feel that you have it practically as much at heart as I have”[29-33].

In subsequent years, Shaw raised money among Chicago business acquaintances; he funded Harvard's Bureau of Business Research and offered to pay for a building to house it; he helped Gay formulate the problem or case method and introduced it into the business school classroom; he subvented and published early issues of the *Harvard Business Review*; and he inaugurated a second-year course in business policy for which he wrote *An Approach to Business Problems*[34], an early attempt to conceptualize general management as a distinct field of study.

Historical perspective and subject definition

In the course of their collaboration, Gay and Shaw came to share a number of common goals. They agreed that graduate business education should mean more than expertise in a random collection of technical specialities. It should teach general management, a responsibility in particular of instructors in business policy. And general management? It was an identifiable set of organizational activities which, though guided at this point by maxims and rules-of-thumb, could be placed on a more scientific basis by empirical, even historical, research. Knowledge for management, in other words, could be analysed, codified, and taught.

Of activities implied by general management, problem solving or decision making was among the most important. Effective problem solving, in turn, required analytical skills, and analytical skills required practice. Students could be trained to think like managers, but only if they engaged in an experiential process rooted in actual business problems. Discussion of business cases, therefore, was preferable to lectures as the key method of classroom instruction, especially in business policy.

Gay and Shaw also agreed that distribution issues ought to have prominence. In 1910, a common answer to the question – what should a manager know? – focused largely on the world of factory production. Frederick W. Taylor and his followers made consulting careers for themselves analysing the implications. As Shaw put it:

The big prizes went to the men who could speed up production without adding to the expense of a unit of product[34, p. 5].

Gay and Shaw acknowledged the contributions of specialists in factory work. They applauded the scientific approach. Gay invited Taylor to lecture at the Business School. But they believed that distribution and marketing demanded even more attention as an emerging field of study. Gay was influenced by his graduate studies. He believed that German history scholars, preoccupied with production organization, had underestimated the impact of distribution methods and expanding markets on economic development. He encouraged his own graduate students to remedy the omission[13, p. 62]. Gay later argued that:

The School made a new departure in business education by emphasizing the two fundamental functions of industrial management and commercial organization or marketing, with chief emphasis upon the latter[35].

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Shaw was sympathetic. The emphasis made sense from his business experience – selling office equipment, soliciting magazine advertisers, and also advising the W.K. Kellogg's Toasted Corn Flakes Company. In 1906, Shaw had directed Kellogg's initial advertising campaign, and he retained a continuing relationship with the company as consultant and stockholder. In the new era of mass production, symbolized by such manufacturers of branded packaged goods as Kellogg's, the economic challenge had become less how to sustain production than how to guarantee consumption. It was a trend that from his editorial post at *System* Shaw observed in a wide array of businesses. Firms could not assume economic demand. They had sometimes to create it. In fact, production and distribution were interdependent. The "problem of distribution", Shaw observed, "is to arouse the desired maximum demand at a minimum expense, and to supply this demand with the least possible leakage"[34, p. xvii]. In thinking about appropriate nomenclature for their subject-matter, Gay and Shaw debated whether to use "manufacturing and marketing" or "production and distribution". Shaw favoured the latter (see [36]).

Gay and Shaw, then, shared the view that Harvard's Business School curriculum should reflect the fact that the US economy had entered a new historical era. Distribution had surpassed production as a critical area for study. Historical perspective influenced both men. Gay brought his formal, disciplinary training to bear on the issue, while Shaw linked Gay's views to his own efforts to generalize from business experience and personal observations. (Shaw had developed a prior, personal interest in British economic history; especially the life and times of the eighteenth-century writer Daniel Defoe. See, for example, [34, pp. 167-8]. On historical perspective as a tool for more formal use in business research, see [37].)

Historical research and theory building

Independent reading during his visit to Harvard facilitated Shaw's quest. In 1911, for example, with Gay's encouragement, he researched and wrote an article on, "Some problems in market distribution", an institutional history of marketing functions. The paper, which combined empirical description with economic analysis, is frequently cited as a founding document in the functional school of marketing theory. In 1912, Gay published it in Harvard's *Quarterly Journal of Economics*[38]. (Shaw later recalled, "I had long felt that it must be possible to bring the methodology and facts of economic theory and economic history to bear upon the realities of business practice, thus giving direction to business thought". See [39,40].) Three years later Shaw repackaged it as a book; and in 1916 he used it again in *An Approach to Business Problems*[34].

In this piece Shaw identified the economic functions typically served by middlemen or distributors – sharing risk; transporting goods; financing operations; and assembling, sorting, reshipping product – and argued that how those functions get filled by different institutions over time – how mass distribution through forward integration displaces wholesalers, for example – and how effectively they get filled, were important subjects for systematic

analysis and academic research. According to Shaw, the evolution of distribution functions – in the United States at least – could be understood as a successive reduction in institutional intermediaries. Direct distribution from manufacturer to consumer appeared to be the logical outcome. With Gay's intellectual support, Shaw, in this piece, had devised what was essentially an historically-grounded theory, or explanation, of marketing (see Appendix 2).

As might be expected, marketing dominated the trial run of Shaw's course in business policy, which he offered during the second semester of the 1911-1912 academic year. The catalogue description foreshadowed what became the typical policy perspective – “applying general principles of business gained in other courses...in discussions of practical problems from the standpoint of the management”[41]. However, the outline continues:

By far the greater part of the course is devoted to sales' policies. Recent tendencies in the development of wholesaling, jobbing and retailing are noted in the study of sales' policies suitable for varying and typical conditions. Special attention is given to advertising. Both direct and indirect publicity in their various forms are considered, and a careful examination is made of the interrelation of the units of a sales-plan, such as the development of direct inquiries, “follow-up” systems, cooperation with salesmen, [and] direct approach to the distributor[41].

Shaw's preoccupation with distribution, obvious from the course outline, also caused him in 1911 to fund Harvard's new Bureau of Business Research – “the entering wedge into the problem of distribution”[27], he described it. Empirical and historical data would be essential as a means both to understand current distribution issues, and to instruct business students and retail owners on them. The Bureau subsequently conducted comparative studies of the shoe and grocery trades and drew up performance standards – average costs, profits, inventory and so on – against which firms could benchmark themselves. Shaw claimed later that he hoped the research would help small retailers survive competition with the chain stores[42-45].

A focus on distribution and marketing possessed more than simply intellectual interest of course. Retailers among potential Harvard donors might find it appealing; it might help the school out-distance erstwhile competitors. The topic also promised new projects for business research – an opportunity to build academic careers in management education. The point here, however, is not to explore all possible motives and outcomes. It is rather to illustrate the uses to which Gay and Shaw put history in the early days of management studies – as perspective, as method, and as a source of data for both theory building and practical advice.

Widening the scope of management

To advocate distribution as a significant topic for research and teaching, however, held implications for more than curriculum development, or for academic investigation of a new functional area. The subject also raised questions about how the economic world worked, and what managerial activity had to do with it. In other words, a new subject, a product of historical reflection

and personal experience, provided a new context for thinking about broader assumptions which bore on current management knowledge and practice.

For one thing, attention to distribution as well as to production enlarged the scope for managerial activity. If production was the only concern, then it made sense to ground management tasks essentially in factory work. Factory organization, production scheduling, employer-employee relations, cost control – these were the critical subjects. Widen the scope to include distribution and a host of new activities came into view, not least of which was learning how to coordinate relations between production and distribution, or manufacturing and marketing.

In addition, management's external problems also widened, for marketing activities, especially in consumer goods, intersected with such issues as income distribution, social values, racial, ethnic and gender preferences, public opinion and more. Under these conditions, a definition of business as a production function, or management activity as essentially factory co-ordination and control, was too narrow. "It is the existence of these problems", Shaw wrote, "the difficulty of establishing a balance between the opposing requirements of demand creation and physical supply and of maintaining this balance in the face of changing conditions, that give the business man his function and opportunity and justify his, at times, exaggerated gains"[34, p. 279]. A more interdependent business world required a more general business management.

Shaw adopted this broad perspective in his second policy course. In the 1912–1913 outline, for example, he promised for the first five weeks to discuss:

The constituent problems of production, distribution, and administration as the manager of business must view them, developing the principles of coordination and balance that serve to guide the manager in his decisions[46-48].

He developed this view at greater length in his text, *An Approach to Business Problems*[34], which he wrote with the help of Gay and the staff at *System*. The book's treatment of the general manager is worth summarizing.

The general manager and business problems

As a heuristic, perhaps pedagogical device, Shaw classified all business activities in terms of the three central purposes they served – production, distribution, and "facilitation"[34, p. 4], or administration. Production activities changed the form of materials; distribution activities changed the place and ownership of commodities produced; and facilitating activities supported production and distribution. Each grouping possessed distinctive characteristics – manufacturing typically concerned itself more with cost, distribution more with price – yet opportunity for improvement existed in all three areas. Indeed, "the difference between moderate and distinctive success in business", Shaw argued, "is in the main just a sum of individually small advantages"[34, p. 15], a process of continuous improvement he characterized as the principle of "cumulative differentials"[34, p. 16].

But if each area held potential for efficiency gains, the same dynamic operated in relations among them.

In our roundabout system of production, with its minute subdivision of labour, it is possible to make a greater number and variety of motions and distribute them over a longer period of time, yet increase the eventual output or decrease the cost through the group effectiveness of all the motions[34, p. 13].

Shaw identified here the potential gains from scale economies, but how to increase overall effectiveness?

On the most fundamental level, businesses had to recognize that they functioned in a context of “mutual interdependence”[34, p. 7]. “No business problems are strictly intradepartmental”, Shaw wrote. “They all have implications reaching out and affecting activities in other departments”[34]. So a firm’s policies had to be congruent across all fields of activity – materials purchasing, labour recruitment, production, credit, advertising, sales, and so on. Shaw hinted, in effect, at an early form of value-chain analysis.

Co-ordination was critical. “The function of the general manager of a business is to coordinate and direct [the] three groups of activities”[34, p. 6]. To accomplish the task effectively the manager should occupy “a detached, supervisory position over all departments, free from routine concern with the details of any”[34]. This was not easy. Personal bias could interfere. Departmental favouritism often prevailed. Yet detachment was essential. The manager had to be “aloof from the various groups of his business activities” so he can:

Keep a clear vision and true perspective of the whole field...It is only from such a detached position...that he...can gain a broad and comprehensive view of the workings of his own organization and the possibilities of the markets that it serves[34, p.11].

Shaw failed to identify and explore the strategic function of management as it came later to be known, but the drift of his argument certainly tended in that direction.

Developing management functions might be easier in large-scale enterprise where the division of managerial labour had proceeded farthest, yet even small business could acquire managerial perspective. (Shaw omitted all organization charts from his book, including the multi-tiered hierarchies of managerial enterprise, but he published them in *System*.) An owner-manager likely filled several roles, but “he should cultivate the habit of withdrawing mentally to the position here indicated when performing his managerial functions”[34, pp. 10-11]. Management, in other words, was a matter of attitude and behaviour as well as of administrative location.

To help the manager achieve the cool objectivity required for rational decision making, Shaw, in the spirit of his “how books”, recommended a series of four mental steps. The so-called systematic method included:

- (1) Elimination of the personal equation.
- (2) Separation of the problem into its constituent problems.

- (3) Listing the factors involved.
- (4) Taking a new point of view.

“A man should not pause in the process of thought to consider the method of his thinking”, Shaw explained. “But when a problem is complex and many factors are involved, the formal use of this method may benefit. The assembling in written form of the constituent questions and their chief factors, with the value and importance of each approximated, should at least clarify the situation and increase the chances of a satisfactory solution”[34, p. 22; 49, 50]. (In his business policy course, Shaw introduced a “factor sheet” on which students were to list the pros and cons for a particular decision. A similar work sheet remained a feature of written case analysis at Harvard through the mid-1950s. See [31, pp. 308-9].)

Shaw devoted the bulk of his book to illustrating how the four mental steps could be applied to problems typical of production, distribution, and of relations among them. How do you decide where to locate a plant? When to install new equipment? Organize business records? Establish a sales office? Choose an advertising medium? Create demand? Balance cost, quality and service? In each instance, clear thinking required eliminating personal bias; separating the problem into its components – or, as Mary Parker Follett later put it, citing Shaw (see [51]) – breaking wholes into parts; then listing and, if possible, quantifying the critical factors; and finally, taking a fresh point of view.

The reality of mutual interdependence also had implications for the external as well as internal business management. Shaw left the theme underdeveloped in an 11-page last chapter, but his intention to write from “the viewpoint of the manager of broad interests”[27] is clear enough. Business had to consider:

Its customers, its direct and potential competitors, and the general body of labour from which it draws its workers, executives, salesmen, clerks and factory operatives[34, p. 4].

More broadly still, it had to take into account the general public and an increasingly interventionist state. “If the vital relations of any business were charted”, Shaw wrote, “its internal and external activities might be represented as two circles impinging upon one another, and the management on the alert at the point of contact”[34, p. 15]. The need for adjustment was continuous. Balance was as important as interdependence as an underlying principle of management.

The case for institutional economics

Recognition of interdependence and the need for continuous adjustment supported an argument for the legitimacy and significance of managerial functions. In so doing, it also challenged theoretical assumptions of neo-classical economics. The Gay-Shaw position, for example, rejected the axiom that supply created its own demand.

Taylorite preoccupation with production issues seemed to suggest that, once barriers to output fell, distribution, through price competition, would take care

of itself. The market's invisible hand would suffice. Neo-classical economists thought so. As business historians of marketing have recently noted, however, if one creates a model of the world in which:

'Products [are] essentially sold once they are produced...then marketing skills can be dismissed as trivial if not economically wasteful'. For much of modern academic theorizing about the economy, they observe, marketing is not *needed* (author's emphasis)[52, p. 2].

Gay and Shaw, of course, thought otherwise. Gay may have come to the position from historical study. But Shaw knew it from personal experience. The Shaw-Walker company initially had to persuade business buyers even to consider new approaches to classifying and managing information flows. Kellogg's initially had to persuade consumers even to consider the benefits of a pre-packaged cereal. Demand could not be taken for granted, at any price. Under modern conditions, Shaw observed, "the manufacturer-merchant" had to become, "a pioneer on the frontier of human desires and needs"[34, p. 104].

It is no accident that Thorstein Veblen was one of the three economists whom Shaw cited in *An Approach to Business Problems*[34] (Harvard's Frank Taussig and the Austrian economist Bohm-Bawerk were the other two) for Gay and Shaw adhered more to institutional than to neo-classical economics. From their perspective, institutions and institutional arrangements made a difference, and patterns of institutional behaviour could change over time – as in the case of distribution methods. No rule existed, or was ever likely to get formulated, that could answer all questions for all time. The economy was too dynamic for that. Optimum arrangements depended on the particular case. Such questions became simply the problems of every-day business decision making. "We won't find the golden key to merchandising", Shaw observed, "but I do believe that we will find principles of merchandising that at least will give direction to the efforts of many retailers who are now meeting with unnecessary loss and, in altogether too many cases, with failure"[53, 54].

That did not preclude a more systematic approach. On the contrary, the very complexity of the problem argued for more self-conscious attention. In marketing, Shaw recommended controlled testing of consumer preferences and statistical analysis of "the market contour"[55] as useful paths to solution.

The current era of mass production and mass markets put a premium on techniques for correlation. It stimulated questions about elements of neo-classical economics as guides to business reality. In fact, it argued for a new "business economics"[56, 57]. For Gay and Shaw, as for many others, the new context rendered blind adherence to *laissez-faire* fundamentally counter-productive. Excessive individualism, or wasteful competition in business life, engendered economic cycles of boom and bust that threatened the entire system. Some degree of co-ordination, or management, was required, whether attempted at the firm, sector, or macroeconomic level.

Much depended on the information or knowledge base available to business decision makers. "Prophecy's surest foothold", Gay later wrote, "is an intimate knowledge of past and present, and that knowledge as yet is not sure

enough”[58, p. 8]. In 1911, Gay and Shaw supported Harvard’s Bureau of Business Research to get appropriate information to small retailers. In the 1920s, they supported work at the National Bureau of Economic Research on business cycle theory and income distribution to get economic data and ideas to key private and public decision makers in general. In 1930, as members of President Hoover’s Committee on Recent Economic Changes, they conducted a comprehensive inventory of the national economy, including recent developments in management techniques, with a similar view in mind. The venue changed, but the guiding assumption remained: the more adequate and accurate the data available to private managers, the better the chance for rational decision making – whether it be inventory levels in a single firm, capacity in an industrial sector, or investment opportunities for the economy as a whole. Historical perspective, in varying degree, was essential at each level of analysis.

Empirical research in the historical record – on retail store costs, for example, or on periods of economic boom and bust, or on the evolution of changing institutional arrangements of distribution – revealed distinctive patterns. Such patterns required understanding and explanation. Which ones changed? Which remained the same? Why? The research questions proliferated. As a whole, moreover, such investigative work might produce more informed judgement by decision makers in both business and government institutions, for it would sensitize them to the interdependent contexts in which they operated. Or so Gay and Shaw hoped. (On the implications of this approach for broader efforts at economic stability and control, see [44, 59, 60].)

Conclusion

The Gay-Shaw collaboration exemplifies the significance of historical sensibility on the origins of US management studies. The attention given to historical methods and data as tools of inquiry reflected Gay’s professional training of course, but it also reflected the sense both men had of the significance of institutions and institutional patterns in business life. As well as stimulating an interest in the broad interest of business administration, this perspective necessarily qualified the tenets of classical economics. It focused attention on managerial activities. And it made business administration, not economic or social theory, the ultimate object of study and improvement.

The Gay-Shaw focus on distribution as a serious topic for research and teaching also provided new ground for rethinking both theory and practice in administrative studies, including the limits of the Taylorite focus on plant management. The multi-functional operations of business enterprise – linking manufacturing supply with changing market demand – made co-ordinating activity a central function. The potential gains from scale economies depended on how well general managers filled this function. The health of the business system as a whole, in turn, depended on whether managers took a broad or narrow view of their responsibilities. They required an outlook and a habit of mind that transcended technical expertise. They had to understand the broader

institutional setting in which they managed. Historical awareness could illuminate that context.

To some extent, the case method helped to institutionalize a degree of historical sensibility in business education. As Alfred D. Chandler, Jr once remarked of the Harvard Business School: “the heart of this school’s curriculum has always been the case study, and the case study is precisely what a historian does, what a historian is trained to do” (quoted in [61]). (For an example of the influence of the case approach on historical studies written at the Harvard Business School see, among others, [62-64].) Harvard made a continuing commitment to the subject. In 1927, as part of his campaign for generalist education, Dean Wallace Donham appointed N.S.B. Gras, one of Gay’s students, as first holder of the Straus chair in Business History. In 1928, Gras put business history in the curriculum. It has remained there ever since; with its most notable impact on management studies coming from the work of Alfred D. Chandler, Jr, a subsequent holder of the Straus chair.

The tradition of business policy also persisted, at Harvard certainly, but in management education in general, though the origins of that tradition, and the historical interest and institutionalism which shaped it have generally been lost to view. This is puzzling in a way, given its significance in the early stages. But the fate of Shaw’s book can be taken as symptomatic.

One might have thought from this paper that *An Approach to Business Problems*[34], in the manner of Helen of Troy, had launched a thousand intellectual ships. In fact, it apparently had little lasting impact on management studies. It sold 9,500 copies over two decades and then went out of print – respectable numbers in the context of academic publishing perhaps. The publishers later prompted Shaw to contemplate a revised edition. In 1945, for example, he considered looking for a collaborator among business school faculty at the University of Chicago, but for a variety of reasons, including ambiguity over copyright ownership, nothing came of the idea. (On the publication numbers see [65]. On Shaw’s later thoughts on revision see [66-68].)

Paradoxically, while Shaw got overlooked as a student of general management, he gained prominence as a student of marketing. In 1949, for example, he was awarded at the University of Illinois the Paul D. Converse award given for outstanding contributions to advancing a theory and science of marketing. His book, *Some Problems in Market Distribution*[25], unlike *An Approach*[34], was reprinted as late as 1951. This is not altogether surprising for in focusing on distribution and marketing, Shaw and Gay had identified a major trend in American business life. The country had entered a consumer age. Marketing and advertising functions became more central than ever to corporate enterprise. The well-known Ford versus General Motors story of the 1920s illustrates the point[69, 70].

Shaw was pleased by attention from academics in marketing, but he found their narrow approach disappointing. When Professor Paul Converse spoke with him about a research project in 1945, Shaw could see how the marketing focus obscured a broader vision:

I had in mind that Doctor Converse might undertake an article or book about the broader concept of what I call the organic way of approaching the problems of business...

Shaw wrote to his old friend Gay,

I have, however, come to the conclusion that his interest is focussed so definitely on the field of marketing it would take up too much of his time to orientate himself into the fields of general business policy, and particularly into the division of production and administration[71].

(Shaw made the same point over a decade later in a letter to Helen McFarland, Secretary to Dr P.D. Converse [72-73].)

The vision which animated Gay and Shaw at the early stages of management education made both men eager to balance analysis with synthesis in management studies. Their vision also included a desire to retain clear links between theory and practice, as might be expected in a collaboration between an academic and a thoughtful practitioner[74-76]. Gay and Shaw wanted to ensure that specialities such as marketing got integrated at the level of general management.

Gay and Shaw gave history a major part to play in fulfilling their vision for graduate management education. It functioned as a source of general perspective, a method of academic research, and a fund of specialized data. To what extent other pioneers in graduate business education shared a similar view of the relationship between historical and management study remains an open question. So too does the question of exactly why and how the close connection evident in these pioneering years got so overwhelmed in the transformation of US graduate business education from its ancient to its current form.

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29. Gay to Shaw, *Shaw Papers*, 9 December 1912.
30. Material on Shaw's Harvard connection is available in secondary sources, in addition to the private papers of both Shaw and Gay. See, for example, [31-33].
31. Copeland, M.T., "And mark an era", *The Story of the Harvard Business School*, Little, Brown, Boston, MA, 1958, pp. 33, 43-5.
32. Cruikshank, J.L., *A Delicate Experiment: The Harvard Business School, 1908-1945*, Harvard Business School Press, Cambridge, MA, 1987, pp. 69ff.
33. Hanford, G.H., "About the formative years 1908-1918", *Harvard Business School Bulletin*, Winter 1954.
34. Shaw, A.W., *An Approach to Business Problems*, Harvard University Press, Cambridge, MA, 1916.
35. Gay to Shaw, *Shaw Papers*, 31 January 1944.
36. Shaw to Gay, *Shaw Papers*, 30 April 1914.
37. Lawrence, B.S., "Historical perspective: using the past to study the present", *Academy of Management Review*, Vol. 9, 1984, pp. 307-12.

38. "Some problems in market distribution", *Quarterly Journal of Economics*, Vol. 26, August 1912, pp. 703-65.
39. "General background in which I was associated with Gay in the early years of the business school", Shaw to Arthur Cole, *Shaw Papers*, 29 November 1951.
40. Strasser, S., *Satisfaction Guaranteed, The Making of the American Man Market*, Pantheon, New York, NY, 1989, pp. 80-1.
41. *Official Register of Harvard University*, Vol. 8, 18 July 1911, p. 20.
42. On the Bureau's work, see [43]. On the general interest in business education among retailers, see [44]. For Shaw's comment on Bureau research as an aid for individual merchants against the chains, see [45].
43. McNair, M.P., "Margins, expenses and profits in retail trade in the United States as studied by the Harvard University Bureau of Business Research", *Economic Journal*, Vol. 40, December 1930, pp. 599-632.
44. Leach, W., *Land of Desire: Merchants, Power and the Rise of a New American Culture*, Pantheon, New York, NY, 1993, ch. 6.
45. Shaw to Melvin Copeland, *Shaw Papers*, 1 November 1949.
46. *Official Register of Harvard University*, Vol. 9, 15 July 1912, p. 20.
47. As Shaw explained to one of his guests, "Please remember that this course is given from the management point of view; in other words, we assume that each of the students is to become a business administrator eventually"[48].
48. Shaw to J.B. Hayward (assistant sales manager of the National Cash Register Company), *Shaw Papers*, 23 January 1912.
49. Shaw had perhaps read Descartes', R., *Discourse on Method*. Descartes lists four principles he believed were basic to mathematical investigation. "These principles can be stated in somewhat abridged form as follows: (1) Take a fresh look at the problem, vanishing all preconceptions. (2) Divide the problem into its consistent parts. (3) Begin by examining the simplest parts or elements first. (4) Be sure not to leave anything out, either as to the elements enumerated or as to steps in the solution"(quoted in[50]).
50. Alderson, W., *Marketing Behavior and Executive Action, A Functionalist Approach to Marketing Theory*, Irwin, Homewood, IL, 1957, p. 387.
51. Metcalf, H.C. and Urwick, L. (Eds), *Dynamic Administration, The Collected Papers of Mary Parker Follett*, Pitman, London, 1952, p. 41.
52. Tedlow, R.S. and Jones, G. (Eds), *The Rise and Fall of Mass Marketing*, Routledge, London and New York, 1993.
53. Shaw to Gay, *Shaw Papers*, 14 July 1911.
54. For a critique of later attempts of Harvard Business School to integrate conventional economic theory with business administration, see [31, p. 175].
55. "The market is never a level plain. It is composed of differing economic and social strata, though the distinction between the various levels is not always apparent at first glance"[34, p. 223].
56. Ashley, W., *Business Economics*, Longmans, Green, London, 1926.
57. "'Business Economics' may perhaps serve...for this new sister in the house of Economics; and it may be subdivided into 'Business Policy' in relation to the supply of capital and outside markets, and 'Business Administration' in relation to internal working"[56, pp. 9-10]. Shaw may have heard Ashley lecture during one of Ashley's visits to Harvard's Economics Department.
58. Gay, E.F., "Introduction", in *Recent Economic Changes in the United States I*, McGraw-Hill, New York, NY, 1929.
59. Alchon, G., *The Invisible Hand of Planning: Capitalism, Social Science, and the State in the 1920s*, Princeton University Press, Princeton, NJ, 1985.

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60. Hawley, E.W., "Economic inquiry and the state in new era America", in Furner, M.O. and Supple, B. (Eds), *The State and Economic Knowledge, The American and British Experiences*, Cambridge University Press, New York, NY, 1990, ch. 9.
 61. Kantrow, A.M. (Ed.), "Why history matters to managers", *Harvard Business Review*, January-February 1986, p. 82.
 62. McCraw, T.K., *Prophets of Regulation*, Harvard University Press, Cambridge, MA, 1984.
 63. Tedlow, R.S., *New and Improved: The Story of Man Marketing in America*, Basic Books, New York, NY.
 64. Vietor, R.K., *Contrived Competition: Regulation and Deregulation in America*, Harvard University Press, Cambridge, MA, 1994.
 65. Melvin T. Copeland to Shaw, *Shaw Papers*, 5 January 1948.
 66. Dumas Malone (director, Harvard University Press) to Shaw, 29 April 1936.
 67. Shaw to Gay, 15 January 1915.
 68. Shaw to Copeland, 1 November 1949.
 69. In their survey of business education published in 1931, Bossard, James H.S. and Dewhurst, Frederic J., concluded that, "The field of distribution offers a much larger number of openings and attracts a greater proportion of the graduates of collegiate schools of business than any other phase of business activity"[70, pp. 50, 134]. On Ford vs. General Motors see [63, Ch. 3].
 70. *University Education for Business, A Study of Existing Needs and Practices*, University of Pennsylvania Press, Philadelphia, PA, 1931
 71. Shaw to Gay, *Papers of Edwin F. Gay*, 15 January 1945, Huntington Library, San Marino, CA.
 72. *Shaw Papers*, 13 September 1956.
 73. Converse, P.D., *The Beginning of Marketing Thought in the United States, with Reminiscences of some of the Pioneer Marketing Scholars*, Bureau of Business Research, Austin, TX, 1959, pp. 38-42.
 74. For one of many critiques of the current gap between academic theorizing and management practice, and how to close it, see [75]. And for an argument on behalf of history's potentially integrating role, see [76].
 75. McGuire, J.B., "Management and research methodology", *Journal of Management*, Vol. 12, 1986, p. 5-17.
 76. Wren, D., "Management history: issues and ideas for teaching and research", *Journal of Management*, Vol 13, 1987, p. 339-50.

Appendix 1: Shaw's business publications

"How" books

How to Increase Your Sales
How to Increase a Bank's Deposits
How to Increase the Sales of a Store
How to Sell More Fire Insurance
How to Talk Business to Win
How to Write Advertisements that Sell
How to Finance a Business
How to Advertise a Bank
How to Get More out of Your Factory
How to Cut Your Coal Bill
How to Run a Retail Lumber Business at a Profit
How to Find Factory Costs
How Scientific Management is Applied
The Knack of Managing (five pocket volumes)

JMH
2,3

The Business Man's Encyclopedia (four volumes)
The Knack of Factory Management (three volumes)
78 Proved Plans for Handling and Closing Real Estate Deals
96 Proved Plans for Collecting Money by Mail
161 Store Plans to Win New Trade

24

Shaw Standard Business Books

*Advertising***
Good Will, Trade Marks and Unfair Trading
*Purchasing and Employment***
How to Write Business Letters
*Business Correspondence**
*Sales Correspondence***
The Automatic Letter Writer and Dictation System
The Business Correspondence Library (three volumes)
How to Teach Business Correspondence
*Credits Collections and Finance***
*Office Methods and Accounting***
*The Cost of Production**
*Costs and Statistics***
A Report on Scientific Office Management
Personality in Business
*Employer and Employee**
*Handling Men**
*Organizing a Factory**
*Industrial Organization***
The Library of Factory Management (six volumes)
A Report on the Taylor System of Scientific Management
The Knack of Selling (six pocket volumes)
*Sales Management***
American Industries – Studies in Their Commercial Problems
Volume I – The Wool Industry

Courses (issued by the Educational Division)

Retail Merchandising
Commercial Correspondence

Reports (issued by the Bureau of Business Standards)

What It Costs to Run a Bank
The Taylor System of Scientific Management
Scientific Office Management

A. W. SHAW COMPANY
Publishers

System, the Magazine of Business
Factory, the Magazine of Management
System on the farm

NEW YORK CHICAGO LONDON

*Formerly issued in "THE BUSINESS MAN'S LIBRARY"

**Formerly issued in "THE LIBRARY OF BUSINESS PRACTICE"

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Appendix 2: an approach to business problems - "an apparent tendency to reduce the number of successive middlemen"

Early graduate business education

