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Is Business Management a Profession?

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Repeated and, as of this writing, ongoing revelations of corporate wrongdoing over the past two years have eroded public trust in business institutions and executives to levels not seen in decades. A recent Gallup poll indicates that Americans now have no more trust in business leaders than they do in Washington politicians.1 Fairly or not, people have become willing to believe that executives, as a class, are greedy and dishonest.

However natural it might be to ask how so many executives—not to mention accountants, investment bankers, stock market analysts, lawyers, money managers, and others implicated in recent acts of corporate malfeasance—could have become so depraved, this is probably the wrong question. Given that human nature does not change much from age to age, the real issue is the effectiveness of the constraints that society places on the purely selfish impulses of individuals. In response to the recent scandals, politicians and government officials have stepped in to pass new laws and create new regulations, while prominent persons on Wall Street and elsewhere in the business community have issued their own calls for reform in such areas as accounting practices and executive compensation. Yet while laws, regulations, and policies have a clear role to play here, they are a relatively expensive and inefficient way for a society to promote responsible conduct and trustworthy business leadership.

In the case of bad behavior on the part of business executives, the reason that the issue of trust arises is that these individuals are expected to exercise judgment—based on specialized knowledge and methods of analysis that they alone are thought to possess—in areas in which their decisions affect the well-being of others. When the need for such judgment has arisen in other spheres that are vital to the interests of society (such as law and government, military affairs, health, and religion, to consider the classic examples), modern societies have responded by creating the institutions that we know as professions. One way of diagnosing the cause of the recent epidemic of business scandals would be to speak of a widespread failure among CEOs and other senior executives (along with board members, auditors, financial analysts, and others) to uphold their professional obligations.

To speak of the professional obligations of individuals such as CEOs and other executives is to imply that business management itself is a profession—but is it? Sociologists who study the professions have employed a wide range of perspectives and criteria for determining what makes an occupation a profession.

Executive Summary:

If management was a licensed profession on a par with law or medicine, there might be fewer opportunities for corporate bad guys, argue HBS professors **Rakesh Khurana** and **Nitin Nohria**, and research associate **Daniel Penrice**.

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For the purposes of our present inquiry, we have chosen four traits and practices out of the network of those that have been found to be associated with professions. We use these traits and practices both to set forth our own notion of the essence of professionalism and to enable us to compare management with what we take to be the bona fide professions, in particular law and medicine.2 Our criteria for calling an occupation a bona fide profession are as follows:

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- a common body of knowledge resting on a well-developed, widely accepted theoretical base;
- a system for certifying that individuals possess such knowledge before being licensed or otherwise allowed to practice;
- a commitment to use specialized knowledge for the public good, and a renunciation of the goal of profit maximization, in return for professional autonomy and monopoly power;
- a code of ethics, with provisions for monitoring individual compliance with the code and a system of sanctions for enforcing it.

In comparing management with the more traditional professions of law and medicine along these criteria, one inevitably finds it wanting.3 (We say this despite the inroads made by market values at the expense of traditionally professional ones that have been observable in both law and medicine in recent years.) This shortcoming, we believe, has a direct bearing on society's ability to demand and obtain responsible conduct from executives, as well as on management's ability to maintain the public trust required for the optimal functioning of our economic institutions. While not intending to idealize what we have called the bona fide professions, we believe that the comparison we undertake in this paper has merit as a way of suggesting how management as an institution might be reformed, other than through the blunt instruments of law and regulation on the one hand and well-meaning but ultimately toothless calls for greater individual integrity and ethics on the other.

To speak of the professional obligations of individuals ... is to imply that business management itself is a profession—but is it?

The sociology of the professions is too large a body of theoretical and empirical analysis to be more than sketched in this paper. It is also a field that has not yet taken management as a central subject of empirical study. We shall therefore deal only with some of the central problems of the structure of management. Even then, for lack of space, our objective in this essay is not to make an airtight case about the state of contemporary management, but rather to raise important questions. By comparing management with the legal and medical professions, we hope to stimulate discussion and debate that can lead to a deeper understanding of the current state of management.4

We have listed four criteria for determining whether management can be considered a genuine profession. Let us consider how management in its present institutional state matches up against each of these criteria.

Common body of knowledge resting on well-developed, widely accepted theoretical base

The traditional professions of law, medicine, and the clergy all have deep historical roots in another major institution of Western society: the university. Roman and canon law, medicine, and theology, in fact, constituted three of the four faculties of the medieval European university, and they survive to this day—in schools of law, medicine, and divinity, respectively—in the modem American university. The study of law in America today remains rooted in the centuries-old traditions of Roman and Anglo-American law, as systematized and interpreted by the discipline of legal philosophy, or jurisprudence. Law students now learn the law not as a collection of statutes but rather as a set of principles, doctrines, and rules that have evolved over the course of centuries and are said to constitute legal reasoning itself. The study of medicine, for its part, has been continually transformed since the Middle Ages by the rise and ongoing progress of modern science. The development of the germ theory of disease in the nineteenth century, for example, and of the science of genetics in the twentieth, have gone into the formation of a theoretical structure that undergirds the body of knowledge every medical student is now required to master. The medical school curriculum proceeds from the premise that in order to diagnose and treat disease, the would-be physician must have a firm grounding in what science (or, perhaps more accurately, what is generally accepted as science) currently understands to be its causes.

Turning to the body of systematized knowledge underpinning the claim that business management too is a profession, we find important differences between management as a science and the knowledge bases of the traditional professions. It is not just that the study of management was a latecomer to the university—which, since the creation of the modem American research university in the last three decades of the nineteenth century, has gained an effective monopoly on professional education 5 (the first university-based business school in America, the University of Pennsylvania's Wharton School of Finance, was not founded until 1881 6). For even as management was being gingerly accepted as a subject deserving of inclusion within the university, the discipline of management—following close behind the occupation itself—was having to be invented *ex nihilo*. The professionalization of management, which was what business schools were founded to undertake, began as a quest to delve beneath the practice of business, with its rule-of-thumb approach to business problems, to discover a set of underlying principles that could explain effective practice. These basic principles were by no means evident to the pioneers of academic business education—and, as we suggest, they remain by no means evident today.7

During the time that the first business schools were being constituted, at the beginning of the twentieth century, "scientific management" was in the air, as Frederick Taylor's application of scientific methods to the study of physical labor had begun to be extended to the organization of industry as well as to spheres such as higher education and government.8 While Taylorism was quickly jettisoned as the core of the business school curriculum, it made scientific reasoning and method appear to be applicable to business, thus helping to legitimate the study of business as an activity within the university. Yet what exactly a "science" of management should study would be puzzled over and debated for a great many years. Three curricular models emerged and competed with one another in the early decades of university business education. The first was a simple aggregation of courses taught elsewhere in the university and covering such obviously useful (if intellectually circumscribed) subjects as accounting and business law. The second model attempted to organize business education around specific industries such as banking, transportation, merchandising, mining, and lumber. The third model —increasingly adopted by the 1930s, and still the basis of the business school curriculum today —was the functional approach, as the grouping of courses began to mirror the differentiation of finance, administration, operations, and marketing as the major activities of the firm. Thus, the curricular structure evolved as a pragmatic response to the challenge of turning out graduates who could perform the tasks that would be required of them by employers.9

It is not that no attempts were made, in the meantime, to discover an underlying general theory that would inform the tasks of a manager. But the search for a theoretical model capable of explaining effective business practice—which was actually a search for an existing discipline or set of disciplines from which such a model could be produced—foundered for many years on disagreements about the nature of business firms and the ultimate purpose of business. The decision (made very early in the history of university-based business education) to remove the study of business from economics departments stemmed from the recognition that economics, at the time, had no interest in one of management's most pressing concerns—namely, the internal organization of the firm. When experimentation with various disciplines—including sociology, psychology, and even (at Harvard Business School's Fatigue Laboratory, from the 1920s to the 1940s) physiology—yielded results that were either too politically radical for the university's guardians and patrons (as happened at the Wharton School during the Progressive Era) or simply lacking in explanatory power and practical applicability, the resulting void at the center of the business school curriculum eventually caused business educators to take a second look at the discipline of economics.

Economics, in the decades prior to World War II, had occupied a relatively weak position in the disciplinary pecking order. Yet as the growing acceptance of Keynesian theory in the post-war years gave the subject greater prestige, and the 1958 reports on the state of business education in America by the Carnegie Corporation and the Ford Foundation led to a greater emphasis on the social sciences and quantitative method in business schools,10 economics began to move into the position of dominance that it enjoys in the MBA curriculum today. Building on the foundational work of Adolf Berle and Gardiner Means on the separation of ownership and control in the large corporation, and of Ronald Coase on the significance of transaction costs, economists such as Michael Jensen and Oliver Williamson began, in the 1970s, to develop a new theory of the firm that treated it not as a "black box" that converted inputs into outputs but rather as an institution requiring and rewarding economic analysis.11 It is undeniable that these and other recent economic theorists have contributed important insights into the internal workings of firms that are applicable to managerial practice. Yet they have also left business education with a dominant theory that, in adhering to many of the individualist assumptions and methodologies of neoclassical economics, is unable to account for much of the social environment of business—including the social and cultural factors that make themselves felt within organizations, as well as other essential aspects of the phenomenon that it purports to explain.12

System of certification

Besides having failed to develop a body of knowledge and theory comparable to those of the true professions, management differs from these other occupations in lacking a set of institutions designed to certify that its practitioners have a basic mastery of a core body of specialized knowledge and can apply it judiciously. In medicine and law, for example, there are institutions that specify the educational requirements (i.e., the MD or JD degree) that anyone desirous of practicing the profession must obtain. Beyond these educational requirements, aspirants to membership in these and other recognized professions must obtain a license to practice by passing a comprehensive exam designed to test mastery of the knowledge ostensibly acquired in professional school. Once the aspiring professional passes that exam, he or she must invest in a certain amount of continuing education in order to stay abreast of evolving knowledge in the profession and to maintain a license to practice.

Management differs from medicine, law, and other recognized professions in having neither a formal educational requirement nor a system of examination and licensing for aspiring members. Although the MBA has been the fastest-growing graduate degree for the past twenty years, it is not a requirement for becoming a manager.13 It is true that for those seeking access to senior executive positions or work in the fields of investment banking or consulting, an MBA has become a de facto requirement. Yet even in these cases, there is no requirement of passing a standard exam before being admitted to practice, nor are senior managers, investment bankers, or consultants required to participate in continuing education. There is no explicit obligation, for example, for experienced, high level managers to know anything about investing in innovative new financial derivatives or special-purpose vehicles, even if they serve on boards that are required to approve such potentially risky transactions. In fact, data on enrollment in executive education programs offered by business schools suggest that those who already possess an MBA are the least likely to pursue continuing education.14

How would having a formal educational requirement and a system of certification and mandatory continuing education advance the practice of management? Although such barriers to entry would have the effect of closing managerial positions to some who now aspire to them, all true professions are, almost by definition, closed systems that tightly control and carefully restrict access to their ranks. Closure in professions need not, as some might fear in the case of management, stifle innovation and progress. In the field of medicine, for example, the pace of discovery and creative progress rapidly accelerated in the wake of professionalization. In an open society, moreover, there will always be room for "rogue" entrepreneurs to challenge the existing order, as practitioners of alternative medicine are challenging the medical profession today. Meanwhile, from society's point of view, meanwhile, professional closure offers distinct benefits when the privilege of closure is granted in return for the commitments that true professionals make to serve the public good and to forgo certain forms of self-interested behavior.

Commitment to specialized knowledge as a public good; renunciation of profit maximization

To be able to set and enforce standards of admission to a profession, determine how professional work is to be done, engage in self-regulation rather than be subjected to extensive regulation from without, and reap the economic benefits of a monopoly position in the marketplace—these are all privileges that society grants to professions in return for certain social benefits. The creation of these social benefits, in turn, places certain constraints on professionals. Because they possess specialized knowledge in areas of vital concern to society, genuine professionals are expected to place that knowledge at the disposal of all who require it and to provide services in a way that places the maintenance of professional standards and values ahead of the securing of individual advantage. The renunciation of unabashed self-interest that society expects of true professionals takes a very particular form: unlike actors in the marketplace, as envisioned by classical and neoclassical economics, professionals engage in work out of more than merely economic motives, and they eschew profit maximization (as opposed to profit making) as a goal.[15] Indeed, because of the exemption they have been granted from certain laws of market exchange, professionals are specifically enjoined from using the laws of the market to reap economic gain at the expense of their professional obligations.

Implicit in this aspect of professionalism is the idea that, even when serving private clients, professionals are providing a public good. In economics, the provision of public goods has been widely recognized as a case that creates exceptions to the rules governing the provision of goods for purely private consumption. Lawyers serve private clients (be they individuals, corporations, or other private entities) but are understood to be providing a public good—if not justice in every case, then at least the implementation of the rule of law. Likewise, physicians serve private individuals but are understood, in so doing, to be providing the public good of health for the general population. That the advocacy system in American jurisprudence or the structure of the healthcare market in the United States (with its convoluted system of both private and public third-party payers) can tempt lawyers and doctors, respectively, to lose sight of professional obligations beyond serving the interests of particular clients does not invalidate this more general truth. Once a professional loses sight of the larger social benefit that his or her work is intended to provide, the line between professional services and commerce becomes dangerously blurred.

The notion that those who lead and manage our society's major private economic institutions might provide, or be responsible for providing, a public good is quite foreign to our customary way of thinking about management. Yet this idea was often voiced by those who led American business schools in the early decades of their existence. For example, in a speech titled "The Social Significance of Business," delivered at Stanford University's School of Business shortly after its founding in 1925 (and subsequently published as an article in the *Harvard Business Review*), Wallace B. Donham, the second dean of Harvard Business School, declared that the "development, strengthening, and multiplication of socially minded business men is the central problem of business."

As Donham went on to say: "The socializing of industry from within on a higher ethical plane, not socialism nor communism, not government operation nor the exercise of the police power, but rather the development from within the business group of effective social control of those mechanisms which have been placed in the hands of the race through all the recent extraordinary revolutionizing of material things, is greatly needed. The business group largely controls these mechanisms and is therefore in a strategic position to solve these problems. Our objective therefore, should be the multiplication of men who will handle their current business problems in socially constructive ways."[16]

Haunted by a belief that scientific, technological, and material progress was outstripping society's capacity for moral self-governance, and that the professions that had traditionally provided social and moral leadership (i.e., law and the clergy) were no longer up to the task, Donham looked to a new "profession of business" for nothing less than saving modern, industrial civilization from itself. As the professionalization project that had provided the agenda for American business education from its founding up until the outbreak of World War II was abandoned in the postwar decades, expectations of what managers should contribute to society became rather more modest, to say the least.

Today, in place of such notions as the "socializing of industry from within" and the concept of the business executive as an expert capable of, and responsible for, solving some of the most urgent problems facing modern societies, we find American business schools propagating the doctrine of shareholder primacy and the paradigm of the manager as the mere agent of the company's "owners". Taken in combination, these two concepts—both outgrowths of the intellectual domination of American business education by economics during the past three decades—make managers anything but disinterested experts oriented toward the needs of society that we take to be part of the essence of professionalism. The doctrine of shareholder primacy has legitimized the idea that the benefits of managerial expertise may be offered for purely private gain and that this is equivalent to advancing societal interests. Having given rise to the notion of making managers "think and behave like owners" through equity-linked compensation, agency theory can now be seen to have led directly to many of the worst profit-maximizing abuses unmasked in the recent wave of corporate scandals.17

Now that the traditional professions have come under attack for providing refuge from the disciplining forces of the market, it is worth noting that a great many American business leaders who have enriched themselves spectacularly in recent years without engaging in actual malfeasance have managed to do so by insulating themselves from such fundamental market imperatives as "pay for performance"—meanwhile declining to accept the constraints that prevent legitimate professionals from engaging in profit maximization. If the traditional professions are to be asked to accept a greater role for market forces, is it too much to ask businesspersons who enjoy exemptions from market discipline to accept a greater role for professionalism?18

Code of ethics

The fourth and final dimension on which, in our view, management differs significantly from the true professions is that its members are not governed by a shared normative code that is reinforced by institutions that promote adherence to it. Such a normative code, whether known as a code of ethics or a code of conduct, is a central feature of almost any occupational group that desires to be seen as a profession. Though normative codes exist among "professions" as diverse as librarianship and plumbing, the true professions go farther than simply having a written code by which members are encouraged to abide voluntarily. They teach the meaning and consequences of the code as a part of the formal education of their members. They test and verify this understanding through licensing exams. Once licensed, members are required to adhere to the code in order to maintain a license. A governing body, composed of respected members of the profession, oversees adherence to the code by establishing monitoring mechanisms, reviewing complaints, and administering sanctions—including the ultimate sanction of revoking an individual's license to operate as a professional.

Professions establish these codes, and the institutions to enforce them, as part of their implicit contract with society. "Trust us to exercise jurisdiction over an important occupational category," these professions essentially state. "In return, we will make every effort to ensure that the members of our profession are worthy of your trust, that they will not only be competent to perform the tasks with which they have been entrusted but will also adhere to high standards and conduct themselves with integrity." The privilege of self-regulation is granted out of society's recognition that in cases involving the use of highly specialized knowledge, laypersons may not be in a position to pass accurate and fair judgment on the conduct of specialists.

Most normative codes, like the ancient Hippocratic Oath for doctors, clearly articulate a profession's higher aims and social purposes and the manner in which these purposes must be pursued. Such role definitions have many benefits; one is that by establishing a normative standard for inclusion, they create and sustain a sense of community and mutual obligation among the members of a profession, as well as a sense of obligation to the profession as an abstract social entity. These bonds of membership create the social capital of a profession, which builds trust and significantly reduces transaction costs among members of that profession and between the profession and society. As we observed at the beginning of this paper, trust in management as an institution could not be much lower than it is in American society today. In light of that, the benefits of a true profession of management adopting a formal normative code would appear to be obvious—particularly in comparison with a regulatory regime that could all too easily stifle the innovation and risk taking that have contributed so much to the success of American capitalism.

A self-interested, self-indulgent corporate leadership is not inevitable.

Legal and regulatory overreaction to the crisis currently afflicting American business and management, however, is only one of the dangers that we now face. Another danger is that business education and its supporting institution of management—in heeding the cries for integrity and ethics that have gone up on all sides in the wake of the recent corporate scandals—will succeed in allaying the public's skepticism through such measures as new ethics curricula and corporate ethical codes (Enron famously possessed one of the latter while its top managers were busy destroying the wealth of their shareholders and the livelihoods of their employees) that merely create an appearance of reform without delivering the genuine article. As we have recently learned from such phenomena as the weak link between executive compensation and firm performance, and the impotence of so many corporate boards, American managers have become quite adept at decoupling the formal structures and symbols of their "professionalism"—those features that give them legitimacy in the eyes of the public—from their actual work activities.19

Our speculations about a genuine professionalization of management as a remedy for the crisis of legitimacy now facing American business may strike some as radical. But assuming, once again, that increased regulation is not the whole or the best answer to the problem at hand, we believe that our idea of making management into a bona fide profession has the virtue of asking a group that has seriously abused the public's trust to make a serious commitment to restoring it.

One way of looking at the problem with American management today, we would argue, is that it has succeeded in assuming many of the appearances and privileges of professionalism while evading the attendant constraints and responsibilities. Although it is now fashionable in some quarters, as we have suggested, to denigrate professionals as elites enjoying shelter from the rough-and-tumble of the marketplace, do we as a society really wish to surrender the benefits that we rightfully demand of professionals in return? And given the inevitable existence of elite knowledge workers, such as managers, in complex modem societies, ought we not to be concerned with producing elites who are motivated by something beyond the pursuit of self-interest under the laws of the marketplace, or the fear of punishment under the laws of the land? A self-interested, self-indulgent corporate leadership is not inevitable, and a model for something better lies at hand. We can find it in the flawed but durable institutions that serve society by meriting the label "profession." WK

See Related Articles

Footnotes:

1. Joseph Carroll, Gallup Organization Poll Analysis: Gallup's Annual Survey on the Honesty and Ethics of Various Professions, December 2003.

2. Our definition, choice of criteria, and analysis of professions draw extensively on Everett Cherrington Hughes, *Men and Their Work* (Glencoe, IL: Free Press, 1958); Andrew Abbott, *The System of Professions: An Essay on the Division of Expert Labor* (Chicago: University of Chicago Press, 1988); and Eliot Freidson, *Professionalism: The Third Logic* (Chicago: University of Chicago Press, 2001). These three scholars have been the most influential analysts of the professions in recent decades, and though readers will find several specific references to their works in this essay, their fundamental ways of thinking about professions have profoundly influenced our own. Hughes constructs professions around the identity of those practicing a particular occupation. Abbott analyzes the process by which occupations gain, maintain, adjust, and sometimes lose their ability to control particular tasks in competition with other occupations. Freidson describes professions as institutional systems that stand apart from the logic of the market.

3. For an excellent sociological review of the development of the medical profession, see Paul

Starr, *The Social Transformation of American Medicine* (New York: Basic Books, 1982). For an overview of the emergence of the modem legal profession, see Paul A. Freund, "The Legal Profession," in Kenneth Lynn, ed., *The Professions in America* (New York: Houghton Mifflin, 1965), 35–46; see also L. C. B. Gower and Leolin Price, "The Profession and Practice of the Law in England and America," *Modern Law Review* 20 (July 1957): 317.

4. We recognize that the occupational category of management includes as heterogeneous a group as exists within any of the occupations in our society. The general title "manager" says little about the person who holds the position. As Abbott (1988) notes, a manager may have a high-school education, an undergraduate degree, a master's degree, or a doctorate. He or she may be an administrator in a large corporation or an entrepreneur. Because the diversity among business managers is as great as the variety of types of business in the United States, the risks of generalizing about managers as a class are dear and problematic—but an essay that seeks to interpret and analyze the situation of an occupation must be more than an account of its variety. That said, when we refer to management in this paper, we start with Erik Olin Wright's definition, in *Class Counts* (Cambridge, UK: Cambridge University Press, 1997) of managers as principally salaried employees of an organization who perform tasks involving the coordination of the labor of others, in positions requiring at minimum a four-year college degree, and with general knowledge of one or more business functions. We then expand this definition to those who provide services in such fields as investment banking and consulting.

5. For an account of how this process occurred, see Laurence R. Veysey, *The Emergence of the American University* (Chicago: University of Chicago Press, 1965).

6. For a history of the founding of the Wharton School at the University of Pennsylvania, see Steven A. Sass, *The Pragmatic Imagination: A History of the Wharton School, 1881-1981* (Philadelphia: University of Pennsylvania Press, 1982).

7. There is an opposing argument to the effect that while business education may be messier and less well-grounded in a firm or coherent knowledge base than legal or medical education, that messiness might be closer to the realities of its practitioners' actual experiences than are the formalities of legal and medical education to the realities of their practitioners' experiences. (For an example of this approach to conceptualizing professional knowledge, see Donald A. Schon, *The Reflective Practitioner* (New York: Basic Books, 1983.) Consequently, despite what they were taught in medical school (the systems of the body; the base disciplines of biology, chemistry, and physics) or law school (torts, contracts, constitutional law), many medical and legal practitioners will contend that they learned to be doctors or lawyers not in the classroom but in rotations and residencies, or in writing contracts, negotiating settlements, and arguing cases, respectively. Like Abbott (1988), we believe that this view confounds two dimensions of professional education: explicit knowledge and implicit knowledge, the latter of which can be learned only through direct experience. It was not until medical and legal education could successfully claim the importance of theoretical, abstract knowledge that entry into these occupations moved away from the guild and apprenticeship model (Starr, 1982). For our purposes, we would like to separate these two dimensions of professional education and concentrate on explicit knowledge.

8. Steven R. Barley and Gideon Kunda, "Design and Devotion: Surges of Rational and Normative Ideologies of Control in Managerial Discourse," *Administrative Science Quarterly* 33 (September 1992): 24-60.

9. For a description of the early business curricula, see Willard E. Hotchkiss, "The Basic Elements and Their Proper Balance in the Curriculum of a Collegiate Business School;" *Journal of Political Economy 28* (February 1920): 89–107; see also Edward Jones, "Some Propositions Concerning University Instruction in Business Administration," *Journal of Political Economy 21* (March 1913): 185-95.

10. For the Carnegie report, see Frank Pierson, *The Education of American Businessmen* (New York: McGraw Hill, 1959). For the Ford report, see Robert Aaron Gordon and James E. Howell, *Higher Education for Business* (New York: Columbia University Press, 1959).

11. The foundational paper for agency theory—one of the most influential contributions from the discipline of economics to a theory of the firm—is Michael C. Jensen and William H. Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure," *Journal of Financial Economics 3* (April 1976): 305-60. For the outlines of transaction cost theory, see Oliver E. Williamson, *Markets and Hierarchies: Analysis and Antitrust Implications* (New York: Free Press, 1975).

12. For critiques of relying on economic theory to inform managerial education, see Sumantra Ghoshal and Peter Moran, "Bad for Practice: A Critique of Transaction Cost Theory," *Academy of Management Review 21* (January 1996): 13-47; Jeffrey Pfeffer, *New Directions for Organization Theory: Problems and Prospects* (New York: Oxford University Press, 1997); and Fabrizio Ferraro, Jeffrey Pfeffer, and Robert I. Sutton, "Economics Language and Assumptions: How Theories Can Become Self-Fulfilling," *Academy of Management Review* (forthcoming).

13. Jeffrey Pfeffer and Christina T. Fong, "The End of Business Schools? Less Success than Meets the Eye," *Academy of Management Learning and Education 1* (2002): 78–95.

14. Walter Kiechel, Presentation on trends in business press publishing and executive education to Harvard Business School faculty, Fall, 2002.

15. In a recent interview, Harvard University president Lawrence Summers noted that one should not confound private gain with societal contribution when examining the value of professions: "Where our professional schools are concerned, I think we all are convinced that the value of an activity or a profession is not measured by how large a house its practitioners live in" ("The President's Perspective," *Harvard Magazine*, January—February 2004, 52).

16. Wallace B. Donham, "The Social Significance of Business," reprinted from *Harvard Business Review* (July 1927) in the printed document *Dedication Addresses*, Harvard Business School Archives Collection (AC 1927 17.1).

17. In the wake of the corporate scandals and the burst of the stock market bubble, Michael Jensen has retreated from his unconditional support for stock options, which he now describes as "managerial heroin." However, he continues to dismiss the view that managers and corporations should be concerned with any constituency other than shareholders. See Jeff Madrick, "Are Corporate Scandals Just Greed, or a Predictable Result of a Theory?" *New York Times*, February 20, 2003. Jensen's view can be described as the University of Chicago perspective, in which maximizing shareholder value is seen as tantamount to a public service.

18. While addressing the critique of professions that points to their relative insulation from market forces, it is worth noting that those who advocate the economic logic of the market or the benefits of bureaucracy often treat professions as an aberration rather than something with an institutional logic of their own. As Freidson (2001) has persuasively argued, unless the institutional logic of professions and professionalism is understood and granted equal standing with that of the market or the firm, competition and regulatory control will continue to erode professional autonomy and, ultimately, the quality of professional work. (For example, see Felix Rohatyn, "The Financial Scandals and the Demise of the Traditional Investment Banker" and Geneva Overholser, "Journalists and the Corporate Scandals: What Happened to the Watchdog? " in this volume). What we are arguing for is the need for ongoing tension between the laws of the market and professional obligations. The two can coexist—and must necessarily do so—in our society. Yet even though both are given scope to operate in the other occupations (with market forces gaining increasing strength in law and medicine in recent years), professional

obligations seem not to be a factor in management. It is when we mistakenly believe that market forces can perform the same function as professional obligations, or that they provide a superior logic that obviates the need for professional obligations, that occupational domains get into trouble. As C. Wright Mills noted in *White Collar* (New York: Oxford University Press, 1951), American business is animated by individualism, both in ideology and in practice. The professions, by contrast, have a concern with the community's interests, which is a different institutional logic. Consequently, many social scientists have believed that the process by which individual and societal interests can be aligned is through the professionalization of business. The sociologist Emile Durkheim, for example, in *Professional Ethics and Civic Morals* (London: Routledge and Regan Paul, 1957), made the point that "There are professional ethics for the priest, the lawyer, the magistrate....Why should there not be one for trade and industry?" (29). Similarly, the social commentator Walter Lippmann, in *Drift and Mastery* (Madison, WI: University of Wisconsin Press, 1961), argued that a well-functioning society exists where individual and community interests are aligned. He welcomed the development of graduate schools of business administration in the early twentieth century, describing it as an opportunity for business leadership to pass into "the hands of men interested in production as a creative art instead of as brute exploitation" (44) and for business to become "a profession with university standing equal to that of law, medicine, or engineering" (43). Louis D. Brandeis similarly maintained that through the professionalization of management, business would become aligned with the interests of democratic society; see *Business: A Profession* (Boston: Hale, Cushman, & Flint, 1933), 12.

Besides the inevitable and potentially fruitful tension between market forces and professional obligations, one must also consider the inevitable tension between professionals and organizations. As we have noted in this paper, one of the essential attributes of professions is autonomy and self-regulation. Yet when professionals perform their work in the context of formal organizations premised on the coordination of a variety of activities by means of authority, conflict necessarily arises. (See Kevin Leicht and Mary Fennell's *Professional Work: A Sociological Approach* [Malden, MA: Blackwell Publishers, 2001] and William T. Allen and Geoffrey Millet's "Professional Independence and the Corporate Lawyer," in this volume.) Just as market forces and professional obligations must coexist within professions, it is necessary to find some compromise, within organizations employing professionals, between professional roles and organizational necessities, lest such organizations lose either their effectiveness or their sense of purpose.

19. To be fair, there is little doubt that the lawyers and accountants who aided Enron successfully decoupled the features of legal and auditing professionalism, respectively, from their actual work. How organizational processes successfully decouple formal structures from actual activities is summarized in Paul J. Dimaggio and Walter W. Powell, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields," *American Sociological Review* 48 (1983):147-160.

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