

**INTERVIEW WITH
ELI SHAPIRO**
February 9, 2010
Sloan Oral History Series

E: Eli Shapiro

B: Bob McKersie

W: William Pounds

Note: Alan White also attended this interview

Introduction: In discussions with Eli Shapiro he would reflect on what he was trying to accomplish as Associate Dean at Sloan. He would begin by telling the story about his experience as a junior professor at HBS prior to coming to Sloan. Mr. Sloan paid a visit to HBS and to MIT prior to providing the gift that would launch Sloan. While at HBS one of the faculty he interviewed was Eli. Sloan was trying to decide whether to invest in management education at HBS or at MIT. After his visit, he decided on Sloan and Eli used to say that his meeting with Eli at HBS had led Mr. Sloan to invest in MIT!

In the interview that follows, references are made to Eli's role as the initial Associate Dean. Eli felt that the field of management was poorly developed (and still is) and so his approach was to hire excellent people and let them figure out what the field the field should be. He also felt that it was important to mix up the locations of faculty rather than have them in groups so that economists would learn from organizational behavior faculty, organizational behavior faculty would learn from accountants, and so forth.

I believe that Eli further felt that in the name of disciplinary research and the need to gain credibility with MIT scientists, the faculty were increasingly divorced from business practice. He was critical of the research itself, both in quality and in output.

He admired faculty such as Paul Krugman who was solidly based in economics and yet had the guts to play a role in public policy. (This introductory note written by Alan White)

W: I say "you did it." That you really built the faculty...

E: Penn Brooks was there, my guess, for two reasons: One, Sloan wanted a businessman, and he wanted out because Sloan was not going to make him president. He had made somebody else president. So this was a graceful way for Brooks to move on.

W: Well, he worked for Sears....

E: General Wood...

W: He ran their outsourcing...

E: Manufacturing...

W: Yeah, Whirlpool and people like that.

E: Yes, he was in the manufacturing end of it.

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W: Yes, exactly.

E: So it was, for him...

W: He was an early graduate of...

E: Oh yeah, he was Class of '17, I think.

W: '14, I think. I think he left – no you're right. I think '17 because he went into the Army and won a big medal, which he told you about. An early opportunity.

E: Exactly. And also explained by he's an American Firster, because he didn't want a second world war.

B: So what year did you meet him?

E: 1952.

B: He came when the School was being established, then?

E: Well, the School was literally started in 1951, but nothing was done. Brooks may have come at the end of 1951, but I know he came out to Chicago in the spring of 1952 and interviewed me. I could have come in July, but I had agreed to teach summer school at Chicago, so I came in September.

W: How did they find you, Eli?

E: I think Doug Brown had asked the people at the CED, and they had recommended me.

W: And did you know the folks here? Bob Solow and those guys?

E: Yes, they were here. I know Paul Samuelson. I didn't know Solow. Of course I knew Charlie Kindleberger, who was...

W: And Doug Brown....

E: Yeah. So they had a skeleton faculty. They had two guys in Marketing...

W: Well, there was Course 15 and the Sloan Fellows which were there.

E: Yeah, but really, most of the work for the Sloan Fellows was done by the Economics Dept.

B: Did you come with an administrative appointment as well as your faculty appointment?

E: I came as a faculty member, and I had no desire for an administrative appointment.

B: But you really took over, you really ran it.

E: Yes, I did, I took it over in the fall of 1954.

W: You didn't exactly take it over; there was nothing there! You built it!

E: Well, in 1954, Rob Nett, who had been the associate dean, he was a carryover, of course XV, and he was an accountant. And he passed away unexpectedly. So Killian called me up and asked me would I serve as associate dean, to which I said "no!" So that was the end of that for about a month. And about a month later I got a call from Killian with the same question. To which I answered no. I went back and discussed it with Bea [Eli's wife] because, I mean, I felt that he had every right to get sore, and I wanted to stay because of my son. So the third time he called, I said yes.

It was really a very difficult job because Brooks wanted to fill the faculty with businessmen and right-wing academics....

B: It was Holder Hudgens – who was he?

E: Holder Hudgens was a guy who was president of a furniture company, and Brooks found him. He had been an instructor in industrial engineering at Cornell in 1922. I was sort of angry at him, but I contained myself and went to Howard and said, "Howard, this is your responsibility."

B: When did Howard come?

E: I brought Howard in 1955.

B: So this was later then?

E: Yeah, like a year. So that was Hudgens.

W: Penn was all that you say he was. But he also had a deal with MIT's associate treasurer... and they were salmon fishermen. I'm a big fisherman, so I somehow wrangled an invitation to this salmon camp with Penn and one of his old cronies from Chicago. And just to carry it one step further, I wrangled an invitation for my son who was only about 15 at the time. Tom. So we went, and not just one year but 2 or 3 years with them.

B: Was this a Sears outpost? Because some of the companies used to have those fishing lodges.

W: No, this was Fred Watrous, who was treasurer at MIT. He was the president of the Gold Club that had been there forever. Penn was not a member, he was just a friend of Fred Watrous. Anyway, there was no electricity, no toilet.

B: Good experience!

W: Sure, wonderful for Tom. But in the evening we had gaslights so you could kind of read but not well. So there were lots of opportunities for tales. So Tom, 15 years old, with the guys, and of course Penn was a big storyteller. And the other guy was a good listener, I think is the right way to put it. A lot of stories went over my head.

E: I think he was a very attractive man, he was a lot of fun to be with.

W: Yeah, he was a pleasant guy, that's where he was.

B: But this idea of hiring business people – was he trying to model the Sloan School after HBS, which has always had lots of business people?

E: He was bitterly, bitterly opposed to Harvard because it was successful.

W: And a big competitor...

E: Yeah, and he disliked Don David.

W: And the Sloans wanted to be different from business.

B: Well, when was Alfred P. Sloan in the picture?

W: He was still in the picture.

B: Well, but the school wasn't named for him until the 1960s.

E: No, Howard Johnson did that later. But he put up the \$5 million ...

W: ...to buy the building.

B: Right away in 1952?

E: Yes, right.

B: So he was in the picture ...

E: Oh, right from the beginning.

W: Yes, and I suspect he pushed for a business person too.

E: He did. Not on academics. That he did not do.

B: How did those interactions with Alfred P. Sloan occur? Did he visit regularly?

E: Yes. He came twice a semester. Killian was sort of “courting” him for other things.

W: He gave a lot of money to MIT. A lot more to MIT than he did to Sloan. I dimly remember that he had given a total of \$57 million, I heard at one time. Which was big money.

B: And we got what? \$5 million to start?

W: And then another \$7 million start, or something like that. We got a piece when Howard was there. There was a first piece, then they were giving us annual amounts of money. When the president died – the guy who had been president at Colgate – at Sloan had died, there was an ongoing stream of support, several hundred thousand dollars a year, maybe more.

E: From the foundation?

W: Yes. That was a big chunk of our budget, and they said they wanted to terminate that. By this time I was the dean, and I said “fine.” I capitalized it and said, “How about this?” And they gave me about one-third. I didn’t get what we had hoped, partly by naming the School, but it didn’t happen. So we were deeply under-capitalized.

B: So, how did you go about recruiting faculty given also the need to work it out with Penn?

E: It was arguments. Not bitter or nasty or anything, but just arguments. A lot of offers that I wanted to make, I couldn’t make. For example, I wanted to hire Merton Miller. He was at Johns Hopkins. And I wanted to hire Sidney Davidson but couldn’t.

W: I have a story about Sidney Davidson. We didn’t have anybody in Accounting, and somebody said “Why don’t you call Sidney Davidson?” I called Sidney Davidson, whom I did not know, but I knew of him. And I said, “Sidney, is there any way we could persuade you to come to MIT?” And Sidney, in true Chicago style, said, “Yes.” But not really. There was a price, but not within my price range.

E: The one victory, as a result of all of this, was I was incensed at Hudgens. I figured, “OK, you want a business man?” I got Sidney Alexander, who was the vice president of CBS.

W: I remember that. Good.

E: Brooks hired a business man. He became a real problem to me and to everybody else, but that was the price I was willing to pay.

W: I'll tell you a story about Sidney. I was at a Personnel committee meeting and somebody came up for appointment that was clearly weak on the academic side but I thought could bring some energy. We had a lot of good people but none of them wanted to pull it together.

They said, "Hire him as a lecturer or whatever..." I said, "No, no, in order to do this, he's going to have to be a professor." Well, nobody was very enthusiastic about that. And Sidney, after much discussion, spoke up and said, "I think we should preserve the right of the dean to make a fool of himself."

I said, "Sidney, I consider that a friendly suggestion! That's all I want."

B: You had some faculty when you arrived, but you had to add quite a few to the roster.

E: Yeah. We had quite a few people when I arrived. The accountants were good. There was Tom Hill and Mike Gordon. And the guy who went to Columbia, Gordon Schilling. They were there. But Gordon and Schilling were hired just before I was hired.

W: Eli, there was a report written by the Ford Foundation, "Gordon and Howell Report"? Which advocated that business schools should become more academic. Do you remember that?

E: Oh yes.

W: Was that a prominent piece of your thinking?

B: That probably came later. That came around 1959, wasn't it?

E: No, it was earlier than that, 1955.

B: It certainly influenced Chicago. Allan Wallace and Jim Lurie relied on that report heavily.

E: Right. Frank Pearson also did a book at the same time, and they were both sort of directed at business as economics. It turns out, now the great complaint about business education is that it's sort of too academic and divorced from business practice.

W: That's my concern too. I think you and I share that view. I'm all for the economists, I think they are good guys and do lots of good things. But it's not business. It's become scholastic.

E: Right.

B: Now, there were some people on the staff in the Behavioral Science area, wasn't Mason Haire here at that time?

E: No Mason came later.

W: I hired him.

B: And that cluster of people, then....

E: I hired Ed Schein. But the behavioral scientists were really in the fourth school, like Pigors, who taught economics, but he was in the Industrial Relations group.

W: But it was really kind of economics and social sciences, a lot of it was economics.

E: Psychology and all of it.

W: The guys went to Harvard, Festinger went down there. There were a lot of great people came through MIT but they didn't stay there. And they were all in Economics.

B: Charlie Myers was Economics.

E: It was the fourth school and it contained Economics, Political Science, and History. I don't think Humanities. My view at the time was that I really didn't care what the field was, if you wanted to apply it to the solution of business problems, I'm interested in you. That's how Forrester got hired.

W: Lee Bock at Carnegie had the same philosophy, in my view.

E: Yes. Lee Bock was sort of on that same track. He was a little more pro-Economics than I would have been.

W: So we had people like Simon, and March and Cyret, and Modigliani. He made a mark on business problems. Not so much the theoretical stuff.

E: I talked about this with Allen Melzer, and he said "Bock said we've got this problem and if you want to work on it, fine, go work on it."

W: But he didn't want you to sit at your desk and do the work?

E: No, that's right.

B: At this point in the history of the School, was the teaching of economics done by the people in the Economics Department?

E: Absolutely. There were no economists.

B: You didn't try to hire economists. That was an early way in which there was a close connection.

E: Yes, and let me say that I've always been opposed to hiring economists in the Sloan School, which got me into trouble with Krugman because I just didn't think he should have been appointed in the Sloan School. I thought he was a great guy in terms of ability, but there was no need for that, because the truth is, if you go back to the evaluations of the Sloan Fellows from 1948 to 1956, you will find the one grade of A goes to Economics all the time. It was the Economics program that made the Sloan program.

W: And they have wonderful people in Economics, really good people.

E: And very helpful. They were not in the least bit rivalrous.

W: The secret of the success at the Sloan School, no question about it.

E: The help they gave me was absolutely invaluable. I could go to them for anything.

W: Yeah, but you had recruited people, not to the Sloan School, but to Economics, which is also what gave us a little tilt in that direction.

B: Now in terms of physical space, the building used to be a Lever Bros. building. When you got there, had it already been converted over?

E: Oh yeah.

B: Economics was there?

E: Well, there was a floor of Political Science too. They did two things which I think was smart. They took the 6th floor and made a Faculty Club out of it so that the faculty at MIT wouldn't be bitter about this building.

And they gave the fourth school all the space they wanted. So Economics was on the second and third floor...

W: And Political Science I think was on the fifth floor.

E: Yes, the Center of International Studies. But we had half the fifth floor.

B: And all the fourth floor for the Sloan School?

E: Yes.

W: And the first floor...

E: Well, the first floor, yes we had classrooms there. That was it. It was a small institution.

W: But the fact that Economics and Sloan were in the same building, next to each other, got it off on the right foot. The fact that they had Eli as the head of Sloan. That's what made it go.

E: It existed before, though, before the Sloan School was started. The Economics Department was very helpful to Course 15.

W: Did you ever know Erwin Schell? He ran Course 15 forever.

E: And his students absolutely adored him, loved him. He was a father figure to everybody.

W: He was charismatic. He gave a lecture once a year called "The Million Dollar Lecture." And it's printed somewhere, you can find it. It was advice to the students.

E: The thing is, all he believed in was the absolute antithesis of everything MIT believes.

B: Be a little bit more specific. What was he advocating that was different from MIT?

E: Well, he was a philosopher, not an analytic. A moralist...

W: The Million Dollar Lecture was sort of theological. Inspiring, but not grounded in data?

E: No data, we all know....

W: ...take it on belief. And he also supported the sailing program, the little boats, the dinghies. I don't know whether he raised the money?

E: He was a very interesting sort of man.

B: Now, Course 15 was primarily undergraduates, but the Sloan Fellows program, they were getting a Masters degree at that point?

W: I can't remember when that started. I think it started right away, maybe they always did?

E: I don't know, but they were certainly getting in 1950s...

W: They were getting it when I was there...

E: Oh, they were getting it when I was there. It started in 1931 or 1932. My guess is that it was a Masters degree given by ... I'm trying to think of this guy.... sort of interdepartmental.

W: I think they were free to take courses all over.

E: All over, yes.

W: So it was not a kind of tight program.

E: Oh no, initially more of those guys took engineering courses. But T. Wilson said, "I don't need any engineering courses."

W: T. Wilson told this story over and over again. His first day in the Sloan program, he went in a room in the basement, dark dingy little room. And this kid walked in, walked up to the blackboard wearing tennis shoes and a crew cut, and he wrote on the blackboard, "Assume the GNP is \$400 million."

He said, "I said, 'who are you?'"

And the kid said, "My name is Paul Samuelson. Assume the GNP is \$400 million," and away they went. And they were friends ever since.

E: Oh yeah, they were big buddies.

W: He said, "it was just this kid, tennis shoes, and a crew cut.

E: T. Wilson has a number of stories. For example, the one that always amused me was, he decided he wanted to take a course in the history of economic thought. He took this course with Bob Bishop. Bishop was using a text of a guy who's name escapes me at the moment, but he was a Marxist. So Wilson, as chairman of Boeing, is flying first class to London, sitting next to this guy, and he's talking about this Marxist. And it turns out to be the author!

W: The other story somebody tells is, they had a formal dinner the night before the Sloan Fellows program started. They were all assembled, and they served dinner at some point. I think they wore black tie to this dinner. It was a big deal. Anyway, T. tastes the soup and says, "The goddamn soup is cold!!" They were serving gazpacho. "What kind of a place is this?" he says, "The soup is cold!"

E: By the way, that reminds me of something. You talk about careers and how they're made. I had a student in the business school who was absolutely the best student I ever had – at Chicago – and he wanted to go into the mutual fund business, which was brand new then. There was this big firm, Stein Rowe Farnham, which was a big firm. I went to Fred Rowe and told him about Jim Bates. So they pursued him. His objection to Jim Bates was that his wife was very quiet. I got so mad that I went to Jim Stein and said, "What are you talking about?" Needless to say, he got hired and became a partner.

I cite that because it explains how Howard Johnson got to MIT. I was so offended by the way they interviewed people for the Sloan Fellows program about the behavior of the wife, the kitchen table....

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W: There used to be separate interviews. The candidates, who were all male, and their wives.

E: Right, and their homes.

W: But separately.

E: Yeah. And then what happened was, they got evaluated, and this just infuriated me.

W: But you know, that was going on even when I was dean. Maybe when Howard was there. I remember, that was part of the deal.

E: Well, when I got rid of Tollman and I hired Howard.

W: I remember that.

E: It's interesting how careers interact. You'd never put these two incidents together.

B: It's like hiring a minister – they always want to know about the minister's wife, right? Whether she's going to play a role.

E: Right.

B: How did your interaction with President Killian and initiatives – we discussed this with Bill – whether it was just Sloan at MIT or within MIT. Clearly it's in MIT with respect to the Economics Department. But with respect to Engineering and Science, how to define its connection?

E: Well, I think Killian was ambivalent on the subject. For one thing, he was a graduate of Course XV.

W: Yes, that was the only degree he ever earned.

E: Right. He got thrown out of MIT when he was in technology engineering, that's where he came from. He had talent as a fundraiser. Jim Killian was always a hidden personality. You never knew what he thought.

W: That's exactly right. Jim was a big player in Washington. He was the first Science Advisor to the President.

E: Can you imagine the Russians, when they got that news? Because they had bios on everybody. Killian was very proud of the engineering department or MIT.

W: Well, Engineering sold. Bush put it on the map with sponsored research and that gave MIT a huge infusion of money, which it didn't have before. It didn't have any endowment, so they got big contracts and it was all in technology. Science came along much later.

E: Nobody gave as much money to science. The original power of MIT was the power of engineering. And half the investment bankers, because those were the major issues.

W: But they had some people in metallurgy and steel, you know, old-fashioned iron and steel. And civil engineering.

B: And the RAD Lab.

W: Yes, that was a big item. I looked up the other day, maybe I told you this. MIT's finances in the last year I looked, which was a year or so ago -- \$2 billion. \$1.2 billion was sponsored research. That's big money, and there's a big overhead besides. And that goes straight into the place. Plus they pay faculty salaries, and they provide scholarships for kids. If you took sponsored research out of MIT, it's over, today. That's 60% of the cash flow, is sponsored research. 10%, \$200 million, is paid in tuition. Not the face value of tuition, it's the net revenue, \$200 million, out of \$2 billion – 10%. And the other 30%, \$600 million, is gifts, grants, and income on your balance sheet. That's the deal.

So MIT is 60% sponsored research.

E: Well, as the CFO of MIT, it would seem to me you would have to urge them to diversify. They never have.

W: Well, it's hard to see where.

E: Well, they're lucky, in a way. Because as power engineering does well, science grew and Bush was there.

W: Right. But if you look at the numbers, mathematics was Course 18. It wasn't even a department until after Course 15.

B: Bill, you also made the point, with all the sponsored research goes a connection to relevant problems. You implied that the Sloan School, where you just say to the faculty, "We'll pay your salary and you work what you want to work on," there's the danger of work becoming...

W: ...it becomes scholastic. Exactly right.

B: What you said earlier, just kind of formalism. Early on, how did the faculty think about research and going after funds and trying to be relevant to important problems?

E: The basic issue of the School, from its very outset in 1952, was Sloan paid them for research. Everybody talked research, and research wasn't being done. For example, Thurow could have written in any economics department. Ed Schein could have written in any social

science department. The answer is: they talk a good deal about research, and they produce documents.

W: That is exactly right, Eli. Doug McGregor *The Human Side of Enterprise*, and that was the kind of business book. Very well received.

E: It had a very interesting history. Sloan wanted to know what makes an executive. That was the one thing that he insisted on, that we do research on that subject. McGregor didn't want to do this. We kept pressing him, "This is what you have to do." Well, he got Bavelas to work with him.

W: Oh yes, Alex Bavelas.

E: Yes, he had all the big names.

B: And he was in place when you got here.

W: Not at Sloan, he was in Humanities.

E: He and Bavelas started on this research. Bavelas got an offer at Stanford, so he grabbed it. McGregor very wisely put this book out, which got a great deal a lot of press.

B: I remember, very wide. In fact, I think we just had a volume come out celebrating the 50th anniversary of the publication.

E: I think Bill has it absolutely right, in the sense that these guys had no business contacts, did not know about problems, but they were under the gun to do research, which they did.

W: They could have done it in their home department, Sociology, whatever.

B: Did you hire Lester?

W: No, I hired Lester.

B: So it was a little later then. What year did you leave Sloan?

E: 1961.

W: That's the year I came.

E: Well, you were here before.

W: I came in the fall of 1961. And I was an assistant professor without a Ph.D.

B: When you left in 1961, roughly how many faculty members had you hired as you were starting to....

E: There was Kuh, Alexander, Forrester, Schein, and McGregor too. He got into trouble at Antioch.

B: That's right. He went on to become president and went on to practice his theory. He found it was difficult and it didn't work out.

One of the things that I think is a problem with our structure now is we have these departments within the Sloan School, three departments. You didn't attempt to organize people into departments, did you?

E: No, not in the formal sense. But they did exist.

W: When I got there, there were maybe ten what we called "groups".

B: And there was a kind of fluidity. That was the way Chicago was. In fact, they put people on floors to mix them up. They didn't want to have people clustered together.

W: I put a couple groups together. When I left I think there were probably 6 or 8 groups, and as the School grew, they gradually formed into areas. Which I think is dysfunctional.

E: Well, I do too. The more you get organized, the more you have a home, you get a vested interest in that particular group.

W: And if the groups get big enough, they are self-sustaining. They line up against other groups.

Size I think is a big factor in the quality of an organization. When it's small, people run into each, do lunch, those kinds of things. When it gets big, beyond I don't know what the number is, it begins to break down into groups.

B: Well, you saw that at Carnegie. I saw that at Chicago as Chicago went through a renaissance.

W: Anyway, it may be wise to do, but I think it changed things. You know, we used to seat Sloan Fellows, all the time I was here, 45 SFs into 3 sections. So class size was never more than 15. Well, now 100, and they teach them as a unit. That's a different school.

E: One semester at Harvard I had more students than I had in 10 years there!

W: Exactly. And the economics is straightforward. Your productivity would weigh up whatever it was you were producing.

E: And tell me what the output was.

W: And you're not producing the same product, that's the problem.

E: Another thing that's happening – in a way, one of the most interesting experiences I ever had was running a program in Europe. This was a group that was hired by the State Dept. to try to encourage business education in Europe.

In 1956, Lee Bock headed that group, and he put together a group of people, and they met outside of Paris, and they had 30 European professors, and they were trying to teach them what management was about.

I took it over in 1957 and 1958 and the 1957 meeting was at Gloughboro, and the 1958 was in Denmark. We were trying to get these people – from the fields, engineering, finance, economics – to be interested in business, because there were no business schools then.

The team I put together confused them. There was Howard Raiffa from Harvard – Harvard is a case method, and Howard never fit in at all. There was John Jueck who is a case method guy. There was a guy named Harold Weim from Carnegie Tech – you may have known him.

W: I didn't know him, but I know the name.

E: Marcelle. And Paul Pegors was in the first one. What's his name.... the guy you hired, a psychologist... Mason Haire. He was in my team the second time.

W: Where was Mason before he came to Sloan? I can't remember.

E: He was at California. And the interesting thing, two points I wanted to make, Bob. One of them is that trying to get these people to see what business education is about was sort of challenging because I was in a position to really ridicule various clichés. But more important, I go through the *London Economist* now, and all they have are business schools. That's all they're advertising.

B: Oh yes, absolutely.

E: That's all that exists. That, by the way, that has its counterpart in the US. In our day, the business schools were just begging for money from the central administration. Now it's the central administration that is begging for money from the business schools.

W: In the big state schools, business is THE biggest graduate program. It's a cash cow. It doesn't take any equipment, you can teach it on a blackboard. That's what the Gordon/Howe report was criticizing.

E: Yes. But you see, Bill, I'm talking about places like Columbia, Yale, Harvard, MIT, Chicago. The one thing that happened under Hutchins that always amazed me – in 1950, they had a university cut in budget of 5%. The business school was exempt. Everybody raised hell with Hutchins because he said "business schools aren't worth having. This business school is. Look at the people they've appointed."

But you couldn't get a buck. Now, you get what you want. You decide what the administration is going to give you. I don't regard that as a good thing.

B: Well, the executive education side of business schools now is a big. Sloan's got this immense relationship with BP for executive education. They come here for 2 weeks at a time.

W: They just announced a new program, sort of an intermittent Sloan Fellows program. Come for a week, then go back to work, then come back to Sloan.

We were losing, or have lost probably US companies, who said they don't want their people to go away for a year.

E: No, absolutely.

W: I wasn't a party to this, but I gather people went around and talked with them, and they said if they could go for a week and spread it out, they would be back. So they are going to give it a try. Next September a year from now.

B: Yes, so there will be several formats. We even have a thing called "Flex" for people locally who can stay on their job and do the SF program over two years.

W: That has not exactly taken off. Some people do it, but it's a small number. This new one is going to be 60 people. That's another Sloan Fellows program.

B: Right.

W: But they're not here full time.

B: No, they come in these segments.

W: The real problem has always been finding faculty. There is a handful of "star" faculty. Everybody knows who they are, you put them in and everybody stands and cheers. But we have a lot of faculty who are perfectly capable people, but are not deep in business.

E: The classic case of this was Dan Holland. Very bright, able guy. And he taught the Senior Executives and they were absolutely rude to him. But that's because he wasn't teaching them what they wanted to know.

W: I remember Paul Krugman went and taught the Sr. Executives one time, Finance. He was talking about homoelasticity, bat tails, and never mentioned the words "stock" or "bond" in the whole course. And these guys come sailing down the hall, foam coming out, saying "What kind of program is this?"

B: When did we start the Senior Exec program?

E: I started it. That's one of the things I told Howard to do was start it.

W: That was a good idea, because both the Sloan Fellows and the Senior Execs helped the faculty because then they got contact with people who had real power. They'd listen.

The other reason for the Senior Execs program was Endicott House. MIT was offered Endicott House and couldn't pay for it.

E: Yeah, but we had that before.

B: So the SE program started at Endicott House?

W: No, it apparently started before Endicott House.

B: So it was on campus first.

E: Yes.

W: But that was a good thing for the school, good for the faculty. Tom Magnanti, really good guy, kind of a flag mathematician, optimization, linear programming, all that sort of thing. No contacts with the world. You put him in with the Seniors, they recognized that he had something to teach them, but he didn't know their side. It took that combination to work, and it did both sides a lot of good.

E: One of the problems in recruiting staff for these executive programs is you want to get a guy who is able, but you also want to get a guy who is secure. What happens is, the guy comes in, he's frightened of them and makes fools of them, in a typical academic way. They resent that, anybody would, and that's the end of it. You just have to get people who can stand up and

W: ...and debate. It's fun.

E: Exactly. But looking for faculty, you're looking at publications, you're not looking at that.

W: And that's what counts, that's the "coin of the realm."

B: In terms of the sequence, was it a push factor that got you to leave, or was there a pull factor? You went across the river, didn't you?

E: I guess my basic reason for leaving was, somebody was going to succeed me, obviously, because I didn't want it. I wasn't sure I could treat him as fairly as he should be treated. So I thought, "I'll go somewhere else."

W: A very generous act...

E: No, it wasn't generous, it was a selfish act. It's not nice to be unpleasant.

- B: And Howard Johnson became dean?
- E: The first year, Doug became Acting Assoc. Dean.
- W: I didn't know anything about that.
- B: That was in the mid-1950s, right?
- E: Yes. And then Howard was promoted.
- W: Howard really made a deal with Sloan, I think Sloan liked Howard.
- E: I'm sure he did. And that would, of course, immediately cause Killian to like him.
- W: Exactly!
- B: I think that was the deal. Penn Brooks stayed how long during this period?
- E: He went on forever. When I left he was still here. That was 1961.
- W: But it must have been just about then he went.
- E: Well, he hung around. He may not have been – I don't remember when Howard was made dean.
- W: I don't either. I became dean in 1966. I think Howard became dean in something like 1959.
- W: I think it was around 1959. It couldn't have been. 1957?
- B: Did you work with Howard at some point? I know you hired him.
- W: You hired him when?
- E: 1955.
- W: Well, I became dean in 1966, so there's 11 years.
- E: He was not the dean when I left in 1961. It had to be after 1961.
- W: Howard was dean until 1966. Killian was a very very effective advocate for MIT. He gave the impression of southern charm, and you couldn't give your money to any better place than MIT.
- E: Oh yes, he was very effective.

Int. w/E. Shapiro

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W: And he believed that. So much so, that other people believed it. The one thing that Killian once said, which I've repeated many times. He was making a talk and he said, "You know, as you get older, some people think they have trouble with their memory. I have never had that problem. I can remember things whether they happened or not!" I thought that was a great line.

E: I have to use that on my granddaughter!

B: And Howard was wonderful with names. Was it you, or Ed Schein? I think it was Ed who was telling the story where there was a faculty reception and there was some faculty member who had just arrived. Howard was dean, and it was being held at Endicott House. They were going up the steps and Howard came right up to both of them, husband and wife, first thing.

E: Well, he had a very outgoing personality, and people liked him for that.

W: There's not doubt. And he was active at the Museum, even while he was president. He was their popular guy, people liked him, partly because he liked people. He was effective.

APPENDIX:

Comments by Abe Siegel, page 61, in *A Work in Progress* (2002)

BROOKS AND BEYOND: A TWENTY-FIRST CENTURY CONVERSATION WITH ELI SHAPIRO

Eli Shapiro came to Sloan as professor of Finance in 1952 from the University of Chicago (and four years later, sent back there for his colleague, Howard Johnson). He left in 1962 to become professor of Finance at Harvard Business School, and later chaired the Finance Committee of the Board of Directors of Travelers Insurance Companies. In 1976 he returned to Sloan as Alfred P. Sloan Professor of Management, the chair he held until he retired in 1984. As professor emeritus he keeps a finger on the pulse of Sloan and MIT from a sunny spacious apartment in Back Bay. There in December 2000 he shared with a visitor some of his thoughts about management education at MIT in the past fifty years.

"Penn Brooks was interested in improving the managerial competence of industrial firms and he was responsive to opportunities beyond that. A number of strands that began then still characterize management education at Sloan.

"When I came to the School, it was my view that management education was a synthetic product, the application of various disciplines to the management of an enterprise. You build a faculty by taking people from various disciplines who have an interest in applying those disciplines to solve management problems. MIT was science and engineering, so that is where we turned.

"It's still working. One example today is Financial Engineering, which uses mathematical, statistical and



Left to right: Professors Eli Shapiro, Douglass V. Brown, E. Pennell Brooks, Robert H. Robnett, Erwin H. Schell in Dean Brooks's office in the mid-1950s.

computational techniques to deal with business activities. Management of Information Systems is clearly Electrical Engineering and Mechanical Engineering applied to Management. Management Science is moving rapidly to Management, too.

"From the beginning there was a lot of emphasis on Economics, probably the easiest and most rapid application to Management. Sloan developed a strength in that area that is still pretty much unmatched by other business schools. Then there were Social Sciences applications, particularly Psychology and Human Relations. All of these strands – Economics, Social Sciences, Financial Engineering,

MIS, Management Science – started when the School started and have developed at different paces.

"In the twenty-first century most of the big issues of industry are technological. The more technical Management becomes, the greater Sloan has an advantage by being part of MIT. There's another strand."

Comments by Howard Johnson, pages 81-2, in *A Work in Progress* (2002)

**HOWARD JOHNSON REFLECTS:
DECEMBER 15, 2000, INTERVIEW**

I am going to start with Eli [Shapiro]. While his involvement at Sloan was ultimately brief, it had an indelible effect. Eli had been a professor of Finance at the University of Chicago School of Business. I was a lowly assistant professor there and in the Department of Economics. Even then I thought Eli was a giant.

"Penn Brooks had been asked to be dean. He was a marvelous man, an authentic hero in World War I – received the Distinguished Service Cross for heroism in action – who came back to spend his life on the manufacturing side of retailing. He had had a five-year term on the MIT Corporation [1941–46] and thought he knew a lot about business education. He knew next to nothing, but he was a quick learner. He persuaded Eli to come to MIT [as professor of Finance, and two years later to become associate dean]. They already had Robnett, Schell, Van Alan Clark – six or eight well-known names – a Course with a tremendously loyal following and a Sloan Fellowship Program, which had begun to gain again after a wartime layoff. The Industrial Relations Section in the Department of Economics gave us access to Charlie Myers, Doug Brown and younger men just beginning to gather there, like George Shultz.

"I, among others, was recruited from the outside. I'll never forget Eli's call. 'We need people, I know something about what you've been doing in the field of executive education and we need help there,' he said. I was intrigued. Penn came to Chicago, and between the two of them, I was persuaded to join the School and teach a

seminar. The Sloan Building was sparkling, the offices were all brand new and first-rate.

"I found myself director of the Sloan Fellowship Program and an associate professor. Jay Forrester and William Krebs, Jr. (Business Law) were recruited in 1956. The field of organization and psychology started to gain real strength with Doug McGregor and Alex Bavelas and a striking group of young types.

"Eli played a key role those first four or five years. He supplied the vision of what business education could and should be. He was influenced some by the way Carnegie Tech was bringing disciplined analysis for decision making to business education. Before that, business education was apprentice learning in an amalgam with case studies. The labor movement had come of age, so labor relations had become part of business education. And accounting had become accounting based on financial analysis. Business education was transforming in the United States. We rode that wave.

"When Doug McGregor arrived, things began to move. Houlder Hudgins brought realism with his experience with stores; he could talk about situations that were so true, what he said was so wise. Elting Morison taught a subject centered around great works of management from Socrates to Stendahl. He had a rare sense of history – a sense of ethics, although it wasn't called that in those days.

"Eli labored on until 1957. Penn gave him lots of leeway, but unconsciously, Eli decided being associate dean had limitations. He gave Penn plenty of notice. Penn was interested in organizational morale. He brought people together. He wanted someone who had the respect of the Sloan faculty and persuaded Doug Brown to be associate dean, which he did for one year. Doug was a

grand old man, even as a young man. When his year came to an end, and I had been at Sloan for three years, Penn asked me to be associate dean. I was surprised and agreed. I became dean in the fall of 1959.

"The School was in good shape but we had bad problems. We didn't have a cohesive curriculum. My take was to follow the Shapiro-Brown function of making sure that we were beginning to be recognized, along with Carnegie Tech, as interested in analysis – putting numbers on things. And I was determined to make sure that organizational studies would become equal in that curriculum. Management analysis for decision making with a strong quantitative theme was a method as well as a point of view that didn't depend on faculty stars.

"I thought management was a lifelong education. I had always been interested in offering executives a continuing connection with education, so the Sloan Fellows Program was strengthened then and the Program for Senior Executives was established. They tell me that the culture now makes it difficult for senior managers to get away for eight or nine weeks.

"My other interest was in international education. We got involved with India and Africa and, through the Sloan Foundation, with helping the London Business School start its Sloan Program. International education was not an academic field then, but it sure is now.

"Doug, Eli and I were involved with the Fifth Anniversary celebration. We looked at the role of directors of companies. Jay Forrester disclosed his great feedback loop. It's



Vintage photograph including many of the individuals in Dean Johnson's reflection. Left to right: Professors Douglass V. Brown, Eli Shapiro (associate dean), Howard W. Johnson, Douglas M. McGregor, Ross M. Cunningham, Leo B. Moore; E. Pennell Brooks (dean), W. Van Alan Clark (assistant dean) and William A. W. Krebs, Jr.

hard to state any theory more important than the Theory X Theory Y that Doug McGregor presented.

"In Organizational Development, Doug attracted Ed Schein, who became his successor. Warren Bennis was another star in that field. And Don Marquis. Human resources has become a great portfolio now, and I think MIT's role was important in that. Industrial Relations remains strong, and I don't know of another institution that has such a strong connection with Economics. We were kind of a seedbed in those fields.

"In 1960, the Institute was world famous. The School of Industrial Management was not. It was known as a kind of a sport, there because many MIT engineering graduates go into management so they had to have some preparation. We were hardly known. 'I didn't know you had business education at MIT' was said then and it still is now. Most of our faculty were home grown. We were not getting many

students from other institutions. It was important to broaden our appeal. We began to recruit faculty from outside – Bill Pounds was one of the hot shots at Carnegie Tech. I brought the School into the AACSB. I wanted some awareness from our colleagues in other institutions.

"In 1960, we weren't performing on a world stage the way we are now. Within MIT we were too often perceived to have lesser academic rigor. We had to make a strong effort to prove that academic achievement in Management had the same standing and requirements as it did in other MIT fields. We made sure that our performance was as good as Physics and Biology. Operations Research was an early partnership within the Institute. Now all the Schools and departments see us as a full partner in lots of ways. The Sloan School's place within MIT is terribly important to putting it where it is. In attitude, the world is different now than it was then.

"I have one regret. I wanted to integrate the Sloan Building with the rest of the MIT campus. There was nothing around us and, except for the magnetism of the Faculty Club, no way for us to be physically part of MIT. I was hoping we could create a kind of community at our end. Now

the land between us and the rest of MIT has filled in. Now that is coming.

"Mr. Sloan's furniture came to us by pure good luck. It had been in his office in Detroit, and later went to the General Motors office building in New York. When GM was moving to a new building, Mr. Sloan's secretary, then close to retirement, told me that his furniture was going to be disposed of. She gave me the name of someone to call. I called and said we would like to have the furniture, that we would keep it and take care of it. All this came after Sloan's death. Bill Pounds was dean then and he jumped right into it. I have two arm chairs in my office at MIT, the rest is at Sloan."