

Why business should be taught more like an art and less like a science.

The last time I spoke to an MBA audience was in London this summer.

A newspaper report of the event described me as: The Man Business Schools Love to Hate. So I must assume my invitation here is either an act of forgiveness or provocation.

I suppose I'll find out soon enough which is the case.

If my invitation here was a trap, I figure at least I'll have had a couple of days of autumnal sunshine in Barcelona.

I'm here because I wrote a book about my experience at Harvard Business School. In the United States it was called *Ahead of the Curve*. In the UK and most of the rest of the world, *What They Teach you at Harvard Business School*.

We can talk about that if you'd like later, but for now I thought I'd talk about something which has been weighing on my mind for a couple of reasons.

This issue of emphasis in the teaching of business. Should it be taught more as an art or a science.

I use this word emphasis, because this isn't about extremes. It's just about how you choose to present a certain subject. It's about tone, color and style. And the consequences of that.

I have two sons, who are four and six. And my six year old has this plastic box he likes to carry with him. It's full of what he calls "robotics", bits and pieces of electronic circuitry, metal and plastic, dismantled walkie talkies and remote control cars. It's his portable science lab.

He goes to a Montessori school near our home in rural Connecticut. I don't know how much you know about the Montessori method, but the gist of it is that when teaching children, the goal is not to think of them as unformed adults but as individuals as rich and formed at 6 as they should be. To respect their age and to help them discover the world, to engage their natural curiosity.

I went through a very different education, a rigorous cold baths, rulers on the knuckles English education. Sitting in rows, learning things by rote, wearing a uniform.

And I watch my son come back from school now each day in his tie-dyed T-shirt, I ask him what he did and he'll say "I did three good works." Some reading, some cursive, and the stamp game, a kind of counting game.

It's a very different notion of education. But when I meet the 12 or 13 year olds at the school, and they're engaged, and self-possessed and smart, I learn to trust it.

I've learned to look at his chaotic box of "robotics" and resist the urge to tidy it up, or say look this goes here and that goes there and this will never work, but that will.

Because frankly, does my notion of the purpose of a robotics box have anything to do with his? It's not only his laboratory, it's his means of expression.

The second reason I've been thinking about this, is this book I'm writing. After writing my MBA book, I was scratching around for a new subject. I read some Peter Drucker. And he said two things which struck me.

The first was that he considered business to be a liberal art. He wrote in a book called *The New Realities* that management "deals with action and application; and its test is its results. This makes it a technology. But management also deals with people, their values, their growth and development - and this makes it a humanity...Management is thus what tradition used to call a 'liberal art': liberal because it deals with the fundamentals of knowledge, self-knowledge, wisdom, and leadership; art because it is practice and application. Managers draw on all the knowledge and insights of the humanities and the social sciences - on psychology and philosophy, on economics and on history, on the physical sciences and on ethics."

I studied classics at university and was a newspaper journalist for ten years before going and getting my MBA. I am very biased in favor of anyone who tells me that the skills and knowledge I picked up through all that are valuable in the business world. Because the truth is that not many people do.

The truth is that for all the talk of inter-disciplinary skills and left brain talents, we still live in an era of specialized, technical skills.

The second thing Drucker said is that business is sales and innovation. And the rest is detail.

And yet when I think back to my own business school experience, what I recall is spending an awful lot of time on the detail. And very little on sales and innovation.

I once asked a marketing professor, why isn't sales given the same standing as marketing, finance, accounting and strategy? He said that if I wanted to study sales, there were plenty of two-week courses I could take. Sales was somehow beneath the academy.

There are a handful of sales professors at American business schools. When I talk to them, I ask, why are there so few of you? One of them said it's to do with the process of getting tenure. That in order to get tenure you need to publish in certain journals. And there is very little space in those certain journals for research into sales.

So if you're after tenure, you're better off specializing in strategy, finance or marketing. If this is so, then the tenure system is in dire need of revision. Because I knew so many smart people, with multiple degrees who couldn't sell to save their lives. They might even have done very well at business school.

So for my next book, I've set myself of trying to understand salespeople. Why can they do what they do? And why is it so hard for the rest of us? Me included.

One of the questions I ask people, friends, anyone I meet, is who is the salesperson you've ever met? Time and again, I heard people mention Moroccan carpet salesmen. So this summer, I went to Tangier and after some digging around I came across this fascinating man called Majid.

He runs a shop in the souk which looks like Ali Baba's cave. There are rugs hanging from every wall, silks, silver, crafts from all over North Africa and the Sahara. He made me some tea, and lit a piece of sandalwood. He was wearing this velvet waistcoat and had a large chunk of amber around his

neck. He was in his mid-50s and had begun his sales career as a boy, selling sheepskin jackets to hippies in the 1960s.

He began telling me all these stories of selling to people. How they would come into his store and treat him like dirt, another nuisance rug salesman, one of the thousands hounding tourists as they passed through the souk. But then, one by one, he would win them over. As he put it, they came in like wild mustangs, snorting and out of control. Some time with Majid, however, and he would be riding them like a docile mule towards the sale.

The secret, as he put it, was to have “loose robes”. To let the insults and rejection just fall away.

In Tokyo, I spent a day with a former Nomura salesman. As you may know, in Japan, the first job for smart young graduates joining an investment bank is not as a junior analyst. It is in a branch office selling to brokerage clients. They have these contests. Whoever collects the most business cards from local business owners wins. We took the train out to this suburb of Tokyo where my friend had begun his career.

He used to ride his bike around these streets, knocking on doors from dawn till well past dusk. He hated it. He would often walk around a building four or five times before plucking up the courage to go in. On some days, the job would be to collect 50 business cards. He would call in at 9pm and say he had 48. And his boss would say, fine, I'll wait in the office until you have 50. And he would go into one final business and sob in front of the receptionist until he had the cards of the firm's owners.

We went to this old antique store and the owner cracked open the door. But when he saw my friend, he beamed. My friend had long since left Nomura, but the store owner remembered him. Of all the young men and women who had knocked on his door over the years, he was the only one he had ever bought anything from.

And you know, the more I began doing this kind of research, the more I found that these were novelistic stories. They were not business stories. They weren't about discovering new markets or breaking down global barriers or bailing out Wall Street.

They were stories about how most people in the world do business. Ethically, diligently and with an enormous amount of effort and charm.

It has nothing to do with grandiose systems, strategic plans or financial engineering. It has to do with the kind of economics and human behavior which existed long before we even knew the term “capitalism”.

And understanding business in this way, as a basic human activity, not some evolved science, I think is helpful.

It helps move us away from any dogma about business. Any notion that any one system is perfect. Because of course, they're all flawed in their way. Capitalism included.

And if I had to define myself by an ism, I'd say I was a capitalist.

I was recently reading Thomas McCraw's fabulous book about Joseph Schumpeter, called The Prophet of Innovation. What's amazing about Schumpeter is not only the richness of his thought, but also of his life. The man who gave us the notion of “creative destruction” would have had no time for the more heartless, modern proponents of his notion.

Schumpeter, as far as I understand it, considered capitalism the least worst economic system. To credit it with more than that, was delusional.

His life had taught him that. He grew up in turn of the century Austria, in a society McCraw calls “techno-romantic”, highly advanced and yet also highly cultured. He experienced the First World War, the loss of a wife in childbirth, personal bankruptcy in his late 30s, all before finding professional success and personal stability in the United States.

In his view, capitalism equalled havoc. It was about fortune and reversal, hirings and firings, the pernicious effect of advertising. “The stock exchange,” he said, “is a poor substitute for the Holy Grail.” I sometimes think it would be worth having the presenters on CNBC intone that every half hour or so. The stock exchange is a poor substitute for the Holy Grail.

He believed entrepreneurship was the driver of capitalism, and yet acknowledged that it had a dark side. It involved shoving aside existing businesses. Even as we celebrate the great success of the Asian economic miracle, we must face the situation in Detroit. The triumph of Apple's iPod goes hand in hand with the travails of the music industry.

To take my own former industry, Google's success has meant newspapers' demise.

This is the nature of things. Everything is in flux. But on balance, Schumpeter believed that assuming that creation led to destruction, in that order, this was a better economic system than the alternatives. But note the modesty of that position. It's not absolutist or arrogant or know-it-all.

In the final few pages of the book, McCraw writes this:

“Schumpeter humanized his discipline. After a lifelong struggle, he concluded that exact economics can no more be achieved than exact history, because no human story with a foreordained plot can be anything but fiction. Because of the infinite mixture of influences on human behavior, no two real economic situations are ever exactly alike. Thus, economics does not lend itself to deterministic laws or experiments, as the physical sciences do. The best mathematics in the world cannot produce a satisfactory economic proof wholly comparable to those in physics or pure mathematics. There are too many variables, because indeterminate human behavior is always involved. As the Nobel Laureate in Economics Douglass North remarked in 1994: “The price you pay for precision is inability to deal with real-world questions.”

And yet, look at the faculties of most business schools. Does the path to becoming a business school professor, in your view, attract people who think of human behavior in infinite ways? Or not?

The field of behavioral economics, I know, is very dynamic these days. The entire world, it seems, wants to know how little things make a big difference or how what we think to be true, isn't.

But how sterile do most of these books look beside Thomas Mann's *Buddenbrooks* or Dostoyevsky's *Crime and Punishment*? How much can any economist add to a discussion of the power of poorly designed financial incentives when we have Raskolnikoff wringing his landlady's neck for a few rubles?

I was recently looking at Rosabeth Moss Kanter's latest book, SuperCorp. In it she makes the point that values-led organizations can thrive. It doesn't all have to be about the amoral pursuit of profit. Doing business the right way, taking care of employees and the environment can result in business success. I'm sure companies will buy this book by the bucket load.

But really. Come on. Read Plato. Aristotle. Any philosopher worth their salt. Look at how most people in the world live. How they raise their families. They do the right thing not just because there's some stingy, short-term personal advantage. They do it because living virtuously is its own reward. It's the oldest idea out there.

It's embarrassing that any business could consider this to be news. You shouldn't get applauded for acting virtuously.

It's the baseline for what's expected of individuals. And should be for companies too.

There was a recent broadcast on the BBC World Service about MBAs and the financial collapse. One of the interviewees was the head of the MBA program at Harvard. He said that risk management at the school was "state-of-the-art but deficient."

The first thought that popped into my head was a refrigerator that tells the time and has a television built into the door, but doesn't keep your food cold. Somehow the technology, the science was all there. But something more fundamental had been missed.

Malcolm Gladwell is one of the many who believe that the cause of the financial collapse was greed and over-confidence.

My problem with this is that man has always been greedy, always over-confident. It's like blaming the financial collapse on the fact that we have fingers to type with or voices with which to place orders. Human nature is the constant.

It's doesn't explain the particulars of this crisis.

There's something missing here. Something which goes further than saying our baser instincts somehow outran our financial know-how. And I think it's this.

That what failed was neither the financial system nor greed, but the mechanism by which they interact. Let's take an example. Traders have long had stop-loss rules. They know that the human tendency when losing money is not to cut and run, but rather to double down. Instead of leaving the casino with our final two chips, we bet them both hoping to recoup our losses. Stop-loss rules are intended to limit this behavior. Once you've lost a certain amount, you cannot keep trying to trade your way out. There weren't enough rules like this in the market. Rules which acknowledged what humans really are.

As we look forward, regulation will be part of the answer, but not all of it. Because there never will be a complete solution which can be drafted on a white board.

I have an old university friend in London, a very successful hedge fund manager, who believes what is needed is "club rules". When a member of the club steps over the line, the wise heads in the club tap him or her on the shoulder. It's the way the Bank of England used to work.

It's adaptable, based on the interests of a group rather than any individual, and done right can incorporate more of the "infinite influences on human behavior" than any more codified system.

In 2002, the MIT psychologist, Steven Pinker write a book called *The Blank Slate, the Modern Denial of Nature*. He attacked the tendency to regard humans as somehow perfectible. Get the system, culture and education right and one can eliminate all that's worst about us: our racial and sexual prejudices, our greed, our instinct towards violence. Nonsense, he said. We are not born as blank slates. To a great extent, we are born pre-programmed. Modern, scientific studies proved as much.

This is not to abandon our quest to be better people. But to say that our battle to be less sexist or racist, for example, must be a constant battle. We fight it because we believe it be a worthy one. But it will remain a battle nonetheless, because we are not hardwired to be as good as we'd like to be.

Totalitarian regimes believe in the Blank Slate of human nature, and that they can fill it with their own ideas. Without exception, they tend to fail because human nature will always out.

When I read this, I realized that the Blank Slate notion was everywhere in the business world. It is in mission statements and declarations of corporate culture, in draconian HR policies and in the language used by senior executives, which so often seemed divorced from that used by anyone else in society.

It's what can make business jobs so alienating for so many people. This gap between hype and reality, between how businesses view the people who work for them and how people view themselves.

Now it's very easy to laugh at mission statements. But I understand the point of them. To give clarity or purpose to an organization. To help everyone get the point of their daily work.

Here at IESE, you promise the "development of leaders who aspire to have a positive, deep and lasting impact on people, firms and society through their professionalism, integrity and spirit of service." My old school, Harvard Business School vows to "educate leaders who make a difference in the world." Stanford hopes to "create ideas that deepen and advance our understanding of management and with those ideas to develop innovative, principled and insightful leaders who change the world." You get the picture.

But my favorite academic mission statement comes from the Program in Creative Writing at the University of Iowa. As you may know, it's the most famous creative writing program in the United States. It has produced scores of award winners and really has every right to be very grand about itself. But here's what it says:

"The program in Creative Writing is informally known as the Iowa Writers' Workshop and these two titles suggest the duality of our purpose and function. As a "program" we offer the Master of Fine Arts in English, a terminal degree qualifying the holder to teach creative writing at the college level. As a "workshop" we provide an opportunity for the talented writer to work and learn with established poets and prose writers. Though we agree in part with the popular insistence that writing cannot be taught, we exit and proceed on the assumption that talent can be developed, and we see

our possibilities and limitations as a school in that light. If one can 'learn' to play the violin or to paint, one can 'learn' to write, though no processes of externally induced training can ensure that one will do it well. Accordingly, the fact that the Workshop can claim as alumni nationally and internationally prominent poets, novelists and short story writers is, we believe, more the result of what they brought here than of what they gained from us. We continue to look for the most promising talent in the country, in our conviction that writing cannot be taught that writers can be encouraged.”

Now how about that?

Business schools are also programs, offering an academic curriculum, as well as workshops. In fact, replace every mention of writing and writers with business and businesspeople. One can learn business, but it's no guarantee one will do it well.

I certainly agree in part with the idea that business cannot be taught, but that good businesspeople can be developed. And that the role of business schools should be to attract and encourage promising talent. Not to transform their lives or turn them into leaders.

But is this the message one receives from all those glossy advertisements in the back of *The Economist*? From those photos of starry-eyed students clustered around a spread sheet and promises of campuses in Singapore and Amsterdam and glittering new futures? Not really.

Business school marketing tends to deal in more ambiguous promises, which I don't believe are either necessary or entirely honorable. Not when you're asking people to pay so much in time and personal treasure.

All schools are about how the quality of the inputs and process affect the output. But I think the best ones acknowledge the uncertainty of this process.

I think that in business there is this false gulf between the notions of art and science, as if one precludes the others.

That it is somehow sounds better to think of business and management as a combined science rather than anything, god forbid, that might be better taught by the Department of Humanities.

Some business schools use this ludicrous term “poet” to refer to those without a business background. As if the only alternative to being a suit is to be a scruffy, vagabond with scraps of verse filling your pockets.

But if art is about application and practice, so too is business.

Steve Jobs, the CEO of Apple, has described creativity as “just connecting things”. He rejects the separation between art and science. “I’ve never believed that they’re separate. Leonardo da Vinci was a great artist and a great scientist. Michelangelo knew a tremendous amount about how to cut stone at the quarry. The finest dozen computer scientists I knew are all musicians.”

He says that his own restive business career is inspired by artists who refuse to stand still. “If they’re risking failure, they’re still artists. Dylan and Picasso were always risking failure.” In fact, the more one studies entrepreneurship, the closer it seems to art than science.

There is no myth of the starving scientist in his garret. But the starving entrepreneur, dogged in his self-belief, fending off adversity, has plenty of parallels in art.

Business is a mess. Art is a mess. Science is not a mess. Science is about clarity and proofs.

For messes we have the Iliad and Madame Bovary. We have Guernica. The Bonfire of the Vanities. I wish business schools would use them.

A few years ago, Twyla Tharp, the great American choreographer, wrote a book called The Creative Habit. She says that being creative is as much a routine as it is the lightning bolt of inspiration.

Jobs has a similar view. That creativity flowers from process. From having great people in an office, doing great, process-driven work, bumping into each other in corridors, at lunch and every so often having brilliant creative ideas. I couldn’t agree more.

Twyla Tharp wrote that creativity was not just for artists, but for “businesspeople looking for a new way to close a sale; for engineers trying to solve a problem; for parents who want their children to see the world in more than one way. We think of creativity as a way of keeping everything fresh and new, while habit implies routine and repetition. That paradox intrigues me because it occupies the place where creativity and skill rub up against each other. Without the time and effort invested in getting ready to create, you can be hit by a thunderbolt and it’ll just leave you stunned. That’s why I’m a stickler about preparation. There’s a process that generates creativity - and you can learn it.”

Barcelona happens to be blessed with a great football team, the champions of Europe. And the star of this team is a fragile-looking young Argentine, Lionel Messi, whom some claim is the greatest player in the world.

But the reason Barcelona defeated the mighty English club, Manchester United, in the spring - a tragic night for most Englishmen - was because Messi and his team are also dogged, harrying and tireless.

They press upfield and tackle ferociously, to provide Messi with those split second moments when he can do things no other player can.

It is process and creativity. Science and art. No football manager will tell you one is more important than the other.

Why should business be any different? It shouldn’t.

The good news is that you’re already well on your way. The case study method, which you all use to varying degrees, is a story-telling method. It’s about narratives, dilemmas, real-life situations as opposed to abstract problem solving.

But take it further.

Encourage more application and practice. Not just business plan contests but businesses themselves. Oblige students to use a portion of their tuition money as seed capital for a business and see how

they do creating and selling a product or service. Make them “do” business in the same way fine art students draw and sculpt, practicing and refining their skills through repetition not abstract study.

Daniel Pink says that the 21st century will be the century of left-brain dominance. That creative people will usurp the ruling position of the analysts.

The head mistress of my son’s Montessori school read out the relevant passage at a recent parents’ meeting. It was inspiring. But I don’t believe it. And I wonder if any of you do.

When companies hire from business schools, how many of them write in their job postings: “two years of consulting or banking experience preferred.”

And how many business schools tell these firms, forget about the consulting or banking experience and look at this wonderful left-brain candidate over here, because ultimately, it’s their skills which will determine whether your business triumphs or fails.

Not many, I imagine. Especially in times like these.

It may sound surprising after all this, but I’m a great believer in the study of business. I don’t think it’s all money, money, money.

I think the study of business is a wonderful means by which to apprehend the truths we’re all searching for. The meaning of our lives. The ways we choose to spend our time. The values we’re trying to live by. Our desire to improve the lives of those we care about.

But right now, I think you’re underselling it. When you promise a business education, I believe you should promise a liberal education. That the subject you teach will at the very least be as much art as science.

And that the art bit isn’t just the fluffy, airy, human resources, speech-making bit. The bit where science can’t be bothered any more.

But that the liberal, artistic approach is fundamental to how your students understand what it is they're learning.

It's not about the hard stuff versus the soft stuff. It's about the stuff.

Every speaker who would come back to HBS would say that the numbers, the T-accounts, the CAPM, the Willingness to Pay calculations were the easy parts of business.

Managing people and managing risk was the hard stuff.

If you're as serious as you all say about educating leaders, you should be telling students that leadership is about separating the right path from the conventional path. About relentless inquiry.

That in fact should be the entire purpose of your work.

If you make this change, if you present a business education as art as much as science, a process of achieving this kind of understanding of business' real purpose, I believe the impact will be stunning.

If you expand your faculties beyond those with doctorates in economics or retired titans of industry, to include psychologists, lawyers, dare I say it, artists who can give students this knowledge of the games we are all playing with each other, then I think you will be providing a better business education.

I think you'll get a broader range of better applicants from students who have extraordinary talents, who are currently put off by the scientific pose of business studies.

Who are turned away because they smell something bogus about it and fear they won't fit in.

I think you'll help close the gap between the business world and the rest of the world.

But more than anything, I think you'll be more honest and you'll feel better about what it is you're all up to.

Thanks so much.