

Why Can't a Firm Be More Like a College?

by Chad Hanson

Why can't colleges act more like businesses? For the past century, legislators, boards of trustees, and private sector leaders have been befuddled by academic traditions. The scions of law-making and industry have scratched their heads and wondered why institutions of higher learning do not respond to the same prompts and incentives that work well in the marketplace. In response to the long-standing issue, Williams College economist Gordon C. Winston published the article "Why Can't a College be More Like a Firm?"¹ in 1997. In the years since, others have taken up the same question. The Center for American Progress, for example, recently published "Disrupting College,"² wherein the authors suggest that schools might benefit from a series of radical disturbances, of the type recently witnessed in the digital economy. This report outlines the difference between schools and corporations.

From an economic standpoint, important distinctions exist between groups that pursue profits and those that contribute to the common good. There are also fair questions about whether it is apt to conceive of education as a product, purchased in the same fashion as a home or an automobile. Over the years, economists have explained that the mental framework we use to understand the market may not apply when it comes to improving academics. Even so, I have noticed, when a discussion of the difference between businesses and schools occurs in the

*Chad Hanson is chair of the Department of Sociology and Social Work at Casper College in Casper, Wyoming. He also serves as a consultant/evaluator for the Higher Learning Commission, and is, most recently, the author of *The Community College and the Good Society* (Transaction Publishers, 2010). He invites correspondence at chanson@caspercollege.edu.*

field of economics, the tone is often apologetic. An astute reader can discern the message written in between the lines: “We wish colleges could be more like firms, but unfortunately, they are different.”

I do not seek to question the work of any particular economists. Rather, my goal is to extend the comparison between the private sector and non-profit education. In what follows, I move the conversation toward an analysis of organizational culture: norms, roles, and values. You should also note that I do not apologize. On examination, it turns out, many of the features that make colleges unlike businesses should serve as a source of pride. In fact, colleges and universities possess

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traits the private sector would do well to imitate.

SCHOOLS MAINTAIN TRADITIONAL AUTHORITY

There are few institutions the American people trust and favor more than colleges and universities. Studies funded by the *Chronicle of Higher Education* suggest the only sectors of society that we appreciate more are the church and the armed forces.³ In our culture, we endow postsecondary institutions with high levels of esteem. The prestige that we afford to higher learning has bred confidence among students, families, and the communities that play host to campuses. In addition, schools benefit from the faith we place in not-for-profit groups. Non-profits are expected to consider whether a course of action is appropriate or ethical, as opposed to focusing exclusively on quarterly earnings.

Firms do not enjoy abundant trust or cultural authority. As a consequence, they are often forced to reinvent themselves. Firms rarely rest on a stable foundation of long-term support in the marketplace. Thus, “re-branding” is undertaken by corporations looking to tack themselves favorably into the shifting winds of consumer demand. For instance, Walmart changed its corporate logo six different times between the years 1962 and 2008.⁴ The technique has proven successful. Buyers reward businesses that change their image and product lines to match their interests. By contrast, older universities that maintain a commitment to core values receive prestige, grant-funded projects, and a flood of eager applicants.

In periods of recession, colleges suffer alongside private businesses. Nevertheless, in good times or bad, the nation’s schools receive more applications than they can accept. Any business would envy the moral freedom to decide how many customers they can serve without compromising their efforts. They would further envy the chance to choose those customers from a pool larger than they

could accommodate.

In our culture, we value tradition. Unlike corporations, often pushed to reset their identities, postsecondary schools are at their best when they preserve their practices. In so doing, we take advantage of the traditional authority granted to educational institutions. For example, even the faculty of the most business-oriented schools don mortar boards for commencement. The ritual confers dignity and respect. If we lost or gave up on our traditions, we would also lose our position of privilege in society.

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HIGHER EDUCATION PRODUCES INNOVATIONS

For good reason, colleges work to safeguard their norms and conventions. As a nation, we applaud groups that hold onto their values, but in the case of education, the attention to history also creates an opening for detractors. Critics charge that colleges are stodgy and unchanging. Such an assessment can make traditions seem more like burdens. In our fast-changing world, we developed an appreciation for dexterity, and we assume that businesses are nimble and innovative. That assumption is questionable, however.

On the surface, firms in the private sector appear agile and inventive, but at the heart of their enterprise, they are averse to taking risks. The reverse is true in education. Our institutions appear staid and inflexible, but in practice, they have produced the most important innovations of the past three centuries. Our most significant advances in physics, astronomy, mathematics, and bioscience were not attained in business. They were achieved in schools.⁵ There are at least two reasons for the success of postsecondary researchers. The first is linked to organizational goals, and the second relates to the terms of a professor's employment.

Institutions of higher learning enjoy the luxury of pursuing the objectives associated with pure science. The aim is to ask big, basic questions about the nature of the world, and answer them as best we can. Business goals are different. Because they focus on profitability, the employees of businesses practice applied science. Corporations take the knowledge that we create in the academy and turn it into goods and services. The result is that product lines are advanced, incrementally, from one year to the next. We all benefit from these efforts, but the level of innovation is lower than you find in education. The breakthroughs that change our understanding of the world and our place in it occur in the not-for-profit sector.⁶

One reason for the success of university-based scholars relates to the job secu-

rity that we afford to faculty. In education, we grant tenure, an institutional commitment to long-lasting employment. That practice contributes to a culture of innovation.⁷ Tenure is liberating. We free professors to follow questions wherever they lead. Regardless of the outcome, livelihoods remain secure. Albert Einstein enjoyed the benefit of tenure when he produced the theory of relativity. James Watson and Francis Crick used the non-profit facilities at Cambridge to discover the double helix, and a group of mostly tenured faculty from the U.S. completed the Human Genome Project.⁸

Businesses do not grant tenure. To the contrary, for the alleged purpose of

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increasing flexibility, businesses fight measures that would limit their ability to fire personnel. In such a setting, scientists are discouraged from taking risks. Under the threat of dismissal, private sector employees have an incentive to ask safe questions and undertake projects with predictable results. For all of our talk about risk taking in the private sector, the truth is, businesses are risk averse. The real breakthroughs occur in the laboratories of stodgy old universities.

POSTSECONDARY INSTITUTIONS SUPPORT DIVERSE LINES OF INQUIRY

In the time of the Roman Empire, the collegium provided a place for scholars to ply their various abilities. Colleges were created with the intent of bringing a diverse group of specialists into a single location. Today, we often accuse academics of working in “silos,” but there is scant evidence to suggest that faculty work in isolation. In fact, all over the country, colleges and universities teach freshman seminars that blend a range of approaches to critical issues.⁹ Educators routinely form learning communities that demonstrate how problems can be solved through the application of multiple perspectives and methods; and increasingly, institutions organize themselves around interdisciplinary departments.¹⁰

In my own field of sociology, much of the innovative work is conducted at the crossroads of multiple disciplines: social psychology, political sociology, and socio-biology, for example. On occasion, academics wage feuds between disciplines. But the overriding tendency is toward collaboration in pursuit of new, diverse branches of knowledge. Interdisciplinary teams routinely break ground in both the arts and sciences.¹¹

American businesses, on the other hand, have demonstrated a stubborn form of single-mindedness. Oil companies, for example, have been reluctant to diversify their interests and expertise in alternative forms of energy. Some have gone so

far as to fund studies that cast doubt on the threat of climate change.¹² As a result, American businesses have accepted defeat in an important new sector of the economy. China is now the largest producer of wind and solar power equipment.¹³

The American automobile industry has shown a similar reluctance to diversify its fleet. For the first widely available electric car, the American consumer must look to a Japanese company, Nissan. Of course, there are economic reasons for the reluctance to reach into new markets. Some of the reasons include capital investments in oil drilling equipment, and factories tooled up to produce internal combustion engines. But there are also cultural reasons for our inability to extend

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beyond our historic focus. American oil companies think of themselves as oil companies, auto manufacturers as auto manufacturers.

By contrast, universities have managed to avoid the constraint of a single purpose. On campuses, faculty pursue knowledge in all of its various forms, including the undiscovered. Some of the most successful corporations have learned from this example. Companies like Apple and SAS gave up the office complex and the silo, and have built campuses to house and motivate their employees.¹⁴

SCHOOLS PROMOTE DEMOCRATIC SOCIAL RELATIONS

For close to half a century, American firms have struggled to make themselves humane and democratic. Such efforts started sooner in Japan. Beginning in the early 1950s, Japanese companies began to make use of the practices advocated by W. Edwards Deming, management scholar and New York University professor.¹⁵ In a series of consultations, Deming challenged the top-down hierarchy of the Japanese corporation. He urged managers to use the expertise possessed by employees at every rung of the ladder. Deming suggested the formation of “quality circles,” social arrangements where a wide range of people come together to discuss how their work can improve. Businesses learned a good deal about themselves through the use of quality circles, but more important, they discovered the process made employees feel empowered, and in turn, those conditions led to increased productivity.

In the 1970s and 80s, the concern with quality and participatory involvement moved to America. Deming’s approach remained intact, but a new literature incorporating his techniques also grew up in the U.S., under the title of Total Quality Management (TQM). Corporations such as Xerox and Motorola were among the first and most successful practitioners of TQM. More recently, business organiza-

tions have been involved in pursuit of the Malcolm Baldrige National Quality Award, a program of recognition for groups that engage their employees in attempts to enhance quality.¹⁶

For the most part, higher education institutions have not been forced to go through the same series of management revolutions—nor do they need to. Postsecondary schools already practice shared governance. Compared to the hierarchy of the corporation, the structure of authority and responsibility in schools is relatively flat.¹⁷ Faculty senates and employee unions signify our commitment to recognizing the value of broad participation in decision making. At the bargaining

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table, educators have ensured their way in matters of promotion, academic freedom, and course management.

I will concede that the tradition of shared leadership has been undermined as schools have begun to think and act like businesses, but the heart of the enterprise—the curriculum—is still the responsibility of the faculty. In the future, as firms work to find a means to allow rank-and-file employees to control the nature of their work, they ought to consider creating a meaningful form of employee senate, or better still, they could support collective bargaining.

GRADUATES IDENTIFY WITH THEIR ALMA MATERS

The human mind likes metaphor. We like to think of things in terms of something else. Analogies are often illuminating, but on occasion, they are only partially appropriate. Other times they cloud and reduce our understanding of issues. As a case in point, for years we have been trying to conceive of students as customers but the student-as-customer metaphor is problematic. It nearly always leads to a discussion of whether students are customers? Or products? Then the discussion devolves into absurdity, because, of course, they are neither. Even so, we are a business-oriented nation. That means we try to think of higher education as a business. It also means that we treat students as if they were customers, but students are superior to customers.

Students identify with their alma maters. They display school logos on sweat-shirts, ball caps, and automobiles. Corporations like Nike and Adidas have achieved similar levels of success in convincing customers to pay for the chance to advertise their symbols. But most firms have a hard time convincing consumers to advertise on their behalf. The relationship between colleges and students is a rela-


tionship that businesses covet.

Students become attached to their institutions, and in some cases they are so grateful for the opportunity to have been associated with a school, they make significant donations to college foundations. They do so with the hope that their alma maters will use the funds to make sure future students can enjoy the same experience. I am not aware of people being so grateful for a pair of sneakers that they have made a philanthropic contribution to Adidas.

The relationship between a college and its students is precious. It is a relationship that should be respected and appreciated *on its own terms*. Attempts to con-

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ceive students by means more familiar to business only reduce our understanding of the role that colleges play in the development of undergraduates. If anything, businesses should look for a new metaphor to help them understand their relationship with customers.

Such efforts are in the works. Service-oriented companies have taken to referring to customers as “guests.”¹⁸ The hope is that the new term will change the way their employees relate to the public. If they knew what was good for them, businesses would aspire to hold a place in the minds of customers similar to that of the place that colleges hold in the minds of graduates. Their performance would likely improve if they thought of and treated their customers as if they were students. 

ENDNOTES

1. Winston, “Why Can’t a College be More Like a Firm,” 1997.
2. Christensen et al., *Disrupting College*, 2011.
3. Selingo, “U.S. Public’s Confidence in Colleges Remains High,” 2004.
4. Accessed from <http://walmartstores.com/aboutus/8412.aspx>.
5. For example, see Davies’, *Cracking the Genome*. Op cit.
6. For a discussion of the differences between education and industry, with respect to long-term goals and organizational structure, see Miller and Le Boef’s, *Developing University-Industry Relations: Pathways to Innovation from the West Coast*. Op cit.
7. *Ibid.*, 4-5.
8. Accessed from www.genome.gov/10001772.
9. The most well-known interdisciplinary approach to the freshman and sophomore curriculum is the case of Columbia University. See Bell’s, *The Reforming of General Education*. Op cit.
10. See Beachboard et al., “Cohorts and Relatedness: Self-Determination Theory as an

- Explanation of How Learning Communities Affect Educational Outcomes,” 853-74 and Jacobs, “Interdisciplinary Hype.”
11. Thorp and Goldstein, *Engines of Innovation*, 2010.
 12. Roosevelt, “Critics' Review Unexpectedly Supports Scientific Consensus on Global Warming,” 2011.
 13. Scherer, “The Solyndra Syndrome,” 42-5.
 14. Musil, “Jobs Stumps for Spaceship-Like Apple Campus,” 2012; and, SAS, “SAS Incorporates Green Principles into New Construction on Campus,” 2008.
 15. For a thorough account of Deming’s work on the Asian continent, see Aguayo’s 1991 volume, *Dr. Deming: The American Who Taught the Japanese About Quality*. Op cit.
 16. A rendering of Baldrige Award history can be found on the National Institute of Standards and Technology’s website at: www.nist.gov/baldrige/about/history.cfm.
 17. Meyer, John W. and Brian Rowan. “The Structure of Educational Organizations,” 1978.
 18. Carroll, *The Hidden Power of Your Customers*, 2011.

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