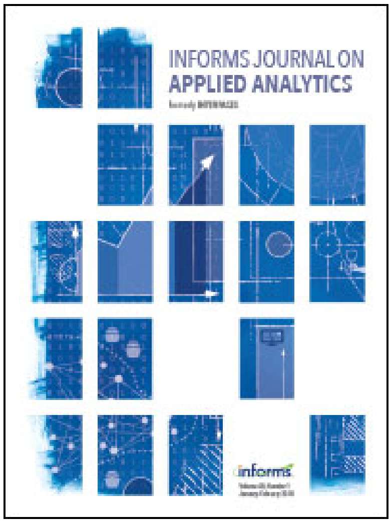

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Editorial: Old Politics in New Haven

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I have written this editorial at the request of some of my colleagues. This editorial represents my views and does not necessarily represent the views of TIMS or ORSA. An editorial on more of my plans for *Interfaces* that was scheduled to appear in this issue will appear in the next.

In October of 1988, Michael Levine became dean of the School of Organization and Management (SOM) at Yale University. As part of taking office he had the university administration both inform six of eight members of the organizational behavior faculty that their contracts would not be renewed and banish the operations research/operations management department from SOM with no provision for its future organizational status. He then sent a memo to the SOM faculty outlining changes in the governance structure of the school, centralizing the handling of all hiring and promotion decisions. This move was so extreme that at a meeting of the arts and sciences faculty, a group that generally could care less about a business school, a resolution was introduced calling for an investigation of the SOM faculty's loss of the "fundamental faculty right of passing on appointments." It is said that Levine assumed these extraordinary powers because he feared that, even with the removal of these two departments, he still did not have the support of a majority of the faculty in SOM.

The changes caused more of a stir than Levine and the president of Yale, Benno Schmidt, could have anticipated. Articles appeared in the *Wall Street Journal* [November 1, 1988], *The New York Times* [November 3, 1988], *Time Magazine* [November 14, 1988], and other publications. National Public Radio did a feature on the changes in its "Evening Edition"

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newscast. The publicity was not the sort that makes the life of the alumni-relations director easy.

Those of us in MS/OR have been shocked and amazed at the events. I have been shocked at three levels. First, it is remarkable that a business school thinks it can offer a balanced program without any faculty representing the quantitative approaches to management decision making or operations management. Second, the press devoted almost no attention to what happened to MS/OR; the *Wall Street Journal* reporter was so ignorant of our existence that operations research was enclosed in quotes [November 1, 1988]. Third, as an alumnus (I received my doctorate in administrative sciences, the predecessor of SOM, and my undergraduate degree in mathematics from Yale) I could not believe the failure of the university to adequately address the concerns of its various stakeholders: the students, faculty, and alumni.

One can describe events like these at two levels. One can discuss the particular case, and one can address the larger issues for our profession. I will deal with the instance first, making clear the many special circumstances here. However, as special as these circumstances are, we cannot ignore the longer-run implications of this situation.

A Bit of History

The current problems at SOM stem from Yale's historically weak commitment to business education. Yale had been fighting off alumni requests and funds for a business school for many years. In general university presidents prefer to have neither a business school nor a medical school because they are sinks for alumni contributions. Alumni want to contribute to save humanity (medical schools) or to support their current interests (most often business or engineering) rather than the liberal arts, in which they typically earned undergraduate degrees. Yet college presidents who are not at engineering schools must deal predominantly with the liberal arts faculty and their needs. Harvard, which has the largest endowment of any university, is an example of this problem. If one nets out the business and medical school endowments and calculates the per student endowment coverage outside of these schools, one realizes that Harvard is not that rich a school in comparison to others.

SOM was started during the presidency of Kingman Brewster in 1976. Brewster's articulation of liberal views during the late '60s and early '70s meant that his was one of the very few universities where the students did not storm the president's office. He acceded to alumni demands for SOM to appease this enraged constituency who thought Spiro Agnew was right when he denounced Brewster on national television. Brewster tried to control the natural power of a business school: he first diffused the business focus by including public and not-for-profit management, and second, he reduced faculty loyalties to SOM by making as many faculty appointments as possible joint with other schools in the university. The joint appointment strategy also meant that gifts to SOM would benefit other schools in the university.

The core from which SOM was formed was the Administrative Sciences Department. This department consisted of two disciplines: organizational behavior and operations research. Ironically, one of these departments has been thrown out and the other decimated.

After the initial hiring that took place under the first dean, the composition of the school was significantly altered by the second dean, Burton Malkiel, best known for his book *A Random Walk Down Wall Street* [1975]. He is an economist, and he hired faculty with joint appointments in the economics department. The result was that over half of the tenured faculty had joint appointments in economics, and many of them had cut deals with the dean so that they had virtually no teaching responsibilities.

After Schmidt became president and learned that Malkiel had made these deals, he was incensed and tried to break them by requiring the economists to share in the teaching. Several left, ending the majority control of the economists on important votes. (The faculty governance at Yale consists of tenured faculty and excludes nontenured faculty.) Given the natural bent of economists, this loss of control increased the intensity and sophistication of faculty politics.

The process by which Levine was selected as the third dean of the school was long and drawn out. His appointment as dean was opposed by an overwhelming majority of the tenured faculty. His earlier appointment as professor was unusual; it lacked a majority vote of the tenured faculty.

Levine came to Yale after leaving the presidency of New York Air, which is part of Frank Lorenzo's Texas Air complex, and a prior stint at Continental Airlines. The press release issued at the time of his departure from New York Air said that he wanted to return to academia after having been away for several years. However, the *Wall Street Journal* [April 5, 1984] article covering the events reported that analysts believed a dispute had taken place between Lorenzo and Levine over earnings of less than one-third those projected by analysts for the last quarter of 1983. Indeed, compared to a year earlier, losses at New York Air had increased by over 60 percent in the first quarter of 1984, the last quarter he served as president.

Although they parted ways, from a labor relations perspective, one could draw parallels between Lorenzo's actions during the bankruptcy of Continental and his ongoing struggles with the machinists at Eastern Airlines and Levine's actions at Yale.

After Levine joined the faculty, Malkiel resigned and the school initiated a search for a new dean. Levine was not on the short list for dean produced by the faculty search committee until he was placed there by Benno Schmidt, who then, not surprisingly, selected him. One can only surmise what went on in Schmidt's mind, although he and Levine had been in Yale Law School at the same time and their paths had crossed periodically prior to their coming to work at Yale.

Benno Schmidt's only managerial experience prior to becoming president of Yale was a stint of a few months as dean of Columbia Law School. He had worked under previous deans of the law school but it seems he never developed the skills necessary for leadership or consensus building one needs to run an academic organization. Compounding this problem, he lives in New York and commutes to New Haven, leaving little time to learn from and work with his faculty.

What do we have here? An inexperienced university president who made a bad choice, an aggressive lawyer as dean who graduated from the Frank Lorenzo school of human relations, and a group of economists who wanted to reassert control and threatened to quit unless the dean met its demands to turn the school into little more than an extended economics department.

This is the history, filtered through some of my obvious biases. Much of what I described involves personalities peculiar to this situation. Similar dramatic events are unlikely to happen at another business school in the near future. However, certain core features of these events are universal and affect the survival of our discipline; our long-run survival in business schools is not assured.

Preparing for the Future

What happened at Yale was a Saturday night massacre with no warning, so the faculty did not have time to prepare. But these tangles occur often. A dean at one of our best business schools once told me that he thought one of the wisest decisions made in his school was to move the economics faculty into liberal arts, thereby eliminating most of the political infighting that had been going on in the business school. Earlier in my career, I left teaching because of a political situation similar to that at Yale. Ironically, I went to Washington to get out of politics, and my move worked.

Every organization is a political entity, and those of us who have not read any books such as Machiavelli's *The Prince* [1950], Michael Maccoby's *The Gamesman* [1978], and Howard Raiffa's *The Art and Science of Negotiation* [1982] ought to start reading.

We suffer from the Achilles heel of the engineering profession: a belief that everyone shares our strong sense of right and wrong. We need only look at the political failures of Jimmy Carter and Herbert Hoover, both engineers by training, to see the consequences of not understanding that few values are shared when it comes to personal gain. Hoover proposed much of what became the New Deal legislation but nothing he proposed was passed by the Democratic Congress, which wanted things to be as bad as possible to ensure a Democratic victory in the presidential election. Carter fought for economic deregulation and slowed the rate of growth of the Federal budget, creating a surplus by some measures. But by doing the "right thing" for the country, he lost his natural political constituency, big spending beneficiaries of the pork barrel.

We must also understand that universities are the most political of organizations. This is a consequence of two special features of universities. First, the faculties at good universities are strongly individualistic and aggressive. They are used to exercising individual initiative, and they rarely learn the skills needed for working together. Second, the goals and values of a university are largely determined internally. Since each faculty member has his or her own goals and no two have the same goals, conflict is inherent in resource allocation with few of the external constraints on decisions imposed by market or social forces.

Lesson 1: We have to stop presuming others share our values and learn how to assess their utility functions. There is a bitter irony when members of the profession that is largely responsible for the development of game theory are consistently inept at or are unwilling to play political games.

Another generalization I want to make from these events is that we need to do better in communicating the central ideas of MS/OR We are faced with a world of arrogant ignorance when dealing with academics. Academics have an overblown sense of the importance of their field relative to others. Our economist colleagues are just the most extreme. (I distinguish academic economists from practitioners outside of universities. Those who have had to make public projections or to face the consequences of their economic analyses exhibit far more humility and understand that they have a symbiotic relationship with MS/OR professionals)

My favorite story about an academic economist comes from a colleague at New York University. He said that at a faculty meeting there an economist stood up and asked why the school required a course in operations management since her department taught about production functions in the required economics course. Her arrogance and ignorance led her to believe that a two-variable Cobb-Douglas or CES production function explained all that was necessary about how a company organizes its operations, including inventory, quality management, and maintenance.

Michael Levine is in the same mould. He is quoted in the student newsletter *The Exchange* [February 23, 1989 p. 6] on changes in the operations management course as saying, "This is not economics as a disease spreading through the curriculum. It's understanding that economics is a big part of production. To the extent that there are noneconomic problems — OB etc. -- they have a place in the study of production also."

We have failed to break through that wall of ignorance and state succinctly why our discipline is valuable both to our non-MS/OR colleagues and to academic managers, that is, deans and college presidents. Since we know we are right in what we do, we presume it is evident to others. In fact, the reason given by Schmidt for moving operations research out of SOM was that it deals with topics too advanced for the majority of master's students and more appropriate for graduate students in computer science and applied mathematics. This was said even though the OR/OM faculty consistently had the highest teaching ratings in SOM.

Lesson 2: We need to articulate what we do simply and clearly around the notion that an analytical approach to decision making is an essential component of good decision making.

Lawyers are no better than economists when it comes to understanding the validity of other disciplines. This lawyer as dean, whose comprehension of the world is shaped by the law-and-economics movement, represents arrogance and ignorance squared.

Michael Levine is quoted in the SOM student newsletter *The Exchange* [December 14, 1988, p. 4] as saying "Principal agent theory is the key to management. I understand it so broadly many principal agent theorists wouldn't recognize it." Now, principal agent theories are about situations where agents have different incentives and goals from the principals. For example, in the leveraged buyout at R. J. Reynolds, managers were willing to take greater risks than the prebuyout bond holders reckoned on. The managers stood to gain if the buyout were successful while the bond holders could only lose, and they have lost as the price of their bonds fell, since a buyout turns normal bonds into junk bonds.

If organizations were run under the belief that individual self-interest is all that matters, very few organizations would function effectively. Imagine a basketball team where none of the players were willing to pass; whenever they got the ball they would shoot instead. Even if it had the best players in the league, such a team would consistently lose. All of us who have worked as part of a team on a major project have felt that sense of group accomplishment, the pride in our work, untainted by arrogance. In fact, this is what I miss most about being at an organization with real operating responsibilities now that I am an academic.

Lesson 3: We have to understand that our approaches and models are useless unless we understand group processes, social interactions, and methods of communication that create understanding. We have to build bridges to our organizational behavior colleagues, synthesizing our orthogonal, and not conflicting, perspectives so that we can teach a true theory of decision making.

The affront to us at Yale and the indifference of the press is nothing new. Politics started as soon as the world contained three people and they could form coalitions. We do not need to be defensive because we know the validity of our work. The benefits attested to in the Edelman prize competition alone probably exceed the total research expenditures in our field each year. We must understand that the best defense is a good offense: we need to articulate an understanding of how decisions are made, how they should be made, and why we should teach this to students.

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Postscript

The life of a cub reporter is not an easy one. I sent a draft of this editorial to Michael Levine so that he could respond in print to my statements. His response was a letter threatening, among other things, to sue me.

Needless to say, this caught my attention. I rewrote the draft, correcting a few mistakes, and sent Levine the new version. He then called, and we had a lengthy conversation, in which, remarkably, he alluded to suing me only once.

I was relieved, because a lawyer who has previously threatened to sue and then tries to play on your sympathies knows he has no grounds for suing. But a few days later, just when I thought I was getting rid of this tar baby of an editorial, the general counsel of Temple University, Bob Reinstein, received a call from the Yale general counsel's office, warning him that the actions of a Temple faculty member could put Temple at risk for a libel suit.

This caught Bob's attention and he asked for a copy of the specific allegations. After reviewing my drafts and supporting documents, he called back, saying, "I like your article — print it!"

He was also furious that a member of a university general counsel's office would become a party to bullying tactics that threaten academic freedom and freedom of speech. I could not agree with him more. What is even more amazing is that he thought these tactics would work and not be exposed, as your cub reporter is doing now.

The Yale lawyer then faxed Levine's markup of the editorial; interestingly, he noted that the comments were Levine's concerns, not his. Levine's comments addressed basically trivial points. For example, my statement that "two departments ... had been thrown out" of SOM was wrong. The corrected expression now reads: "one of these departments has been thrown out and the other decimated."

It would be easy to say that these events have only to do with Yale. But that is not the case, since any threat to our fundamental rights is a threat to all of us. We can never accept leaders who have no sense of free speech and inquiry, who view bullying instead of leadership as the appropriate way to run an organization, and who view their profession as a vehicle to threaten rather than to provide justice. The events at Yale are symbolic of why the United States has lost its competitive vitality in the marketplace.

I'll keep you posted as to whether or not we need an *Interfaces'* legal defense fund.