

ARTICLE

The Rise of Entrepreneurial Management Theory in the United States

Erik Baker* 

History of Science Department, Harvard University

*Corresponding author. E-mail: ebaker@g.harvard.edu

This article challenges the historiographical commonplace that twentieth-century American management discourse was dominated by bureaucratic aspirations to objective expertise and rational planning. Proposing the category of “entrepreneurial management” to describe the countervailing tendency, it demonstrates the persistence of intellectual interest in managers who used the personal qualities of leadership to enlist enthusiasm among subordinates for their firm’s initiatives. By the mid-twentieth century, these managerial leaders were commonly described as “entrepreneurs.” Through a reading of early twentieth-century writing on “human factor” management and Depression-era “human relations” theory, the article shows that intellectual interest in entrepreneurial leadership thrived during a period typically characterized as the height of scientific management and corporate bureaucracy. Analyzing Peter F. Drucker’s postwar management writing in detail, the article concludes by arguing that the “entrepreneurialism” of the late twentieth century did not represent a break with the established managerial project, only the strengthened authority of one existing tendency within a variegated intellectual field.

I

In 1923, a young economics professor at the University of Iowa took to the school’s *Journal of Business* to warn that all was not right in business education. His purpose, Frank H. Knight announced, was to “urge a more wary attitude than is sometimes displayed toward the notion of ‘scientific management’ in business.” In Knight’s view, the influence of Frederick Winslow Taylor and his acolytes had ensnared emerging business schools, such as Iowa’s, in a narrow-minded fixation on technical efficiency. Strictly speaking, Knight insisted, that “sort of thing” was “not a part of management at all.” There was already a word for what “Mr. Taylor” and his colleagues were up to: engineering. If the new business schools were going to distinguish themselves, they would have to focus on cultivating a different quality—not technical expertise, but “leadership.” The managerial leader, in Knight’s view, was distinguished by the capacity to inspire “confidence, loyalty and interest in their work among those whom he selects and brings together.” Ultimately, business management was “far more a matter of this same faculty of holding an organization together and inspiring its human units to harmonious, effective, and energetic functioning” than it

was of “planning far ahead or in great detail” along the lines of scientific management.¹

In his dissertation, published as *Risk, Uncertainty, and Profit* in 1921, Knight had used a special term to denote the manager who acted as a leader rather than a technician: the “entrepreneur.” In contemporary English-language economics, the term “entrepreneur” referred to someone who took a risk in bringing together capital and labor to underwrite a new venture and was remunerated with a special “profit,” distinguished from the interest earned by the owner of capital and the wages earned by laborers. Knight argued that in highly developed corporate capitalism, almost every function of business administration had been made predictable, calculable, and routinized, with insurance policies used to mitigate most residual risk. As a result, the only area of true “uncertainty” was human leadership. Because the trust of one’s employees could never be guaranteed, only the manager who led by inspiration rather than rational direction was authentically entrepreneurial. “When the assumption of responsibility ... becomes a condition prerequisite to getting the other members of the group to submit to the manager’s direction,” Knight wrote, “the nature of the function is revolutionized; the manager becomes an entrepreneur.”²

Knight’s views were self-consciously heterodox. In the United States, economists continued to use the term “entrepreneur” to capture a variety of functions besides that of inspirational leadership, and many intellectuals who wrote and taught about business management continued to emphasize methods for rational planning, cost accounting, and efficiency engineering.³ But neither was Knight’s position as idiosyncratic as he sometimes liked to imagine. Knight was only one participant in the emergence of a new intellectual movement, which I call “entrepreneurial management.” Like other twentieth-century intellectuals who sought to take management seriously as a subject of academic inquiry and professional training, advocates of entrepreneurial management attempted to explain what managers, as a new and distinctive class, could supply to a business enterprise. But while Frederick Winslow Taylor and other advocates of “scientific management” identified this special managerial contribution with technical expertise or bureaucratic competence, advocates of entrepreneurial management instead emphasized the more intangible properties of leadership. The main purpose of the manager, they argued, was to saturate the firm with a sense of creativity, shared purpose, and joy in work—without which the employees of large industrial enterprises would drift into discontent and stubborn opposition to managerial initiatives.

Historians of management and management theory in the United States have often seen “management” and “bureaucracy” as practically synonymous. At least since Alfred Chandler, management has typically appeared to historians as the human face of economic rationalization in the age of the large corporation.

¹Frank H. Knight, “Business Management: Science or Art?”, *Journal of Business*, State University of Iowa 4 (1923), 5–8, 24, reprinted in Ross Emmett, ed., *Frank H. Knight in Iowa City, 1919–1928* (Bingley: Emerald Group Publishing, 2011), 49–54.

²Frank H. Knight, *Risk, Uncertainty, and Profit* (New York, 1964; first published 1921), 276.

³On the historical diversity of conceptualizations of the entrepreneur see Dieter Plehwe, “Schumpeter Revival? How Neoliberals Revised the Image of the Entrepreneur,” in Dieter Plehwe, Quinn Slobodian, and Philip Mirowski, eds., *Nine Lives of Neoliberalism* (London, 2020), 120–42.

Managers were hired to study, to systematize, to streamline, and to stabilize. Whether scholars view this process sympathetically, as an important dimension of progressive reform, or critically, as a vehicle for the expropriation of workers' know-how and the extension of the proverbial iron cage, they typically take management to stand for everything that "entrepreneurship," in the vernacular, does not: impersonal expertise, long-term planning, and grey flannel suits, rather than personal leadership, creative destruction, and turtlenecks and blue jeans.⁴ What, then, should we make of the fact that "entrepreneurs have become the new heroes of the business world," as the management scholar Timothy Butler has observed? At Harvard Business School, where he teaches, Butler reports that "even students who plan to join blue chip firms and have no intention of ever launching start-ups would be insulted if someone told them they weren't 'entrepreneurial.'"⁵ What are the origins of this development, and what have been its consequences for American economic life?

Many scholars have emphasized the novelty of today's "entrepreneurialism," locating a break in the mid-twentieth century, at the very earliest, from an earlier business culture focused on expert professional management.⁶ As I show in this article, however, the idea that all managers ought to envision themselves as entrepreneurial leaders extends to the early twentieth century, when entrepreneurial management won adherents in business schools, in the pages of academic journals, and in corporations themselves. It is not the case that, as Rakesh Khurana argues, the concept of "leadership" was absent from an earlier managerial consensus that emphasized "abstract expertise," only debuting in the rhetoric of the management profession in the late twentieth century.⁷ While many early management intellectuals surely agreed with Taylor that it was "the system," not "the man," that counted in management, there were always others who thought that Harvard Business School professor Fritz Roethlisberger had it right in the title of a 1936 lecture: "Effective Leadership Ensures Cooperation."⁸ The increasingly univocal praise of entrepreneurship and leadership among late twentieth-century management intellectuals stemmed not from the novel eruption of these ideas into management discourse, but rather from the collapse of intellectual enthusiasm for their bureaucratic competitors in response to the various intersecting crises that racked American capitalism beginning in the 1960s. For subsequent management intellectuals, to call for entrepreneurship was not to wave a white flag over the traditional

⁴The templates for these two interpretive tendencies remain Alfred Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, MA, 1977); and Harry Braverman, *Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century* (New York, 1974).

⁵Timothy Butler, "Hiring an Entrepreneurial Leader," *Harvard Business Review*, March–April 2017, unpaginated online version.

⁶See e.g. Rakesh Khurana, *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession* (Princeton, 2007); Nicholas Lemann, *Transaction Man: The Rise of the Deal and the Decline of the American Dream* (New York, 2019); Angus Burgin, "The Reinvention of Entrepreneurship," in Raymond Haberski Jr and Andrew Hartman, eds., *American Labyrinth: Intellectual History for Complicated Times* (Ithaca, 2018).

⁷Khurana, *Higher Aims to Hired Hands*, 20, 352–62.

⁸Program in folder "Business Group meeting, Feb. 1936," Series VI, Philip Cabot Papers, Baker Library, Harvard Business School.

managerial project but to encourage an even more vigorous reassertion of the authority of management.

Other scholars have questioned the depth and significance of the commitment to entrepreneurial leadership in contemporary US business culture. Bureaucracy still abounds in corporate offices, and invasive and routinizing “scientific” management methods persist on the shop floor. So why does it matter that many managers now prefer to think of themselves as entrepreneurs rather than technocrats?⁹ The answer that I develop in this article derives from Frank Knight’s distinction between techniques for restructuring the labor process, on the one hand, and strategies for legitimating the authority of managers on the other.¹⁰ For Knight, the problem with scientific management was not that Taylor had the wrong idea about the best way to load pig iron in steel plants, for example, but that he wrongly assumed that the aura of scientific expertise, along with financial incentives, would be sufficient to legitimate the techniques that he and his collaborators had devised. Subsequent advocates of entrepreneurial management typically shared Knight’s perspective on this question, embracing scientific techniques for maximizing labor productivity but insisting that the development of such techniques was not an authentically managerial task, compared with the less formalizable activity of entrepreneurship. As we will see, entrepreneurial-management intellectuals worried that conceiving of management as a species of scientific expertise not only would fail to enlist workers’ enthusiastic cooperation with new techniques, but also would risk undermining the political loyalties of managers to the capitalist system. Uninspiring managers were uninspired corporate employees and vice versa, they argued—but entrepreneurial managers were inspiring precisely by virtue of their zeal for their own creative work. The intellectual history I provide here, therefore, helps us to reinterpret the significance of “entrepreneurialism” among managers today. Above all, it is an indication of the extent to which workers’ resistance remains a stubborn obstacle to technological “innovation” in the labor process. But it is also a reminder of the fact that the self-conception of the “professional managerial class” has served as a terrain of political contestation since the early twentieth century—contestation in which management intellectuals have played a central role.¹¹

II

The grip of Taylorism on early twentieth-century management discourse was not nearly as total as is often assumed. Taylor’s movement amassed adherents nationwide in the 1900s and 1910s.¹² But Taylor also attracted criticism—from

⁹David Graeber, *The Utopia of Rules: On Technology, Stupidity, and the Secret Joys of Bureaucracy* (New York, 2015); Stephen Waring, *Taylorism Transformed: Scientific Management Theory since 1945* (Durham, NC, 1991); Gerard Hanlon, *The Dark Side of Management: A Secret History of Management Theory* (London, 2015).

¹⁰Which is not to deny the significance of the structure of the labor process for the production of shop-floor ideology. See Michael Burawoy, *Manufacturing Consent: Changes in the Labor Process under Monopoly Capitalism* (Chicago, 1979).

¹¹Barbara and John Ehrenreich, “The Professional–Managerial Class,” *Radical America* 11/2 (1977), 7–32.

¹²Robert Kanigel, *The One Best Way: Frederick Winslow Taylor and the Enigma of Efficiency* (Cambridge MA, 1997); Judith A. Merkle, *Management and Ideology: The Legacy of the International Scientific Management Movement* (Berkeley, 1980)

management intellectuals as well as from workers and union leaders. On the one hand, critics alleged, Taylor's system did not have the pacific effect on labor relations that he promised. The introduction of Taylorist methods often prompted strikes, including a notorious revolt at the Watertown federal arsenal in 1911.¹³ Even when workers did not strike, new statistics on pervasive labor turnover in industrial firms suggested a widespread qualitative dislike of industrial work that the material incentives recommended by the Taylor system seemed unlikely to redress.¹⁴ On the other hand, observers began to worry about the political implications of the lesson that some engineers and social scientists were drawing from Taylorism: that expertise and technical authority rather than profits and market competition were the engine of prosperity. In the hands of Thorstein Veblen and H. L. Gantt, Taylor's denunciations of waste, idleness, and managerial superstition could look like signposts along "the engineer's way of eliminating the profit system." Buying cheap and selling dear, after all, was a sort of inefficiency, and there would be little need to reward risk taking in an economy planned as a humming, predictable machine. Technocratic critiques of capitalism took on a particularly ominous valence following news of Lenin's enthusiasm for Taylorism in the early years of the Bolshevik regime, a development that seemed portentous enough that the economist John R. Commons reprinted one of Lenin's writings on the subject in a 1921 compendium of essays on labor and management.¹⁵

In short, the problem with Taylorism in the eyes of critical-management intellectuals was that it was an engineering project. It took a mechanical view of workers and work, and it aimed at the cultivation of a class of technicians loyal above all to abstract principles of efficiency. Unsurprisingly, then, the theorists who sought to formulate rival approaches to Taylor hailed from an intellectual tradition that urged a fundamentally different approach to the social sciences, eschewing the application of principles from the natural and mechanical sciences in favor of the development of new *sui generis* principles of social organization and human action. In the early twentieth century, the global center of this approach to the social sciences was Germany, and American management intellectuals forged important connections with the world of German social science. They traveled to Germany for graduate study, like the industrial psychologist Walter Dill Scott; read extensively in the German social-scientific literature and occasionally published translations and abstracts, like Frank Knight; and worked alongside German émigrés like the Harvard psychologist Hugo Münsterberg in the American academy. It was in German-language social science that American intellectuals first encountered the idea that entrepreneurial leaders discharged an indispensable managerial function: the creation of enthusiasm, loyalty, and cohesion among the rank-and-file workforce. For these intellectuals, the paradoxical result

¹³Testimony of Frederick W. Taylor at Hearings before Special Committee of the House of Representatives, January, 1912 (New York, 1926).

¹⁴David Montgomery, *The Fall of the House of Labor: The Workplace, the State, and American Labor Activism, 1865–1925* (Cambridge, 1987), 239.

¹⁵Thorstein Veblen, *The Engineers and the Price System* (New York, 1921); Merkle, *Management and Ideology*, 70; V. I. Lenin, "Scientific Management and Dictatorship of the Proletariat," in John R. Commons, ed., *Trade Unionism and Labor Problems* (Boston: Ginn & Co., 1921), 179–98.

of the “science” of management was that the practice of management had an irreducibly nonscientific element: leadership.¹⁶

The leadership role of the entrepreneur (*Unternehmer* in German) was a particular preoccupation of the preeminent German social-science professional organization, the Verein für Socialpolitik, and its second-generation eminences, Max Weber and Werner Sombart. Weber and Sombart encouraged a renewed focus on the subjective aspects of the “labor problem” among Verein collaborators and contributors to its house journal, the *Archiv für Sozialwissenschaft und Sozialpolitik*. They also forged new connections between the Verein and the so-called Austrian school of economics, who had been methodological enemies of the first generation of Verein directors. Austrians such as Friedrich von Wieser and his student Joseph Schumpeter helped shape the Verein’s emerging interest in the psychological characteristics of the *Unternehmer*, while the Austrians absorbed the Verein’s long-standing preoccupation with class conflict and the consequences of the supposed loss of joy in work (*Arbeitsfreude*) in the modern industrial economy.¹⁷

In the synthesis that developed in the 1900s and 1910s, the *Unternehmer* came to be pictured as the human embodiment of joy in work and productive energy. Entrepreneurs “are men (not women!)” Sombart insisted in 1909, “equipped for everything with an extraordinary vitality, from which pours forth an unusual drive to act, a passionate joy in work, and an irrepressible desire for power.” Friedrich von Wieser agreed. It is “not mere boldness of action, much less the fascination of gambling,” which drives the entrepreneur, he wrote in 1914. Rather, “the impulse which drives him forward is the joyful power to create.” Schumpeter was perhaps the most insistent on the extent to which the entrepreneur embodied the nonrational psychology of *Arbeitsfreude*. In his *Theory of Economic Development* (1911), he excoriated the “time-honored picture of the motivation of the ‘economic man’” for obscuring the “anti-hedonist” work ethic of the entrepreneur. What made the entrepreneur tick was not the calculative utilitarianism of economic rationality but rather “the will to conquer: the impulse to fight, to prove oneself superior to others, to succeed for the sake, not of the fruits of success, but of success itself.” The entrepreneur overflowed with “the joy of creating, of getting things done, or simply of exercising one’s energy and ingenuity.”¹⁸

¹⁶On the relationship between German and American social scientists see Daniel T. Rodgers, *Atlantic Crossings: Social Politics in a Progressive Age* (Cambridge, MA, 2000); Andrew Zimmerman, *Alabama in Africa: Booker T. Washington, the German Empire, and the Globalization of the New South* (Princeton, 2010). On the more “subjective” orientation of the German sciences of work see Anson Rabinbach, *The Human Motor: Energy, Fatigue, and the Origins of Modernity* (Berkeley, 1992).

¹⁷Stefan Kolev, “The Weber–Wieser Connection: Early Economic Sociology as an Interpretative Skeleton Key,” Center for the History of Political Economy Working Paper No. 2017-22 (1 Dec. 2017); Zimmerman, *Alabama to Africa*; Erik Grimmer-Solem, *The Rise of Historical Economics and Social Reform in Germany, 1864–1894* (Oxford, 2003); Joan Campbell, *Joy in Work, German Work* (Princeton, 1989).

¹⁸Werner Sombart, “Der kapitalistische Unternehmer,” *Archiv für Sozialwissenschaft und Sozialpolitik* 29/3 (1909), 689–758, at 474; Sombart, *The Quintessence of Capitalism: A Study of the History and Psychology of the Modern Business Man*, trans. Mortimer Epstein (New York, 1915), 203; Friedrich von Wieser, *Social Economics*, trans. A. Ford Hinrichs (London, 1927; first published 1914), 324; Joseph Schumpeter, *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*, trans. Redvers Opie (New York, 2012 (trans. 1934); first published 1911), 90–93.

As a result of his burning *Arbeitsfreude*, the entrepreneur pursued projects with such vigor that his workers felt not like alienated employees but like participants in the creative process. His leadership embodied the kind of authority that Weber influentially termed “charismatic.” Under charismatic leadership, followers did not simply execute orders but actually took on the leader’s transformative mission as their own and pursued it with initiative and intrinsic commitment. Like the charismatic leader, Sombart argued, the entrepreneur “has a mission to accomplish.” As Joseph Schumpeter put it, the entrepreneur per se was distinguished from other kinds of business leaders by his determination to carry out some “new combination” of economic resources, some revolutionary innovation. And like the charismatic leader, it was the entrepreneur’s responsibility to ensure that his worker followers internalized the mission as their own. “The highest goal of the organizational art of the entrepreneur is this,” Sombart pronounced: “that in the consciousness of the employees and workers, their own interest is identified with that of the business.” Workers in a firm led by a genuine entrepreneur, Sombart claimed, were not just employees but enthusiastic partners, who always spoke about the business as “we” rather than “them” or “it.” The entrepreneur, therefore, was not just someone who came up with new ideas for techniques or products, but someone with the leadership ability to convince others to embrace his innovation with enthusiasm. The essence of entrepreneurship, in Schumpeter’s words, lay not in “finding or creating the new thing but in so impressing the social group with it as to draw it on in its wake.” By forming a collective united in pursuit of the entrepreneur’s mission, the entrepreneur overcame the division that separated ordinary workers from the ownership of the firm. Hence Wieser’s remark that “property and labor ... today are only united in mass production in the entrepreneur.”¹⁹

In the 1910s and 1920s, American intellectuals who advocated what was often called the “human” approach to management (as opposed to Taylor’s “machine” approach) increasingly framed both the “labor problem” and its solution along the lines set out by German social scientists. Like the Germans, they saw a dearth of joy in creative work at the root of labor unrest. Walter Dill Scott and his colleague Robert Clothier argued in 1923 that “most men possess, in greater or less degree, that inside urge which, for want of a better term, we call creative instinct.” Most employers believed that their employees only cared about “the chance to earn a living,” but workers would never fully commit themselves to their work unless it also promised “the opportunity for creative effort, or more broadly for self-expression.” The creative instinct above all meant the desire to contribute something to the world. As the industrial psychologists Ordway Tead and Henry C. Metcalf put it in 1920, “Our hope lies in the release of positive, creative impulses in all our people in and through their work; in a wide recognition that industry can be public service if we will only make it so.” A master’s thesis produced at the University of Iowa during Frank Knight’s time there summarized the ominous consequences of the suppression of the creative instinct by the mechanistic conception of labor: unless “some method” was devised for “stimulating creative effort under the new conditions” of industry, the creative instinct “may work itself out in a

¹⁹Sombart, “Unternehmer,” 733; Schumpeter, *Economic Development*, 84–5; Friedrich von Wieser, *Österreichs Ende* (Berlin, 1919), 217–18.

way destructive to the employer in ‘movements’ that appear not to be in line with the worker’s natural tendencies.”²⁰

Writers on “human” management also echoed their German contemporaries’ conclusion that the personal involvement of a charismatic managerial leader would enable ordinary workers to feel like they were creative participants in the industrial enterprise rather than alienated subordinates. The use of the word “entrepreneur” to render the German *Unternehmer* concept was not yet standard, because it was unfamiliar in English except to economists like Frank Knight. One 1915 Sombart translation opted for the literal “undertaker,” but that usage was stymied by its macabre alternative meaning.²¹ It was more common for American intellectuals to talk about the “executive,” or even simply the “manager” or “leader.” Whatever the verbiage, the conceptual analogy to the *Unternehmer* was unmistakable. Any productive group “must be imbued with the belief in its own significance and mission,” Hugo Münsterberg wrote in his influential 1915 applied-psychology textbook. It was for this reason that “the higher the level of development, the more we see personalities taking the leadership.” Tead and Metcalfe agreed: “Management as most recently understood means essentially leadership,” they announced. And leadership meant an “organizing ability ... which has regard not only for efficiency in production, but for the development of the individual worker” as a creative contributor to the enterprise. The “capable executive,” Scott and Clothier wrote along similar lines, “will himself possess originality in marked degree and will continually do things in new and better ways.” Above all he will “be successful in winning the cooperation of his workers, in developing in them a pride of product, of workmanship, and of department.” In short, another writer summarized, the “real leader” must have “a personality that is a psychological power to get others to do things and be happy in doing them.” Schumpeter could have hardly put it better himself.²²

The most substantial difference between the German account of the *Unternehmer* and early American writing on managerial leadership was that the German social scientists tended to view entrepreneurial leadership as an almost miraculous quality, while the Americans had no shortage of recommendations for managers to put into practice. First, as Knight insisted, arguably the most important task of the entrepreneurial leader was to make judgments about the character and abilities of subordinates. To ensure cohesion and harmony in his workforce, the entrepreneur needed to select the right person for the right work. For this purpose, Walter Dill Scott’s consulting firm introduced industrial executives to intelligence tests that were initially developed to assess military recruits. If workers were too intelligent or not intelligent enough for their assigned work, Scott and his colleagues warned, they would become frustrated and fail to feel like they were

²⁰Walter Dill Scott and Robert Clothier, *Personnel Management* (Chicago, 1923), 39; Ordway Tead and Henry C. Metcalf, *Personnel Administration* (New York, 1920), 514–15; Don T. Deal, “The Present Day Awakening to the Importance of the Human Element as a Management Factor in Industry” (MA thesis, University of Iowa 1922), 20.

²¹Sombart, *Quintessence*.

²²Hugo Münsterberg, *Psychology, General and Applied* (New York, 1915), 278–80; Tead and Metcalf, *Personnel Administration*, 136–7; Scott and Clothier, *Personnel Management*, 442; Deal, “Human Element,” 88–9.

contributing to the enterprise in a personally meaningful way. Despite his enthusiasm for testing, however, Scott reminded readers that the purpose of tests was to augment, not to eliminate, the personal judgment of executive leaders—which, as Knight argued, retained an inextricable element of uncertainty. “Certain qualities must be judged, not tested,” Scott and Robert Clothier argued in their textbook *Personnel Management*. “Executives and foremen in business and industrial concerns rely upon judgment to determine the qualifications of their subordinates in these unmeasurable, yet important, characteristics. The responsibility of forming an opinion as to the qualities of his subordinates is always present with every executive.”²³

Once a leader properly selected his workers, he would need to ensure that they were educated about how to perform their work effectively and about the purpose that their individual task served within the firm as a whole. One writer suggested that new employees should be given a tour of the factory, demonstrating the connection between their specific job and the overall operation of the plant, so that they understood the productive value of the specific operation they would be performing even if it was extremely narrow. If workers “are taken into confidence in production plans,” a 1922 handbook on industrial psychology promised, then “instead of standing baffled before meaningless production they are made conscious participants in the creative process.” Other experts recommended education aimed directly at inculcating work values in employees, especially workers from immigrant communities where norms of diligence, thrift, and personal responsibility were supposedly absent. Only the “Americanized” worker was capable of contributing wholeheartedly to the firm, joining the homogenized imagined community established by American entrepreneurs such as Henry Ford.²⁴

Finally, the entrepreneur needed to ensure that the workers he carefully hired and trained had opportunities to regularly “participate” in the firm’s operation. Workers would only feel like partners in the firm’s creative project if they were allowed to exercise initiative and experience a sense of ownership in the firm. A variety of systems advertised as enabling worker participation proliferated in the 1910s and 1920s. Financial mechanisms such as profit sharing and employee stock-purchasing plans sought to make workers literal owners, on a small scale, though they almost never gave workers the kind of say in firm governance that ownership ordinarily entailed. Experts also urged managers to solicit workers on the shop floor for suggestions on how their jobs might be done better. “Consultation with those at a job is recurrently necessary as orders change, improvements are suggested and processes modified,” Ordway Tead and Henry Metcalf argued. “Only so can an assent be secured which is ungrudging and reasonably acquiescent.” As this remark suggests, Tead and Metcalf, like other “human” management intellectuals,

²³Knight, *Risk, Uncertainty, and Profit*, 244–5; Scott and Clothier, *Personnel Management*, 197–8; Beardsley Ruml, “The Extension of Selective Tests to Industry,” *Annals of the American Academy of Political and Social Science* 81 (1919), 38–46.

²⁴Deal, “Human Element,” 81; Arthur J. Todd, “Reaching the Mainspring of the Wills of People,” *Annals of the American Academy*, Sept. 1920, 26–35, excerpted in Lionel D. Edie, *Practical Psychology for Business Executives* (New York, 1922), 108; Scott and Clothier, *Personnel Management*, 378–9; Tead and Metcalf, *Personnel Administration*, 185–7; Stephen Meyer, “Adapting the Immigrant to the Line: Americanization in the Ford Factory, 1914–1921,” *Journal of Social History* 14/1 (1980), 67–82.

perceived an interdependent relationship between worker participation and a dynamic leadership approach that emphasized, in Schumpeter's terms, the creation of new combinations. Participation could only make individual workers creative contributors when the firm was "an expression of creative activity" for its executive in the first place—the hallmark of "the ablest leader." Nor did consultation imply paternalistic glad-handing. Getting workers' views out into the open was important because the authentic leader needed to confront opposition head-on, rather than smoothing over disagreements. "Every executive needs courage, if he is to transform his ideas into action, and if he is to put new processes and better methods into effect," Tead and Metcalf wrote. "A good manager stands his ground unflinchingly against the inertia of habit and prejudice."²⁵

The scaled-up version of the practice of collecting shop floor suggestions was the employee representation plan. Representation plans offered employees the chance to elect representatives to formally present workers' recommendations and requests to the employer, though such motions were always nonbinding. Despised by the organized labor movement, employee representation plans did not create unions but explicitly sought to obviate the need for them. John Rockefeller Jr introduced the most famous employee representation plan in his Colorado mining concern during his public-relations campaign in the aftermath of the Ludlow massacre in 1914. Rockefeller sought to depict the so-called Colorado Industrial Plan as the fruit of his own entrepreneurial leadership. "Never was there such an opportunity as exists to-day for the industrial leader with clear vision and broad sympathy permanently to bridge the chasm that is daily gaping wider between the parties to industry," he remarked. "Future generations will rise up and call those men blessed," he prophesied, who "lay hold of the great opportunity for leadership which is open to them to-day."²⁶

To be clear, not everyone who advocated techniques such as personality testing, Americanization, and employee representation plans thought of themselves as an advocate of "leadership" or of entrepreneurial management. In fact, in an ironic turn, as the 1920s progressed the rhetoric of the "human factor" in was increasingly deployed in connection with the managerial system that historians call "welfare capitalism," which despite appearances owed much to scientific management. For welfare capitalist managers, attending to the "human factor" meant generous wage and benefits policies, experiments with reduced working hours and breaks during the workday, and an attention to workplace sanitation, at least in theory. If these strategies lacked Taylor's emphasis on incentives for individual performance, they shared his cost-benefit sense of human motivation, his engineering conception of managerial expertise, and his focus on the distribution of the fruits of industrial productivity.²⁷

²⁵Tead and Metcalf, *Personnel Administration*, 211, 136; Daniel T. Rodgers, *The Work Ethic in Industrial America, 1850–1920*, 2nd edn (Chicago, 2014), 46–50.

²⁶John D. Rockefeller Jr, *The Personal Relation in Industry* (New York, 1923), 36; Montgomery, *House of Labor*, 411; Thomas G. Andrews, *Killing for Coal: America's Deadliest Labor War* (Cambridge MA, 2008); Rodgers, *Work Ethic*, 58–62.

²⁷Lizabeth Cohen, *Making a New Deal: Industrial Workers in Chicago, 1919–1939* (Cambridge, 1990); David Brody, "The Rise and Decline of Welfare Capitalism," in Brody, *Workers in Industrial America: Essays on the Twentieth Century Struggle*, 2nd edn (Oxford, 1993); Maarten Derksen, "Turning Men

That the line between “scientific” and “human” approaches to management quickly blurred is no reason to suggest that the line was never drawn in earnest, however. The antibureaucratic conception of the ideal manager as a charismatic, entrepreneurial leader was a real rival to the approach of Taylor and his followers among early American management intellectuals. It is tempting but misleading to narrate the genealogy of personnel management as part of a broader Progressive movement to deploy impersonal scientific expertise to tame the excesses of Gilded Age capitalism. John R. Commons, the influential Progressive economist and chastened ex-radical, certainly did not see matters that way. “It takes no genius to arouse interest in the pay envelope,” Commons argued in 1919, “but it takes some ingenuity and personality to arouse interest in the work that goes along with the pay.” By “personality” Commons meant a list of characterological attributes that would have been familiar to any reader of Schumpeter or Sombart on the entrepreneur: “health, vitality, courage, initiative, self-confidence, enthusiasm, and above all, sympathy with the other man’s point of view, imagination that puts one’s self in his place, and sincerity that inspires his confidence.” Indeed, in Commons’s view, the rash of contemporary interest in “the intangible goodwill of workers” stemmed from the example of Henry Ford’s entrepreneurial leadership, which, operating from “a bold stroke of genius rather than science,” ostensibly transformed Ford Motors into a tight-knit workplace community with its combination of generous compensation and Americanization trainings. What Commons called “industrial goodwill” was, in his eyes, inseparable from the charismatic, dynamic leadership of the entrepreneur. It was “the new idea of today,” the ultimate creative innovation.²⁸

III

In the fall of 1948, the Harvard Business School professor George Albert Smith Jr gave a presentation to the Harvard Research Center in Entrepreneurial History, a campus institute for the study of entrepreneurship founded earlier that year by Joseph Schumpeter (ensconced since 1930 in the Harvard economics department) and HBS business historian Arthur H. Cole. As recorded by the sociologist R. Richard Wohl, the research center’s official notetaker, Smith’s presentation recounted the pedagogical approach that HBS had adopted “for some twenty years now” for the training of “business leaders.” For the HBS faculty, Smith explained, the business leader was above all “the kind of person who inspires his followers.” The business leader was motivated by “a desire for accomplishment, a desire to be at the head of something and to make it work,” and this drive for achievement unified the firm around a “common purpose.” The business leader was “the man who makes the business go.” The distinctive aptitude of the business leader, then, was not an abstract, logical expertise suited to “planning,” but rather a

into Machines? Scientific Management, Industrial Psychology, and the ‘Human Factor,’ *Journal of the History of the Behavioral Sciences* 50/2 (2014), 148–65.

²⁸John R. Commons, *Industrial Goodwill* (New York, 1919), 158–60, 149. On Commons’s relationship to the German economists of the Verein für Socialpolitik see, inter alia, Rodgers, *Atlantic Crossings*, 236. See also Stefan Link, “The Charismatic Corporation: Finance, Administration, and Shop Floor Management under Henry Ford,” *Business History Review* 92/1 (2018), 85–115.

flair for “sound, harmonious dealings with the human beings who make up an organization.” After all, “plans always change.” The firm turned to the business leader for the “act of imagination” required to know when a change was necessary, and the ability to “initiate his co-workers” into the new working routine entailed by the process of innovation. Smith claimed that HBS researchers had discovered the necessity of this sort of business leadership through scientific methods—that they had “in their own minds underlying principles and guiding concepts which have helped to shape the course.” But business leadership itself was not a matter of “abstract principles.” “A man may graduate without a carefully thought-out view of the principles that he has, in fact, learned,” Smith noted. What mattered was that the graduate would have refined his “judgment,” leaving HBS with the ability to act “intuitively” in business “situations.” In the context of the Harvard research center’s seminar, it went without saying the kind of business leader Smith was describing was what they preferred to call the entrepreneur.²⁹

The theoretical apparatus that anchored HBS’s pedagogical approach in the 1930s and 1940s—Smith’s “underlying principles and guiding concepts”—was widely known as “human relations” management. As developed by intellectuals such as Elton Mayo, Fritz Roethlisberger, Thomas N. Whitehead, Philip Cabot, and Chester Barnard, the distinctive Harvard approach to “human relations” sought to develop students’ entrepreneurial virtues and to impress upon them the limits of rational, bureaucratic planning. As Smith argued to the Research Center in Entrepreneurial History, the measure of an entrepreneurial leader was his capacity for “sound, harmonious dealings with the human beings who make up an organization”—his imaginative ability to seize on promising productive innovations and the intuitive grasp of the principles of human relations that allowed him to enlist his employees’ enthusiastic cooperation with new techniques.

Many later interpreters have missed the “entrepreneurial” cast of Harvard human relations theory, seeing it instead as a more psychologically sophisticated update of the Taylorist scientific management taught at HBS in its early years. In fact, this is not an unfair description of Elton Mayo’s work in the 1920s, at the University of Pennsylvania and then at HBS. Mayo’s research in this period was a textbook example of the *mélange* of ideas from scientific and “human factor” management that characterized the decade’s welfare capitalism. In the 1920s, Mayo maintained that disgruntled workers, engaging in strikes and unionization, were suffering from an underlying “disequilibrium” with an important physiological component. Mayo and his Harvard Fatigue Laboratory colleague, the physiologist L. J. Henderson, argued that by systematically monitoring workers’ blood pressure, managers could detect disequilibrium before it ultimately manifested in strike activity or worse—and take steps to restore homeostasis. Mayo particularly encouraged employers to implement regular rest periods, when workers’ bodies could re-equilibrate before the vicious cycle of fatigue set in. It was a conclusion defined by welfare capitalism’s peculiar blend of paternalism and Taylorism: scientific expertise could bypass the need to consciously inspire workers, as long as it was

²⁹George Albert Smith, “The Approach to Business Policy in the Harvard Graduate School of Business Administration,” in *Change and the Entrepreneur: Postulates and Patterns for Entrepreneurial History* (Cambridge, MA, 1949), 11–16.

sufficiently kind and gentle. Even as he criticized Taylor's allegedly mechanical (rather than organic) conception of the worker, Mayo shared his insistence that professional science trumped career managers' intuition every time: "Illumination will not come from those in industry but from workers in remote and biological fields," he predicted in 1928.³⁰

Mayo's views evolved dramatically over the course of the 1930s, however, as he spent more time at Harvard. The revival of entrepreneurial management at Harvard during the Depression years was borne out of the overwhelmingly conservative faculty's concerns about the bureaucratic proclivities of the managers populating the offices of contemporary corporations. For all their technical expertise, white-collar professionals seemed increasingly incapable of attracting the loyalty of industrial workers—and increasingly sympathetic themselves to working-class political movements, forming organizations such as the Inter-Professional Association for Social Insurance, the American Association of Scientific Workers, and the League of Professional Groups for Ford and Foster (the 1932 Communist Party presidential ticket). The HBS approach to leadership was designed, according to Smith, to contrast with the "great degree of specialization" imposed upon trainees by many "large business organizations" with the tragic result that "the potential leader may have the fire damped out of him by the time he rises to a position in which he is called upon to exercise his own judgment."³¹

Apart from the events of the Depression and the New Deal, the prevalence of this concern at Harvard had several intellectual sources. One was Joseph Schumpeter, who, sitting in the audience, would most likely have nodded along enthusiastically as Smith pronounced his warning. In 1942, Schumpeter's surprise bestseller *Capitalism, Socialism, and Democracy* had also fretted about the threat to the entrepreneur or business leader posed by the extension of specialization and bureaucracy within large corporations. "In a world of "rationalized and specialized office work," Schumpeter argued, "the leading man no longer has the opportunity to fling himself into the fray."³² The social and political consequences of the eclipse of entrepreneurship would be dire, Schumpeter feared. In an address to a group of businessmen in Montreal in 1945, Schumpeter warned that "the lack of faith among the governing class and the lack of what one calls 'leadership'" were producing "social decomposition." Schumpeter felt that an industrial society's morale was a function of the strength of its leadership: "Families, workshops, societies do not

³⁰Elton Mayo, "The Maladjustment of the Industrial Worker," in Otto S. Beyer et al., *Wertheim Lectures in Industrial Relations, 1928* (Cambridge, MA, 1929), 165–96, at 167. Mayo also reported on these investigations into fatigue and equilibrium in *The Human Problems of an Industrial Civilization* (New York, 1960; first published 1933), though his account is already somewhat colored by the new direction in which he was moving in the early 1930s. On this point I differ from other scholars who primarily see continuity in Mayo's career, such as Ellen O'Connor, "The Politics of Management Thought: A Case Study of the Harvard Business School and the Human Relations School," *Academy of Management Review* 24 (1999), 117–131. On fatigue see Rabinbach, *The Human Motor*; and Emily Abel, *Sick and Tired: An Intimate History of Fatigue* (Chapel Hill, 2021).

³¹Smith, "Approach to Business Policy," 15. On Depression-era white-collar radicalism see Michael Denning, *The Cultural Front: The Laboring of American Culture in the Twentieth Century* (London, 1996).

³²Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (New York, 2008), 132–3.

function if nobody accepts his duties, if no one knows how to make himself accepted as leader.” Not only were contemporary experts eschewing the responsibilities of leadership, in Schumpeter’s view, but they were also actively sympathetic with anticapitalist movements and increasingly dreamed of administering a bureaucratic socialism.³³

A second key influence was Harvard philosophy professor Alfred North Whitehead, a close friend of HBS dean Wallace B. Donham. Elton Mayo was moved by Whitehead’s claims about the almost miraculous way that new “organisms”—holistic interrelationships of disparate elements—came into existence in the course of natural and social evolution, a process that Whitehead simply christened “creativity.” The abstractions encouraged by contemporary scientific thinking, Whitehead argued, tended to isolate and suspend particular elements of this process at the expense of an appreciation of the dynamic whole, an error he labeled the “fallacy of misplaced concreteness.”³⁴ In an address given at HBS probably in 1930, Whitehead warned that the fallacy of misplaced concreteness also afflicted “the reliable business man, who has mastered a technique and never looks beyond his contracted horizon.” In Whitehead’s view, the “Business Mind of the future” would have to possess something more than technical expertise: an “extra endowment,” which Whitehead termed “Foresight,” which “can only be described as a philosophic power of understanding the complex flux of the varieties of human societies.” What counted was not just the causal forces operating on the individual worker, but an appreciation for the texture of the social organism and the forces of creativity that produced it.³⁵

Perhaps the most important influence on the turn to “leadership” at Harvard was the Italian economist and sociologist Vilfredo Pareto. L. J. Henderson discovered Pareto’s work in 1928, began to conceive himself as something of an evangelist for Pareto’s ideas, and formed a reading group for Harvard faculty members in 1934.³⁶ This reading group, typically called the “Pareto circle,” included Joseph Schumpeter, who believed that Pareto’s work formed a “healthy antidote” to a world in which “we cultivate the subnormal and do our best to suppress whatever there is of strength and sparkle.”³⁷ Pareto claimed that the dynamics that organized the social organism were irreducibly mental in nature. Social stability required, as Henderson summarized in a 1935 book on Pareto, that “a large majority of the mass of the population should ‘accept, observe, respect, venerate, and spontaneously love ... precepts’” that made them cooperative and obedient.³⁸

³³Joseph Schumpeter, “The Future of Private Enterprise in the Face of Modern Socialistic Tendencies,” in Michael G. Prime and David R. Henderson, eds., “Schumpeter on Preserving Private Enterprise,” *History of Political Economy* 7/3 (1975), 293–8, at 297.

³⁴Alfred North Whitehead, *Science and the Modern World* (Cambridge, 1926); Whitehead, *Process and Reality: An Essay in Cosmology* (Cambridge 1929).

³⁵Alfred North Whitehead, “On Foresight,” in Wallace Brett Donham, *Business Adrift* (New York, 1931), xxv–xxvi.

³⁶Joel Isaac, *Working Knowledge: Making the Human Sciences from Parsons to Kuhn* (Cambridge, MA, 2012), Ch. 2; Barbara Heyl, “The Harvard ‘Pareto Circle,’” *Journal of the History of the Behavioral Sciences* 4/4 (1968), 316–34.

³⁷Joseph A. Schumpeter, “Vilfredo Pareto (1848–1923),” *Quarterly Journal of Economics* 63/2 (1949), 147–73, at 173.

³⁸L. J. Henderson, *Pareto’s General Sociology: A Physiologist’s Interpretation* (Cambridge, MA, 1935), 29.

Formulating precepts that the masses could spontaneously accept was the task of leaders or “elites.” As Henderson put it, “skillful rulers, administrators, and men of affairs” formulated principles that the ingrained, nonrational impulses Pareto called “residues” would naturally compel people to embrace.³⁹ Pareto thought that most leaders tended over time to lose touch with the living reality of their subjects’ residues and cling too dogmatically to a set of abstract, conceptual ideas. In such cases new leadership was required to develop principles capable of restoring harmony—what Pareto termed the “circulation of elites.”

The human relations literature that emerged from Harvard in the 1930s emphasized the need for strength and sparkle, as Schumpeter put it, in managerial leadership. The health of the leadership class depended on “the downward movement of the effete, the upward movement of the vigorous and capable,” Mayo argued in 1933, channeling Pareto on the circulation of the elite.⁴⁰ The business leader or “executive,” as the human relations theorists described him in their theoretical writings, was able to enter into a firm where atomized individual workers were going about their ordinary work tasks unreflectively and transform it into a tight-knit, purpose-driven collective—to “transform a horde of ‘solitaries’ into a social group,” as Mayo put it.⁴¹ Only the focus and vision of a leader could supply “some future achievement or purpose” to orient the collective activity of the workers in a firm, T. N. Whitehead (Alfred’s son) asserted in *Leadership in a Free Society* (1936).⁴²

By helping workers understand the compatibility between their immediate purposes in their work group and the overarching purposes of firm leadership, executives could create a new and better-integrated “social organism” out of their workforce, the Harvard theorists argued. Following Alfred North Whitehead’s usage, Chester I. Barnard, a businessman who was close friends with Mayo and Henderson and participated in the discussions of the human relations group at Harvard, called this key function of the executive leader “moral creativeness.” The morally creative executive succeeded in “inculcating points of view, fundamental attitudes, loyalties,” and other dispositions “that will result in subordinating individual interest and the minor dictates of personal codes to the good of the coöperative whole.” Barnard held that this “creative function as a whole is the essence of leadership.” Schumpeter argued the same thing in his original German work on the entrepreneur. It is unsurprising, then, that the human relations executive required many of the same personality traits as Schumpeter’s entrepreneur: “individual superiority in determination, persistence, endurance, courage,” in Barnard’s list, as well as a great “capacity of responsibility,” because executive work called incessantly “for the activity of decision.”⁴³

The human relations executive was not only morally creative, but innovative in Schumpeter’s more precise sense: someone who brings about new combinations. In

³⁹Ibid., 54.

⁴⁰Mayo, *Human Problems*, 166–7.

⁴¹Mayo, *Social Problems*, 67.

⁴²Thomas N. Whitehead, *Leadership in a Free Society: A Study in Human Relations Based on an Analysis of Present-Day Industrial Civilization* (Cambridge MA, 1936), 86.

⁴³Chester I. Barnard, *The Functions of the Executive* (Cambridge MA, 1968; first published 1938), 260, 274–5, 279–81.

his own 1948 presentation to the Harvard Research Center on Entrepreneurial History, Chester Barnard argued that “the entrepreneur” could be defined simply as “the man who knows how to organize and to ‘run’ the work,” because “the desire to maintain the organization” was the “most basic in the complex of incentives to innovation.” “New combinations are continuously necessary to meet new circumstances,” Barnard remarked.⁴⁴ In the Harvard human relations argot, the entrepreneurial firm, in which new combinations were continuously and successfully enacted, was “adaptive.” The ability to lead innovation in an adaptive firm distinguished the human relations executive from rival kinds of leaders, namely the bureaucrat and the tyrant. “When Mayo spoke about the administrator,” his student and colleague Fritz Roethlisberger later recalled, “he was not referring to the administrator of the established society or to making him a better rule maker, paper shuffler, bookkeeper or high-grade clerk; he was not referring to how to make a fast buck, how to become a Napoleon or a Hitler, or how to optimize time and motions.” Rather, “he was referring to the administrator of the newly emerging society,” in command of “modern methods (or mysteries) about how to intervene in an organization in order to make it more adaptive.”⁴⁵

As Roethlisberger’s parenthetical suggests, the Harvard human relations group really did believe there was something fundamentally incalculable about adaptive leadership. “If the history of any group with a record of successful and enduring integration be carefully examined, two things will be noticed,” T. N. Whitehead argued in 1936. “First, the group is at its best during those periods in which the leadership is vigorous. And secondly, when the group is being effectively led, its character and functions are undergoing marked change.” Indeed, the novelty imparted by entrepreneurial leadership was indispensable to its inspirational quality, since “a ceaseless struggle to maintain an unvarying situation would be a dreary prospect.”⁴⁶

The Mayo group’s gradual embrace of an entrepreneurial conception of human relations leadership over the course of the 1930s was on display most clearly in their evolving interpretation of the long-running studies they helped to advise at the Western Electric Company’s Hawthorne Works in Cicero, IL. As Lizabeth Cohen has observed, Western Electric was already thoroughly committed to welfare capitalism before Mayo and his team agreed to consult on their industrial research department’s internal experiments, which probed the effects of rest pauses, work-day reductions, lighting improvements, and other characteristic welfare capitalist interventions. But the interpretation of the “Hawthorne experiments” ultimately advanced by Mayo and his Harvard colleagues was not the simple affirmation of the empirical efficacy of these techniques they initially expected to produce.⁴⁷ By

⁴⁴Chester I. Barnard, “The Entrepreneur and Formal Organization,” in *Change and the Entrepreneur*, 7–11, at 7, 10.

⁴⁵Fritz J. Roethlisberger, *The Elusive Phenomena*, ed. George F. F. Lombard (Cambridge, MA, 1977), 268.

⁴⁶Whitehead, *Leadership in a Free Society*, 109.

⁴⁷Cohen, *Making a New Deal*, 173–4. Generations of critics have argued against the soundness of the Mayo group’s interpretation of the Hawthorne data. Steven A. Levitt and John A. List, “Was There Really a Hawthorne Effect at the Hawthorne Plant? An Analysis of the Original Illumination Experiments,” *American Economic Journal: Applied Economics* 3 (2011), 224–38; John Hassard, “Rethinking the Hawthorne Studies: The Western Electric Research in Its Social, Political, and Historical

the time that *Management and the Worker*, Fritz Roethlisberger and Western Electric executive William Dickson's treatise on the experiments, appeared in 1939, the official Harvard line was now that it was impossible for scientific experts to objectively determine the most efficacious welfare policies, as Mayo had once hoped. At Hawthorne, every conceivable intervention seemed to improve employee productivity in the test groups, including the cessation of previously implemented interventions. While Mayo once argued, against Taylor, that workers cared much more about their working conditions than about their compensation, he and his colleagues now argued that it was not their working conditions per se that workers ultimately cared about, either. Rather, what workers really wanted was to be *led*—to have their employers take an active interest in them and treat them like members of a collective enterprise rather than atomized hired hands. As T. N. Whitehead argued in his own book reporting on the experiments, “men actually welcome a leader who will organize them for the purpose of adequately meeting visible situations, for this involves the satisfaction of a need: integrated social living, and its effective continuance.”⁴⁸

The Harvard researchers' favorite piece of evidence for this claim was their famous account of the Hawthorne “interviewing program.” The initial idea behind the interviewing program was that if managers wanted to know what changes workers wanted to see in their working conditions, they could simply ask. But according to the Harvard researchers, the productivity data suggested that the interviewing program itself improved morale even before management had acted on the content of any of the interviews. In other words, the interviews were effective primarily as an unintentional prod to managers to pay more personalized attention to workers, rather than as a source of objective information for expert planners. The point of the Harvard group's account of the interviewing program, therefore, was not to recommend it as a formula to be applied mechanically by managers in any given corporate setting, but to use it as an illustrative example of the techniques that managers could employ to act more like leaders and less like anonymous technicians.⁴⁹ While Mayo once turned to scientific researchers in “remote and biological fields” to reshape managerial practice, he now argued that “there is no substitute for firsthand knowledge.” The kind of intuitive genius that Schumpeter saw disappearing from the contemporary corporation was at the heart of the human relations portrait of the effective manager. It was leadership that ensured cooperation, as Roethlisberger claimed. “How can humanity's capacity for spontaneous co-operation be restored?” Mayo asked in the preface to *Management and the Worker*. “It is in this area that leadership is most required.”⁵⁰

Context,” *Human Relations* 65 (2012), 1431–61. But for our purposes what matters is not whether they got the science right but what this interpretive evolution reveals about changes to the intellectual framework the Harvard team was operating within.

⁴⁸Whitehead, *Leadership in a Free Society*, 110; Fritz J. Roethlisberger and William J. Dickson, *Management and the Worker* (Cambridge MA, 1961; first published 1939); Mayo, *Human Problems*; Richard Gillespie, *Manufacturing Knowledge: A History of the Hawthorne Experiments* (Cambridge, 1993); Richard C. S. Trahair, *The Humanist Temper: The Life and Work of Elton Mayo* (New York, 1984).

⁴⁹Roethlisberger and Dickson, *Management and the Worker*, Part II; Mayo, *Human Problems*, 94.

⁵⁰Elton Mayo, *The Social Problems of an Industrial Civilization* (Andover, MA, 1945), 115; Roethlisberger and Dickson, *Management and the Worker*, xiv.

By the years after World War II, social scientists writing on entrepreneurship took it as a matter of course that the entrepreneur was a type of business leader rather than, for instance, simply someone who started a new business. At this point, the deep affinity between Schumpeter and the Harvard human relations theorists was obvious and uncontroversial. Books by T. N. Whitehead and Chester Barnard appeared in the bibliography of a 1952 dissertation on Schumpeter completed at Georgetown, in which the author argued that the categories of “entrepreneur” and “economic leader” were interchangeable.⁵¹ In a 1954 article, Ralph Massey, a researcher in the Industrial Relations Center at the University of Chicago, argued that an entrepreneurial decision was one “which binds all contributors to or participators in the organization to a given course of action.” As a result, for entrepreneurial leaders, “a knowledge of things is replaced by a knowledge of men”—a view which Massey ascribed, correctly, to Frank Knight. To put it another way: entrepreneurship simply was human relations.⁵² Fritz Redlich, a friend of Schumpeter and an affiliate of the Harvard Research Center on Entrepreneurial History, proposed perhaps the clearest definition of entrepreneurship as a leadership style in 1949: “In the hands of the entrepreneur, the enterprise resembles an organism, kept alive by his decisions; in those of the manager it resembles a mechanism kept in good working order.” This was precisely the distinction that the Harvard human relations theorists liked to draw to characterize the type of business leader they sought to create, channeling what they had learned about the social organism from Whitehead and Pareto.⁵³

IV

To understand the trajectory of the vision of entrepreneurial leadership in postwar management thought, after the heyday of Harvard human relations, it is useful to examine its arc in the work of the single most influential postwar management intellectual, Peter F. Drucker. As Angus Burgin has shown, Drucker was one of the most vocal advocates of the entrepreneurial conception of management in the 1960s and 1970s, which he presented, in a posture of self-correction, as a fundamental departure from the standpoint of his popular writing on management in the 1940s and 1950s.⁵⁴ This was an overstatement. Drucker always idolized Schumpeter, a friend of his father during his youth in Vienna. And his early writing on management was, he wrote to Mayo, “based on the principles you have worked out and tries to use the approach to economic problems which you have pioneered.”⁵⁵ Unsurprisingly, then, Drucker was already preaching the value of

⁵¹William R. Waters, *Entrepreneurship, Dualism, and Causality: An Appreciation of the Work of Joseph Schumpeter* (PhD dissertation, Georgetown University, 1952; published online by the Mayo Research Institute, 2012, 139).

⁵²Ralph J. Massey, “The Entrepreneur: Who Is He?,” *Industrial Relations* 9/3 (1954), 245–51, at 251, 248.

⁵³Fritz Redlich, “The Business Leader in Theory and Reality,” *American Journal of Economics and Sociology* 8/3 (1949), 223–37, at 225.

⁵⁴Peter F. Drucker, *The Age of Discontinuity: Guidelines to Our Changing Society* (New York, 1969); Drucker, *Management: Tasks, Responsibilities, Practices* (New York, 1986; first published 1973), 14–18.

⁵⁵Peter F. Drucker to Elton Mayo, 10 May 1946, Folder 27, “Drucker, Peter F, 1946–47,” Box 1b, G. Elton Mayo Papers, Baker Library, Harvard Business School.

“entrepreneurship” in the late 1940s. It was in the “national interest,” he wrote in 1949, “for the business executive to resemble as much as possible the entrepreneur ... and as little as possible the bureaucrat or rentier.” He insisted the following year that “the American economy needs above all the well-trained entrepreneur,” without whom “the large corporation turns arteriosclerotic.”⁵⁶ Drucker canonized entrepreneurship as a core dimension of management in his extremely influential 1954 treatise on *The Practice of Management*, and he led a seminar on entrepreneurship in the early 1950s at the NYU Graduate School of Business.⁵⁷

Drucker was correct to perceive a change in his later thinking—yet this change was not a newfound appreciation for the indispensability of entrepreneurial leadership, but the abandonment of the bureaucratic elements that once happily coexisted alongside entrepreneurship in his writings. In the 1940s and 1950s, Drucker was an important early advocate of “operations research,” the vanguard trend in “scientific” management in the postwar decades.⁵⁸ He celebrated the fact that the modern corporation, in his view, now had a capacity for long-run planning that rivaled or surpassed that of the state. The “adoption of long-range planning,” in his view, was the secret to “the remarkable stability of employment in the American economy.”⁵⁹ Drucker also welcomed the accelerating bureaucratization of labor relations in industrial firms in the postwar years. He cheered on the development of the corporate welfare state that was the principal achievement of postwar collective bargaining, and he viewed large business unions as a permanent fixture of the American economic landscape. In sum, if Drucker believed that a “steady supply of enterprising men” was needed atop American firms, he saw no reason why “efficient big-business bureaucrats” could not thrive in the ranks beneath them.⁶⁰

In his reading of Drucker’s later work, Burgin attributes Drucker’s increasingly emphatic entrepreneurialism to his belief that the automation of manual work in factories was producing a new economy dominated by “knowledge work,” which was intrinsically more “entrepreneurial” in character than manual work.⁶¹ But Burgin’s reading glosses over Drucker’s syncretistic appropriation of themes from theories of entrepreneurial and bureaucratic management. Drucker certainly believed, for almost his entire career, that knowledge work was the work of the future, and that this was a salutary development. But he did not think that knowledge workers were necessarily entrepreneurs. In the 1950s, he thought that most knowledge workers were exactly the bureaucratic types who filled out the managerial staff of the corporation beneath its genuinely entrepreneurial leadership. In *The Practice of Management*, Drucker made clear that the typical professional was still,

⁵⁶Peter Drucker, “Keep the Carrot Dangling,” *Fortune*, 1 Oct. 1949, 82; Drucker, “The Graduate Business School,” *Fortune*, 1 Aug. 1950, 94.

⁵⁷Peter F. Drucker, *The Practice of Management* (New York, 1954), 37, 47; Drucker, *Innovation and Entrepreneurship: Practice and Principles* (New York, 1985).

⁵⁸See e.g. Drucker to Harold Smiddy, 30 Sept. 1955; Drucker, “The Problems of Maintaining Continuous and Full Employment,” Peter F. Drucker Papers, Claremont Digital Library (hereafter PFD). See also Waring, *Taylorism Transformed*, Ch. 2.

⁵⁹Peter F. Drucker, *The New Society: The Anatomy of the Industrial Order* (New York, 1950), 233; Drucker, “The Problems of Maintaining Continuous and Full Employment.”

⁶⁰Drucker, “Graduate Business School,” 94.

⁶¹Burgin, “Reinvention of Entrepreneurship.”

in fact, “a worker.” Within the modern corporation, Drucker wrote, even “scientific research has been organized on mass-production lines.” The only truly “entrepreneurial” decisions to be made were those undertaken at the very top of the organization.⁶² This was the overwhelming consensus among intellectual observers of knowledge work in the postwar decades. Other early postindustrialists such as John Kenneth Galbraith, Daniel Bell, and Clark Kerr were unanimous in their belief that the “new class” of knowledge workers was basically technocratic or bureaucratic in character.⁶³

During his turn to a more thoroughly “entrepreneurial” conception of management in the 1960s and 1970s, Drucker continued to share this assessment—but now he thought that it was a problem. Entrepreneurship did not come automatically to knowledge workers. Instead, a culture of “permissiveness” was creating a managerial workforce devoid of “responsibility.”⁶⁴ It was true that “if the business enterprise is the entrepreneurial center of a modern economy, every knowledge worker in it has to act the entrepreneur.” But how knowledge workers ought to act and how they actually acted were two different things. Without active leadership, executives could just as easily find themselves with an army of “well-trained clerks” on their hands.⁶⁵ “There is an authority vacuum,” Drucker warned in 1973. “Its symptom is cynicism.” The propagation of entrepreneurial responsibility throughout the new postindustrial economy would actually require strengthening the authority of core leadership, in Drucker’s view. Knowledge workers only acted like entrepreneurs when they worked for an entrepreneurial leader, someone who took “responsibility for helping all men working with him to focus, direct, and apply self-development efforts.”⁶⁶ Drucker’s argument wasn’t that knowledge work made entrepreneurs, but that entrepreneurial leaders needed to make knowledge workers into entrepreneurs in their own right. The dispersal of responsibility to entrepreneurial subordinates depended upon and even strengthened existing hierarchies of leader and follower in the firm. It was a “misunderstanding” that the strategy he recommended “results in lessening the power and authority of top management,” Drucker wrote to a consulting client in 1970. “The true aim is the exact opposite.”⁶⁷

The real proximate cause of Drucker’s changing stance on how most knowledge workers ought to act was not the automation hype of the 1950s but the swelling cultural backlash in the 1960s against bureaucracy among the educated, middle-class young people who were expected to become the knowledge workers of the future. “Bureaucracy” was arguably the best one-word summation of everything that the 1960s student movement stood against, at least before the escalation of the Vietnam War. It was denounced by name fifteen times in the 1962 Port Huron Statement of Students for a Democratic Society. For the Berkeley historian

⁶²Drucker, *Practice*, 338. See also Drucker, *New Society*, 7.

⁶³John Kenneth Galbraith, *The Affluent Society* (New York, 1958); Daniel Bell, *The Coming of Post-industrial Society: A Venture in Social Forecasting* (New York, 1976).

⁶⁴Drucker, *Management*, 187, 199, 212–13, 303.

⁶⁵Peter F. Drucker, *Managing for Results: Economic Tasks and Risk-Taking Decisions* (New York, 1964), 226; Drucker, *Age of Discontinuity*, 372.

⁶⁶Drucker, *Management*, 212–13, 294.

⁶⁷Peter F. Drucker to Premier Corp. executives, 19 Aug. 1970, Correspondence, PFD.

Henry F. May, observing the free-speech movement that erupted on his campus in 1964, the demonstrations were essentially “protests against bigness, bureaucracy, and official liberalism.”⁶⁸ Disaffected students responded powerfully to jeremiads such as *Fortune* journalist William H. Whyte’s 1956 complaint against the “organization man,” which denounced an alleged shift “from the entrepreneurial to the administrative” in the postwar corporation. Looking back from 1985, Drucker identified Whyte’s book, and others like it, as ironic bellwethers for an immense backlash against the culture of bureaucratic complacency they decried. “Something, surely, has happened to young Americans—and to fairly large numbers of them—to their attitudes, their values, their ambitions, in the last twenty to twenty-five years,” he wrote. It was this “cultural and psychological ... event” that culminated in “the emergence of the entrepreneurial economy.”⁶⁹

For Drucker, however, entrepreneurial leadership was not just necessary to invigorate lower-level knowledge workers but to complete the transition to a thriving postindustrial economy in the first place. While Drucker welcomed the advent of automation in heavy industry, he thought that its effects could be catastrophic if entrepreneurial leaders did not take the initiative to create new jobs for displaced workers in other sectors where automation was not on the horizon. In Drucker’s interpretation, the macroeconomic crises that gripped the United States from the late 1960s to the mid-1980s were a consequence of the “maturity” of heavy industry. They had reached a kind of productivity ceiling, in his view. Perhaps it was possible to make cars more efficiently than the auto industry of the 1970s was making them, but it would be hard to figure out how. Earlier entrepreneurs, such as Henry Ford and Alfred P. Sloan, had already done their work there. And once the state-of-the-art techniques took hold in emerging economies in Western Europe and East Asia, it was unclear how the US could ever hope to regain a competitive edge.⁷⁰

But there were still entire sectors of economic and social life that awaited the entrepreneurial touch—that could be made dramatically more efficient if an entrepreneur was willing to exercise the leadership necessary to reorganize their operations to aim for productivity growth. The entrepreneur, Drucker argued in 1969, was “the agent of society which shifts resources from less productive to more productive employment,” which in the contemporary United States meant shifting them out of mature heavy industry and into newer sectors. The provision of affordable healthcare, for instance, “demands innovation and entrepreneurial leadership on the part of hospital administrators,” Drucker wrote. Drucker also judged that “the needs of modern society for education both for excellence and competence offer a major entrepreneurial challenge and opportunity to the schools.”⁷¹ The reorganization of the hospital and the school in the image of the well-managed

⁶⁸Port Huron Statement of the Students for a Democratic Society, 1962 (New York, 1964); Henry F. May, “The Student Movement: Some Impressions at Berkeley,” *American Scholar* 34/3 (1965), 387–99, at 398.

⁶⁹William H. Whyte Jr, *The Organization Man* (Philadelphia, 2002), 217; Drucker, *Innovation and Entrepreneurship*, 14.

⁷⁰Drucker, *Innovation and Entrepreneurship*, 5; Robert Brenner, *The Economics of Global Turbulence: The Advanced Capitalist Economies from Long Boom to Long Downturn, 1945–2005* (London, 2006).

⁷¹Drucker, *Age of Discontinuity*, 204–5. See also Gabriel Winant, *The Next Shift: The Fall of Industry and the Rise of Health Care in Rust Belt America* (Cambridge, MA, 2021).

business was a genuinely entrepreneurial task in the sense of Drucker's old hero, Joseph Schumpeter: as "creative destruction" it engendered resistance that personal leadership was necessary to overcome. Drucker reported the typical reaction of healthcare professionals to his recommendations: "We're hospital people, not business people."⁷² The task of the entrepreneurial leader—the leader who created more leaders—was precisely to enter into such a situation and transform hospital people into business people.

For this reason, Drucker insisted forcefully that there was no opposition between entrepreneurship and management properly construed. Entrepreneurship was, of course, not "managerial" in the colloquial, bureaucratic sense of the term. But the task of the entrepreneur was above all to convince the members of an organization to submit to management in the more precise sense—to systematic direction with an eye towards continuous productivity improvement and profitability. The entrepreneur's mission, in Drucker's understanding, was very close to the process that Karl Marx called "real subsumption," the reorganization of the labor process in some existing area of economic activity along strictly capitalist lines.⁷³ In 1985, Drucker argued that the quintessential example of entrepreneurship in recent decades was the rise of McDonald's, because it had subsumed the traditional hamburger stand in this sense. With McDonald's, Drucker argued, "management was being applied to what had always been a hit-and-miss, mom-and-pop operation." In Drucker's account, McDonald's innovation was to industrialize hamburger production, refashioning the product into a commodity and implementing new mechanized production methods. But because applying industrial methods to the humble hamburger stand would have once seemed extreme, this process required the vision and persuasive power of the pivotal McDonald's entrepreneur, Ray Kroc. To respond to the crisis of maturity in the "blue-collar" manufacturing sector, Drucker asserted, the American economy would need to replicate the hamburger-stand-to-McDonald's conversion on a massive scale. Wherever it took place, this task would depend on the "leadership" of those businesspeople who could "learn to be successful entrepreneurs."⁷⁴

But the entrepreneurial transition to a postindustrial economy would not just solve the productivity crisis, in Drucker's view. It would also help solve the crisis of rank-and-file labor discipline in the manufacturing sector that erupted alongside the macroeconomic crisis in the late 1960s. Drucker had once hoped that large unions led by bureaucratic professionals could cajole members into accepting concessions in the name of the financial stability of the enterprise. But as industrial corporations began to take an increasingly aggressive line on compensation and pace of work in response to the productivity and competitiveness crisis of the late 1960s, established union leadership proved incapable of containing the outbreak of what *Life* magazine called, with alarm, "Strike Fever." In 1970, a record 3.3 million American workers were involved in work stoppages. While many of those stoppages were wildcat strikes that only lasted a few days, the year still saw

⁷²Drucker, *Innovation and Entrepreneurship*, 16.

⁷³Karl Marx, "Results of the Immediate Process of Production," in Marx, *Capital*, vol. 1, trans. Ben Fowkes (London, 1990), 1023–5.

⁷⁴Drucker, *Innovation and Entrepreneurship*, 17, 22, 144.

66.4 million days lost to work stoppages, comparable to the postwar high-water marks set in 1949 and 1959.⁷⁵ The rank-and-file revolt shattered Drucker's belief in the stabilizing benefits of the collective-bargaining bureaucracy.

But the good news, in his eyes, was that what was beginning to be called “deindustrialization” would prove fatal to the newly unruly American labor movement. Unions had entered into “apparently irreversible decline,” he announced in the late 1980s.⁷⁶ Devastated by the tremendous flow of workers out of traditional union strongholds and into largely nonunion sectors like fast food and healthcare, they had “come to look the way the feudal barons came to look after they had lost all social function around 1300: a parasite, functionless, with nothing left but the power to obstruct and exploit.” Drucker warned executives not to capitulate to union pressure to delay deindustrializing moves. Entrepreneurial leadership was necessary to blast through the tendency of “redundant ‘smokestack’ labor” to “oppose anything new.”⁷⁷ It took courage to “aim at maintenance of the company’s initiative in labor relations” and to be “willing to take a strike over matters of principle and refuse to buy short-term union concessions on money issues by yielding on long-term fundamentals.”⁷⁸

At the same time, Drucker maintained, it would take leadership to effect the shift in “attitudes” and “priorities” that would allow the displaced industrial working class to willingly join the postindustrial workforce. “We need to encourage habits of flexibility, of continuous learning, and of acceptance of change as normal and as opportunity,” Drucker wrote—by which he meant, above all, being willing to undergo retraining and relocation to find a job in the new postindustrial economy. In an “entrepreneurial society,” Drucker argued, people would have to “take responsibility for their own continuous learning and relearning.”⁷⁹ But entrepreneurs needed to set the tone by demonstrating their own capacity to embrace change enthusiastically. Drucker did not think that line cooks at McDonald’s were really proto-entrepreneurs. Nonetheless, like the early twentieth-century admirers of the *Unternehmer*, he believed that the overwhelming *Arbeitsfreude* of the entrepreneurial leader could rub off on their subordinates, with beneficial consequences for workforce morale. In the emerging entrepreneurial economy, Drucker told readers, “managers ... suddenly have a dimension added: of exemplar, of leadership.”⁸⁰

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It is important not to take Drucker’s revolutionary rhetoric at face value. As his own career demonstrates, there was nothing at all “sudden” about this change. And as I’ve argued here, it was more a process of subtraction than of addition. From the

⁷⁵Stan Weir, “USA: Labor Revolt (1967),” in Weir, *Singlejack Solidarity* (Minneapolis, 2004), 304–5; “Strike Fever,” *Life*, 26 Aug. 1966. See also Aaron Brenner, Robert Brenner, and Cal Winslow, eds., *Rebel Rank and File: Labor Militancy and Revolt from Below during the Long 1970s* (London, 2010).

⁷⁶Peter F. Drucker, *The New Realities* (New York, 2011; first published 1989), 185.

⁷⁷Drucker, *Innovation and Entrepreneurship*, 186, 258.

⁷⁸Drucker, *Management*, 81.

⁷⁹Drucker, *Innovation and Entrepreneurship*, 261, 264.

⁸⁰Peter F. Drucker, “The Once and Future Manager,” in Drucker, *Technology, Management, and Society* (Boston, 2011; first published 1970), 86–107, at 103.

early twentieth century, influential management intellectuals argued that the dimension of entrepreneurial leadership was integral to the managerial function, even in the modern, corporate economy. Economists and social theorists such as John Kenneth Galbraith and Daniel Bell could imagine the corporation as a steady-state system where expert administration had obviated the need for disruptive change. But management intellectuals, who depended professionally and financially on the interest and approval of actually existing corporate executives, did not have the same luxury. There was no point in the twentieth century when executives could truly implement major changes to the production process, from the assembly line to computerized automation to the mechanization of burger slicing, without resistance—above all from frontline workers but often from professional and managerial employees, government regulators, and even investors. It was exactly this kind of resistance to Taylorist efficiency engineering that initially prompted American management intellectuals' interest in contemporary German ideas about leadership and entrepreneurship.

The question of how to overcome resistance without overt coercion—how to “ensure cooperation,” in Fritz Roethlisberger's phrase—remained a central problematic of American management theory for the rest of the twentieth century. Comfortable with syncretism and feeling little compulsion to total coherence, many management intellectuals initially had no problem praising the mid-century expansion of bureaucratic mechanisms for ensuring cooperation: operations research and automation for maximizing productivity, collective bargaining with large business unions to redistribute some of the fruits of productivity gains. But the fact that intellectuals like Drucker never stopped insisting on the importance of the personal qualities of leadership meant that they had a valuable resource to draw on when those strategies confronted the multiple interlocking crises of the 1960s and 1970s—the macroeconomic crisis of productivity and competitiveness, the cultural backlash against bureaucracy among the new generation of the educated middle class, and the rank-and-file revolt against the labor bureaucracy and the intensification of the industrial labor process. That is not to say that bureaucracy ever disappeared in practice, just as the coercive violence that bureaucratic managers claimed to be supplanting persisted on the shop floor as well. But it does help explain how the project of management theory retained its intellectual viability even as “bureaucracy” became a curse word in the late twentieth-century American vernacular. And while the material practices of management, with their occasionally orthogonal relationship to the discourse of management intellectuals, are surely worth attending to, it is also important to get a clear picture of that discourse on its own terms. That has been my purpose here.

Managerial discourse may only provide, at best, a fish-eye lens onto what managers did on a day-to-day basis, but it provides a much more direct portrait of how managers understood themselves and their profession. An intellectual history like this article is useful above all for understanding what Rakesh Khurana calls the “managerial project.” What I have shown is that the increasing fixation on entrepreneurial leadership among late twentieth-century management intellectuals did not entail a rejection of the traditional managerial project, but in some ways its purification. If the bureaucratic mechanisms of Taylorism and its successors once seemed to offer a solution to one of the principal problems confronting management

intellectuals, how to ensure cooperation, it was far less useful in addressing its twin: how to define the distinctive contribution of managers that entitled them to a unique position of authority in the firm. The various schools of scientific management did argue that there was an element of technical expertise that workers themselves were not able to supply. Nonetheless, it was hardly obvious that managers—as opposed to professional scientists and engineers—ought to be the ones to supply it (as, indeed, the Veblenite technocrats of the early twentieth century forcefully denied). There was a reason why Frank Knight thought that efficiency engineering was not actually a part of management, *sensu stricto*.

But entrepreneurial leadership, precisely because its mechanisms were difficult to formulate or systematize, was something to which the skilled manager qua manager could lay a proprietary claim. Perhaps this is why the concepts of leadership and entrepreneurship always remained inextricable for management intellectuals, as they had been for German social scientists such as Sombart and Schumpeter. Late twentieth-century economists, as scholars since Michel Foucault have argued, could try to redefine “entrepreneurship” as a universalizable subject position, denoting little more than the calculative, productivity-maximizing rationality of *homo oeconomicus*. But for management intellectuals, such a move would deprive the concept of the important work it did for them in articulating what managers could do that others could not. Any universalizable subjectivity ran the risk of annihilating the all-important distinction between the leader and the led.⁸¹

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⁸¹Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France, 1978–1979* (New York, 2010); Wendy Brown, *Undoing the Demos: Neoliberalism’s Stealth Revolution* (Princeton, 2015); Pierre Dardot and Christian Laval, *The New Way of the World: On Neoliberal Society* (London, 2014).

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