

## **A propaganda model of business school behavior**

Stream: Strategy: Power and politics

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### **ABSTRACT**

This paper draws examples from strategic management, entrepreneurship, and marketing to indicate that business school academics engage in a range of behaviors that filter reality in ways that promote (or shield) corporate interests. A variation on Hermann and Chomsky's propaganda model is used to explain the apparent self-censorship of business school academics. Five factors are identified that act to de-radicalize business school output, namely career path concerns, compensation, recruitment and endowment issues, advisory boards, and data sourcing. The implications and limitations of the model are then discussed.

## **A PROPAGANDA MODEL OF BUSINESS SCHOOL BEHAVIOR**

Marketers sometimes manipulate their customers into buying things they don't want, entrepreneurs often lie to stakeholders, and companies often make profits through anti-competitive strategies. To a business practitioner, these assertions would seem unremarkable, a simple observation of everyday business practice.

To business school academics, however, these claims are highly contested and even seen as 'radical'. In fact, one would be hard pressed to find any academic study (or even acknowledgment) of these behaviors in mainstream business school theories in the last twenty years. Instead, we find reference to marketers meeting customer needs, entrepreneurs as heroes, and strategists as efficiency seekers rather than monopoly seekers.

In this paper, we examine this apparent discrepancy between observed behavior and theory and ask the question, 'Why are business school academics motivated to filter reality in this way?' We adapt Herman and Chomsky's propaganda model (Herman and Chomsky 1988; Herman 2000) to the business school environment and use it as the lens through which to understand the behavior of academics in business schools.

### **Some discrepancies**

In this section, we examine some evident gaps between theory and practice in the fields of marketing, entrepreneurship, and strategic management.

#### ***Marketing***

The Chartered Institute of Marketing defines marketing as "...the management process responsible for identifying, anticipating and satisfying customer requirements profitably" (Chartered Institute of Marketing 2004). Similarly the American Marketing Association defines marketing as "...the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives" (American Marketing Association 2004). The definition of marketing in Philip Kotler's best-selling textbook on marketing has evolved from "...satisfying needs and wants through an exchange process" to "...the process by which needs are identified, services and products are developed to meet those needs, producers and customers exchange something for those services in such a way that a beneficial relationship is established between them." In all cases, the focus of the marketing concept has been, and remains, on satisfying the needs of the customer.

Compare the above definitions to one by Seaborn (1997), where marketing is "...the process by which a product is sold to people who don't actually want the product, and who would never otherwise think of using it and especially not buying it." He goes on to say that "marketing, in essence, is a con". A student commenting on this definition found it amusing but doubted his or her teacher would enjoy it much if used in a pending marketing assignment.

There is a great deal of anecdotal evidence that marketers either create customer needs or engage in high pressure selling tactics to sell products even in the absence of customer needs (Cialdini 1993). An everyday example is the placing of impulse items, like gum and magazines, at supermarket checkouts. Another is the use of a celebrity to endorse a product that is unrelated to the celebrity's expertise or ability. Consumers buy because of an aspirational identification with the celebrity rather than an explicit (or even latent) need for the product. Of course, most consumers are familiar with the 'hard sell' of car dealers where consumers will leave the dealership with a vehicle they had no intention of purchasing when they walked in.

However, there is very little discussion of these approaches in the academic marketing literature. In fact, a database and web search found no references to "creating customer needs" or similar terms. Instead, the prevailing philosophy is that marketing simply identifies and serves customer needs. Those who create needs or sell in the absence of needs are, by definition, *not* marketing. A more nuanced defense is to argue that needs are being met but that the customer was unaware they had the need (Slater and Narver 1998). Thus, the marketing concept becomes tautological – the act of purchase signifying a need is being met by definition whether the customer is aware of it or not.

Is this glaring mismatch between theory and reality simply a blithe unawareness of an inconsistency or is there a systematic bias against depicting marketing as anything other than a benign and positive influence. It is instructive that academic marketing has generally avoided a critical perspective on its practices (Burton 2001; Hackley 2003). This suggests deeper forces are at work.

### ***Entrepreneurship***

One of the prevailing images of the entrepreneur in US society is that of hero (Ogbor 2000). Consider the following passage:

"Entrepreneurs are characterized by boundless energy, brimming vision and bold determination to push into the unknown. They are alert, watching for new opportunities to change the status quo, and often through failure develop a better than average sense of timing, learning to balance patience and immediate action...The entrepreneur self-sacrifices to an idea or purpose or vision or dream that he sees as greater, bigger than himself" (Allen 1999, p. 1).

While one might imagine this view to be prevalent among business groups and right wing think tanks, it is also quite prevalent among scholars of entrepreneurship. Thus, we find Davidsson (2003) making the claim that redistributive ventures (those that make personal profits but do not benefit society) are not entrepreneurship. "Entrepreneurship as a societal phenomenon leads to improved use of resources in the economic system as a whole" (p. 15). No doubt this would have come as a surprise to Adam Smith who saw the invisible hand of the market being driven by greed and the social benefits of capitalism being an unintended consequence of business activity:

"He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By

preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it." (Smith 1776, Book IV)

Nevertheless, the need to serve the heroic myth of the entrepreneur entails ascribing noble social aspirations to the budding entrepreneur beyond any simple motivation they may hold in reality.

The result of this attitude is to create a bias against research on entrepreneurs that presents them in an unflattering light. In a recent paper, I argued that entrepreneurs are often forced to mislead or manipulate stakeholders in order to acquire the resources necessary to launch a new venture (Phelan 2000). Despite winning the award for best conceptual paper at the Academy of Management meeting in 2000, the paper has yet to be published; being rejected by several journals, including the journal that awarded the conference prize! A simple explanation is that the paper was simply not good enough although the best paper award belies this. The tone of the reviews often revealed that the reviewers did not agree with my portrayal of entrepreneurs. Armstrong has demonstrated that research that challenges existing beliefs is less likely to be published and often criticized for methodological problems that papers that meet the dominant view do not have to meet (Armstrong 1982; Armstrong 1982; Armstrong 1995).

### ***Strategic Management***

Over the past decade, strategic management research has seen the replacement of the industry-based paradigm of Porter (Porter 1980; Porter 1985) with the resource-based view (Barney 1991; Peteraf 1993). There is some evidence that profitability varies more within industries than between industries so a focus on firm-specific variables was appropriate.

However, the resource-based view (RBV) is also much more defensible against criticisms that corporations (and by extension their strategies) work against the interests of society. Porter's theory has been criticized as being anti-competitive and running afoul of anti-trust laws (Fried and Oviatt 1989). This is because he advocates reducing all forms of competition to boost corporate profits. The resource-based view, on the other hand, espouses the creation or acquisition of scarce resources that are not possessed by the competition. This is seen as a form of infra-marginal efficiency (Peteraf 1993) where competitive advantage arises from doing things better than competitors rather than the elimination of competition *per se*. Thus, Microsoft did not use its privileged position as owner of the Windows operating system to drive Netscape from the browser market; rather it was Microsoft's superior capabilities and resources that enabled it to obtain a competitive advantage over its rivals. The resource-based view enables competition to be seen as fair and equitable and the outcomes as natural and unremarkable.

## **Propaganda Model**

The propaganda model was first proposed by Herman and Chomsky (1988) to explain the an alleged pattern of bias in the American media that favored stories that supported the views of the federal government and large corporations. According to Herman and Chomsky, there are five filters applied to media stories that control output: 1) Corporate Ownership, 2) Advertising, 3) Sourcing, 4) Flak, and 5) Anti-communist ideology.

### ***The five filters***

Corporate ownership ensures that profit is the guiding mantra of media organizations. Truth is valuable only to the extent it sells more newspapers. Herman and Chomsky (1988) predict that truth will be the casualty in a war between truth and profits. The trend towards higher media concentration in larger corporations exacerbates the profit motive and weakens the independence of the press as large corporations are typically controlled by people who profess the interests of the dominant elite (the wealthy and powerful).

All media organizations are dependent on advertising for a large part of their revenue base meaning that they are sensitive to the views of advertisers. Advertisers can directly influence content by threatening to pull their advertising from segments that don't conform to their expectations. There is also indirect influence as advertising revenue is driven by ratings and demographics, which in turn are driven by programming that appeals to the relevant target markets (usually affluent buyers).

The media is also dependent on corporations and government to source much of the content for their stories. These organizations have large resources required to fill the media channels every news cycle. From a critical perspective, it then becomes difficult from the media to 'bite the hand that feeds it' everyday by extensively criticizing business or government interests.

In addition, the media must also contend with flak from the several sources if controversial material is ultimately aired. These sources include advertisers, government, and community organizations, such as the National Rifle Association. The fear of such flak acts as a restraint on the level of controversy.

Finally, in the cold war, a threat of being labeled a communist or communist sympathizer limited the airing of some stories. Herring and Robinson (2002) have argued that the 'war on terror' serves a similar purpose in the current environment.

### ***The propaganda model in academia***

In the past, Chomsky has been critical of the role of intellectuals and academics in sustaining the dominant ideology at the expense of truth (Chomsky 1967; Chomsky and Otero 2003). Herring and Robinson, in particular, have suggested that the work emanating from universities is subject to the same filtering process as the mass media (albeit with different filters) (Herring and Robinson 2002; Herring and Robinson 2003).

It is my contention that self-censorship is even more prevalent in business schools than the university in general because the dominant elite can exercise more leverage on faculty at business schools.

## **Business school filters**

In this section, I consider five factors that serve to filter or de-radicalize the output of business schools. The five factors are: the career path, compensation, recruitment and endowment issues, advisory boards, and data sourcing. I consider each of these factors in turn.

### ***1. Career path***

Chomsky considered the career path of academics one of the major factors in limiting critical output. For example, "...the people who make it into positions in which they're respected and recognized as intellectuals are the people who are not subversive of structures of power...the whole education system involves a good deal of filtering...and it's a kind of filtering toward submissiveness and obedience" (Chomsky and Otero 2003, p. 392). This filtering starts from kindergarten but there are also strong forces for conformity during doctoral training and tenure-track status. In both situations, the award of the doctorate or tenure is dependent on the approbation of senior faculty members.

For doctoral students, the pressure comes from the need to please the doctoral committee. For the tenure track professor, the pressure is from the "publish or perish" directive that associates research quality with publications in top-tier peer-reviewed journals. Of course, the editors and reviewers in the top journals are themselves a product of the system and are likely to support the dominant paradigm. Doctoral students and untenured professors are thus not likely to pursue projects that will attract the ire of senior faculty. Attacking the dominant paradigm is one such career limiting move (Ehrensall 1999; Trocchia and Berkowitz 1999).

### ***2. Compensation***

One of the most significant factors in US business schools is the control of compensation. Business school faculty earn significantly higher salaries than those in most other areas of the university (except law and medicine). In theory, market-based salaries reflect a recognition that the faculty member could earn a higher salary in the 'real' world and thus needs to be compensated for the choice to stay in higher education. Business faculty also augment their salary through consulting, executive education, and summer teaching. These discretionary sources of income become, in turn, the 'golden handcuffs' used to control faculty behavior. Faculty who lack institutional or administrative support are typically denied access to discretionary income. Similarly, they may also suffer in promotion and merit-based salary increases, which are largely determined by senior faculty members in the business school.

### ***3. Recruitment and endowment issues***

Just as media organizations face the challenge of raising advertising revenues, business schools must continually recruit students. In fact, the high compensation paid to faculty members is often attributable to their ability to recruit into MBA and executive courses. The attractiveness of these courses is often based on the ranking of the school and the rankings, in turn, are based on (among other things) academic reputation, reputation among

recruiters, and starting salaries of graduates. Obviously, critical attacks on corporations and other elite institutions are likely to damage the school's reputation with recruiters and have a correspondingly negative impact on the starting salaries of graduates. This, in turn, will depress the school's ranking and subsequent recruitment efforts.

Business schools also rely on alumni and local businesses to provide endowments to fund chaired professors, building programs, and other initiatives. Clearly, a poor relationship with these groups will affect the school's ability to raise endowment funds. One would expect business school deans to be concerned about research that had the potential to alienate these groups.

#### **4. Advisory boards**

Most business schools also maintain an advisory board that enables the dean to stay in touch with local business leaders. These groups often have input into course content, provide fund raising advice, and their companies serve as a potential recruiting ground for students. These groups also have the ability to provide 'flak' to the dean if they do not like the content of programs or research agendas. Herman and Chomsky (1988) argue that fear of such flak is enough to dissuade organizational members from pursuing contentious areas of study.

#### **5. Data sourcing**

The final filter is the need for certain departments in the business school to collect primary data from business organizations. A poor reputation or research on a controversial topic is likely to damage the ability of members to gather data, in turn, affecting the ability of the faculty member to earn tenure, promotion, and salary increases.

### **Discussion**

A number of predictions follow from the operation of the propaganda model in business schools. First, those who insist on radical criticisms of business school stakeholders will be unlikely to pass graduate studies or obtain tenure (Ehrensals 1999; Trocchia and Berkowitz 1999). Second, those with tenure will be unlikely to engage in radical critiques; either because they have internalized the philosophy of the dominant elite, have desires for promotion or extra compensation, or do not want the flak that such studies attract. Herman and Chomsky (1988) refer to this phenomenon as 'self-censorship' or 'auto-censorship'. Finally, there will be a tendency for business school faculty to promote positive models of stakeholders and denigrate negative models. Thus, we see entrepreneurs portrayed as heroes rather than manipulators, marketers as servants rather than pushers or bullies, and strategists as innovators rather than monopolists. Such positions have the effect of attracting support and avoiding criticism from stakeholders; simultaneously serving the interests of both the dominant elite and business school members. Are business researchers knowingly complicit in the production of half-truths and half-theories about business life? Chomsky (2000) thinks this is the wrong question. Some will play the system for promotion; others will be ignorant of the filters. Their actions, however, are

determined by the constraints of the system. To change behavior, one needs to change the system.

### ***Beyond the propaganda model***

Chomsky's focus on the system rather than the individual clearly identifies the propaganda model as a structuralist model that relies on a "dominant ideology critique". As such, it suffers from all the limitations of that particular school of critical thought.

The major problem with structuralist models is their inability to acknowledge heterogeneity. The dominant elite is seen as a unified bloc that seeks the transmission of a single message and all professors in business schools are seen to bow to the same pressures in the same, or similar, ways. Similarly, change can only occur at the system level because individuals or individual institutions cannot resist the system. These aspects of the model are too simplistic.

For instance, at the most basic level, we would expect to observe heterogeneity in the drivers across countries. The drivers in the US may differ from those in Europe. The tendency to have fewer endowments in European business schools may reduce the effect of this driver. Similarly, the tendency to have fewer variations in compensation between European universities, and within the departments of a given university, makes the pursuit or maintenance of high compensation less of a driver of business school behavior.

A similar sentiment is evident in Gramsci's concept of hegemony (Gramsci 1971), which sees a hegemonic bloc forming from an alliance of social groups or ideologies with partially overlapping interests. The various groups engage in a "war of maneuver" to advance their own agendas (Levy and Egan. 2003). This is hardly the picture of a unified dominant elite. The recent election of the second Bush Administration in the US provides a contemporary example of hegemony with its alliance of corporate interests, conservative Christians, and the military. Each of these groups finds it must still continue to find a way to promote its own agenda even though it is part of the ruling elite.

And, of course, in the final analysis, the Bush alliance attracted just over 50% of the voting population. There were many more competing discourses on Election Day and some voters no doubt saw themselves holding views from different sides of the two party divide. The reality is that individuals live in a sea of competing discourses, with various discourses being accepted to a greater or lesser extent by different people according to their circumstances. In this sense, a dominant discourse is merely a view held (or enacted) by a plurality (or perhaps a majority) of individuals. Alternate discourses (or resistance) always exist within a system. Chomsky's own writings (and even this paper) are evidence that those within the system can resist the system and establish an alternate discourse. Chomsky is himself an agent of change whose actions may eventually alter the dominant discourse in the same way that a Marx or Freud had an indisputable effect on modern society.

This dualism is neatly captured by Giddens' (1984) structuration theory, which argues that agents are certainly influenced by social institutions but that these institutions can only arise (and change) through the shared actions of



agents. Agents are thus shaped by *and* shape their social institutions. They are not unconscious dupes or victims being manipulated by the system nor are they entirely free to act in any way they choose. The Gramscian model further highlights the fact that individuals can become more effective in furthering their agendas (i.e. increasing their power) if they can form alliances of shared interests and subsume differences of opinion.

### **Concluding Remarks**

The propaganda model is not valuable for the universal truth of its constructs. We have discussed how the model downplays the role of hegemony, competing discourses, and agency. However, I would argue that there *is* a dominant discourse in US business schools that favors an optimistic interpretation of business activity that has the effect of serving corporate interests (and also suppressing competing discourses). The propaganda model is useful in exposing the drivers that bias (rather than compel) the behavior of those in the system in the desired direction.

This “propaganda” clearly serves corporate interests and, over time, external pro-corporate interests can readily create and reinforce an ideological position within a business school curriculum. However, in many cases, the faculty at business schools are complicit in creating their own propaganda (the resource based view and marketing) or reinforcing existing myths (such as the ‘entrepreneur as hero’). Certainly some business school members might identify with the corporate agenda (either because they believe it or see it in their interest to accommodate it). However, the propaganda model goes beyond self-selection to expose the fact that academics engage in ‘self-censorship’ because they fear the negative consequences of not promulgating an ‘acceptable’ message. Thus, the propaganda model is valuable because it highlights the importance of conditioning (both positive *and* negative reinforcement) in ideological control.

By encouraging us to examine the perverse incentives surrounding knowledge production in business schools, the propaganda model both educates us and invites us to find ways to reverse these effects. In an emancipatory environment, various discourses would be allowed to compete in a ‘tournament of ideas’ without outside pressure to conform to some dominant or censored worldview.

Structures and processes need to be put in place by society to encourage, protect, and nurture competing discourses in business schools. It may be unreasonable to look to business deans for a solution as they are typically captive to the drivers of behavior identified in the model. Perhaps, the impetus for change may come from European business schools, where the conditions are more favorable for competing discourses. The UK, for instance, is establishing a strong critical management tradition.

At the end of the day, US business schools are still somewhat responsive to community concerns. The spate of ethical scandals among US corporations in recent years has forced business schools to adopt a (slightly) more critical curriculum. Similar scandals may eventually break the corporate control over business school agendas.

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