INTERVIEW
WITH
MORRIS McINNES
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Sloan Oral History Series

M: Morris McInnes
A: Alan White
B: Bob McKersie

B: In terms of how we do this, we just like to have people tell their story. You know, their journey, how they came, who was here at the time, and then marching through. You've maintained a tie to the School, as we talked about, through the Greater Boston Executive Program. You taught as recently as last spring, didn't you, in that program?

M: Yes.

B: You've had a tie over many years. We had a progress report to our dean about a year ago. He said, "Make sure you ask people what they are most proud of during their days here." So, it's a free-flowing conversation. Al and I will ask questions, but there are plenty of opportunities to work on the transcript – tighten it down, eliminate, fill in blanks, whatever.

A: And just to reiterate the point, these interviews have been so valuable that we don't want them to go into the Archives and just sit there. So we are now working on a broader project, which of course, if we develop, we'd come back to you about that and how we might use these for various purposes. In my perspective on working here for 40 years, I found this to be, at least initially, and even through the years, it's not an easy place to understand how things work, how decisions are made, and when a decision is actually made. We've often commented that you make a decision and then it goes round and round in a circle and comes back again. Things like that. These interviews could potentially help people to better understand what the place is really all about and what it has meant to you in your career.

B: Anything else we need to clarify?

M: No, no. fine.

B: Morris, when did you first come to MIT? Some people came to other parts of MIT and then gravitated to Sloan. So we just ask that question: what brought you to MIT or Sloan? What year it was. What were your thoughts in coming here? What attracted you to MIT and the Sloan School?

M: Right. Going back, I did my doctorate at Harvard Business School. Bob Anthony was my supervisor; he was well-known for his textbook in accounting. John Yeager, John Dearden, and David Hawkins were the other members of my committee.

Then I went off into industry, down in Texas. Then I went to London where I was main board director, finance, for a company listed on the London Stock Exchange. I fell out dramatically with the chairman of that company. Perhaps relevant, I was signing off on the financial statements, and he was, frankly, manipulating the financial statements. As a matter of principle - and fear of being prosecuted and going to jail, because the chairman is not going to go to jail…the financial director would be the one going to jail - I decided to get the heck out of there.

I was recruited to go to be the chief financial executive of a company in Kuwait, which I did. That was a very interesting experience. Apropos of nothing at all, this was in the early 1970s when most of the world was in recession because of increases in oil prices, a quadrupling of oil prices, and the oil embargo that accompanied the Six Day War. I thought "This is a wonderful time to do an IPO on the London Stock Exchange." Our company was growing fast, and very profitable, and located in Kuwait, the Middle East, with a General Motors franchise for the Middle East. We couldn't ship GM cars out fast enough from Camden into that market. So I wanted to do an IPO in London. I got all this stuff together, and Whinney Murray, a good Scottish accounting firm, signed off on our financial statements. I went to London and our investment bankers said, "Now, this is very strange, because you show the pre-tax profit and the after-tax profit as the same number."

I said, "Yes, there is no corporate tax in Kuwait."

They said, "Oh yes there is. It's 80%."
"80%??? That's impossible."
"Nope, that's what it is."
And that is what it was – and I believe still is today – in Saudi and Kuwait. But the only companies that undertake that liability are the British and American oil companies. They immediately take that 80% as a credit against their US and the UK taxes. Right? It's just the major companies and the oil-producing countries accommodating each other and arranging the tax code to help reduce the real taxes. You normally expect, when you take oil out of the ground, it would be on a royalty basis, which would be deductible, but not as a credit against tax. It's still the same today; the corporate tax rate in Saudi is 80%. That was an interesting experience.

A: So what did they do with your company?

M: My Company had nothing to do with oil.

A: Yours was Kuwaiti company....

M: Yes, Kuwait shareholders....

A: ....so you didn't pay that tax.

M: No, not at all. I wasn't even aware of it. But I couldn't go to the London Stock Exchange with an IPO with this enormous contingent liability. And frankly, the top people in Kuwait were terrified that we would actually blow the whistle, if you will, that this was going on. They were particularly concerned that the members of parliament in Kuwait would become aware of it and use it as leverage against the royal family, which, in a sense, indirectly made these agreements. Oddly enough, at that time there are quite a few members of parliament in Kuwait who weren't aware of it. And among the members of parliament were a few of Marxist persuasion, who might have used this for political purposes. Anyhow, the upshot of it was, of course, we couldn't make the deal work. Frankly, I just ran out of energy living in Kuwait. My children were growing up and ready to start school, my wife Peg was not happy living there. Women's roles in Kuwait were way advanced compared with Saudi, but still not exactly a pleasure. So we decided that was enough and we decided to leave Kuwait. We went back to Scotland briefly.

The significance of the HBS connection was that I was in contact with Michael Scott Morton, and Michael said, "Why don't you come and teach at Sloan School."

I said, "I'd love to!" Move back to Boston, which I love. I think Boston is an incredible place.

B: Put some time markers on this, Morris, please? What year did you finish your DBA under Bob Anthony?

M: 1969.

B: Then we have how many years before we are now coming back to Boston.

M: 1976. So 7 years. During that time, I was teaching at Manchester Business School briefly, then I was in London, then in the Middle East, and then back to Boston.

1976, that's when we, the family, relocated back to Boston. It was Michael Scott Morton who brought me in, and I was delighted.

Frankly, I've always had a much more favorable appreciation of Sloan School versus HBS. HBS, in my mind, was at that time quite hierarchical, and status conscious. MIT, especially in those days, was anything but. We were just a band of scholars, teachers, very collegial, not status conscious at all. That was really quite a different dynamic, so I was very happy to come to teach here.

Michael brought me aboard as an associate professor. At that time John Little was head of the Management Science group, and Accounting was within Management Science. John opined that I really did not merit an associate professor appointment at Sloan School; I didn't have the publications. Indeed, in my earlier life I was not into publishing scholarly articles, it just wasn't my "thing."

A: You were brought in more on the management accounting side, than the financial accounting side, right?

M: Not really.

A: In those days, there was a division of accounting, right?

M: Well, that was actually my setting that up.

A: Oh, you did set it up!

M: Yes, indeed. 15.521 And 15.522.
15.522 didn't exist when I first came here. It was only financial. Candidly, it was looked down upon intellectually by the Finance Group, which was a very powerful group.

A: Right. And still is. I always thought it was a mistake, because of course, they dropped the Management Accounting again.

M: Really??

A: I think so. I don't think they teach Management Accounting any more, do they?

B: I don't know.

A: I don't know, I thought so.

M: Well, that's worth checking into, because it's a management school. My goodness...!

My recollection is what they did was to convert my appointment to Senior Lecturer and I was not on tenure track, which was fine. Really, I was much more interested in the practice of management, and teaching, not the scholarly side of things. Even to this day, I'm somewhat skeptical of that scholarly "drive", if you will, among – really it strikes me as sort of a narcissistic operation, where people publish, their work is reviewed by their own peers, and they all say, "You're great!, you're great!" It's a very closed network, I think. That's just my opinion. But I have published quite a bit since then.

I really came in very much intent upon the teaching of accounting as a managerial practice, not just financial reporting to the financial markets. I don't remember whether the nomenclature, the numbering, was still the same at that time, but I did introduce 15.521, which was financial; and 15.522, which was the managerial piece of it.

In those days, we had students from Harvard, MIT, Wellesley, and BU. Why Harvard? Well, Harvard didn't have any undergraduate accounting, so they came to Sloan School. I can remember – I don't know which classroom it was, but it was huge, I probably had 150 students, and I would be running up and down the aisles, challenging them, doing my acting bit as a teacher. They were from all four of those institutions. Maybe only one-quarter were undergrad Sloan.

B: Who else was here? You mentioned Michael Scott Morton. When you first came, he was teaching, wasn't he?

M: I believe so.

B: Before he shifted over to Management Information Systems....

M: Decision Support Systems.

B: But who else was teaching accounting? Who were your colleagues at the time you came?

M: I don't remember a single one.

A: Peter Keen? No?
How about Mike Treacy? John Donovan? Jack Rockart?

M: Yes, but they were all Information Systems, not Accounting. Michael Treacy was a doctoral student.

A: I guess they were more IT.

M: I don't quite know how it took hold, but I do remember very clearly Bob Merton expressing considerable reservations about my subject and me. And Stew Myers said, "Bob, no. This stuff is very important, and Morris is good." That was good enough for Bob - that did it. So I think Stew Myers was very instrumental in giving me the kind of support to start building accounting as a faculty presence and a subject matter, undergraduate and graduate.

A: Financial accounting now is in the Finance Group.

M: Is it really?

A: Yes. That's why I don't think there's any management accounting.

M: Well, that's unfortunate. Accounting is more of a legal subject than an economics subject, although obviously it plays a crucial role in the financial markets.

A: Well, we will check it out.

B: In fact, we need to get the year when it shifted from Management Science over to what we call EF&A – Economics, Finance, and Accounting.

A: Well, the students loved your material and your course. And Morris was teaching in the Sloan Fellows Program.

M: That's right, in the summer.

A: That's when Morris and I started working together. You were doing that course in accounting, and they loved it, they always loved it.

M: Yes, and Al Marcotte and I did the management game for the Senior Executives. For the Masters students I developed a 1.5-hour lecture, an introduction to the subject of accounting, including managerial aspects. I might have had 50 enrolled in the class, but for that first lecture I would have about 150 students in there. They wanted to hear this "laying it out." So it was kind of fun. I had this reputation as a teacher and teaching relevant stuff, stuff that many of the students felt they really had to know. There's no question in my mind that accounting drives this world dramatically. It's amazing....

B: Were both courses required at that time in the curriculum?

M: I don't remember. I suspect not.

A: They were in the Sloan Fellows Program.

M: Sloan Fellows it was just one course, meshed together.

A: It was better with both managerial and financial, when you taught it.

M: Oh yes, very much so. Possibly more managerial than financial.
Who was teaching finance at that time, to the Sloan Fellows?

A: It wasn't taught during the summer. It was taught during the fall, and mostly Stew Myers. I remember people taught it – we used to bring in people from the outside.

M: Yes. I remember some of the people from outside.

A: Had some good people.

M: So we sort of gained a somewhat collegial and intellectual traction. I wouldn't say we were wildly accepted. Information Systems dominated, Scott Morton and Donovan and Madnick, etc.

A: Michael was teaching accounting at one time, before you came he was.

M: Was Andrew McCosh here? I can't remember.

A: I don't remember him.

M: Andrew was another doctoral student. He was appointed to the chair at Edinburgh in accounting. He was in that little group at Harvard.

A: Morris, we are very interested in your perspective on the knowledge of accounting by practicing managers.

M: Oh, it's inadequate, in a broad sense, very inadequate. There is no doubt in my mind that accounting goes as a descriptive practice. They are simply describing historically what has happened. The truth of the matter is, accounting is really highly normative in shaping behavior, shaping contracts. People are waiting for that number to come out. It's incredibly normative.

I remember John Little coming into the space again. He was concerned about the development of accounting within management science.

I said, “John, you don’t have to worry. Believe me; I can take care of this.”

And he was fine, he said, “OK.”

I started to hire a lot of assistant professors from Berkeley and Stanford and various schools, I must have hired about 6 or 7 faculty, I think.

B: Some of the names?

M: Peter Brownell, of course. Who was it went to SMU.....? Michael van Breda. Ravi Bushan, he went to Chicago, I think, after Sloan.

My memory is not great these days.

B: People didn’t get tenure, I guess? They were hired on a tenure track....

M: By and large, not. But I’m guessing it was a useful stepping-stone for them.

A: I don’t think there was anyone out of Accounting who was tenured.

M: You may well be right.

A: Other than hiring basically Asquith, to some extent....

M: Paul Asquith, I’d forgotten Paul.

A: But he was hired from Harvard, and into the Finance group.

M: That’s correct.

B: Paul Healey was hired directly into Accounting.

A: That’s right.

M: Yes, I hired Paul, from Rochester.

B: And he got tenure.

M: That's right. Before he went to Harvard, along with a very good doctoral student. That was interesting. You know who I'm referring to.... Krishna Palepu, who became a professor at Harvard.

M: Krishna did his doctorate largely with my supervision. However, because I was not a professor, he actually had Stew Myers officially as head of his committee. That went along fine, and really, things were going well. Bill Pounds was dean at the time, as I recollect.

B: Yes, he was dean until about 1980, when Abe became dean.

A: Bill was dean for 13 years.

M: I think, in respect to me and my subject, very supportive. The big shift was Abe. Abe did not want any of these non-scholarly people around the faculty, so he got rid of us. Got rid of Tom Barocci, got rid of me, and got rid of a bunch of people.

B: He was also responding – this is telling tales out of school – he was also responding to some pressure within the senior faculty, called the Appointments Committee, which was saying "Maybe we've got too many people who haven't come up through the tenure track." I could even name some of the faculty who took that hard-line position. Abe was under some pressure from senior faculty, in certain areas, especially Finance.

M: Yes, not stew, but others. Abe was not a major scholar himself, is my recollection.

B: No....

M: He had very little publication to his credit.

B: Was that about the time you shifted?

M: It was 1986, that's when I was dismissed, essentially.

B: So you'd been here about 10 years, then?

M: 10 years, that's correct. Then I continued in the summer, and I continued with the Greater Boston Executive Program...on those programs, it would be hard to find someone to teach finance from the Finance faculty here. They teach stochastic calculus, not so much cash flow and stuff like that.

A: I remember guys like Irwin Tepper, he taught for quite a while.

M: Yes, that's right. And when Tepper stepped down – and I can't remember why – I said, "Look, I can do the finance as well as the accounting." That's when they just merged finance and accounting in the Sloan Fellows and Greater Boston.

Eli Shapiro was great.

A: Yes, he used to teach the Sloan Fellows. They loved him.

M: Oh, absolutely! I learned a lot from him. I remember clearly, they used to have these beginning-of-semester get-togethers, the whole faculty in one of those huge rooms, right? I don't know, maybe 2-3 years into my time. I used to get so uptight about that first class, so nervous. So one night, I was going to one of these meetings, and I said to Eli, "Eli, you know, you're such an accomplished teacher. I am so terrified of that first class."
He said, "Morris, I am too!!"
"Eli!"

He said, "If you ever lose that feeling, you're losing your edge."
That was great.

A: Eli used to feel pretty much the same way.

B: Yes, it's amazing. Well, you're on stage, you don't know the audience, so yes, there was a lot of anxiety there. Did you also teach in the program out in Dedham, the Senior Executives program?

M: Yes, I did.

B: That's a program that we don't talk about much any more.

A: No, and the reason it was dropped, by and large, there wasn't a lot of enthusiasm among the faculty for teaching it. But also, there was the concern of too many international participants and not enough American participants. Of course now the School would welcome that.

M: I would think so! I'd want to spread that reputation around the globe.

A: What perspectives would you offer on the way the School was, and the way you see it evolve. And also thinking in terms of your own field, of course.

M: There was an incredible collegiality in those days. We were a band of colleagues. We had these retreats in Vermont, remember? I can remember these to this day. The big thing was, people from all different disciplines –Arnie Barnett, Stu Madnick, and everyone, and goodness knows. It was so integrated intellectually, it wasn't just emotional and bonding, it was also intellectual, if you will. It was really amazing. I can still remember some of the walks in the starlight up there, dark, and we're walking and chatting away. I can't remember all the cast of characters. At the same time, we used to have these meetings here at Sloan School in the evenings. It would start at roughly 5:00. Everyone on the faculty, doctoral students, you name it, they would come…Fischer Black, everyone. I was very close to Fischer.

We'd start talking about our subject and research, and so on, and at 3:00am we're still talking! Chat, chat, chat....it was just intellectual ferment. It was amazing!

Of course, Paul Samuelson, he had that table in the back of the Faculty Club, and everyone – didn't matter what status they were – could join and join in the conversation. At that time, I thought it was just intellectual ferment. It was exciting! So many boundaries were there to be broken down; they were there to be integrated, one with another. Accounting, Economics, Finance, Management Control, Organizational Studies – boom, boom, boom, bring it all together.

Arnoldo Hax, Strategy, right? Strategy was also coming into that, interestingly, from people who were coming from a functional perspective and growing their subject into strategy. Like Michael Scott Morton. None of this teaching strategy as a separate subject…strategy is kind of mentally bankrupt, from that perspective. It really has to be grown from the grass roots up, you know? That was an interesting aspect, I think; the integration, the collegiality. Very important. I think the School was much smaller in those days, which does make a huge difference.

B: Well, there was the Faculty Club, and these informal contacts.

Was your office in E-53?

M: My office was – this is interesting, too, because Franco Modigliani, he was fascinated by accounting. He very much, later in his intellectual life, came to realize accounting was important. Interestingly, he wanted to sit with me and explore what was this accounting stuff. "What are these assets all about??"

"Well, these are purchased in the past, and they were still....."

"Well, they're just sunk costs."

"Well, they're sunk, but they still have some economic usefulness."

"Ohhhhh...." After a few discussions of this, he wrote that paper, Modigliani and Cohn – remember that paper?[1]

B: No, I don't.

M: It was almost a refutation of the efficient-market hypothesis.

B: Really!

M: Yes, Modigliani and Cohn. I don't know where Cohn went, I think maybe Chicago. I'm not sure where he is now. It was an amazing – you almost thought, "Gosh, all these efficient-market theorists have been misled all these years. And here's accounting and it kind of disrupted intellectually this efficient-market hypothesis."

A: Why did accounting disrupt the efficient markets?

M: Well, the flow of information.... The efficient-market hypothesis would always say – and this is why finance is so contemptuous of accounting – that all information that is necessary to the evaluation of contractual claims is already known by everyone. [chuckles] Well, I don't think people in accounting believe that, and for very good reason. They know very well that you can manipulate perceptions very readily through accounting numbers, very, very readily. Not always honestly, unfortunately. That was one of my problems in London. In that particular incident, a person called Geoffrey Clarkson – do you remember Geoffry?

A: Yes.

M: He was on the board of the company of which I was finance director. When I left, he wanted to know why. I was candid. Well, it was about six months later that Geoffrey was the

[1] Reference added in transcription: F. Modigliani and R. Cohn, "Inflation, Rational Valuation, and the Market." *FAJ*, March/April 1979.

leader of a proxy battle to unseat the chairman of the company; and successfully so. The dissident shareholders got rid of the management. I was already gone away from them and in Kuwait by then. They brought in what in those days was the Cadillac of accounting, Arthur Andersen. Andersen went through the books and said, "These are just totally fraudulent." This was in the *Financial Times*. They brought in new management, a whole catharsis, if you will. But it's very difficult to get a company reestablished from that kind of scandal. So I don't know what happened. I'd have to go back and check. I'm sure they were acquired by somebody, perhaps Unilever. Still remember Geoffrey....

A: Yes, he was here.

M: He was coauthor with Brian Elliott. Elliott and Clarkson, remember that?

A: No, but I remember, he was here.

M: Yes, he was. That Elliott and Clarkson, it was like a disruptive textbook, it was really away from the traditional view of finance.

A: I just read this book, *Where Genius Fails*. Have you read it, Bob?

B: No, I haven't.

M: I know it, but I haven't read it.

A: It's like reading the story of – a lot of the story is the story of MIT, because it's full of people from MIT. And basically, it's the story of Long Term Capital.

M: Ohhhh, that was Bob Merton....

A: That's right, Bob was the philosophical genius behind Long Term Capital and seeing the theory that they practiced.....

M: A little bit of arbitrage....

A: Oh yes, arbitrage was a lot of what they were doing, but it was based on efficient markets. But they would find little discontinuities. But their point was that the efficient markets will work out in such a way that ....

M: That's correct....

A: So it goes to your point....

M: They were using leverage, big time, and that was what killed them. Because in these small positions they would make money when the market corrected itself. But the way to make big money on that was to take on a lot of leverage, a lot of debt. So they took a whole lot more of these positions, financed with debt.

A: Right, and derivatives.

M: Right. And what happened was the Russian bond default.

A: Right, that really hit them.

M: It killed their positions, they couldn't get out of their positions.

A: Right, but you see, this book explains how relying just on the efficient market theory doesn't work because of the black swans that occur. This may have been a one in a 100 year occurrence, but it happened, and these things happen.

M: That's correct. And if you remember, they were talking about the US default. Who was that idiot who was trying to have us default on our debts? It's political leverage...

A: Boehner.

M: No, not Boehner. He had a Ph.D. from MIT…Newt Gingrich, he was creating all the excitement. Yeah, that was interesting. Long Term Capital. And that was with the guy from Stanford, what was his name?

A: Shultz. Shultz and Boehner were the two guys behind it.

M: No, Scholes…Myron Scholes.
Right. Now see, Fischer Black was fascinating, as you know. You'd go to his office and there would be no light on, just one light on his book and he was reading away.

B: If he had lived, he would have received the Nobel Prize, no question.

M: No question. I remember he came to me one day and said, "Morris, I want to teach accounting."

I said, "Fischer, you know nothing about accounting!"

He said, "I know. That's why I want to teach it. I want to learn it."

I said, "Well, maybe not in the first year," talking about the graduates. "Why don't you have a second-year elective?"

And actually, he partnered with Cohn, and had a very successful second-year elective. It was like "Accounting and finance according to Fischer Black." Well, the students flocked to it because he was such a fascinating guy. I don't know what they learned about accounting! But it certainly was interesting.

But that was the sort of thing that happened in those days. People were full of curiosity and they would take the students with them. I'm sure the students got great value out of that intellectual curiosity.

B: We've commented on this in other interviews – some of it was just the geography of how faculty offices were organized. We have on tape that it was Doug McGregor up in that corner office, and also Doug Brown, and then there was a third one. It was disciplines across interests, but they just interacted.

Were you here when the Accounting group moved over to the building, and they clustered them? Or was that after you left?

M: That's after, I think.

B: Were you in E-53 yourself?

M: Yes.

B: And the other ones that you had hired, they were all in Management Science, I guess?

M: Yes.

It was later than Franco. He said to me, "I don't use my office. Why don't you have my office, Morris?" I moved into Franco's office. I didn't put his stuff out, but I used a bit of it. It's a nice office.

B: His office was in E52, right? He must have been in there with the Finance group....

A: Stew was there, and Bob Pindyck.

M: Yes, that's right. I remember Bob.

B: When we talk about Accounting, and how Finance views Accounting, is there a kind of behavioral development?

M: That is right. When that happened.... I came back here for a year as a Visiting Professor....

B: What year would that have been? You said you left in 1986... That's when you went to Suffolk, right? But somewhere after that you came back for a year?

M: I did. The reason was Paul Healey was off with a visiting year at HBS, from which ultimately they enticed him to go there. It didn't happen immediately. I came in for a year, whatever year that was, to cover when Paul was over at the B School.

There was a guy called Richard Thaler...

B: I know Dick Thaler; he's at University of Chicago now.

M: That's correct. He was the originator of the idea of behavioral finance, which now has expanded into behavioral economics, nudging and all that stuff. That was Richard. He was there when – I think he was visiting year from Cornell...

B: Exactly. He was at the business school at Cornell.

M: That was when I was interacting with Richard. It was interesting because I remember we had lunches together and we'd talk. It was still very intellectually alive, you know? Kind of exciting.... You bring back memories for me.

B: Dick Thaler writes columns for the Sunday Finance section of the *New York Times*. You know, they rotate across a half-dozen economists, and he often has a piece in there. He's the guy who wrote the book *Nudge*.... how you get people to do things. One of the idea is, if you want people to follow what you think is better behavior, they have to opt out. Don't ask them to sign onto the program. It creates a different framing.

M: Exactly, it just strips it completely.

B: Then you get many more people doing what you think is best.

M: That is correct. Nudging. I haven't read the book, but I read reviews on it at the time. I know the essence of it. That was very interesting.

A: Well, if you frame the behavioral aspect into accounting and economics and finance, we were also moving away from the efficient market hypothesis.

M: Absolutely.

A: Andy Lo is doing that too.

M: That's right.

B: He's also focusing not just on behavior but on ...

A: ....the design itself....

M: ....the cognitive structures, that's right. Interesting, indeed.

Well, you know, ultimately it's all about behavior, isn't it? Efficient markets – mind you, I never for a moment tell my students that they can beat the market. Don't think you're a genius gone wrong. Just diversify, your skills, your investments, your career, your portfolio, because those markets are more powerful than anyone would think.

B: You did mention that you had done writing. Why don't you say a little bit about some of the things you have been interested in.

M: Going back – and this was part of my disillusionment – out of my doctoral work at Harvard, I focused on the financial control of multinational operations. It was going against the thesis of particularly David Hawkins, who was on my thesis committee. He had written an article arguing that you needed a completely different system of control for foreign operations versus domestic. And from a finance perspective, I couldn't see the logic in that. Where are your assets, how much return are you making? It doesn't matter whether they're in France, or Arabia, or Houston, or whatever. So I pursued that. The way I did it was to create a questionnaire instrument, which I sent to the Fortune 200 multinationals. I got 80 responses, which is pretty high. I promised them I'd send my results once I'd analyzed them. And they wanted to see it.

I got that, and I wrote one paper that said you cannot distinguish on the financial control systems. I'm not talking about the behavioral control, but the financial control systems. They are the same, regardless of where they are in the world. OK, there are things such as hedging currency exposure, but that's still finance. I sent it to what was the leading journal in accounting at the time (and still is, to some degree), the *Accounting Review*. It was accepted almost immediately. Then a month later, I got a rejection letter from a different member of the editorial staff, highly intellectual professors, you know. And an apology from the one that accepted it. The reason was that I had not followed the scientific method. I'd just done an "inquiry." And "you need a scientific theory from which you derive hypotheses from which you then derive experiments," and this did not conform. Well! Scientific method in our field?? I'm not disparaging the scientific method, but really, an awful lot of good genuine inquiry would then set up a basis of saying, "Now let's give it a little more focus." Anyhow, it was rejected. I'd also sent it to the *Journal of International Business Studies*, a British journal, and it was accepted there, and it became quite a well-noted piece.

That was my first "encounter" with that editorial review process, and I wasn't too pleased with it. I really devoted my energies to teaching, and doing practice and consulting. Later on in my career, I came back to say, yes, if you're a professor you have a responsibility. So then I started doing research and publication, and I have quite a few articles now.

B: And what are some of the theme areas?

M: For instance in *Management Science*....Stew Myers was instrumental in that also. He put me in contact with Willard Carleton at UNC Chapel Hill who was interested in financial modeling. I had just completed a survey of practice, not following the scientific method, I'm afraid…my bad. But we got together and published a paper, basically showing the very limited incorporation of standard finance theory into the practice of financial modeling. Corporate financial modeling is huge, but generally not in an optimizing format. How do you figure out the function you're trying to optimize in a complex organization? That was a well-cited piece, because again, it took a lot of empirical observation. We said, "Look, here's the theory for this aspect of management, here's the practice, and here's why it's works, or not, as the case may be. That one went well.

In general, that was my approach. "Let's observe the world," because I'd worked in it, I'd lived in it, I'd suffered in it. Then take some dynamic theory and try to put the two together. That was typically what I was doing.

B: While you were here, you probably did some consulting work. That's something that is very much accepted at MIT....

M: That's right. You and I were doing a major project - The Veterans Administration.... My, my...

A: That doesn't surprise us at all to see that, does it?

M: We went all over the country to the VA centers, talking about management practices.

A: And what a..... ohhhhh.....

B: You had a contract from the federal government?

M: No, not really. It came through Alan, actually

A: Well, it came through George. I don't know how it came about. It came through George Smith and Peter Gill. He roped us in. Keenan was with us. We went around trying to do something about management practice in the VA. What we found was that it was a total disaster. People had no understanding or appreciation for management. On top of that, I think they were doing a lot of things – doing research on patients that they shouldn't have been doing, all kinds of things were uncovered. Not a very happy lot, either.

M: That was an experience.

I was on some boards, things like that. One was in Scranton, PA. Getting to Scranton, oh my goodness! It was a nightmare.

A: And you also participated in our China project.

M: Yes, I did. Teaching, right? Teaching at Tsing Hua and Fudan?

A: Yes, and Guangzhou.

M: I was very active in India for quite some time. I was brought there by the Indian equivalent of the FEI (Financial Executives International). I was lecturing to the managing directors or finance directors of Indian companies. We had a session in Delhi, in Bangalore, Madras, and Chenai. Four locations, a week in each with probably 25 executives in each location. I think I did that twice in two years. I took my wife, and we made a lot of trips on weekends. Fascinating.

One of the themes that I was trying to get over to them was: you can't be a world-class company relying on cheap labor. You have to work on labor productivity if you want to be up there with the British and the Americans and the Germans. I was back there recently, presiding over a conference in Pune, and it was the same thing: three waiters doing the job of one person. The idea was, you have to keep people employed. They haven't learned at all from the message I was trying to get over to them. But I must say, I really enjoyed my times in India. It was fascinating. But they are so far behind China, it's not even close.

B: That goes back to the time when Lester was debating whether to make a major initiative into India or China. Because we had proposals. We had the Epic Foundation in Taiwan and we had some other things from China. And here we had this history of much more involvement in India, and the English language. Yet, Lester was right by saying "Hey, our big commitment, at least initially, should be China."

M: Lester was a perceptive guy.

B: There were these Indian institutes of management whatever they call them. Charlie Myers had been over there, and that whole phase....

A: Yes, Indian advances to....MIT did the one in Calcutta, and Harvard did the one in Ahmenabad. Those two schools are considered – along with the India Institute of Management – now to be the top schools in India.

M: Lester was a very interesting guy, somewhat controversial, I guess. And Paul Krugman, the one who writes in the *Times*. He was very critical of Lester.

A: And Lester is the one who hired Krugman here.

M: That's right!

A: Krugman came originally to the Sloan School, and then he went over to the Department of Economics. Now he's become rather famous with the *NY Times.* Eli always admired him because he said he was willing to speak out. It was interesting stuff. Because he will speak his point of view.

M: I happen to agree with most of it.... [chuckling]

A: It's interesting, what you were saying about how things used to be much more integrated than they are today. Yet, there is a need for things to be more integrative. If you think about things like behavioral accounting, and behavioral finance, and economics, you have to find ways to get things....

M: ....integrated into organizational and behavioral studies. Absolutely right. But it's also the need for research, which was, of course, the intellectual foundation of Sloan, really deep research. Was it Howard Johnson who pushed that? But once you got the deep research, now you have to say "How do we integrate that?" And some of it was inimical to one another. You'd get the deeply committed, invested views, and they become resistant to introducing other intellectual themes into it. But I do think Sloan – certainly in my days – they did a good job of that.

B: Did you have much interaction with the engineering side of MIT. I forget where in our interviews – whether it was with Paul Gray – but somebody said "You know, engineers, when they think about Sloan, what they need is accounting. But beyond that, we're not sure what else needs to be done at Sloan." Kind of like accounting appeals to an engineer, should appeal to an engineer because it's measurable, it's quantitative, and it's robust.

M: Strong principles underlying it....

I did not interact personally with the engineering side of things. I regret that I didn't. It would have been really interesting. I wonder when that happened. During my time? I'm not sure.... I can't remember now. Seems as if it was subsequently, but I could be wrong.... Because there is a very natural affinity there. To understand engineering, and then accounting and the budgeting.

B: They are sisters, right...

Well, I think we are getting close to 1:30. Anything else you want to say?

M: No, I think I've covered everything.

B: We ought to be on the record about where you are going to be at 4:00 today.

M: Well, let me just say this. At the time when Abe tossed me out, I was somewhat resentful. But in point of fact, it was a very important and positive turning point in my career. I went to what became the Sawyer Business School at Suffolk University, and with my background and Harvard and Sloan credentials, I had a lot of leverage, and I was able to make a huge difference. I must have hired 40 faculty into that school, and I really shaped through hiring the intellectual focus and everything. I feel very fortunate that that particular opportunity opened up for me, and frankly, I fitted into it very well. Not that deep scholarly stuff. It had a more integrated view. Candidly, however, we struggled with integrating intellect across the faculty. It's in the nature of the doctoral process, doctoral research into smaller and smaller topics and adherence to the scientific method and it's hard to re-integrate it. But I really did enjoy my time at Sawyer Business School.

A: And you maintained your ties here, which was wonderful. All through the years.

M: Yes. And I loved both institutions.

B: When did you retire, or took *emeritus* status at Suffolk?

M: June 30, 2013. Age 73. I thought it was time. Not that I was not enjoying it, but there comes a time when you say, "OK, you have to step aside. Let the young folks take over." So Abe did me a favor, in the end.... [laughs]

A: And now about the award.

M: The Heritage Award has only been established about three years ago, I think. The idea was that they should recognize career-type contributions to Suffolk University, not just the business school. I can't remember, I'd have to go back and refresh my memory who were the previous recipients. But I'm very pleased, very honored. I think the faculty themselves have quite an input to the committee that decides who should receive the Heritage Award. So that's always a nice affirmation that you're appreciated.

B: That's great!
OK, thank you so much.

END OF INTERVIEW