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OPENING THE BLACK BOX OF INTERNATIONAL STRATEGY FORMATION: HOW HARVARD BUSINESS SCHOOL BECAME A MULTINATIONAL ENTERPRISE

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Abstract

This article addresses the question of why some business schools internationalize by establishing units abroad. We study their internationalization by examining the process that led to Harvard Business School's first international strategy and its first foreign direct investment. The study elaborates how internationalization theories are applicable to research on the internationalization of business schools by exploring the role of environment and agency. The analysis shows that in an academic organization characterized as a loosely coupled system, individuals may influence the collective cognition in a strategy process by using new theoretical insights to conceptualize experiences and legitimize decisions. This demonstrates that agency is a multifaceted concept and its function depends on who has agency and how it is used. By exploring how a new academic discipline, international business, contributed both to the conceptualization and the legitimization of a new strategy, the study provides new insight into the process that leads to the formation of an international strategy.

Keywords

Internationalization process, strategy formation, business schools, business history

As business schools have become more international, scholars have sought to describe and explain the phenomenon. Predictably, this has led to discussions of how the internationalization of business schools can be understood and appropriately analyzed. One stream of research about the new breed of internationalized business schools has drawn upon macro-level theoretical perspectives that relate to the past, such as postcolonial theory (Abreu-Pederzini & Suárez-Barraza, 2020; Kumar, 2019; Siltaoja, Juusola, & Kivijärvi, 2019), and historical and institutional views (Cooke & Alcadipani, 2015; Wanderley & Barros, 2020). Another stream of research on business schools' internationalization has adopted the more micro-oriented theories and frameworks from the international business discipline (Engwall & Kipping, 2013; Guillotin & Mangematin, 2015; Rogmans, 2019), which has led to critical comments on the use of international business theories to study business school internationalization and a call for exploring other theoretical approaches when studying this phenomenon (Juusola & Alajoutsijärvi, 2019).

We respond to this call by studying the internationalization process as a long-term process of international strategy formation including both emergent strategies as responses to external forces and deliberate internal decisions made by agents (Mintzberg & Waters, 1985). As noticed by Foss and Møllgaard (2020), little is known about the formation of business school strategy in general, and this also applies to their approach to internationalization. Based on Melin's (1992) discussion of internationalization as a strategy process, our approach includes the model developed by Johanson and Vahlne (1977) – often referred to as the Uppsala internationalization process model – which is used by Engwall and Kipping (2013) to show how the internationalization of business schools has evolved gradually, as a learning process. It also

includes other dynamic models for understanding internationalization, such as Vernon's (1966) product cycle model that sees internationalization as a result of how new products expand out of their home markets. Further, we draw upon literature on how agency interacts with the external environment in formulating strategies (de Rond & Thietart, 2007; Mackay & Chia, 2013), and on strategy cognition research focusing on how new strategies emerge as a cognitive process where decision-makers make sense of experiences (Narayanan, Zane, & Kemmerer, 2011).

Our study is motivated by three observations about research on the internationalization of business schools. First, the noted general lack of research on opening the black box of strategy formation in business schools (Foss & Møllgaard, 2020) merits examining how these organizations with their distinctive characteristics make use of their experiences as they develop international strategies. The notion of strategy formation has long been recognized in the strategic management field (Mintzberg, 1978), but a process-oriented approach has seldom been used in studies of international strategy formation (Melin, 1992; Santangelo & Meyer, 2011). Second, the uniqueness of business schools compared to other organizations that have internationalized, invites research with the purpose of exploring the nature of strategy forming agency in business schools. Third, history-informed strategy research, characterized by drawing on historical methods, provides a useful lens for studying strategy related phenomena and decisions over time (Argyres et al., 2020), especially those regarding complex and potentially risky engagements such as internationalization (Vaara & Lamberg, 2016).

We do this by studying the background to Harvard Business School's (HBS) decision in 1971 to explicitly formulate and execute its first full-fledged international strategy. The decision was based on the definition of HBS as a multinational enterprise (MNE), and led to the establishment of HBS's first foreign wholly-owned unit in Vevey, close to Lausanne in

Switzerland. In an historical context when several US business schools were very active in cooperating with other business schools abroad (Amdam, 2020; Engwall, Kipping, & Üsdiken, 2016), and Stanford Graduate School of Business (Stanford) and HBS even operated, but without owning business schools in Peru (ESAN) and Central America (INCAE) (Colburn & Montiel, 2001; Coleman, 2005), HBS decided to take a totally new step and established their own unit in a foreign country. As far as we know, HBS was the first university organization to perceive itself as an MNE. Its international strategy formation process led to the decision to make a foreign direct investment (FDI), and the event came as a surprise when it was announced (*The New York Times*, 29 May 1972). Our empirical research reveals that Raymond Vernon, professor of international business at HBS from 1958, was active in this process from 1965, which makes it highly relevant to draw on his pioneering work on the product life cycle model – an example of internationalization process theory (Melin, 1992) – as a possible contribution into the process.

The historical starting point for this study is the early 1950s, when US business schools experienced an increasing demand for becoming more international. The end point of the study is 1972, when HBS executed its decision to establish a wholly-owned unit in Switzerland. Strategies are not always planned or formulated (Mintzberg & Waters, 1985), and by using this time span we cover the process from a very early pre-formative stage when formulating an international strategy was not addressed explicitly, to a formative period when a strategy became a planned aim, and then to the execution. Because of the richness of the historical sources, this case is well suited for a study of the formation of international strategy, using the definition of strategy as “a pattern in a stream of decisions” (Mintzberg, 1978: 934) and perceive internationalization as an ongoing process rather than a single decision (Aharoni & Brock, 2010). Based on this, we

address a general research question: What are the roles of environment and agency for the internationalization of a business school?

The article specifically contributes to literature on why business schools internationalize by showing how theories derived from studies of commercial enterprises are also applicable for studying the formation of international strategies by educational institutions. Following Fisher and Aguinis's (2017) guidelines for theory elaboration, we extend our theoretical knowledge about internationalization processes by exploring the role of agency in the formation of international strategies for an academic institution with relative low degree of organizational hierarchies (Weick, 1976). Based on observations that strategy formation involves cognitive processes where individuals make sense of experiences and knowledge resulting in heterogeneous mental maps, which may lead to variations within a team on the outcome of decisions (Maitland & Sammartino, 2015; Narayanan et al., 2011), we also elaborate theoretically how individuals may influence collective team cognitions by using academic theory to legitimize one specific decision. By exploring how the emergence of a new discipline – international business – acted as a catalyst as well as legitimized the new strategy, we show that agency is a multifaceted concept and its function depends on who has the agency and how it is used.

Our article is structured as follows. In the next section, we present theoretical perspectives, and develop a framework for the formation of international strategy as a process. After presenting our methodological approach, we provide a detailed chronological historical study of the development of the idea of the internationalization of HBS from the early 1950s to the formation and execution of an international strategy in the early 1970s. Finally, we discuss this case as a process of international strategy formation, followed by our conclusions.

THEORETICAL PERSPECTIVES

Due to the unique character of the business school as an organization compared to the private firm, the relevance of applying international business perspectives on business school internationalization has been a topic for critical discussion.¹ According to Engwall and Kipping (2013), the Uppsala approach on the internationalization process – claiming that firms tend to internationalize first in modes of operation that involve low commitment and risk in countries which are close in psychic distance (Johanson & Wiedersheim-Paul, 1975) or where they have strong networks (Johanson & Vahlne, 2009) – could be used in studies of internationalization of management education, but only with care, and only if we consider the uniqueness of higher education related to reputation. While private business firms make use of their reputation to enter new markets, the reputation is primarily an asset to strengthen its position in the home market for the business schools. Students evaluate the value of an education based on its reputation since they do not know the content in advance, and they go through the same study only once. Due to this uniqueness they argue that internationalization of management education is primarily found in the less advanced stages of internationalization, such as exchange of knowledge and student and faculty mobility, while “the most advanced type of internationalization (FDI) is rare” (Engwall & Kipping, 2013: 336). Hence, while the Uppsala model is typically used in international business literature to explain why, where and how firms internationalize, the theoretical framework is used by Engwall and Kipping (2013) to explain why business schools do not internationalize more than they do.

The internationalization process literature has paid little attention to the question of strategy formation. In his work on the product life cycle theory, Vernon (1966) regards the innovation and then standardization of new products as drivers of internationalization.² The

Uppsala approach initially put most emphasis on mechanisms such as learning, and factors such as experience, both of which require time to develop and both of which change over time as drivers of internationalization (Johanson & Vahlne, 1977). Later, (domestic) networks were added as an important driver of internationalization, especially given their potential roles as facilitators (or inhibitors) for overcoming the hurdles associated with internationalization – the liabilities of foreignness as well as outsidership (Johanson & Vahlne, 2009). Still, the focus is on the decisions firms make as they internationalize – such as which countries to enter and how to operate there – rather than on how their strategies for internationalization actually come about, i.e. their formation process. This also means that the puzzle of events and seemingly small decisions before internationalization is put on the agenda of an organization, but which in retrospect emerge as important initial parts of a strategy process, are left out of the internationalization process literature.

We explore the roles of environment and agency for the internationalization of business schools as processes of international strategy formation consisting of four components: First, it is a cognitive process where actors make sense of experiences and interpret information, and based on this develop cognitive structures on which decisions are anchored (Maitland & Sammartino, 2015; Narayanan et al., 2011; Niittymies & Pajunen, 2020; Porac, Thomas, Wilson, Paton, & Kanfer, 1995). Second, it is a process consisting of a mixture of deliberate decisions and non-intentional decisions and actions (Mintzberg & McHugh, 1985). Third, these decisions are results of both contextual changes and choices made by agency (de Rond & Thietart, 2007; Mackay & Chia, 2013). Finally, the long-term character of a formation process makes an historical perspective highly relevant (Vaara & Lamberg, 2016). When doing this, we also need to take into account the special character of the business school as “loosely coupled system” with relatively

weak hierarchical structures due to strong positions of some academic disciplines and/or professors and the president, often elected, that serves for a limited period; it is a system that provides space for bottom-up decisions (Foss & Møllgaard, 2020; Weick, 1976).

The cognition perspective emerged from behavioral decision theory (Cyert & March, 1963) and explores decision processes by disentangling the links between cognition in an organization and decision-making; specifically, those involved in a process of strategy formation (Hambrick & Mason, 1984; Narayanan et al., 2011). The research stream is anchored in Mintzberg's (1978) view of strategy as a stream of decisions. It is well suited for unpacking a process of international strategy formation from the first seeds to its elaborate and often explicit formulation by putting pieces of external impulses and internal actors' sensemaking in the form of behavior and reflections together into a long-term process of strategy formation. This stream of literature includes studies of both individuals' and groups' cognitions, very often with a focus on top management teams (Narayanan et al., 2011). Within an organization, decision-makers differ in experiences and backgrounds – the roots of different mental models – which enable unique sensemaking and interpretations, and consequently different views on, for example, internationalization decisions (Dutton & Jackson, 1987; Maitland & Sammartino, 2015). Within a top-management team, individual mental models act as filters for making sense of knowledge and experiences when decisions are made (Maitland & Sammartino, 2015; Porac et al., 1995). The individual cognitive differences among team members are then often harmonized in a process of consensus building among the team members regarding interpretations to develop organizational cognition (Fiol, 1994). However, the role of the individuals in decision-making processes has not been systematically examined in studies of internationalization (Niittymies & Pajunen, 2020).

In the context of a business school with an organizational structure characterized as loosely coupled system (Weick, 1976) where faculty members, both individually and as a collective, have had very strong impact on decision-making processes regardless of their positions in the formal top-management team (Khurana, 2007), it seems pertinent to search beyond the formal top management team and expect that the organizational cognition process would also involve individuals who are not formally members of a top management team, but for example are active in ad hoc committees.

As pointed out by Aharoni et al. (2011), decisions about internationalization are often idiosyncratic and intuitive. While early research dealing with decision-makers in internationalization goes back a long time (see e.g. Aharoni, 1966; Cavusgil, 1981; Cavusgil & Nevin, 1981; Larimo, 1995), the decision processes as such remain generally underexplored and poorly understood (Surdu, Greve & Benito, 2021). The nature of the process is underlined by Mintzberg and McHugh (1985) who show how strategies can be formed in different ways as results of an interplay between deliberate intentional strategies and emergent non-intentional strategies. Hence, to understand the impact of the decisions that form a process, we not only need to identify and study the decisions that intended to lead to a strategy but also search for other decisions and behaviors that may have had an impact on the strategy formation even if it is less obvious. We should also be open-minded and accept that strategic decisions may originate in different units or sections of an organization, like “weeds in a garden” (Mintzberg & McHugh, 1985). Hence, we extend the perspective from defining the top manager as the focal person of the investigation (Nadkarni, Herrmann, & Perez, 2011) to including various kinds of actors who take part in, and may even be decision-makers in, the process (Perks & Hughes, 2008). In the context

of a business school, individual professors with strong positions or reputation may influence a process forcefully regardless of their formal position the organizational hierarchy.

An important debate deals with the role of the agents who make the decisions and formulate the strategies and the external context in which the decisions are taken (de Rond & Thietart, 2007; Mackay & Chia, 2013). We accept that environmental changes may create new conditions and constraints for choices, but without being environmentally deterministic. Strategic decisions can be intentional or non-intentional, and they emerge as a result of an interaction between agents who make decisions and the social and material contexts, which function as “raw materials for choices” (de Rond & Thietart, 2007: 547). While strategic action is inherently unique and is triggered by decision-makers’ subjective awareness of opportunities and risks, it is checked by constraints on resources and capabilities. Regarding internationalization processes, Gaba, Pan and Ungson (2002) show in their study of the timing of Fortune 500 firms’ first investments in China, that timing depends on three theoretical thrusts: (1) firms’ capabilities and/or firm-specific factors; (2) perceptions of market and environmental opportunities, including firms’ position in relation to competitors; and (3) host country variables, including risks.

Building on their insights, we argue that in the pre-formation stage of a strategy for initial international entry, it is essential that agency is not limited to actors within the organization but also includes (1) intermediaries who especially in an initial phase of market entry communicate information from the host country variables – here defined as the international market – and (2) internal actors in the organization who make sense of the communicated market knowledge (Maitland & Sammartino, 2015). When an organization crosses a country border, it typically has few, if any, connections to national networks in the host country. It also seldom has much location-specific knowledge. The presence of intermediaries who may connect the organization

to the market is therefore crucial, as they help reduce the challenges of overcoming the liability of foreignness. Intermediaries are actors that connect the internationalizing organization with the local market, such as alumni and other contacts in foreign markets. They are not only agents for promoting the interest of the business school (Abreu-Pederzini & Suárez-Barraza, 2020), but also possible channels for organizational learning by providing access to external knowledge and experiences (Benito, Solberg, & Welch, 1993), especially in an early stage of internationalization (Andersson & Sundermeier, 2019).

Finally, our approach also accepts that strategy formation processes are not only socially and materially contextual (de Rond & Thietart, 2007), but also historically embedded (Vaara & Lamberg, 2016). The potential of historical research for opening the black box of international strategy formation follows recent calls for more historical studies and more use of historical methodology in the social sciences; including organization studies (e.g. Bucheli & Wadhvani, 2014; Maclean, Harvey, & Clegg, 2016; Rowlinson, Hassard, & Decker, 2014), strategy (Argyres et al., 2020; Kahl, Cusumano, & Silverman, 2012; Vaara & Lamberg, 2016), and international business (e.g. Buckley, 2016; Jones & Khanna, 2006). According to Vaara and Lamberg (2016), knowledge about the different stages of strategy-making in their historical context is virtually absent in the research literature on strategy processes. This also applies in the context of internationalization. While management studies typically define stages as sequences based on predefined criteria, the historical perspective defines stages as periods constructed from sources and historical contexts (Rowlinson et al., 2014). This makes a study of an international strategy formation process in stages of predefined stages of pre-formation, formation, and execution, combined with a historical perspective of periodization based on historical events and processes, relevant for the question of the historical perspective's contribution to management. The

inclusion of a pre-formation stage is needed since the formation process exceeds management's deliberate search process (Gavetti & Rivkin, 2007) and begins before the formation of an international strategy is explicitly defined as an aim.

Based on this, we elaborate the theoretical understanding of the formation of an organization's strategy for internationalization by analyzing the formation process based on pre-defined criteria for different stages (pre-formation, formation and execution) in historical time periods derived from historical contexts and sources used in this study (Rowlinson et al., 2014). We analyze the process as a historical process of decisions based on an interplay between the context represented by the international market, intermediaries between the market and the organizations, and internal actors and how they make sense of information and experiences. We categorize the sensemaking mechanisms according to the three steps in a sensemaking process: noticing, interpreting, and identifying appropriate actions (Bogner & Barr, 2000; Daft & Weick, 1984; Nadkarni et al., 2011). Within this framework, we identify the character and changes in the international market, intermediaries, and the sensemakers based on empirical research.

METHODOLOGY

In this article, we study internationalization as a result of a strategy formation process that is fluid in character and spread out over time and space (Langley, 1999; Pettigrew, 1992). The various elements of the process are therefore difficult to isolate as they involve both internal and contextual elements spread over time. By applying a history-informed strategy research approach (Argyres et al., 2020), we aim at elaborating theory, understood as a research process where we apply identified general theories by introducing a new context – here the application of internationalization theory in the context of business school internationalization – in order to

expand, develop or tighten existing theoretical ideas (Fisher & Aguinis, 2017; Ketokivi & Choi, 2014). By focusing on the contextualized logic of general theories applied in a historical case study, this elaborating approach potentially enhances the external validity of extant general theories (Ketokivi & Choi, 2014: 236).

To reconstruct the historical process, we chose a narrative strategy to make sense of the formation process (Langley, 1999) by studying a case based on historical methodology. We follow one of Vaara and Lamberg's (2016) principles for analyzing historical embeddedness, realistic history, as opposed to interpretative and post-structuralist history. A realistic history approach implies that we aim at reconstructing the historical process as close as possible to how it was, based on available sources. Related to Seawright and Gerring's (2008) seven categories of cases, we define our case as an extreme case in the sense that it is unusual compared to other comparable cases. Our case fulfils this criterion by being the first business school to develop an internationalization strategy and make an FDI in a period when several US business schools increased their international activities, but without taking this step (e.g. Amdam, 2020; Engwall & Kipping, 2013). In cases where the case is unusual compared to others, the value of the case lies in its rareness, and the approach should be to maximize variances in order to elaborate theories (Seawright & Gerring, 2008: 301-2).

The reconstruction of the case is based on a strong element of the researcher's interpretation of relevant sources, which is typical for historical research. Sources will not be reported as pure information but interpreted within a temporal and social context both regarding what kind of sources we use, and how we use them to reconstruct the process as realistically as possible based on our interpretation. This methodological approach requires a strong element of transparency both regarding the quality of the sources and how we reconstruct the process (Gill, & Roulet, 2018).

The formation of HBS's international strategy was chosen as a case for several reasons. First, it is a unique case, since the decision to establish a unit in Vevey, Switzerland to our knowledge was the first FDI within the industry of business education. HBS therefore had no role model to copy. Second, the process was focused from the very beginning on the internationalization of one particular educational innovation, the non-degree executive education program known as the Advanced Management Program (AMP), which was launched at HBS in 1945. This made it possible to focus our reconstruction process. Third, the internationalization decision came as the result of a lengthy and involved process that lasted for about 20 years, and HBS's rich historical archive is a unique source of data for documenting this process.

In historical research, the existence of sources – not necessarily located in archives, although this is often the case – drives the research process (Lipartito, 2014). These sources are of different character (e.g., annual reports, internal bulletins, minutes from meetings, correspondence between actors, and financial reports) and they may be collected and stored for different purposes (e.g., for later historical research, for tax purposes, or to preserve the memory of managers). Albeit closely linked to the history discipline, archival sources have also been used in management and organization research (e.g. Anteby & Molnár, 2012). An historical approach based on archival studies may draw attention to an empirical richness of relevance also for management research, an observation that has motivated historical research based on archives in management in general (Rowlinson et al., 2014), as well as for example critical organizational history (Durepos, Shaffner, & Taylor, 2019), and reflexive historical research (Stutz & Sachs, 2018).

We principally used four types of document from the archive. (1) To get an initial overview, we used organizational bulletins (in our case, the *HBS Bulletin*, four yearly issues for 1950–1973), which typically report important organizational changes and constitute a form of

collective memory (Anteby & Molnár, 2012). In this case, the bulletin had few reports on the process, which illustrates the strictly internal and fragmented character of the process. (2) We used minutes from internal and external meetings to get information on formal decisions and the timing of the decisions. (3) We also studied reports from committees on international issues to understand the complexity of the process. (4) As this was a long process, we studied correspondence between key actors within the organization and with actors within allied partners to explore how they interpreted the international market and contributed to the formation process.³

The historical methodology is based on the principles of source criticism, triangulation, and hermeneutic interpretation (Kipping, Wadhvani, and Bucheli, 2014). By source criticism, we refer to an awareness of the origin and function of the historical source. They are often incomplete and biased, and often we do not know the principle behind the selection of the sources that were kept (Popp & Fellman, 2020). Therefore, archives are not physical repositories of documents based on objective selection processes, but collection based on “a complex system of embedded rules that determines the production of knowledge” (Decker, 2013: 157). This means that the researcher needs to establish the validity of a source by analyzing the motives for, as well as the context, the creation, and the storage of the source. Furthermore, it means that the credibility of the source must be established, which requires a reflection on its trustworthiness and reliability. Historical research also needs to be verifiable. This means that historians practice source transparency (Gill et al., 2018), linking evidence back to specific sources. To provide a trustworthy narrative, we make our use of archives transparent by referring to the sources in endnotes.

The construction of a realistic historical case based on archival sources involves uncertainties since some sources may be missing, and other sources may contain information that

can be interpreted in different ways. To reduce the uncertainties, we seek to be transparent by following the principle of triangulation and we mention when relevant information may be interpreted in different ways so that an alternative interpretation may have changed our narrative (Gill et al., 2018). Since personal notes from HBS professors represent a substantial part of the archival sources we have used, we have carefully compared notes and letters from several persons involved in the same processes. Triangulation can also involve actively searching for phenomena for which research based on different principles or sources gives different results. Finally, by hermeneutic interpretation, we mean that the sources are defined as texts that should be interpreted in the social, cultural, temporal, and political context in which they were produced (Khair & Wadhvani, 2010; Kipping et al., 2014). In historical analyses archival documents are texts defined as primary sources, and previous historical research are texts defined as secondary sources. The meaning of a primary text is then interpreted by going back and forth between texts of primary character and the contexts represented by knowledge that are interpreted based on texts defined as secondary sources.

In the research process the information from the archival sources and secondary sources was interpreted and systematized for the two first phases (pre-formation and formation phases) according to three dimensions: (1) Characteristics of the international market (national versus regional, general versus corporate); (2) the type of intermediaries that communicated information from the international market (external versus internal, organizational versus individual); and (3) characteristics of the internal actors (individual versus organizational, management versus faculty) and how they made sense of information and according to three categories widely used in research on sensemaking processes – noticing, interpreting, and identifying appropriate actions (Bogner & Barr, 2000; Daft & Weick, 1984; Nadkarni et al., 2011). In accordance with

hermeneutic methodology, quotations and interpretation from the documents are reported as representative expressions of the discourse (Boje, 2001; Haley & Boje, 2014).

THE MAKING OF AN INTERNATIONAL STRATEGY

Based on an understanding of the making of an international strategy as a stream of decisions and actions that from the beginning have a strong impact of undeliberate and non-intentional actions (Mintzberg & McHugh, 1985), this section outlines the historical process in three phases: (1) The pre-formative phase that precedes the phase when the formation of an internationalization strategy is addressed explicitly; (2) the formation phase when the explicit aim is to form and decide on a strategy; and (3) the first part of the execution process.

In our case, the pre-formation phase (early 1950s to 1965) was anchored in the development and internationalization of HBS's new executive education program, the AMP, established in 1945 (Amdam, 2016). During the 1950s and 1960s, the idea of approaching top executives, or potential top executives, directly through short (3-15 weeks) full-time on-campus programs spread rapidly, and HBS's AMP became a role model. In 1968, there were around 50 programs having a similar format at different US universities (West, 1970). Globally, the program concept was introduced in this period in countries such as Japan, the Philippines, India, Morocco, South Africa, Switzerland, France, UK, Mexico, and Chile, often with a strong involvement from HBS faculty (Amdam, 2020). The formation phase lasted from 1965 – when Dean George P. Baker appointed the Committee for International Activities to make a plan, referred to as strategy, for HBS's international activities – to 1971, when the strategy was approved. Then, we follow the first step of the execution phase from the approval to the public announcement in 1972 of the new HBS unit in Vevey, Switzerland.

The Pre-Formation of the International Strategy: From the Early 1950s to 1965

The international market

The market that created the international demand for HBS's AMP just after World War II had two main characteristics. First, HBS experienced demand because of the geo-political institution of Americanization, which was aimed at transforming global capitalism and business practices on the basis of American models (Djelic, 1998). This institution was constructed by several actors, with important impetus being provided by the foreign policy of the US state, as expressed in the Marshall Plan, the Ford Foundation, and American enterprises that were internationalizing. Key actors, such as the US Technical and Productivity Program (USTAP) (McGlade, 1998), the European Productivity Agency (EPA) (Boel, 1998), and the Ford Foundation (Gemelli, 1998), highlighted management education as a core element in their international activities. The Ford Foundation funded several projects that included US business schools, among which HBS was the largest recipient, as well as foreign partners, in order to initiate new business education programs abroad. These programs included the Institut Européen d'Administration des Affaires (INSEAD) in France (Barsoux, 2000), London Business School (Barnes, 1989), Manchester Business School (Wilson, 1992), and the Indian Institute of Management in Ahmedabad (IIMA) (Hill, Haynes, & Baumgartel, 1973).

Second, HBS experienced a demand for its expertise in the development of executive education from several national markets. From 1955 to 1959, HBS received requests for cooperation from 76 countries. This demand accelerated. During the first nine months of 1959, HBS received 293 visitors from 40 countries who wanted to learn how to operate a business school, including how to start executive programs.⁴

In many of these markets, HBS established close relationships with new business schools and management development centers that primarily offered programs based on HBS's model for executive education. These agreements were either formal institutional alliances between HBS and foreign partners or informal alliances with foreign partners. In formal alliances, HBS committed the business school for five to 10 years to invest time, money, and faculty members to build up a business school. HBS entered into an agreement with private Italian investors in 1953 to create the Istituto Postuniversitario di Organizzazione Aziendale (IPSOA) in Turin; with the University of Istanbul, Turkey in 1954 to establish a business school; and to establish IIMA in 1961. In 1964, HBS helped establish a new business school for Central America, the Instituto Centroamericano de Administración de Empresas (INCAE), which offered AMPs in Guatemala, Panama, El Salvador, and Costa Rica.⁵ The informal agreements with fewer institutional commitments were made during the 1950s with universities or business consortia to teach executive courses at, for example, the AMP in the Far East in Baguio, the Philippines; Keio University Business School in Tokyo, Japan; INSEAD in Fontainebleau, France; and IMEDE (Institut pour l'Étude des Méthodes de Direction de l'Entreprise) in Lausanne, Switzerland.

From the perspective of HBS's internationalization, the foreign partners functioned as agents for exporting HBS's AMP in an adjusted format. From being a US business school with a good international reputation that attracted many international MBA students (although before World War II these made up less than four percent of all students annually),⁶ in the 1950s HBS developed into an exporter of management education, with national business schools and management training centers as its export agents; if we define this in a similar way to Bartlett and Ghoshal's (1989) definition of an international exporter.

Intermediaries

The expanding international market for executive programs was communicated to HBS through three types of intermediaries. The first type of intermediaries was the international alumni from the MBA program established in 1908 (Khurana, 2007). For example, in 1954, a group of Mexican HBS alumni from HBS's MBA program contacted the HBS faculty, who agreed to teach in Mexico for some years.⁷ A second type of intermediaries was international participants at HBS' International Teachers' Program, established in 1956 with the support from the Ford Foundation. The program invited teachers, primarily from developing countries and from institutions where HBS professors already taught, to the US and taught them business administration and case teaching. From 1956 to 1963, 150 foreign teachers from 31 countries participated in this program.⁸

The third type of intermediary was HBS professors who would teach abroad and contribute to the formation of new management development centers and business schools. In addition to teaching at foreign business schools with which HBS had established formal or informal agreements, many HBS professors made individual agreements with the HBS dean's approval, to teach executive programs abroad, "patterned after our Advanced Management Program".⁹ This happened in countries such as Canada, Chile, France, and Mexico. Within all kinds of partnerships many HBS professors went abroad to teach during their summer vacations or if they were on sabbatical, and could bring with them their experience of teaching the AMP at HBS "with caution".¹⁰

Internal actors and sensemaking

At HBS, individual professors who from around 1950 went abroad for short periods to teach executive programs became key internal actors in making sense of their experiences. In this period, their notification made the foundation for a process towards the formulation of an international strategy. Already in 1949, three HBS professors went to teach a five-week AMP at

the University of Western Ontario, Canada.¹¹ From the mid-1950s, others taught at an increasing number of new business schools, including IMAN (Instituto Mexicano de Administración de Negocios), INSEAD and IPSOA. The number of faculty members who taught abroad increased substantially, and an internal report made in 1962 states that “in the postwar period, 45 percent of the members of the faculty have taught in short summer management training programs outside the continental United States.”¹²

In a pre-formative stage processes may develop slowly, and the qualitative changes may be difficult to identify precisely. However, in the late 1950s, the character of the sensemaking process changed from primarily noticing to also including the interpretation of experiences (Bogner & Barr, 2000; Daft & Weick, 1984). It also changed from being anchored in some of the individual professors toward becoming an organizational cognition process. Dean Teele became more involved, and in 1958 he appointed a committee to prepare a “Center for International Business Education.”¹³ He noticed that the first attempts at exporting the AMP had been successful, and reported, after a journey to several countries in 1960 “that we should put a very high priority on Advanced Management type of programs in underdeveloped countries.”¹⁴ Following the appointment of the committee to prepare a center for international business education, the dean, the committee members, and other faculty members were actively involved in interpreting the international experiences. Rather than a plan of action (the concept of a strategy was not yet in use), the outcome was that some basic principal questions were put on the agenda for further discussion. The group of faculty members who resisted the new international activities developed into a small minority, and most faculty members agreed in principle that HBS should move away from being a passive respondent to international pressure and should take a position where “the School should take the initiative.”¹⁵ The process has developed into a process of organizational cognition, which included the discussions initiated by the dean on

organizational issues such as the effect of sending 10 out of a faculty of between 110 and 120 “away from the School for a substantial length of time, not including the summer period.”¹⁶ The organization was also aware that the process had changed from a stage of individual to a one of collective interpretation and identification of actions. In 1962, an ad hoc committee on international activities noticed that the overseas experiences had been based on experiences of individuals, and that the school would not be able to utilize these and transform them into organizational experiences unless it strengthened the collective efforts:

The School has not been able to benefit in tangible form from these overseas assignments because individual faculty members teaching abroad return directly to their primary School assignment. There are no debriefing opportunities or responsibilities.¹⁷

The Formation of the International Strategy, 1965–1971

The strategy process entered the formation stage in 1965 when the dean appointed the Committee for International Activities to suggest how HBS should act internationally based on two challenges: (1) The need to transform individual professors’ international experiences into organizational behavior; and (2) new challenges in the international market for executive education. These committee activities led to a proposal for an international strategy, which was approved in 1971.

The international market

In the 1960s, the international market for executive education expanded to new countries such as Pakistan, Israel, and Tunisia.¹⁸ In Europe, the market changed by the creation of the European

Economic Community (EEC) in 1957 As HBS noticed , the creation of this new common market of six European countries attracted US enterprises to make FDIs in Europe (Wilkins, 1974), which led to an internal request at HBS for a shift in focus from serving US businesses in the US to following firms internationally.¹⁹ These changes in the international market pushed the process of changing HBS's perception of international activities from "ad hoc and case-by-case" activities toward the formulation of an international strategy.

In addition, new competitors emerged. In Europe, several of the new business schools that had offered executive programs in cooperation with the HBS faculty changed by developing their own executive programs and by upgrading to degree-awarding business schools. INSEAD began to offer an MBA program from 1969, IMEDE from 1975. As a result, the most international of the new business schools in Europe – INSEAD, IMEDE, CEI (Centre d'Etudes Industrielles), and IESE (Instituto de Estudios Superiores de la Empresa) – developed into competitors to HBS in the European market.

The changing relationship with some key European business schools was clearly expressed in 1970 when HBS visited the schools and told them that HBS planned to discontinue the strategic alliances and wanted to offer its own AMP in "multinational business concepts" as an HBS brand within a new HBS unit in Europe. All the key partners were shocked.²⁰

M. Philippe Dennis, INSEAD's Director General, accepted that "INSEAD probably would never have been created without assistance from Harvard Faculty members," but said that with HBS's new program INSEAD and HBS would become competitors.²¹ He warned HBS to be aware that INSEAD and other top business schools had achieved a strong foothold in the top echelons of the European business elite. To underline the independent role of INSEAD, Dennis said that INSEAD and Stanford would launch a four-week program for top executives. He doubted that HBS's new program would be "a top management program," because a 12-week top

management program would be too long to attract top echelon personnel from Europe. Instead, he thought HBS should cooperate with INSEAD, CEI (from 1981 IMI – International Management Institute), or IMEDE (the two Swiss business schools, which merged in 1990 to become IMD) to offer a middle-manager program.²²

In Barcelona, Juan Ginebra, the director of IESE, was very dismissive and said that IESE – one of HBS’s most loyal partners in Europe – could not enter into any discussions with HBS since IESE had just started to review its plans for its international focus. He hinted that HBS’s plans could compete with a new IESE “super AMP” that would have an international focus, wherein 50 percent of its students would be AMP alumni and 50 percent non-Spanish executives. HBS met resistance in Switzerland too.²³ Luigi Dusmet, the Director of IMEDE, reminded HBS that IMEDE had “probably had a closer relationship with the Harvard Business School than any other European Business School.” He was afraid that some IMEDE professors might be hurt if HBS established itself in Europe and offered this new program. HBS should be “very cautious”: An HBS unit in Europe “without back-up support of a school such as IMEDE would probably lead to serious problems for Harvard.” Many business leaders and institutions in Europe would see the unit as a Trojan horse and “an invasion of Europe by Harvard.” Instead, he recommended that HBS should form a joint venture with IMEDE.²⁴ In addition, Bohdan Hawrylyshyn, director of the Swiss business school CEI, recommended a joint venture, but with CEI, and reminded HBS that CEI would fit well with HBS’s new strategy since it was a business school with international students that was focused on international business:

... up to the present time Harvard has cooperated most closely with INSEAD and IMEDE and [...] the time had perhaps come to spread the umbrella to CEI —‘the only other truly international school in Europe’.²⁵

Intermediaries

Through these meetings with the European partner schools, faculty members who participated, such as Ralph Sorenson, acted as intermediaries between the market and the decision processes. By participating in formal meetings on strategic cooperation between HBS and the partners, they made the networks of intermediaries more fine-grained. These formal meetings added to the networks that were established by visiting professors in the pre-formation phase, an activity which continued also in this period with teaching assignments in new countries such as Ireland, Pakistan and Switzerland.

Internal actors and sensemaking

At HBS, the process toward deciding on an international strategy developed within this context of a transforming international market. The new Committee for International Activities formed in 1965 took a proactive approach by suggesting that HBS should establish five regional teaching and research bases outside the US, in Europe, Latin America, the Middle East, and Africa, South Asia, and the Far East. These units should be initiated and guided by HBS, and “as soon as possible [run] by an indigenous faculty trained at Harvard Business School or in the region.” The units would “serve as mother institutions in their regions, contributing directly to the enlargement and improvement of management teaching in other schools and universities of the region.”²⁶ They should run the ITP, they should write local cases, and they should be developed by five regional teams among the HBS faculty.

In principle, the suggestion represented a huge step from being an international exporter in cooperation with local agents for HBS’s AMP toward becoming an MNE with five HBS hubs in five different continents, although the term MNE was not used at that time in this process; nor was it clear if HBS should own the regional centers or if they should be run in alliance by

partners such as INSEAD, IMEDE in Lausanne, IESE and INCAE.²⁷ This process fell into place in 1970, after the concepts of strategy and multinationals had been introduced into the discourse as guiding concepts in the decision process, and Dean Fouraker asked the committee for “a School strategy in the area of international activities.”²⁸ The final report of September 1970, which was approved as HBS’s international strategy, stated that HBS should own the foreign units and HBS was explicitly defined as an MNE. According to the new vocabulary, HBS’s “competitive advantage” was its ability “to deal with business decisions” in complex MNEs.²⁹ This ability should be the guiding principle for HBS’s further behavior – internally, by introducing more international business content into the MBA and the doctoral program (DBA), as well as the executive education programs, by changing the human resources policy to recruit more “men” with overseas experience, and finally by recruiting more international students. At that time, 12 percent of MBA students were non-Canadian foreigners; the figures were 27 percent for the AMP and 21 percent for the DBA.³⁰

In this period, US MNEs expanded in Europe and met European competitors (Wilkins, 1974). However, due to the uniqueness of a business school compared to manufacturing private firms there were no obvious reason that HBS would define itself as an MNE and act accordingly. HBS could have continued to build strong alliances in Europe with selected foreign business schools, as MIT continued to do in e.g. India (India Institute of Management Calcutta), Stanford did in with ESAN in Peru, and HBS continued to do in India with IIMA and in Central America with INCAE. It could also have organized regional hubs to coordinate the international activities based on the partnership model, as suggested by the committee in 1965. But HBS chose another strategy, to become an MNE, which was untypical. This choice requires a closer examination of how the organization made sense of their international experiences and how they reached the decision to internationalize as an MNE.

As argued in the previous section, HBS had entered the sensemaking stage of collective interpretation and identification of actions in a process guided by the dean. This organizational stage of cognitions did not exclude the role of individual agency in decision processes. In this situation, Raymond Vernon – prominent in his work in developing international business as a new academic discipline (Cantwell & Salmon, 2016) – was a key actor who provided the processes with a new tool to interpret international experiences and legitimize decisions.

Raymond Vernon, an American economist who had participated in the development of the Marshall Plan as well as GATT (General Agreement on Tariffs and Trade), was appointed professor at the Harvard Graduate School of Public Administration in 1956. Two years later, HBS decided to establish the field of international business as one area for sustained future research and Vernon was appointed as one of two professors. As early as 1960, there were nine PhD students in international business, and Vernon had made visits to Mexico to do research and to investigate the possibility of establishing a center for management training there.³¹ Vernon's main theoretical contribution to international business was the product life cycle theory published in 1966 (Vernon, 1966), a theory that defines internationalization as a process driven by the innovation and standardization of new products (Melin, 1992). During this formation period of HBS's international strategy, Vernon was also initiating a large project on exploring the multinational enterprise, a project he headed from 1965 (Vernon, 1999).

Vernon was a member of HBS's international strategy committee from 1966. He had no formal key position on the committee, but three observations support the conjecture that Vernon had a strong impact on the outcome of the formation process. First, his work on the product life cycle theory demonstrated a strong interest in defining and understanding processes of internationalization. Second, his new project on MNEs revealed an interest in how internationalization should be organized especially in Europe, which in this period was in focus

for US MNEs. Even though Vernon, or any other in this period, did not offer a specific theory for organizing foreign operations, he clearly expressed his interest in the topic, for example in a Harvard Business Review article from 1967 (Vernon, 1967). According to the editor of the journal, Vernon wrote this article “in a spasm of frustration” for the shortcoming of knowledge and theories on the organization of operations in Europe and referred to Vernon’s promise to contribute to move research in this direction (Vernon, 1967: 158). Third, Vernon contributed actively to the discussion on how HBS’s AMP could be offered, with modifications, in Europe, as well as giving general insights into international business and, especially, the character of MNEs³² Minutes from meetings and correspondence between faculty members at HBS show that new concepts such as that of a multinational enterprise, as well as explicit references to Vernon’s contribution to the new discipline, were used to conceptualize the international experiences and to formulate an international strategy.

The parallel process at HBS to define a joint theoretical platform for the new discipline of strategy (Mintzberg, 1990) also supported this process, since it framed the new understanding of an international firm in the language of strategy. As a new narrative, the storytelling about HBS as an MNE, derived from Vernon’s academic work, also legitimized HBS’s strategy for internationalization against its former allies (and, from the mid-1960s, its new competitors) in Europe.

The decision expressed a new stage in the sensemaking process. The professors who had taught the AMP internationally from the early 1950s gained unique international experience that made them well suited for other assignments. The need to transform individual experiences into organizational capabilities was identified in 1962, when the second international committee addressed the need for systematically debriefing those who had taught abroad so that the school could learn from their experiences. From the mid-1960s, a strong element of organizational

academic knowledge (Augier & March, 2011) was added to the organizational experiential knowledge, when concepts from the international business discipline and references to Vernon's work (e.g. Vernon, 1966) were actively used in the formation of a new strategy for internationalization. A critical part of the sensemaking process was the search for appropriate actions to transform the international experience of individuals into organizational knowledge. By making use of the academic process of developing international business as an academic discipline at HBS, the formation of a strategy was helped by new theoretical knowledge that enabled the actors to conceptualize this experience.

The Execution of the International Strategy, 1971-72

In the execution phase (1971-72), HBS was involved in establishing agreements with some actors in new markets, such as the North European Management Institute (NEMI) in Norway,³³ but the focus was on executing the new international strategy through establishing a unit in Switzerland with members of the Committee for International Activities and Dean Laurence E. Fouraker both as decisionmakers and key intermediaries between the market and the sensemaking process. HBS met resistance from the key European players, but this did not prevent HBS from executing the new strategy. In 1971, the new international strategy was announced both internally and externally to the European partners.³⁴ The aim of the first phase of the execution process was to change HBS in line with theories on MNEs. This meant increasing the school's competence in a multinational setting, "to shift the School's primary attention abroad from educational institutions to business enterprises," "to avoid at this time entering into any long-term contractual arrangements to help build new foreign institutions," and to develop more research on MNEs.³⁵ Finally, it meant adjusting the AMP to a European context and turning it into a program in multinational business management.³⁶ The aim was to establish a European unit "set up and

administered by Harvard, with a Harvard faculty Program and Administrative Director – the latter probably a European alumnus of HBS.”³⁷ It was a ten-year project, after which HBS would decide whether to expand or to withdraw. In May 1972, the new unit in Switzerland was publicly announced (*The New York Times*, 29 May 1972). In 1973, HBS started to teach the International Senior Managers Program, an eight-week executive education course that was the new unit’s main activity until 1983 (Hanna, 2002).

In this first phase of execution of the international strategy, the dean and professors from HBS referred to Vernon and his theories when explaining why the school defined itself as an MNE. It was a choice of strategy that came as a surprise, but it was presented as a logical way of developing HBS’s international position further. It was the result of a long process that ended with a clear vision for re-establishing HBS as the leading global business school:

We have not been “the” single outstanding school of business administration in the recent past, in the way we were at an earlier period, and we do expect to become so again.³⁸

In the rhetoric that followed the execution of the new strategy, the need for legitimization of the strategy was emphasized. According to what Professor George F. F. Lombard of HBS told Gaston Deurinck of the Fondation Industrie-Université in Belgium (one of the key figures in the campaign against the transformation of HBS in Europe), the implementation of HBS’s new international strategy was based on Vernon’s experiences and theoretical insight.³⁹ Vernon, as a representative of the new international business discipline, was not only providing HBS’s dean and colleagues with new theories and concepts to interpret and conceptualize the international experience: Disciplinary concepts and theories were also used to legitimize the surprising

decision, both internally and in speaking with European competitors who would have preferred some kind of alliance.

DISCUSSION

This article explores the roles of contextual changes and agency for the internationalization of a business school by carefully studying how the international strategy of HBS was formed in a process of more than 20 years. This was done by following the processes over time in three phases (pre-formation, formation and execution of a strategy) according to three dimensions that construct a link between environment and agency: Characteristics of the international market, the type of intermediaries that communicated information from the international market to the organization, and how internal actors made sense of the information. This research process is summarized in Table 1.

<Table 1 in here>

Theoretically, we have aimed at elaborating internationalization process theories in the context of business school internationalization where this topic has just recently been addressed (Abreu-Pederzini & Suárez-Barraza, 2020; Amdam, 2020; Cooke & Alcadipani, 2015; Engwall & Kipping, 2013; Guillotin & Mangematin, 2015; Juusola & Alajoutsijärvi, 2019; Kumar, 2019; Rogmans, 2019; Siltaoja et al., 2019; Wanderley & Barros, 2020). To explore the roles of environment and agency we regard internationalization as a process of international strategy formation consisting of four components: A cognitive strategy process (Maitland & Sammartino, 2015; Narayanan et al., 2011; Niittymies & Pajunen, 2020; Porac et al., 1995); a process consisting of a mixture of deliberate decisions and non-intentional decisions and actions (Mintzberg & McHugh, 1985); a process where decisions reflect both contextual changes and

choices made by agency (de Rond & Thietart, 2007; Mackay & Chia, 2013); and finally, a long-term process that makes an historical perspective highly relevant (Vaara & Lamberg, 2016).

Within international business research, there has been an increasing interest to address the role of cognition in internationalization processes (Niittymies & Pajunen, 2020), but according to Maitland and Sammartino (2015: 754) the implications of including cognitive processes to decide modes of entry and location choices “are neither fully specified, nor understood.” Our study of a business school’s internationalization extends the knowledge on how cognitive processes develop over time in a strategy formation process. Based on an increasing demand for exporting educational concepts and US professors to teach in foreign countries, the recognition of the need for an active policy to meet such demand emerged at HBS through individual cognition processes in the pre-formative phase of the strategy process. The most important group of sensemakers in this early pre-formative stage were individual HBS professors who went abroad for short periods to teach in partner schools. When the dean in 1958 became more involved in the process and appointed a committee to prepare a Center for International Business Education at HBS, the process took a step towards an organizational cognition process. In this transitional period from individual to organizational cognition, there was resistance among faculty concerning the idea of increasing the international activity at HBS. For example, faculty was initially sceptic to the idea of HBS being involved in the foundation of INCAE in Central America in 1964 (Lodge, 2001). The situation mirrored that at Stanford where many business school professors were against the idea of teaching in Peru when Stanford made an institutional agreement to support and operate the founding period of the new business school ESAN in Peru in 1964 (Coleman, 2005). One reason for the transformation to an organizational cognitive process, meaning that a majority of faculty shared the understanding of international opportunities and the need for an international

strategy, was that an increasing number of the professors became personally involved in teaching abroad and could interpret the situation based on their own experiences. Another reason was the organizational structure of business schools, which according to Weick (1976) are characterized as a loosely coupled system; a system where the hierarchical structures that epitomize business enterprises are relatively weak. Instead, hierarchy is complemented and modified by project-based committees where knowledge and information are shared, discussed, and assessed in order to create consensus-based recommendations for final decisions.

A strategy process is a process consisting of a mixture of deliberate decisions and non-intentional decisions and actions (Mintzberg & McHugh, 1985), and according to Aharoni et al. (2011) decisions about internationalization are often intuitive and generally unexplored. By using a historical approach and study the formation process in different phases, we uncover how a strategy formation process changed toward becoming more structured with the aim at making deliberate decisions. By tracing the process back in time to a pre-formative phase where the actors did not express any plan for an international strategy, we put together a puzzle of deliberate and non-intentional decisions that in retrospect create a timeline with the internationalization decision of making a FDI as the endpoint. This methodology also uncovers crossroads where we can see that this narrative could have taken a different direction (see Jacobides, 2007, for the use of a counterfactual approach in history-informed organizational research). The internationalization process of HBS could have taken another path for example if Dean Teele had not taken the initiative to create the first international committee in 1958, if the resistance around 1960 against the idea of becoming more proactive in internationalization had not been reduced, or if Raymond Vernon had not offered new concepts and theories on

internationalization that were used to interpret how to internationalize and legitimize the final decision.

The formation of a strategy can also be interpreted as a process where decisions are results of both contextual changes and choices made by agency (de Rond & Thietart, 2007; Mackay & Chia, 2013). We have applied this approach by analyzing the formation as a historical process of decisions based on an interplay between the context represented by the international market, intermediaries between the market and the organizations, and internal actors and how they make sense of information and experiences. In our case, a new international market for executive education was initially the most important contextual change, followed in the 1960s by the changes in the European market characterized by an increasing number of US MNEs with subsidiaries in Europe which attracted HBS combined with the emergence of new European competitors, such as IMEDE, INSEAD and London Business School, strongly supported by a new European business identity linked to the creation of the European Economic Community. These exogenous factors put HBS under pressure. HBS responded to these changes by establishing a wholly owned HBS unit in Switzerland to reach the European market instead of developing the partnership model. This response makes the agency perspective especially relevant.

Our study nuances the perception of who has agency, and we highlight two actors. First, in the pre-formative phase we point to intermediaries such as alumni and actors within the network of foreign allied business and management training schools, and their role in interpreting and communicating demands from several national markets. While such intermediaries have typically been defined as agents for promoting the interest of US business schools internationally in this period (Abreu-Pederzini & Suárez-Barraza, 2020), we draw upon international business

literature that highlight intermediaries' role in organizational learning by sharing their experiences with the organization in focus (Andersson & Sundermeier, 2019; Benito et al., 1993; Park, 1996). Second, Raymond Vernon's role in providing concepts and theories for guiding and legitimizing the process toward a strategy decision, shows how individual actors with academic legitimacy can act as agency in a loosely coupled system such as a business school, independent from their formal position in the organizational hierarchy.

The study also affirms the relevance of applying a historical-informed strategy research approach (Argyres et al., 2020) when studying the long-term process of strategy formation (Vaara & Lamberg, 2016). Regarding theory elaborations, our observations above regarding transition from individual to organizational cognition, balance between non-intentional and deliberate decisions, and the role of agency, are all based on documented changes in historical time. Methodologically, this was made possible by access to a high-quality historical archive, which demonstrates the usefulness of using archives to get access to the myriad ideas, motives, doubts, and arguments that connected decisions in a long-term strategy formation process.

CONCLUSION

Business schools are becoming more international, but relatively few have internationalized to the extent that they have made any FDI (Engwall & Kipping, 2013). As a response to the call for more research on why some business schools have made steps to invest in foreign subsidiaries and to explore the character of the business school as an organization compared to private firms that are the basis for theories on internationalization (Juusola & Alajoutsijärvi, 2019), this article takes a step back in time to study the formation of HBS's pioneering international strategy; a

process that developed over a period of around 20 years, and which led to the establishment of a wholly-owned unit in Switzerland in 1972.

We do not rebut established views of internationalization. At an overall level, the internationalization of HBS follows the expectation of the Uppsala model that internationalization is a gradual process. To get a more nuanced understanding of how an actual internationalization unfolds as an interaction between environment and agency, we chose to develop a framework derived from the strategy formation literature. Our findings show the relevance of studying the internationalization of business schools as a strategy formation process with international business lenses. We show that individuals can influence the collective cognition in the process by using new theoretical insights to conceptualize experiences and legitimize decisions. This suggests that agency is a multifaceted concept and its function depends on who has agency and how it is used.

These insights usefully complement and extend established international business theories. What is unique in our case, however, is that the distinctive character of organizational competence – i.e. the use of academic research – had an impact both on the decisions and on their legitimation. This observation is related to the organizational character of a business school as a loosely coupled system (Weick, 1976). Hence, we argue that by drawing on theories in strategy and international business we enrich the literature on why business schools internationalize.

Our findings also add to the international business and strategy literatures and illustrate the statement by Argyres et al. (2020) that history-informed strategy research may contribute to develop theories. The scientific aspect of universities in general and business schools in particular is a unique attribute that make them different from profit seeking private firms. However, contrary to the argument that the uniqueness of the business schools constrains the use of

international business theory in research on the internationalization of business schools (Engwall & Kipping, 2013; Juusola & Alajoutsijärvi, 2019), we demonstrate that studies which apply theories relevant for international strategy formation reveal dimensions of processes that otherwise would not have been discovered. In the case of HBS's formation of an international strategy, the growth of a new academic discipline – international business – gave the school a new and influential tool when making sense of the international experiences, as well as in legitimizing the decision made against the European partners that were surprised, and had expected the alliances to continue. Our study should therefore encourage further studies in international business on the complexity of the international strategy formation process, and particularly the impact of the character of the knowledge of those who are involved in the process.

Table 1. The process toward international strategy formation at HBS and the key actors/processes in the pre-formation and formation phases.

<i>Strategy formation phase</i>		
	<i>Pre-formation</i> Early 1950s to 1965	<i>Formation</i> 1965-1971
<i>International market</i>	<i>Americanization</i> , key actors were US government, Ford Foundation, business schools. <i>National markets</i> , e.g. Italy, India, Japan. <i>New business schools as agents for exporting HBS's concept of executive education</i> , e.g. IPSOA, Italy, IIMA, India, Keio, Japan	<i>European market</i> , the growth of EEC. <i>National markets</i> , e.g. Israel, Pakistan, and Tunisia. <i>US MNEs</i> , especially growth in Europe. <i>Business schools as new competitors</i> , especially IMEDE, Switzerland, INSEAD, France, IESE, Spain, and London Business School, UK.
<i>Intermediaries</i>	<i>MBA alumni abroad</i> , regular contact after graduation. <i>Visitors from abroad</i> , 3-400 on short visits; 150-70 in programs to train foreign professors. <i>HBS faculty who taught executive education abroad</i> , e.g. at University of Western Ontario, Canada, ICARE, Chile, INSEAD, France, IMAN, Mexico.	<i>HBS faculty teaching executive education abroad</i> , e.g. Harry Hansen, Pakistan; Arch. Dooley, Ireland; George A. Smith, IMEDE, Switzerland. <i>HBS faculty who were actively involved in negotiations with European partner schools</i> , e.g. Ralph Sorenson.
<i>Sensemaking by internal actors</i>	<i>Notification and from individual to collective interpretation of experiences</i> , by HBS professors teaching abroad (e.g. Donald Clark, IMAN, Mexico; Ralph Hower, IMEDE, Switzerland; Pearson Hunt, IPSOA, Italy), the committee to prepare a center for international business education, and Dean Stanley F. Teele.	<i>Collective interpretation and identification of actions within the framework of new theories</i> , by faculty, especially the Committee for International Activities (Francis Aguilar, chair, Jack Moscatelli, secretary, Raymond Vernon, member) and Dean George P. Baker.

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ENDNOTES

¹ Our approach has parallels to how theoretical frameworks from international business have been used to study topics such as firms within the service industry (Boddewyn, Halbrich, & Perry, 1986), consulting firms (Kipping, 2019), and non-government organizations (Teegen, Doh, & Vachani, 2004).

² Vernon's product life cycle theory aimed at understanding the development of new products, which is highly knowledge dependent, and where they are subsequently sold and produced. The key elements in the theory are; (i) innovation in products gives the firm a temporary monopolistic position, (ii) as the product progresses through phases in its life cycle, market demand patterns and degree of competition in the industry change correspondingly, (iii) resulting in an evolution in the geography of trade (exports) and production (foreign direct investment).

³ The HBS archive is stored at the Historical collection, Baker Library, Harvard Business School, see www.library.hbs.edu/Find/Collections-Archives/Special-Collections/Collecting-Areas/HBS-History.

We use the following abbreviations: HBS/DIA = Division International Activities, HBS/ITP = International Teachers' Program, Office files 1956-74.

⁴ International Activities of HBS, Annual report 1959, p. 7; HBS/DIA, box 1, folder Committee on international activities, 1966-1970.

⁵ Committee on International Activities, Report on International Educational Activities, December 9, 1966, pp. 8-14; HBS/DIA, box 1, folder Committee on international activities, 1966-70.

⁶ Ad Hoc Committee on the School's International Activities, memo to Dean George P. Baker, December 13, 1962, p. 3; HBS/DIA, box 1, folder Documents for consideration 1963-64.

⁷ Minutes from the Policies and Program Committee, June 2, 1959; HBS/DIA, box 1, folder Hansen report 1963.

⁸ The numbers are from James S. Lipscomb, memo to Harry Hansen, Director of the division of international activities, April 24, 1963. John Archer in memo to the Faculty Committee, mentions 145 participants from 1958 to 1963 from 66 institutions in 31 countries. 88 came from developing countries. Both memos are in HBS/DIA, box 1, folder Hansen report 1963.

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- ⁹ International Activities of HBS, Annual report 1959, p. 8; HBS/DIA, box 1, folder Committee on international activities, 1966-1970.
- ¹⁰ D. T. Smith to the Faculty Advisory Committee on International Activities, March 16, 1964; HBS/DIA, box 1, folder Documents for considerations 1963-64.
- ¹¹ International activities of Harvard Business Schools, memo April 12, 1960, Appendix 2; HBS/DIA, box 1, folder Committee on international activities.
- ¹² Ad Hoc Committee on the School's International Activities, memo to Dean George P. Baker, December 13, 1962, p. 5; HBS/DIA, box 1, folder Documents for consideration 1963-64.
- ¹³ Policies and Program Committee, Minutes April 21, 1958; HBS/DIA, box 1, folder Hansen report 1963.
- ¹⁴ Policies and Program Committee, Minutes January 13, 1960; HBS/DIA, box 1, folder Hansen report 1963.
- ¹⁵ Policies and Program Committee, Report from meetings on December 14, 1959 and January 13, 1960; HBS/DIA, box 1, folder Hansen report 1963.
- ¹⁶ Policies and Program Committee, Minutes January 13, 1960; HBS/DIA, box 1, folder Hansen report 1963.
- ¹⁷ Ad Hoc Committee on the School's International Activities, memo to Dean George P. Baker, December 13, 1962, p. 5; HBS/DIA, box 1, folder Documents for consideration 1963-64.
- ¹⁸ Minutes, April 4, 1963, folder Faculty Committee Meetings 1963-71 (Pakistan); Report on the international activities, December 9, 1966, (Tunisia), and DIA Annual report 1967-68 (Israel), in folder Committee on international activities; all in HBS/DIA, box 1.
- ¹⁹ Policies and Program Committee, Minutes January 13, 1960, and Lincoln Gordon to the Policies and Program Committee, May 27, 1959; HBS/DIA, box 1, folder Hansen report 1963.
- ²⁰ A summary of the discussions which Ralph Sorenson had with directors and/or deans of five European business schools - INSEAD, IMEDE, CEI, IESE and NEMI - on a proposed HBS AMP in Multi-national Business concept, located in Europe, October 30, 1970; HBS/DIA, box 1, folder DIA report 1970.
- ²¹ Ibid. p. 2
- ²² Ibid.
- ²³ Ibid. p. 10.
- ²⁴ Ibid. p. 6
- ²⁵ Ibid. p. 8.
- ²⁶ Committee on International Activities, Report draft, July 27, 1965, p. 6; HBS/DIA, box 1, folder Committee on international activities, 1966-70.
- ²⁷ Faculty Advisor Committee on International Activities, Minutes December 10, 1968; HBS/DIA, box 1, folder Faculty committee meetings 1963-71.
- ²⁸ International Aspects of Harvard Business School's Activities. A Statement of Purposes, October 30, 1970; HBS/DIA, box 1, folder DIA report 1970.
- ²⁹ Ibid.
- ³⁰ Ibid.
- ³¹ Donald Clark and Raymond Vernon to Dean Teele, April 15, 1960; HBS/DIA, box 1, folder Hansen report 1963.
- ³² The committee was chaired by Professor Francis Aguilar (strategic planning, HBS faculty from 1964) with Jack Moscatelli as secretary. The other members in 1970 were (with academic field year of joining HBS faculty in parenthesis): Charles J. "Chuck" Christenson (management control and accounting, 1961), Warren A. Law (finance, 1958), John H. McArthur (corporate finance, 1962), Richard F. Meyer (finance, 1965), Bruce Scott (public policy, 1963), C. Wickham Skinner (operations management, 1960), Ralph Z Sorenson (international marketing, 1964), Arthur N. Turner (human relations, 1959), Raymond Vernon (international business, 1959), Ricard Walton (general management, 1968) and Yeager. Almost all of them taught executive education. Sources: Minutes and report from the committee in HBS/DIA, box 1 and biographic information based on search in www.hbs.edu.
- ³³ A summary of the discussions which Ralph Sorenson had with directors and/or deans of INSEAD, IMEDE, CEI, IESE and NEMI on a proposed HBS AMP in Multi-national Business concept, located in Europe, October 30, 1970; HBS/DIA, box 1, folder DIA report 1970
- ³⁴ F. J. Augiler to Profs. Law, Christensen, Vernon and Walton June 15, 1971, HBS/DIA, box 1, folder Faculty committee meetings 1963-71, and George F. F. Lombard to Gaston Deurinck, Fondation Industrie-Université, August 26, 1971, HBS/ITP, office files, case 2, folder Belgium.

³⁵ F. J. Augiler, Chairman of the Faculty Advisory Committee on International Activities to Faculty, November 6 1970; HBS/DIA, box 2, folder General correspondence 1970.

³⁶ Faculty Advisory Committee on International Activities, Minutes, November 19, 1970; HBS/DIA, Box 1, folder Faculty committee meetings 1963-71.

³⁷ George F. F. Lombard, Confidential draft. Proposal for a HBS European Project, November 1, 1971, p. 1; HBS/DIA, box 2, folder European project 1971-72.

³⁸ George F. F. Lombard to Gaston Deurinck, Fondation Industrie-Université, August 26, 1971, HBS/ITP, office files, case 2, folder Belgium.

³⁹ *Ibid.*, p. 3.