

INCAE STORY FOR THE FOUNDERS' CIRCLE EVENT

ANTIGUA - GUATEMALA

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Several Recollections from INCAE's Early Years

I had the good fortune to play a part in the early years of this now highly successful school of business. Those were exciting years because a start-up is always dramatic, but they were also scary times because the very life of INCAE was precarious. Many times in those early years INCAE's survival was unclear.

INCAE's founders in Central America and HBS professors set forth a remarkable and powerful vision. But splendid ideas must ultimately be well executed or they fade away. In the case of getting a new educational institution set up and going in Central America, not surprisingly, the execution of the vision was a major struggle.

I was privileged to view the creation from the ground up and participate in the process of actually getting the institution up and going.

My work began as a member of the HBS Faculty Committee on International Activities. The proposal for the school to take a major part in establishing a new business school in Central America was brought to this committee in 1963 for a recommendation to the full faculty concerning our participation.

Later, in 1968, as a full professor and Director of International Activities at HBS, I was assigned by Dean Baker to undertake the role of Harvard advisor to INCAE.

This began with moving to Nicaragua to become a member of INCAE's first faculty, teaching at Managua for three months with the first class of MAE candidates in 1968. My participation continued for sixteen years and 36 visits to Central America as an advisor to INCAE rectors, faculty members, and HBS colleagues working with INCAE.

Here are a few memories which may offer some insights into the history of the building of this extraordinary institution.

THE HBS DECISION TO PARTICIPATE IN INCAE'S FORMATION, AND CONTRACT ADMINISTRATION AT HBS

After the initial vision of a business school in Central America had been set forth and fact-finding visits and interviews with business leaders from all the Central American countries were completed and several summer courses carried out, in 1963 a faculty decision as to whether or not to establish a formal advisory relationship was necessary. The issue was placed on the agenda of the International Activities Committee, of which I was a member. When considering a new activity in Central America, one negative broadly felt in the faculty was that we were already diverting too many resources to ongoing active and substantial relationships in assisting in the startups of business schools in Turkey, India, England, France, the Philippines, Japan, Italy, Nova Scotia, Mexico and Switzerland.

Faculty opinions ran strongly about many worrisome issues concerning the School's steadily increasing level of international activities. No clear guiding policies were in place. So when the INCAE issue came up it was into a policy vacuum featured by a mixed history.

The natural result of this plethora of generally unresolved issues was that a decision to accept a contract with the government (US/AID) and formally support and assist what was to become INCAE was by no means a sure thing.

A further pressure on the faculty was that President Kennedy had asked Harvard President Pusey to order the school to take on the Central American job. Dean Baker saw this patriotic motive as a strong plus which surely would persuade the faculty to go ahead. But that occurrence produced a potent backlash, for quite a few but strongly outspoken members of the Committee firmly vowed that "no government or university officials, Presidents included, are going to tell this faculty what to do!"

So the discussion was long. Clearly the dean, the chair and vice-chair George Lodge (who was very influential) wanted a positive and enthusiastic vote from the committee to recommend to the faculty the approval of the INCAE resolution. They exerted a strong positive influence. After several

hours of intense and unusually heated discussion the issue was put to a vote. Only a narrow majority voted that we go ahead with Central America. But that was enough.

A second serious crisis occurred when HBS faculty and AID contract managers could not get along. We had no experienced contract managers at the School for none had ever been needed. Faculty and Harvard financial people involved were constantly irritated with the minutiae of the government auditors and contract managers. It became such a mess of misunderstandings and accusations on both sides that the local government office concluded and so informed the school that cancellation of the contract would be forthcoming.

At this point Dean Baker stepped in and promised AID that HBS would make a renewed effort to get along better with the government. He hired a young man with some modest experience in government contract administration, Jack Moscatelli, and placed him under me in the Division of International Activities to take charge of the contract.

His assignment was to get the contract and relations with the government straightened out. His policy was simply to comply with every contract detail without question or complaint.

Within a few weeks he had everything working out smoothly and with no quarrels with the government, Harvard financial people, or even the faculty. AID backed off from their threat to cancel the INCAE contract. Clearly, Jack Moscatelli saved the day.

THE STARTUP OF THE MAE PROGRAM IN MANAGUA, NICARAGUA

In 1967 the ground was broken for a campus for INCAE at Montefresco, about 12km south of Managua. Almost immediately soil problems related to volcanic ash necessitated holding up work and redesigning the footings. There was no hope that the buildings could be completed in time for the first class, scheduled for January, 1968.

Professor Charles Savage from the school had volunteered to move to Nicaragua and develop the curriculum and recruit faculty. Mr. Clark Wilson, a fairly recent addition to the HBS faculty as a lecturer in marketing, was

assigned by Dean Baker to run INCAE until the board could appoint a Central American. Wilson moved to Central America in the fall of 1967 to take charge. While Savage worked on the faculty formation and the academic side of the enterprise, Wilson was to recruit students for the first class.

Wilson went from country to country and visited the local INCAE committees which had been established in all the countries of Central America to get recruiting started. He visited colleges and businesses, explained the MAE program and its similarity to that of HBS. He quickly learned that the tuition price was a high hurdle for most potential students. So he went to banks in all locations to explain about INCAE and gain their commitments to make student loans.

This was a monumental, indeed nearly superhuman task, requiring constant travel, visits and followup visits, personally meeting and then screening with Charles Savage every potential student. This frenetic activity went on all fall. I visited several times and was assured by Wilson that we would have a class of about fifty excellent students.

Meanwhile, he and Savage had to locate living places for their own families and for the students, hire a small administrative staff, and arrange for some sort of classroom, because the new buildings at Montefresco would not be ready for a year. They made arrangements to lease the entire 6th floor of the Banco Central in downtown Managua for a classroom and offices for the faculty. This was a splendid arrangement, for the building was relatively new and the facility was apparently well built and quite impressive. (It had to be demolished after the earthquake).

The living quarters for the students were quite a different story. Savage and Wilson found a downtown hotel of five stories which was doing poorly. Its owners were only too pleased to rent it to INCAE for student living quarters. It was primitively simple, of totally concrete construction, cheaply built, with a crude swimming pool filled with green algae laden water, and the rooms were small, bathrooms Spartan, and virtually no lobby or meeting room space. (Called the Lido Palace, it collapsed in the earthquake of 1972 into six flat layers of rubble, each layer being about three feet thick.) I spent many nights there in 1967 on trips to Managua and decided most reluctantly to go along with the on-site staff's decision to have the students live there. There were no other options for a place within walking distance of the classroom and where all fifty students could be together.

Shortly after Christmas of 1967 Jack Moscatelli went down to Managua to make final arrangements concerning handling of local student finances, paperwork, AID contract complications, student housing details, and plan for the “orientation day” when the students would actually appear and register.

I went to Managua to teach operations management in the MAE and arrived in time to move into a small house on the mountainside which AID provided.

When I arrived Clark Wilson told me that the 50 students were all set, their financing arranged, and would register between 12:00 noon and 5:00 P.M. on January 8. After registering they would check into their rooms at the Lido and at 6:00 P.M. we would have an orientation session and dinner nearby and start classes on the 9th at 8:00 A.M.

I came down to the Lido at about 11:30 A.M. so as to meet each student as they arrived. Jack Moscatelli and an assistant had several tables set up in the Lido lobby to handle the registration, check-ins, tuitions, class schedules, case books and etc. Then followed another INCAE crisis, though a short one.

Jack and his assistant sat down back of their tables at noon, all ready to go into action. I stood by ready to shake hands with the first student.

It was a long afternoon. No one came. Not a single student appeared. I reached Clark Wilson at home, to double-check whether somehow we might have miscommunicated about the date and time. But he reaffirmed that the date and time were OK.

We waited. It was kind of embarrassing. There we were all set up and ready, and nothing was happening. What could have gone wrong? Two o'clock, three o'clock, four o'clock! And then, finally at 5:01 P.M. a single student came up the steps. We registered him in. But then came a second! And a third. And then a large crowd formed on the steps! They poured in and by 6:00 P.M. they were all there! Every single student that Clark Wilson had promised had appeared!

Astounded but relieved and happy, we could and did close down the registration tables about 6:30 P.M., and all went off to the orientation and dinner.

The next morning, following the marketing class of Clark Wilson, at 10:00 A.M. I taught my first class at INCAE, the second class in its history. They were a great group to teach. The faculty all insisted on and achieved excellent preparation and full class participation in case discussions.

The students had a wonderful sense of humor. We had laughs all the time. The class gave every member a nickname, professors included. Mine was “zero-zero”, for I insisted on starting and ending classes on time and, more importantly, on precise quantitative analyses in their case preparation. Is “El Tigre” here tonight? From that first class on, teaching at INCAE was an enormously satisfying and happy experience. I taught for three months.

So on January 9, 1968, all the visions and all the efforts of dozens of individuals to start a business school for Central America came to fruition and reality. INCAE was up and running!

THE DEBATE OVER REDUCING THE LENGTH OF INCAE’S MAE PROGRAM

From the initial conception of INCAE the multi-country governing board, the rectors, and the faculty planned and implemented the MAE program to closely reflect the HBS model of its MBA Program. As at HBS there was to be a first-year required course covering the basic functional areas of business and cross linked with “tools” courses such as accounting, human relations, and quantitative methods. The second year would require courses in business policy (now the word is “strategy”) and a mix of electives in the functional areas and international business.

For about 2 -3 years this model was pursued without challenge. It was very well received by the students, graduates seemed to perform well, the faculty was enthusiastic, and the public relations benefits of “just like Harvard” were abundantly obvious. From the educational standpoint it was working well.

What was not working so well was that financially, not unexpectedly, INCAE was turning out to be a major struggle. AID funds were reduced year by year after the initial jump-starting of the institution. To make this up required more tuition dollars, but the tuition was already very high by Central American standards and, anyway, any tuition increases had to be accompanied by more scholarships and grants and loans. INCAE was too

young an institution to expect any but token alumni giving, and too new to receive enough contributions from business.

Even meeting payrolls became difficult. On more than one occasion Rector Ernesto Cruz was required to personally guarantee with his own signature a short term loan to INCAE from a Nicaraguan bank to meet the payroll and pay local bills.

Further, after the first several years recruiting MAE students became more difficult as a natural backlog of eligible students (existing because no comparable programs had been available) was skimmed off. Students and their families were inclined to favor the reduced costs and time required of one year programs rather than two. Inspired by INCAE's success, new competitive institutions in Mexico, Venezuela, Brazil, Peru and Colombia offered one year programs with much lower tuitions.

Many members of INCAE's faculty and the rector himself began to question whether Central America could afford a two-year MAE program and whether, indeed, INCAE could survive financially and competitively if it persisted with the HBS model.

The problems were real and substantial and a one year MAE became very appealing. Opinions varied both as to what to do and in the strength of feelings shown. Memos were written and emotions ran high for it was clearly a strategic and perhaps even a survival issue.

Professor Charles Savage, who had been the leading academic pioneer in the founding of INCAE, alerted me of the impending crisis and urged me to come to Managua for the final discussion of the issue. He argued quietly but passionately that INCAE's quality would be seriously reduced if we reduced the two year MBA to a one year program.

He wrote a three-page document to his colleagues, the board and the rector which became the focus of the faculty discussions. I was there when the debate reached its peak. Savage's memo argued that our distinction in Central America would be blurred. Our graduates from a one year program would not be nearly as well prepared to succeed. We would not attract the cream of possible students. Our faculty would be smaller and our costs lower but we would not attract as outstanding a faculty. We would not "be like Harvard" but would be like a dozen other schools of lower quality. He

concluded that we should solve our recruiting and financial problems in other ways but not by compromising our product.

The contrary position was based on the financial struggle of INCAE, the recruiting issues, and the larger faculty requirements. These were strong and nearly persuasive arguments, especially to faculty who were there on one, two, and three year contracts, many of whom had not studied at HBS. But each had a vote.

I had no vote but took part in the discussion. I had no doubt that if INCAE became a one year program its quality would be permanently damaged. It would never be the same. The HBS faculty, like myself, would no longer believe in its worth.

After several days the debate reached its climax in a faculty vote. Charley Savage's memorandum was truly historic. When he wrote it he was vastly outnumbered. I had never seen him so discouraged. Nevertheless he stood his ground. He was a gentle and accommodating, tactful person, but he would not compromise. He never gave ground. Ultimately his arguments won out, but very narrowly. It was a close thing. INCAE remained a two-year institution.

The Sandinista revolution brought another crisis. The rector and the board made two major decisions. One was to encourage every faculty member and student to do what they wanted to do, stay or leave, and to assist each in any way possible.

The second was of major consequence: It was to inform the Sandinistas that INCAE was a non-political institution and would be neutral with respect to the new government. Further, INCAE would offer to train the managers and officers of any government as long as its intentions were to better the lives of its citizens and act in a responsible and non-violent manner.

The Sandinistas were very earnest in requesting that the Harvard Business School faculty support their efforts to run the services of the government well, being aware, of course, that nearly every manager or bureaucrat would be new at their job.

So it was a time of uncertainty, instability, and a clear decline in the fortunes of INCAE. Don Chico de Sola, from El Salvador, chair of the INCAE governing board, called me at HBS and asked for advice as to what needed

to be done. I suggested that he come to Boston and meet with faculty who had been involved with INCAE.

A week later he arrived and on June 3, 1980 we held a meeting in Humphrey Lounge to decide what to do. Rector Cruz had told some of us of his plans to step down and leave Nicaragua. We started in to seek a new rector and the name of Harry Strachan emerged from a list of possible candidates as clearly outstanding. But he had to visit and survey the situation and then if he had decided to accept the position to finish up other activities before taking over.

Meanwhile, because, we suggested to don Chico that the board ask John Ickis, who had recently completed his HBS doctorate under Professor George Lodge, and was currently academic director, to assist in holding INCAE together until a new rector could be appointed.

Many faculty had left after the revolution, enrollments were down in both the first and second year, economic and physical conditions in Nicaragua were deteriorating with the exodus of capital, and the faculty sensed a vacuum of leadership.

John and I established regular contacts and on several occasions he called me in haste to ask me to get down to the campus as quickly as possible so that we could deal together with sporadic crises. Inevitably John Ickis had to hold things together in a deteriorating situation. He was excellent at this difficult task, made more difficult because a few of the faculty who wanted to see major changes in the strategy, structure and curriculum constantly urged that immediate changes were essential. Others cautioned that nothing should be done until the new rector was installed and led INCAE into strategic change.

In my opinion INCAE came close to collapse. The written record of those times supports this view. Throughout, don Chico de Sola was a tremendous strength. He said, simply, directly and firmly. "There is no question. We must go forward. We must make this school succeed."

Finally, the unstable interim period came to a close with the arrival of Harry Strachan. He was cheerful, firm, a strategic thinker and a charismatic leader, and he brought order and positive change, ending several years in which INCAE lived on the brink of disaster.

I taught in Costa Rica in the early 80's and worked as an HBS advisor to rectors Harry Strachan, Marc Lindenberg, and Mel Copen. A happy ending

for me of 16 years of helping to create a school whose graduates have made enormous contributions to Central America.

It was my great privilege to witness from the ground level the execution of an extraordinary vision, the actual establishment and survival of a successful new institution. There were many who emerge in my memory as absolutely essential to this success, heroes without whose work INCAE literally might not have survived. Their work has been described in this letter. With apologies to others surely also deserving similar accolades, I will close this report with their names:

George Lodge, Jack Moscatelli, Clark Wilson,
Charley Savage, Ernesto Cruz, don Chico de Sola,
John Ickis, and Harry Strachan.

I send warm greetings and hearty congratulations to all participants in this remarkable reunion in Guatemala. To INCAE colleagues and students from the early years, special greetings, and the news that I am in good health and active in projects and several organizations in Maine. And keeping up my tennis game!

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