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Foundations of Management

What are we here to study? – the background

- Following the industrial revolution in the west (or as part of it) there was a growth in large firms.
- Much economic activity took place *within* such firms, which developed elaborate, mostly hierarchical structures, borrowing from the experience of large state or religious organisations
- These firms became powerful economic and political actors within western nations, often acting to transform the societies in which they operated.
- Theorists sought to address, both descriptively and prescriptively, how such large organisations operated. In the late 19th and early 20th century, business or management theory emerged.
- It borrowed heavily from existing social science, but in turn came to influence it.
- The borrowing was often concerned to develop technique – practical applications of social science in order to run businesses or develop markets.

CORE DISCIPLINES

- ECONOMICS – Finance, Strategy, Marketing
- MATHEMATICS – Finance, Decision Sciences
- PSYCHOLOGY – Organisational Behaviour, Marketing, Strategy, Behavioural Finance
- SOCIOLOGY – Strategy, Organisational Behaviour, Accounting & Marketing

What are we here to study? – some questions

- How much of the theory applied to business in this process is time bound –late C19 –C20?
- How much of it is specifically western?
- How much of it ever worked?
- To what extent did it explain business practice or shape it?
- Which elements are resilient?
- How can we learn to use them?

A 20th Century Business School...why did this happen?



CORE CONCEPTS

- Market, hierarchy and network
- Co-ordination and control
- Contract
- Individual and Collective action
- Rationality and Irrationality
- Incentive and Performance
- Efficiency and Cost
- Price and Profit
- Agency
- Competitive advantage

Characteristics of this Knowledge Set

- Opportunistic – borrowing of ideas to solve perceived business problem. E.g. studies of soldier stress to devise working times.
- Eclectic – ideas from anywhere. E.g. culture from anthropology, competitive advantage from economics, portfolio theory from maths.
- Fragmented (and sometimes internally inconsistent). E.g. optimising individual productivity through engagement or throughput.
- Derivative – second mover advantage. E.g. options pricing using heat diffusion equations.

The Big Picture

During the 'short' C20th, 1914-90, the study of management grew..

- From applied engineering to a 6-'discipline' curriculum
- From vocational education to a multi-billion \$ business
- From a 'technical' best practice approach to a moral and ethical crisis

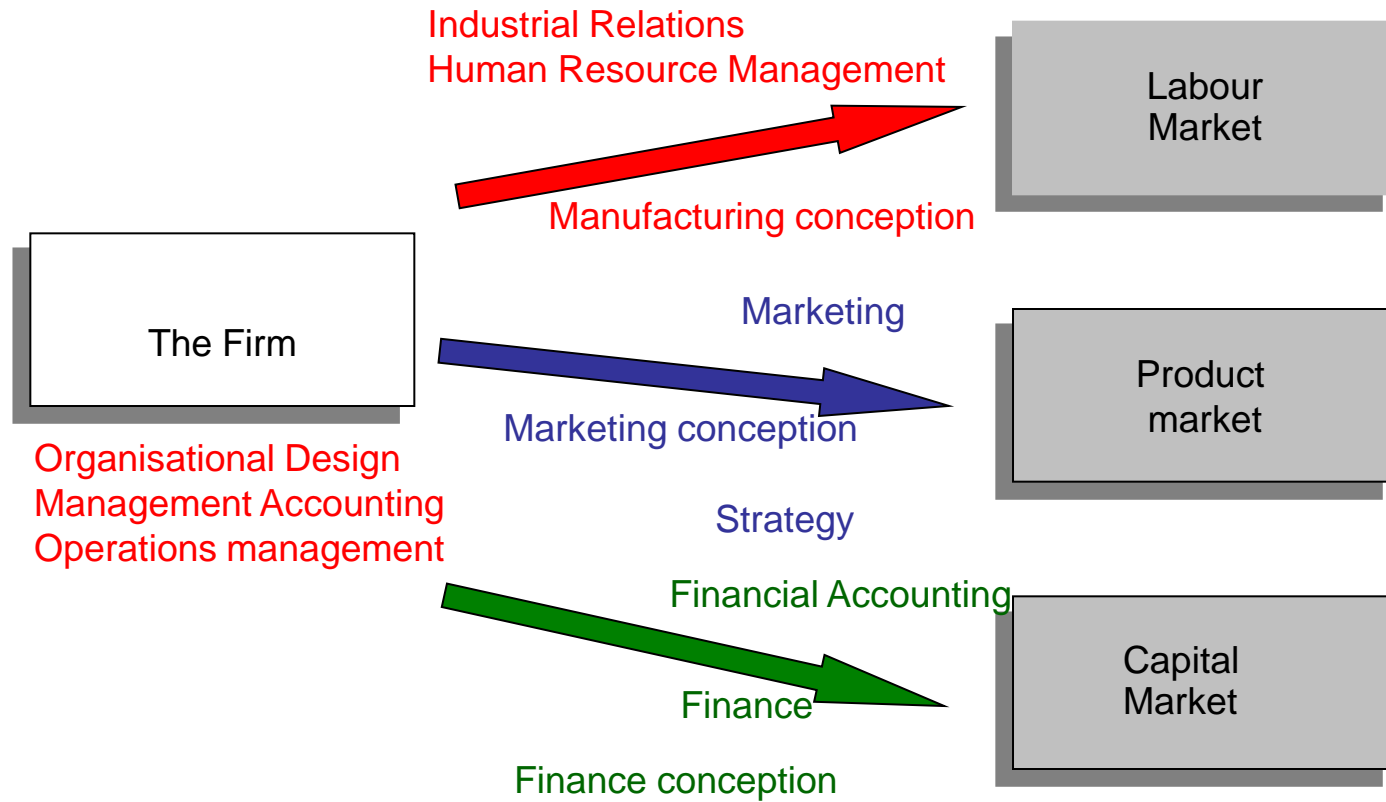
The Short C20th

- War
- Collapse of C19th globalisation
- More War
- The American Dream
- Cold War
- Competition from the East
- Triumph of capitalism?

Short C20th - Issues

- The control of labour
- The rise of the large firm and the development of mass markets
- Managerial Capitalism
- Japanese competition
- Unleashing financial markets

Control in Hierarchies and Markets



The early 21st century

- Dot.com boom
- Dot.com crash
- Brics
- ‘Hollowing out’ of American manufacturing
- Another crash (too many crashes for a normal distribution)
- Hungry governments

Issues

- End of the public company? (Jensen)
- End of investment banking? (Disintermediation of financial markets)
- Partnerships are back (PE, Hedge funds).
- From vertical integration to the global supply chain (Nike, Apple).
- Shrinking banks (Non-bank lending).
- Growth in intra-firm inequality
- Return of 'big government'?

Studying Management

- The six discipline set is no longer enough.
- Politics, Law, Sociology, Macro-economics
- Imperialism of financial economics over? (efficient markets and strategy- Shiller and Jensen)
- Firm as the unit of analysis?
- Rationality as a variable.

Thinking About Management

Management Process

		Rational	Irrational
<i>Management Tools</i>	Make a difference	Organisational and financial economics , e.g. Jensen, game theorists Theologians	Managerial decision making, e.g. Simon, Kahneman Chroniclers
	Make no difference	Process and tool builders, e.g. Taylor, Kaplan, Hamel Preachers	Management as ritual, e.g. 'anthropologists, Sceptics