

The rise and fall of management: a brief history of practice, theory and context, by Gordon Pearson, Farnham, Surrey, Gower Applied Business Research, 2009, 298 pp., £65.00 (hardback), ISBN 978-0566089763

The ideas of economists and political philosophers both when they are right, and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. (Keynes, 1936, p.383)

Many would say the same about management theorists. Gordon Pearson examines the impact on management teaching and practice of the ‘voices in the air’ of management theorists in a breezy, accessible style. He is sceptical of theory and deplores the distance of management theorists from the real action and those who take the decisions. He is particularly critical of business school academics’ work on management and feels that strategic management (and its earlier incarnation as long range planning) puts a chasm between top managers and the rest.

The book is in four main parts, with an Epilogue. The first part is ‘The emergence of management’, which takes the story up to the beginning of the twentieth century (or to the cataclysm of 1914). Part II examines ‘The rise of professional management’, including the rise of big business, the division of management labour, theories of management and management in practice. The third part is provocatively entitled ‘The educated fall of management’ and includes ‘Seduction by the new strategic management’ (Chapter 9), ‘Friedman and business-friendly government’ and ‘Business schools *versus* management education’. The author’s prejudices are signalled even in chapter titles. Part IV is ‘Management for new responsibilities’ and covers pollution, legal responsibilities, stakeholder interests, ‘Social balance economics’ and ‘The end of Friedmanism’. The Epilogue has a threefold concern – with legality, equality and integrity. (*Liberté, Égalité* and *Fraternité* modernised – or as Pearson would not like me to say, managerialised.) The Epilogue runs almost seamlessly into ‘About the author’, which describes Pearson’s career in management and then in academia. The sequence is revealing because Pearson came into management education after a substantial practical management career and he is keen to point out that his ‘approach to teaching reflects his practitioner background and experience and tends to focus on the practicalities of implementation which he sees as the main problems in this area of management’ (strategic management, business ethics and innovation and change) ‘rather than the theory’ (p.280).

I was struck, first, by the prominence of economists in Pearson’s *tour d’horizon* of management theory. Smith, Bentham, Ricardo, Marx, Marshall, Harrod, Keynes and Friedman are all given prominence. This is perhaps a back-handed compliment to the dismal science and gives me the excuse for the long quote from Keynes above. (It is also partially quoted by Pearson on p.237.) Management theorists often suffer from economics envy, but Pearson’s concern is with bad theory and this is focused more on management theory, which he discerns is largely derived from economics. He deplores the dominance of the bonus culture and short-term deal making, none of which can be directly blamed on the eminent economists he lists. Friedman, however, is portrayed as the father (grandfather?) of short-termism. For

Pearson, maximising shareholder value is a cardinal sin. His three virtues are legality (honesty in accounting and audit), equity and integrity, but I must have missed the parts of Friedman's *oeuvre* that disapprove of honesty and integrity as a means to achieve business success. Admittedly, he was not an overt advocate of equality, but he did propose a negative income tax to alleviate the lot of those at the bottom of the income distribution.

My second surprise was the extreme contrast that is drawn between theory and practice. Pearson's image is of the corruption of management as a practice and a body of understanding as a result of malign theory. This is derived, at least in part, from the late Sumantra Ghoshal's (2005) rant, 'bad management theories are destroying good management practices'. This was, in particular, an attack on Oliver Williamson's (1995) key concept of 'opportunism', defined as self-seeking with guile. Williamson sees hierarchy (or organisation) as a means to control opportunism and its elevation into a main plank of (some) management theories is indeed unfortunate. Pearson (and possibly, but not always, Ghoshal) elevate this into a critique of 'economic man' assumptions which then become conflated with assumptions relying on rationality and finally including 'Friedmanite economics' and agency theory to produce a rather ill-focused squeal of horror:

The teaching of Friedmanite economics supported by the explanations of agency theory, transaction-cost analysis and the open market in corporate management, legitimized some management behaviours and de-legitimised others, even for managers who had not personally had the benefit of an M & A education but who had ingested the ideas and spirit of those who had. (p.237)

Thus, 'management having no professional affiliation or commitment and subverted by business school education, decisions were taken which maximised short-term shareholder value and largely ignored more profound longer-term impacts' (p.239). All this 'under Friedman's baleful influence' (p.239).

There is considerable loathing of business schools in this book. The bad outcomes of management decisions are attributed to theory and the good ones (progress) to experience and the influence of outside stakeholders. The use of regulatory authority is not massively emphasised by Pearson – he wishes directors of quoted companies to be excluded from owning shares directly in their companies, admires the Sarbanes–Oxley Act of 2002 for limiting audit firms and inhibiting illegality, prefers a more progressive tax system and pro-green policies with aggressive taxes on polluters, and sees stakeholders being given more power (by whom?) to enforce integrity. Thus, improvements in the trinity of legality, equality and integrity will come to pass.

Two questions: why are business schools loathed by (at least some of) those who serve in them? And is management theory, bad or otherwise, to blame for the (still) current malaise of the wider economy? I wish I knew the answer to the first question. Personally, I have found a much wider diversity of views in business schools than in the rather mono-cultural economics (and indeed other social science) schools. Perhaps practitioners prefer practice – the deprecation of theories and theorists is not unusual among practical men converted to teachers and researchers. I personally have always liked Edith Penrose's frequently-quoted aphorism from Kurt Lewin, 'There is nothing so practical as a good theory'.

On the second question, we should ask a supplementary question – why do business practitioners not learn? If these theories are as bad a Pearson believes,

why are they consistently followed? Perhaps the answer is that there are currently no better ones. This represents the real challenge.

References

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EU–Asia and the re-polarization of the global economic arena, edited by Lars Oxelheim, Singapore, World Scientific, 2012, xxiii + 588 pp., £111 (hardcover), ISBN: 978-981-4366-52-6

The rise of Asia is a distinctive phenomenon at the beginning of the twenty-first century. Asian economies are growing and catching up with the West. China, the icon of this transformation, aims to compete in the global economy on the basis of knowledge and innovation, and shift its development paradigm from 'Made in China' to 'Made by China'. This re-polarisation of the global economy has been met with concern in the traditional centres of economic gravity, the Triadic economies, in Europe in particular. Apart from potential challenges stemming from the re-polarisation of the global economic arena, the rise of Asia provides great opportunities to Europe. This is exactly the focus of this volume which seeks to address the contemporary topical subjects of global politics and the economy, with a specific reference to the European Union (EU) and Asia.

The experts who have contributed to this volume have produced a rich set of analysis and strategic assessment of EU–Asia relations. The volume contains 16 chapters, each of them treating a certain aspect of EU–Asia relations and re-polarisation of the global economic arena. The chapters differ methodologically, from conceptual policy-oriented research to studies offering rigorous quantitative analysis. Each of the contributions stresses the importance of a particular factor in the re-polarisation of the global economic arena. While some chapters look at the growth trajectories of specific Asian countries, other contributions look at the global shifts.

The volume starts with Chapter 1 which provides a general introduction to the shifts in paradigms of international production and the role of technology and innovation therein. The three regions – the USA, Europe and Asia – are analysed in terms of growth and innovation. The European technological leadership faces both challenges and opportunities in adapting to a new competitive world; and fragmentation of the European technological and innovation landscape is one of the major