

Management Does Not Necessarily Follow Structure

A Reassessment of Chandler's View on the Impact of Economic and Technological Factors on Management

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I study language, how the use and meaning of words has evolved through time and across societies. The bulk of my work consists of analyzing the uses of the word “management” since it became common in the English language three centuries ago. By doing so, I analyze the non-capitalist and non-technological roots of modern management and the importance of cultural parameters to the birth and development of this form of government which has become a common feature of a majority of modern private companies.

Alfred Chandler's work is of cardinal importance in understanding the emergence and growth of these institutions. Its central thesis can be summarized as follows: management follows structure, structure follows strategy, and strategy follows the dynamics of technology and markets. In a word, technology and markets, more than any other factor, shape a firm's methods of managing. My research will attempt prove that, though the structure of a business enterprise can be conceived as a response to a given stage of technology and of market expansion, management cannot.

Surprisingly, Chandler's emphasis on railroads as the birthplace of modern management has not fostered much research specifically devoted to this issue, as compared to the dozens of books published on the technical and financial aspects of these first large business enterprises. The study of early manuals of railroad management, engineering handbooks, railway superintendents' reports as well as journals and books dedicated to railroad administration can supplement Chandler's principle argument with a cultural and symbolic perspective that his economic and technical history of the firm tends to overlook.

First, Chandler conceives the managerial business enterprise essentially as an “economic institution,” and the manager as a “subspecies of the economic man” (*Scale and Scope*: 1-2;

Visible Hand: 4, 484). To Chandler, management develops largely in response to market pressures and is profoundly shaped by the capitalist logic. As much as modern capitalism is essentially managerial, management is, by nature, *business* management. Yet it is possible to show that, from its early days in the second half of the century, management was less an economic phenomenon than a political one in the sense that it regards the government of a body of men rather than financial accounting, marketing or making profits. These outlooks certainly influenced the way workers were administered, but it did not determine the core of this activity and we should not confuse it with management. It is not because the modern corporation can be understood as a capitalist institution that its inner way of functioning is necessarily capitalist. On the contrary, early management thought drew heavily from modes of governing non-capitalist institutions such as the family, the state, and the army.

Secondly, for Chandler management can be conceived as a mechanism developed to assume technical functions formerly handled by markets. The technical and institutional reasons invoked by Chandler to account for the birth of management are insufficient: as the history of railroads suggests, the development of modern management is not necessarily a matter of institutional size, number of workers, amount and complexity of decisions, or sprawl of operations over long distances; but rather depends on a cultural outlook, a specific way of thinking. The study of language can further prove that a given institutional way of organizing functions does not mechanically imply a corresponding way of governing the individuals in charge of these functions. A general culture and a peculiar mentality, as well as top and middle managers' personalities, have a strong incidence on the ways power is exercised within a company.

A closer analysis of the vocabulary and references of its theoreticians could reveal that early railroad superintendents remained strongly inspired by military methods (command, discipline, staff and line, hierarchy), religious and patriarchal representations of authority (personal acquaintance, fidelity, morality, obedience, duty, wisdom, seniority, justice), economic ideas (economy, accounting, division of work, wage system), and engineering principles (efficiency, regularity, arrangement, measure, calculation). While the corporate structures of the main railroads had attained a maturity by the 1880s and 1890s, management thought was still in search of a paradigm of its own. As such, the shape of modern management cannot be explained solely by the structure of the firms within which it develops.

We need to study the imaginings from which management theoreticians and practitioners borrowed to build a coherent set of values, principles and general laws.

Of course, my hypothesis can only be very roughly expressed here. I am not criticizing Chandler but I would like to complement his very seminal ideas. Even if he shows more interest in the organizational structure of modern companies than in the ways they are administered, most of my arguments can be found in his work. He recognized, for instance, that “the hierarchical organization typical of big business has had a long history in the military and the state bureaucracies” (1980. “Introduction.” *Managerial Hierarchies*: 1), and that the cases studied in *Strategy and structure* “indicate how the different executives and the different companies approached the problems of management” in very different ways despite comparable structures (*Strategy and Structure*: 51). Chandler’s thesis has become a paradigm the details of which are often overlooked, such nuances deserve to be exposed at length. Moreover, the idea that strategy and structure interact and that it is difficult to say one necessarily precedes the other deserves a closer look.