

A HISTORY OF MANAGEMENT THOUGHT

MORGEN WITZEL

A History of Management T



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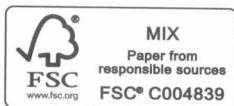
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1 Introduction

A sense of the past . . . is essential to anyone who is trying to understand the here-and-now of industrial organisation. What is happening now is part of a continuing development.

(Tom Burns)

Any history of management thought needs perforce to begin by defining what is meant by 'management thought', and then explain what it is about the history of management thought that makes it important and worthy of study. There are two ways of defining 'management thought': we can take it to mean coherent theories or systems of management, or we can broaden the scope of the term and refer more generally to 'thinking about management', ideas about the meaning, purpose, function and tasks of management which are important and relevant but do not necessarily amount to a coherent overall theory.

The problem, though, is defining where the boundary lies. The year 2011 marks the 100th anniversary of the publication of arguably the most influential work of management thinking of all time, Frederick Winslow Taylor's *The Principles of Scientific Management*. Scientific management was one of the first major systems of thinking about management to be developed, though it must be pointed out that it emerged at a time which was very rich in thinking about management generally. Taylor's contemporaries included people such as Harrington Emerson, Henri Fayol, Lyndall Urwick and others who developed their own concepts of management. As we shall see later in this book, scientific management was the concept that proved to be most durable.

If we take the first definition of 'management thought' given above, then our study should commence with scientific management a century ago and move forward in time from there. But how and why did scientific management emerge? To answer that question, we need to go back to the late nineteenth century and the first calls for improvement in management methods. And what led to those calls for improvement and change? To answer *that* question, we find ourselves back in the heart of the Industrial Revolution. Should we start with Charles Babbage, who defined the need for knowledge in management and called for a more scientific and rigorous approach to management? Or do we go back further to Robert Owen, who developed ideas on how to manage people effectively and humanely? Or Adam Smith, who redefined the division of labour; or the French physiocrats who also wrote on the division of labour and developed the first ideas on entrepreneurship? Or back to ancient China, where at least one key physiocratic idea, the notion of *laissez-faire*, has its roots?

Before we know it, we are on a journey back in time, far earlier than the emergence of scientific management. Early twentieth-century writers on management, including some exponents of scientific management, knew this. 'The art of administration is as old as the human race' wrote Edward D. Jones in 1912.¹ Thomas North Whitehead thought that

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‘structure arises as soon as people begin to do something together’.² Harrington Emerson, Lyndall Urwick and James Mooney among others believed that the roots of management and administration could be traced back to the beginning of civilization. Likewise, modern theories and systems of management thought have their roots in much older ‘thinking about management’. The two cannot be separated, not without risk of creating an artificial divide. The fact is that pretty much since the beginning of civilization, people have been writing and thinking about problems in management and how to solve them. The duties and functions of a manager, the principles of organization, markets and prices, the management of people, the importance of knowledge, strategic thinking, the management of money and finance, international trade, leadership: all of these problems and many more were pondered by people around the world and far back in time. Among them were Confucius, Plato, Ibn Khaldun, Thomas Aquinas, Machiavelli, Adam Smith, Samuel Taylor Coleridge, Florence Nightingale and Leo Tolstoy, to name but a few.

When we go back to these earlier writers and thinkers, however, we are looking at something very different from Taylor’s *The Principles of Scientific Management* or the many other books on management and aspects of management that began to appear from the 1890s onward. Most earlier authors did not set out to write works on management (and we should remember that the words ‘management’ and ‘manager’ were not coined until quite late, first appearing in English in the late sixteenth century, gradually replacing older words such as ‘administration’ and ‘stewardship’).

Some people, such as the medieval scholar and lawyer Walter of Henley, did deliberately sit down to write handbooks or manuals which would help guide administrators and managers; but most offered their comments in a much broader context. Often their ideas on management have to be disembedded from a broad range of ideas on many subjects. An example is the Italian friar San Bernardino of Siena whose sermons cover subjects such as economics, theology, ethics, social mores and codes of behaviour, as well as a highly original definition of the qualities of a manager seemingly at random. The often quite profound comments by Confucius and Thomas Aquinas on the role of business in society represent tiny portions of much larger bodies of work. As Liana Farber points out in her painstaking collection and analysis of medieval European writings on trade, scholars often have to read through many lengthy discussions of almost every topic under the sun before finding a few paragraphs which offer ideas on business and management.³ Nonetheless, those few paragraphs are often extremely significant. Through them we can trace back concepts such as the division of labour, or the metaphor of organizations as biological organisms, or theories about the relationship between price and value, or the need for reporting and control, or the role and function of the leader – to take just a few examples – for hundreds of years, sometimes thousands of years.

Why a history of management thought?

The first and most commonly used justification for the study of the history of management thought is that it provides context. We cannot fully understand the present without knowing something about the past. ‘The objective is to place management thought in the context of its cultural environment and thereby to understand not only what management thought was and is, but also to explain why it developed as it did’, declared the management historian Daniel Wren.⁴ He refers to ‘the past as prologue’, the foundation on which the present is built.

The past does provide context, most certainly, and it can be used to illustrate present themes and ideas; elsewhere, I have argued that the past can be used as a mirror or a lens, to

illuminate and examine the present more effectively.⁵ 'A sense of the past . . . is essential to anyone who is trying to understand the here-and-now of industrial organisation', wrote Tom Burns in 1963. 'What is happening now is part of a continuing development.'⁶

But the past also provides influences. Ideas about management do not – by and large – spring fully formed from the heads of their creators, like Athena from the head of Zeus. As Daniel Wren suggests, they evolve. Each new generation of theorists applies new ideas to the existing body of theory. Very often, these new ideas are conditioned, or at least influenced, by the world in which the thinkers live and work. Much has been written about the persistence of Confucian intellectual current in East Asia, China in particular. Chinese management thought remains under the influence of the ideas of Confucius and other early philosophers, notably Laozi (Lao Tzu) and Han Fei, to this day. Japanese business leaders continued to be influenced by Sunzi, early Buddhist writers and the Japanese swordfighter Miyamoto Musashi into the twentieth century. Nor are we in the West beyond the influence of the past. The philosopher Alfred North Whitehead – whose son became a notable management thinker in his own right in the 1930s – once remarked that all of subsequent European thought 'consists of a series of footnotes to Plato', so complete is the latter's domination of our systems of thought and education.⁷ Several of the people mentioned above – John of Salisbury, Aquinas, Machiavelli – were directly and heavily influenced by Plato. The Prussian strategy writer Karl von Clausewitz in turn was influenced by Machiavelli, and Clausewitz went on to influence generations of military and business strategists and managers. One of his followers, Field-Marshal Helmuth von Moltke, the victor of the Franco-Prussian War of 1871, was a strong influence on American management thinkers of the late nineteenth and early twentieth century, and Pierre du Pont's multidivisional form (M-form) organization betrays the influence of military organization. Thus there is an intellectual chain stretching between Plato and Alfred Chandler, the later twentieth-century expositor of the M-form. These chains of influence are complex and not always visible; that does not make them any less important.

The past also reminds us of the importance of continuity. Too often in the modern world, we fall victim to the belief that the past is somehow less than relevant, that the pace of technological advances, globalization and so forth mean that the world today is so different from the world of the past that we have little to learn from the latter. 'The past is a foreign country', wrote L.P. Hartley in his novel *The Go-Between*, 'they do things differently there'. That is both true and at the same time not true. Human society, culture, perceptions have all changed and evolved. The world is not the same as it was in 500 BC, or AD 1500, or even AD 1900. Many, many things have changed. Yet some things remain the same, and sometimes it can be helpful to isolate those things that have *not* changed, and try to understand why. One of the paradoxes of management is the need to focus on both continuity and change, simultaneously. To neglect change in favour of continuity risks falling under the dead hands of tradition and stagnation; but focusing only on change and dismissing continuity poses the equal risk of a continuous and ultimately destructive reinvention of the wheel.

And when we stop and consider them, the continuities almost reach out and slap us in the face. Here is how Violina Rindova and William Starbuck conclude their study of organization and control in ancient China:

it seems that the similarities between the ancient and the contemporary are at least as great as the differences. The differences seem to fit a model that says people from different times have to restate knowledge anew, in their own language and citing current examples. The similarities suggest that modern people can understand and appreciate the

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insights of their ancestors. The ancient theories are as complex as modern ones and supported by reasoning that we can appreciate even when it differs quite bit from our own.⁸

‘Management thinkers are very good at reconceptualizing old ideas, giving them a new twist and packaging them for an audience that wasn’t exposed to the original idea’, commented Michael Mol and Julian Birkinshaw in *Giant Steps in Management*.⁹ They likened this phenomenon to the propensity for Hollywood film directors to remake classic films with younger actors or contemporary settings. This would be forgivable if the intention were to improve on the original. All too often, one suspects, it is evidence of a paucity of ideas among contemporary thinkers. Understanding the continuities in management thought, the ideas that have always been and remain forceful and important, can help us to distinguish genuinely creative ideas from glossy but ultimately valueless shams.

Challenge and response

There is to my mind a further justification for a history of management thought. It can help us to understand why and how new theories and ideas about management emerge. Again the point must be made: management theories do not emerge from nowhere. New ideas about management emerge because new ideas about management are needed. Challenges in the business environment provoke a response from thinkers and practitioners. Here is how economic historian Sidney Pollard describes the managerial response to the Industrial Revolution:

The responses to the managerial challenges . . . were immensely varied. Not all were equally successful, and some were undoubtedly responsible for the failures of that period as well as its achievements . . . The pragmatic discovery of new methods was no doubt adequate, but management appears everywhere to have adapted itself merely to the needs of technology, discipline or financial control.¹⁰

In other words, there was no attempt to go beyond what was needed at the moment. This is true not just of the Industrial Revolution, but of all time. In the ancient world, people evolved techniques of controlling organizations so as to carry out the tasks necessary for civilization building. In the Middle Ages business people adopted new accounting techniques to allow them better financial control in times of high risk, while the monastic orders created new forms of organization which allowed for the governance of very large and widely dispersed organizations. Scientific management emerged as a response to the need for better management of America’s newly emerging large corporations. Management science in its turn emerged at least in part as a response to the intellectual and political climate of the Cold War. Post-war Japan, needing to develop world-class industries capable of competing with the West, evolved management methods that enabled it to do so, provoking a reaction from a new generation of Western management thinkers, and so on.

The entire history of management thought is thus a history of challenge and response. The challenge come nearly always from the environment: from new technologies sometimes, but more often from shifting political and social forces. Nor should this be surprising. Another thing that the history of management thought teaches us is that management is a social activity. Businesses and other organizations are not closed systems. They interact constantly and continually with the society – or societies – in which they are located. How those

organizations are managed is a direct reflection of the social forces which are brought to bear on the organization. The trend in recent decades towards more participative management and democratic workplaces reflects very strongly the 'end of history' and the prevailing world-view that democracy is the best and highest form of governance. Suppose that communism had triumphed at the end of the Cold War, and capitalism had collapsed. Would management theorists still be writing about participation and democracy? From what we know of the communist governments and their own ways of managing, it seems unlikely.

Lost along the way

This brings us to a final reason why the study of management history is important, namely the light it can shed on why some ideas and concepts in management survive and are widely adopted, while others disappear. In some cases the answer is obvious. In the 1890s the Polish mining engineer Karel Adamiecki designed, entirely independently of the work of Taylor and his colleagues in America, a management system which he called the 'theory of harmonization'. His theory is startlingly similar to scientific management, even to the point of using charts called 'harmonograms' which are nearly identical to Gantt charts (a staple recording tool used by scientific managers, see Chapter 5). Harmonization was used with considerable success in a number of mines and steel mills in Tsarist Russia, where Adamiecki was employed. But after the 1917 revolution, the new leader of Russia, V.I. Lenin, preferred the American brand of scientific management. Adamiecki's ideas were consigned to the scrapheap of history. Similarly, Nazi autarky was responsible for the end of the revolutionary management systems developed at Carl Zeiss Jena in Germany and the Bat'a shoe company in Czechoslovakia. Both companies were put under state-guided, command-and-control management systems, and so thorough was the wreckage that it has taken modern historians many years to piece together the original management systems and how they worked.

In other cases, the reasons for the disappearance are harder to fathom. In the early twentieth century, three systems of management thought emerged almost simultaneously: Taylor's scientific management, Fayol's theory of general and industrial administration, and Emerson's philosophy of efficiency. The first became very popular in many countries including America, France, Russia and China, and went through a number of later iterations and evolutions. Some of its techniques such as time-and-motion study are still used by consultants today. Fayol's system was widely admired and much discussed in Europe but barely caused ripples in North America, and in the end even in his native France scientific management became the dominant philosophy. Still more surprising is the complete disappearance of Emerson's theories of efficiency, a holistic approach to management that was in many ways more sophisticated than scientific management (see Chapter 5). At one point, Emerson's methods were in use in more industrial establishments in America than were Taylor's. But 'Emersonism' never took off, and in the 1970s Claude George allocated Emerson no more than a walk-on role in his history of management thought. Today, Emerson is rarely studied or discussed even by management historians.

In the 1920s there was a flourishing school of management thought in Britain, with figures such as Seeborn Rowntree, Lyndall Urwick, John Lee and Oliver Sheldon commanding international respect and American luminaries such as Mary Parker Follett and Henry Metcalfe coming to Britain to meet and share ideas. By the 1950s, apart from the work of a few industrial sociologists such as Joan Woodward, this school had virtually died out. What happened to it? Earlier, in the late nineteenth century, George Cadbury and his son Edward had turned the chocolate maker Cadbury Bros. into the world's largest confectionery firm,

using a unique system of participative labour management that brought worker commitment and innovation to new heights. ‘At Cadbury, everybody thinks’, said the consultant Herbert Casson. Why did not other firms step up and adopt Cadbury’s methods? Why, when Robert Owen pointed out to his fellow industrialists the undeniable fact that a worker who worked ten hours a day was more productive and delivered more value to his or her employer than one who worked fourteen, did the industrialists not respond at once by cutting hours? A few did, but most waited until the Factory Acts compelled them to do so. Why, when the Lyons company introduced the first business computer, the Lyons Electronic Office (LEO) in the 1950s and showed the savings and benefits that it could generate, did not management scholars produce coherent theories of how computer technology could impact on management? Again a few did: but most kept their powder dry, and computers did not figure largely in management thinking until at least the 1980s.

Management thought evolves; and as in any other evolutionary process, there are casualties along the way. Not every new life form is able to flourish; not every new idea is recognized and taken up. There, however, the parallel with evolutionary theory must end. If we follow the Darwinian view of survival of the fittest, we would accept that the ‘best’ theories and ideas are the ones that survive, while those that fall behind are in some way weak or flawed. This manifestly is not so. The long path of management thought is littered with the wreckage of good ideas that failed. What happens? By what criteria do we select those ideas that we will keep, and those that we will throw away? A study of the history of management thought can not only provide some clues as to how the process works, but might even aid better decision making and selection of ideas in the future.

Structure of the book

This book starts from the premise stated above, that ‘thinking about management’ has been going on in some form since the beginnings of civilization itself. From there, I have attempted to show how, and why, management thought has evolved and developed. The approach is broadly chronological but with some thematic elements. The style is narrative: I have tried to follow Theodore Levitt’s dictum that ‘colorful and lightly documented affirmation works better than tortuously reasoned explanation’.¹¹

The book begins with the idea of management as one of the elements of civilization, and shows what the early civilization builders, in the Middle East, Egypt, India, China, Greece and Rome, thought about management. We move forward to the beginnings of the age of commercial expansion, which began around the sixth to eighth centuries and is still going on today, returning again to the Middle East before turning to Western Europe. Here, ideas about business and management were often deeply embedded in broader ideas about society and how it worked; but in both the Islamic world and parts of medieval Europe, such as Italy and England, we begin to get glimpses of the study of management as management.

While the dominant administrative models in India and China evolved slowly, if at all, the Enlightenment in Europe overturned previous theories about the world and society. The spirit of inquiry which lay at the heart of the Enlightenment led to advances in science and technology which precipitated the Industrial Revolution, but also to advances in ideas about governance and management. Some thinkers and writers, and a few practising managers too, tried to apply the ideals of the Enlightenment directly to business and management. They did so with mixed success, but the spirit of inquiry persisted.

That same spirit emerged in force in the late nineteenth century when, as a result of the rapid and chaotic growth of many organizations, it became clear that a more systematic

approach to management was needed. The result was an unprecedented flourishing of ideas, especially in America but also in many parts of Europe, and the spreading influences were felt in Japan, China, India and Latin America, at least. Scientific management rose to become the dominant model in America and France, but was challenged by the human relations school which felt that scientific management was too mechanistic and ignored the human element in organizations.

The tension between mechanistic and organic, human-centred models of management persisted after the Second World War with the parallel developments of management science and other approaches based on open systems and contingency theory. Meanwhile, 'management' as a discipline was beginning to fracture. Individual disciplines, notably personnel management, marketing and corporate finance, had sprung up semi-independently of general management theory and been gradually affiliated with the latter in terms of thinking and research. But as time passed more disciplines – strategy, leadership, knowledge management, to name but a few – emerged, each with its own body of theory and its own literature. There was a tension too between the academic specialists and the so-called 'gurus'. Although some of these came from specialist backgrounds, they tended to take more general approaches and they tried to speak directly to managers and offer practical management solutions rather than engage only in theory building.

And so we come to the present day, when general management thinking has declined in favour of highly specialized research, teaching and study. This is a difficult period for a general study such as this one to describe accurately, and I fear I have not tried to cover the whole picture; rather, I have stuck to my theme and focused on a few current developments in management thinking which take us back to the notion of how and why management theories are formed. My conclusion is that external, environmental forces are still dominant, and that most thinking about management emerges from the same process of challenge and response: witness the scramble to come up with coherent theories about e-commerce in the aftermath of the rise of the Internet, or the current, somewhat lumbering response by management thinkers to pressures for sustainability.

The story ends there, somewhat abruptly, for of course the story of management thinking is not finished – though as I point out at the very end, formal and systematic management thinking will face an increasing challenge to its legitimacy if it can no longer respond to the challenges faced by management in practice. In the conclusion, I try to draw out lessons from the history of management thought and discuss what light it sheds on management today or even, however dimly, on management in the future.

This is, as I have said, a general survey, not an encyclopaedia. In trying to describe trends and processes I have inevitably left out some works and thinkers whom others will consider to be of major importance. Some readers may be shocked too by the fact that little-known figures such as Karel Adamiecki or Ibn Khaldun receive as much coverage or more than well-known writers and theorists such as Herbert Simon or Peter Drucker. But in this work, the importance of figures is not directly correlated with the number of paragraphs devoted to them. In some cases the little-known figures are given greater coverage precisely because they are little known, while much more detailed coverage of the significant figures is available elsewhere. Again, the purpose here is to describe the emergence of ideas, not create a canon of management thinkers.

Although I have made reference to developments in management practice, on the whole I have tried to concentrate on developments in thinking about management. Thus I have glossed over the development of mass production, for example, which some readers might think is rather perverse of me. But mass production to me is a matter of management practice,

an evolution in production methods that developed out of new technologies and the increasing scale of business enterprises. Mass production was one of the issues that management thinking had to face as it tried to cope with the new conditions. How could mass production be managed efficiently? How could its products be marketed? How should these new large enterprises be financed? In terms of challenge and response, mass production was very much part of the challenge to management thinking, not the response.

Some of the disciplines within management have received short shift too. I have said very little about developments in accounting, largely because there are already some excellent histories of accounting thought. Corporate finance has received fairly limited coverage too, especially in the later period; as the long-standing editor of a corporate finance journal, I ought to feel embarrassed by this, but I do not. I appear to have said almost nothing about the development of logistics and supply chain management, and equally have ignored modern theories on innovation and technology management. I could have included these, of course, and left out other examples; but I think that the conclusion of the book would be still be very much the same.

That is, I think, quite enough justification and rationale. It is time to begin the narrative, to tell the story of thinking about management as it has emerged over time. We shall begin at the beginning, when civilizations first began to emerge and when written historical records begin to show us the shape and pattern of these new social orders.

2 Early management thought

A city comes into being because each of us is not self-sufficient but needs many things.
(Plato)

The earliest literature of most civilizations can be divided into two categories. First, there are devotional works, such as the Indian *Rig Veda* (composed sometime before the tenth century BC), the Book of Genesis, which was probably composed over a period of time leading up to the fifth century BC, or the earliest Egyptian papyri and tomb inscriptions such as the so-called Pyramid Texts (the oldest of which date to about the twenty-fourth century BC). These works and others like them attempt to establish a relationship between the civilization and its environment. They answer questions such as, why are we here? Who made us? They provide a cosmological explanation of how the world came to be and how it is meant to work. In doing so, they give the civilization a dominant ideology, and through this ideology, a sense of purpose and identity.¹

The second class of literature consists of what we might call 'heroic tales', myths and stories about leaders who, by force of character and personal example, rose to positions of power. Examples of this latter genre include the *Epic of Gilgamesh* from Sumeria, which in its earliest form dates back to at least 2000 BC; the *Iliad* and the *Odyssey* from Greece in the eighth century BC; the *Kojiki* (Record of Ancient Matters) from Japan around the same time, which tells of Jimmu, the legendary first emperor of Japan and his descendants; the *Mahabharata* from India, written possibly around the fifth century BC; early Chinese texts referring to Huangdi, the Yellow Emperor, the legendary first emperor of China and supposed inventor of Chinese traditional medicine; and some of the other early books of the Old Testament, particularly the Book of Exodus which tells the story of how Moses led the Israelites out of slavery in Egypt.²

Although these texts vary widely in terms of content and form, there are common themes that run through all of them. In each case, a strong leader – Gilgamesh, Moses, Odysseus, Arjuna, Huangdi – emerges and gives leadership to people at a time of crisis, bringing order out of apparent chaos. Some lead their people to freedom, others provide defence against foes, others lay down laws and give their societies form and structure. In many cases these written works are continuations of older oral traditions, which used example and precept to remind people of their duties and responsibilities to the society in which they lived.

Today, these works tell us what these early societies expected from their leaders. Again, there are common themes. Pretty much across the board, these ancient societies demanded that their leaders demonstrate virtues such as competence, courage, integrity, responsibility, fair and honest dealings with their own people, wisdom, justice and strength of character. Other texts made the duties and responsibilities of the leader even more clear. For example,

a series of ancient Egyptian 'instructional texts' – including the *Maxims of Ptahhotep*, composed around 2400 BC, the *Instructions of Kagemni* (possibly composed as early as 2600 BC but likely of later date) and the later *Instructions of Amenemope* (probably written between 1300 and 1100 BC) – offer guidance as to how leaders should conduct themselves and maintain relationships with subordinates.³ Scholars have noted a strong correlation between the *Instructions of Amenemope* and the Old Testament Book of Proverbs, suggesting that the influence of these instructional texts spread beyond Egypt.⁴

These Egyptian texts are the earliest works in a long tradition of instructional texts for leaders and would-be leaders that extends forward to Roman collections of homilies, medieval Islamic and Christian 'mirrors for princes', Rochefoucauld's *Maxims* and Samuel Smiles's *Self-Help*.⁵ It might seem fanciful to compare these ancient texts to modern works on leadership such as Goffee and Jones's *Why Should Anyone Be Led by You?* or Lynda Gratton's *Glow*, yet there are most definitely common themes: the emphasis on personal integrity and fairness, the need to build trust between leaders and followers, the need for wisdom.⁶ If we no longer imbue our leaders with divine qualities, as the Egyptians and Sumerians did, it seems that we still expect them to behave according to our expectations, and reserve the right to withdraw our loyalty from them if they do not. The implicit contract between leaders and followers was clearly understood, even at this early stage.

As civilizations grew and progressed, however, it became apparent that personal leadership was not sufficient. Leaders could not be everywhere, nor could they necessarily expect everyone to follow them through sheer force of character and personal example. Leaders appointed ministers, advisers and councillors to whom some of their duties were delegated. More, as societies became more complex, records needed to be kept, reports needed to be analysed and data needed to be collected in order to make certain that all members of society were paying their taxes, reporting for military service and so on. Societies needed order and structure if they were to last. In each society, as it progressed, a new generation of texts began to appear, each pondering how to create order and stability.

Egypt and the Near East

As Karl Moore and David Lewis have described in their book *The Origins of Globalization*, there has survived a considerable stock of records of trade in and between Sumeria, Babylon, the Phoenician cities, Egypt and their neighbours from as early as 3000 BC.⁷ Thanks to these records, we know a fair amount about how business was conducted and organized in these regions. These were not mere subsistence economies: long-distance and international trade is as old as civilization itself. The Phoenicians ranged across the Mediterranean and probably as far as the British Isles; the Egyptian pharaoh Nekko sent an expedition to try to circumnavigate Africa (it failed), and trade links between the Middle East, India and China were established at a very early date, at least as early as the tenth century BC. We also see a variety of economic structures beginning to emerge. In Egypt, for example, the economy was centrally planned and controlled by the pharaoh and his officials.⁸ In the Phoenician city-states, the theocratic rulers of those cities also exercised a high degree of control and were directly involved in trade and finance. Moore and Lewis make the point that in the Phoenician cities, the war leaders, heads of the civil administration, high priests of the temples and senior traders and bankers were very often the same people, fulfilling all four roles at once. In Babylon, by contrast, private merchants known as *tankārum* dominated economic activity and there was more separation of functions.⁹

Methods of economic governance varied accordingly. In Babylon, the rulers used legal codes and regulations to govern business behaviour. As Moore and Lewis comment:

Laws sometimes multiply when people are enjoying a measure of freedom and prosperity. Legal systems, with their conservative tendencies, are much in evidence when there is something to conserve. The archaeological testimony to the longevity of the Sumerian–Assyrian–Babylonian *tankārūm* could be celebrated as an expanding economy's inherent bias towards delegation, privatization and a measure of entrepreneurial capitalism.¹⁰

The most famous law code of this period is the Code of Hammurabi, composed around 1790 BC at the behest of Hammurabi, ruler of Babylon.¹¹ It consists of around 300 laws (in the most complete surviving version). The general purpose of the Code might be described as the preservation of order. There are laws prohibiting people from offering violence to each other, laws governing marriage, laws concerning the transfer of goods and chattels and many laws – at least 20 per cent of the total by my own estimate – governing the conduct of trade. The Code fixes wages to be paid to workers (perhaps it is not quite such definite evidence of entrepreneurial capitalism as Moore and Lewis suggest) and also sets out the conditions under which money can be lent and penalties for misuse of other people's money and possessions and for fraud.

The main point of the Code of Hammurabi and other similar law codes, at least so far as business is concerned, is to stabilize and rationalize relationships between business people and the rest of society. There is a clearly reflected concern that, if left unchecked, business people will sell shoddy goods or otherwise cheat their customers. One often-cited article from the Code of Hammurabi requires that if a builder builds a house which then collapses and kills the owner, the builder shall be put to death. Not all penalties are so draconian, but the principle remains: business people are an essential part of society, but they also need to be regulated, for their own good and the good of society. The enforcement of these codes of law was handled by an increasingly detailed and complex bureaucracy, as described for example in the Old Testament Book of Daniel (3:1–3).¹²

When it comes to bureaucracy, however, the Egyptians were the masters of the art. As noted, the pharaohs – who were recognized as divine beings – exercised tight central control. There were, so far as we know, no codes of laws as there were in Babylon and Assyria. 'While there were certainly legal rules (*hpw*)', writes the historian Aristide Théodoridès, 'their nature is uncertain'.¹³ Théodoridès feels that it is 'inconceivable that nothing would have been legally codified in such a remarkably centralised country', and believes that there were law codes but none have survived. On the other hand, we know that the pharaohs ruled by decree, and it is possible that Egypt was governed by precedent, relying on knowledge of past decrees, rather than formal codes.

Ancient Egypt's bureaucratic system, on the other hand, was remarkably complex.¹⁴ That bureaucracy emerged very early, and this emergence was probably driven to some extent by the need to manage very large building projects such as the pyramids and other royal monuments and tombs, and to manage complex irrigation projects along the banks of the Nile. As noted, the pharaoh issued decrees and gave orders; the function of the bureaucracy was to execute his orders and enforce those decrees. Even the highest officials had no authority to issue decrees or make laws of their own. 'The delegation of executive power was strictly authoritarian', says Eva Martin-Pardey, 'from the king to the highest officials of the state and from them to their subordinates'.¹⁵

We can get a glimpse into the inner workings of the Egyptian bureaucracy from a remarkable text, the *Duties of the Vizier*, composed by a senior official during the second half of the reign of the Pharaoh Ahmose (c.1539–1514 BC), founder of the 18th Dynasty.¹⁶ It seems likely that the text was written on the instructions of Ahhotep, Ahmose's mother, who administered the kingdom during her son's lengthy absences from court while leading military campaigns. It can be hypothesized that, in the absence of the powerful authority of the pharaoh, Ahhotep intended to remind high officials of their duties and to make it clear that they were not excused those duties just because the pharaoh was not physically present.

Much of the *Duties of the Vizier* focuses on the official known as the *t3ty*, which we translate today as 'vizier'.¹⁷ There is a lengthy summary of his duties and lists of the other officials over whom he has the power of appointment and who report to him. But there are also some fascinating insights into how power was exercised. While no lower official could refuse to receive a messenger from the vizier, at the same time the vizier is enjoined to be fair and equitable in his dealings with subordinates. For example, lower officials are not allowed to discipline poorly performing subordinates; they must refer their cases to the vizier, who would hear both sides and judge impartially. Full records must be kept of all transactions, and unless the pharaoh specifically dictates that the matter is to be kept secret, reports and messages must be delivered and read aloud publicly, thus ensuring transparency.

There is no direct statement of philosophy or purpose in *Duties of the Vizier*, but we can infer a few things from both the fact that the work was written at all, and by its relatively wide dissemination (several copies have survived, found in the tombs of later viziers, and we can assume that many other copies have since been lost). Ahhotep and her advisers were clearly bent on creating a stable system based on good practice that would function with minimal oversight. The vizier would run the administrative system, leaving the pharaoh to get on with making policy. That was the function of bureaucracy thirty-five hundred years ago; it continues, in theory at least, to be its function today.

Thus in these two different economic systems, we can see two different approaches to organization: one comparatively decentralized and relying on a system of regulation and enforcement, the other heavily centralized and relying on a system of direct bureaucratic control.

India

Classical Indian texts such as the *Rig Veda*, the *Mahabharata* and the *Upanishads*, a collection of theological and philosophical texts, had much influence on early Indian thinking on politics and society. Indeed, they continue to do so. Mahatma Gandhi, when charting the future of an independent India in the 1920s and 1930s, very often drew lessons and parallels with the modern day from these ancient texts.¹⁸ Today, texts such as the *Mahabharata* and especially the *Bhagavad-Gita* remain influential.

The *Bhagavad-Gita* is part of the *Mahabharata*, though some scholars believe it is a later addition, possibly from the second or third centuries BC.¹⁹ It takes the form of a dialogue between the god Krishna and his friend and follower the warrior Arjuna. As the text begins, Arjuna is reluctant to engage in a holy war, for it will mean fighting against his own kin and people whom he likes and admires. Krishna recalls Arjuna to his duty: he was born into the warrior caste, and therefore he must fight because that is his purpose in being. He tells Arjuna to banish all emotion and perform his duty with detachment and a calm mind. 'Be steadfast in yoga, O Arjuna. Perform your duty and abandon all attachment to success or failure. Such