Strategic management and the person

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Abstract
The empirical world of strategy and organization is populated by living, thinking, feeling persons, but the intellectual history of strategic management theory is one of creeping impersonalism, both in the questions we ask and our answers to them. The past 30 years have seen the field drift steadily away from human-scale problems like goal-setting, problem solving, and decision making, to mass abstractions like strategic factor markets and dynamic capabilities. This essay explores the causes and consequences of impersonalism and calls for a personalist rebalancing in strategic management research. I argue that a return to personalism will bring better theorizing and more rigorous empirical research, while allowing the field to recapture the lost connection between strategy and moral responsibility.

Keywords
Strategic management, personalism, behavioral strategy, neurostrategy, competitive advantage

Personification
There was a time when people made sense of their environments by personification. Third-dynasty Egyptians believed the sun was a king with golden flesh who traveled across the sky in a barge. Jainist philosophers held that the universe was a man standing with legs apart and arms at his waist, and that the distant past was inhabited by people who grew to an average height of four miles.

The rise of modern science brought new ways of understanding the external world. Scientists objectified the world by replacing personification with physical theories, hypothesis testing, and empirical measurement. To the extent that personification persists today, it is rhetorical rather than scientific. Thus, we can admire a poet like Keats when he calls autumn a “close bosom-friend of the sun”—not because autumn and the sun are close bosom-friends but because we know that poetry and science are not the same thing.

Some aspects of experience are more personal than others. Falling in love is more personal than electrical engineering, and teaching a child to read is more personal than filling out a census form.

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We recognize personal phenomena when we see them because they involve human consciousness, feelings, social judgments, and moral choices.

In all forms of human inquiry, a good rule to follow is that our methodology should fit the “personality” of the phenomenon we’re trying to explain. Ethnography is not the best way to explain the solar system, and tensor analysis is not the best way to explain organizational politics.

The problem is that very few scholarly disciplines are wholly personal or impersonal. Economics is concerned with people, but formal models provide insight into market behavior. Cambridge number theorist G. H. Hardy (1940) believed that mathematics was fundamentally personal: “A mathematician, like a painter or a poet, is a maker of patterns ... The mathematician’s patterns, like the painter’s or the poet’s, must be beautiful” (pp. 24–5). Each of us has a consciousness that is intensely personal, but consciousness derives from cerebral and motor processes that are almost wholly impersonal. Hence, the boundary between the personal and impersonal is ill-defined, and finding the right balance involves a degree of judgment.

But the distinction sheds light on something important. If there is a cardinal sin in human inquiry, it is mistaking the “personality” of one’s subject matter. If astronomy is 99% impersonal and 1% personal, then we cannot advance our understanding of solar systems and galaxies with a personal theory of astronomy. This is why the Egyptian and the Jainian theories did not advance. In relation to modern science, these theories represent the oldest form of scientific superstition: personifying the impersonal.

But this is not the only kind of scientific superstition. If poetry is 1% impersonal and 99% personal, then we cannot advance our understanding of poetry with an impersonal theory of meter and rhyme. I own a book called The Art of Versification and the Technicalities of Poetry (Brewer, 1937), which describes orthometry, measurement, rhythm, structure, and the “prosodial laws.” I think an aspiring poet might learn something from this book, but I doubt whether poetry is profoundly advanced by the knowledge that 68% of the poetic feet in Milton’s Paradise Lost are iambic and 12% trochaic. Such information is not altogether useless, but examining poetry this way constitutes another kind of scientific superstition: impersonalizing the personal.

As a wild guess, I venture to say that strategic management is 75% personal and 25% impersonal. What I mean is that strategic management is a very human activity, conducted by people, through people, and for people. People define the problems, solve the problems, and research the problems, and nearly all of the problems involve people as their subject matter in one way or another. Strategy is not wholly human: competition entails technologies, materials, and financial capital, and competitive markets can be modeled and explained impersonally. Many aspects of individual and collective behavior can and should be modeled and treated formally.

But on the whole, it pays to remember that the empirical world of strategy and organization is more personal than impersonal. If we treat strategic management too impersonally, we are apt to ask the wrong questions, choose the wrong theories, neglect crucial relationships, and employ inappropriate research methods; in short, to fall into the impersonal superstition. Indeed, strategic management may already have done so.

**Personalism**

In a fairly obscure 19th-century textbook on metaphysics, American philosopher Borden Parker Bowne distinguished between two fundamental beliefs about the empirical world. The first he called the mechanical view, which holds that nature is entirely material, mechanical and nonmental, and best explained by matter, motion, components, antecedent conditions, and causal mechanisms. The second he called the organic view, which holds that nature contains something beyond the merely mechanical, whether it be called intelligence, mind, consciousness, purpose, or freedom of will.
Bowne proposed (Bowne, 1882) an organic theory of the empirical world. He did not deny the scientific usefulness of the mechanical view but claimed it was “pure tautology; for it has to frame its mechanisms to fit the effects, and then the deduction of the effects is merely drawing out what has been put in.” Then “It is only as a principle of method … that the theory has any value. As soon as it claims to give a theory of causation … it becomes insufferably tedious and self-stultifying” (p. 345).

In a later work, Bowne (1908) came to a version of the organic view he called personalism. Bowne’s personalism viewed all objects and relations as fundamentally bound to the experiencing human being, who “is no impotent annex to a self-sufficient mechanical system, but is rather a very significant factor in cosmic ongoings.” He wrote,

The space world is largely a potentiality, waiting for realization by man himself. There are harvests waiting to grow and flowers waiting to bloom, but it cannot be until man sets his hand to the work. The flora and fauna of the earth are increasingly taking their character from our will and purpose. Even climate itself is not independent of our doings or misdoings. (Bowne, 1908: 276–7)

In Bowne’s theory (Bowne, 1908), the mechanical view errs in the same way that a poetry text-book errs in propounding a mathematical theory of Paradise Lost. He wrote,

The most familiar events of everyday life have their key and meaning only in the invisible. If we observe a number of persons moving along the street, and consider them only under the laws of mechanics, and notice simply what we can see or what the camera would report, the effect is in the highest degree grotesque. A kiss or caress described in anatomical terms of the points of contact and muscles involved would not be worth having in any case, and would be unintelligible to most of us. (pp. 269–70)

Bowne (1908) saw mechanical theorizing as a kind of downward spiral that never stops until impersonal forces have driven people entirely out of the picture: “With this initial blunder, man becomes less and less in the system, first a phenomenon, then an ‘epiphenomenon,’ and finally he tends to disappear altogether” (p. 277).

Bowne accepted that scientific method is essential for understanding phenomena such as physics, astronomy, and the weather. What he denied was, first, that physical observations exist outside their being perceived and interpreted by an experiencing human being; second, that phenomena like astronomy and the weather are unaffected by people—people can, in principle or fact, alter astronomy and the weather, and it is mechanical progress (ironically) that makes it possible; third, that measures and findings in astronomy or weather have any significance beyond their significance for human beings—as he put it, “If some visitor from Mars should come to the earth and look at all that goes on, … he would never get any hint of its true significance.” (p. 272); and fourth, Bowne denied that mechanical theorizing and method are free of personal influence: “What could be more opaque than a description of a scientific experiment in terms of bodies and instruments, apart from a knowledge of the problem and of the unseen persons who are trying to solve it?” (p. 270)

Debates between objectivist and subjective ontologies, or between functionalist and interpretive methods, are not new to social scientists. But I think Bowne’s personalism is saying something different, and that it has an important message for scholars in strategy and organization. The insights fall in three areas: strategic management theory, strategy and scientific method, and moral responsibility in strategy.

**Strategic management theory**

Bowne is alerting us not only to the dangers of the impersonal superstition, but to a more subtle and dynamic kind of error: the tendency of impersonality to beget more impersonality. If the
phenomenon itself is mostly or wholly impersonal, like physics, then this is not a big problem—though Bowne himself believed that no part of the empirical world is wholly impersonal. But the downward spiral of impersonalism becomes problematic in phenomena that are fundamentally about people, yet amenable to impersonal theory and method—social sciences like economics, sociology, and strategic management. Here, Bowne warns that impersonal theories and methods tend to colonize, mutate, and crowd-out the personal, and scholars may unwittingly lose their way and eliminate their own subject matter—namely, people.

This may already have happened in crucial areas of strategic management research. For example, strategy has three basic theories of competitive advantage: Porterian competitive positioning, Penrosian resource-based theory, and Schumpeterian theories of evolution and innovation. Scholars deploy and combine these theories in various ways to explain why some firms outperform others. A few years ago, I did an empirical study with Bill Starbuck and Noushi Rahman, in which we traced the intellectual ancestry of these three theories (Powell et al., 2010). To our surprise, we found that they had common roots in the Viennese “human action” economics of Ludwig von Mises: Porter’s thesis supervisor Richard Caves was supervised by Gottfried Harberler, who was supervised by Von Mises; Penrose’s thesis was supervised by Fritz Machlup, who was supervised by Von Mises; and Schumpeter’s thesis was supervised by Von Mises. These scholars had many other influences, but we were surprised at how quickly their thesis ancestries converged, and that they converged to one of the few person-centered economic traditions.

This surprised us because so few traces of personalism remain in contemporary theories of competitive advantage. People have vanished almost completely from the story. This is evident in the evolution of strategy language, in which the word “human” is either impersonalized (replaced with terms like management, labor, talent, social capital), or altered from noun to adjective, then subordinated and attached to other words of greater theoretical effect: human capital, human capabilities, human resources. The linguistic subordination of persons is very strange; scholars who would never refer to their children as “human capital” are perfectly content to talk this way about people in organizations. The living, breathing, choosing, inspiring, mistaking person has, in Bowne’s words, become an “epiphenomenon,” in serious danger of disappearing altogether.

As people became more endangered in theories of strategic management, scholars were less inclined to ask questions about people, just as Bowne argued. In the formative days of the field, strategy focused on leadership, general management, goals, individual and social cognition, psychological identification, organization structure, personality, politics and bargaining (e.g. Andrews, 1965; Kets de Vries and Miller, 1984; Simon, 1947). This seemed consonant with the original Greek notion of strategy as “the art of the general.” But in the 1980s, scholars turned their attention to a new question: how do firms achieve competitive advantage? This question permitted new forms of impersonal theorizing and tended to elevate mass abstractions such as market structure, financial returns, persistence, competitive positioning, and strategic factor markets above human-scale problems such as goal-setting, decision making, and organizational politics. Methodologically, statistical studies of profit variance and persistence pushed aside behavioral modeling, experimental studies, and other means of exploring behavior in strategy.

Although impersonal theories of competitive advantage have dominated strategy research for 30 years, there are signs that the pendulum is swinging the other way (e.g. Gavetti, 2012; Powell et al., 2011). But Bowne’s personalism points to something deeper: the need to reconsider fundamental questions in strategy. Competitive advantage is an important theme in strategy—but is it really the central problem in strategic management? As behavioral views gain traction, perhaps we can find better uses for them than answering questions about economic rents. One hopes that behavioral strategy will ask new questions, define new problems, and bring new
perspectives on what strategy is all about. Competitive advantage has produced a lot of fruitful research, but behavioral strategy gives us an opportunity to rebalance the scales of personalism in strategy research.

**Strategy and scientific method**

I said before that strategic management is 75% personal, 25% impersonal. Nearly all of the impersonal part (physiology, neuroscience, geography, randomness), and some of the personal (social behavior, emotions), can be studied and modeled using rigorous scientific methods borrowed from other sciences. Strangely enough, strategic management theory is not only erasing the people, but has neglected some of the more promising and rigorous ways of researching strategic behavior. This is hard to explain. If the phenomenon is thoroughly personal, then the people should be in there, and they should be living people; but to the extent that strategy phenomena can be modeled impersonally without assuming that people are something inhuman, we should use real scientific methods: mathematical models, computer simulations, brain imaging, physiological testing, and controlled behavioral experiments. Keep the real people in, and use the best science, both.

As things stand, the way we conduct strategic management research is not 75/25 but about 10% personal, 10% impersonal—and the rest is something that is not easy to describe. We seem to be falling short all around. *Strategic Management Journal (SMJ)* publishes the occasional mathematical article or simulation but very few have people in them, and the journal publishes few experiments. This is not the fault of *SMJ*: its editors are about as open to new ideas as they can reasonably be, but they can’t publish articles they don’t receive.

To be clear, I am proposing two things: more people in strategy theory, and better scientific method in strategy research. This is a hard thing to do, but not impossible; for example, studies of overconfidence and market entry illustrate how diverse theories and methods can interact to advance a stream of behavioral research (Camerer and Lovallo, 1999; Hogarth and Karelaia, 2011; Moore et al., 2007).

What I am *not* proposing is that our “scientific” methods take people out of strategic management by assumption, and then put them back in later. Human choice and conduct are so deeply baked into strategic activity that extracting them at any point is bad practice, even if we introduce them later. We would do well to remember John Ruskin’s (1909) critique of rational choice assumptions in economic theory:

> I neither impugn nor doubt the conclusion of the science if its terms are accepted. I am simply uninterested in them, as I should be in those of a science of gymnastics which assumed that men had no skeletons. It might be shown on that supposition that it would be advantageous to roll the students up into pellets, flatten them into cakes, or stretch them into cables; and that when these results were effected, the reinsertion of the skeleton would be attended with various inconveniences to their constitution. The reasoning might be admirable, the conclusions true, and the science deficient only in applicability. (p. 31)

**Moral responsibility in strategy**

Bowne’s personalist philosophy is compatible with other philosophical traditions such as Kierkegaard’s existentialism, Husserl’s phenomenology, and James’ pragmatism. Bowne himself studied under logician Hermann Lotze in Germany before taking up an academic career at Boston University in the late-1800s, eventually as Professor of Philosophy. Bowne’s views are sometimes
called “American personalism” or “Boston personalism” to distinguish them from European personalist views that formed around the same time.

A distinguishing feature of Boston personalism was its emphasis on moral responsibility. In Bowne’s (1908) words, “Nature is not here for its own sake, or to keep $\frac{1}{2}MV^2$ a constant quantity. If we are in a personal world, the final cause of nature must be sought in the personal and moral realm” (p. 324).

For Bowne, the greatest risk of impersonalism is that scholars will go too far and form a consensus view that people themselves are purely mechanical. When we do that, Bowne argued, we lose touch with the moral side of human nature, and our scholarship devalues the moral impacts of our interactions with other people and the natural world.

Do we take moral responsibility seriously in strategic management? As individuals, I think we do take it seriously. At the same time, we give it more lip service than serious scholarly attention in our academic journals. To my knowledge, we do not have core theories of moral responsibility in strategy or ongoing, consequential debates about them in the mainstream journals or an extensive body of empirical research—certainly nothing comparable to research on competitive advantage or corporate strategy. Bowne would probably say that it is not a coincidence that moral debates stagnated as strategic management turned its attention to explaining economic rents. If we had done a better job balancing personalism and impersonalism, the field might have evolved on different lines, with theoretical priorities quite unlike the ones we have today.

For example, one of the earliest uses of the term “competitive advantage” was in the Journal of Political Economy in 1904, by British economist John A. Hobson. Hobson’s definition of competitive advantage was roughly the same as our definition today, but his view of competitive advantage was very different. In an earlier article, he wrote,

> Under present conditions it appears that the apportionment (of rents) is ruled by forces social, political, economic, which assign various and shifting amounts of monopolistic power to the owners of the requisites of production, and that the operation of these forces is to no appreciable extent affected by considerations drawn from any estimate of the subjective surplus or net gain of human welfare. (Hobson, 1893: 401)

In other words, competitive advantage is not a good thing. Although a political economist, Hobson’s interest in competitive advantage was primarily moral. He thought it unlikely that rent-seeking by business firms was good for society as whole, or achieved subjective gains in human well-being. At a time when economics was moving rapidly to impersonal theorizing and method, Hobson was asking questions such as the following: Is competitive advantage immoral? What are the nonfinancial consequences of competitive advantage? Is it right to encourage firms to achieve competitive advantage? Is it right to teach executives how to achieve it? What are the alternatives to competitive advantage?

Hobson was not the only economist to apply moral reasoning to market competition. The tradition goes back at least as far as Adam Smith (1790 [1759]), and these questions come up today in research on welfare economics and rent-seeking. But they very seldom come up in strategy research. What we read in strategic management, both academic and popular, focuses overwhelmingly on explaining competitive advantage, promoting its benefits, and providing methods for achieving it faster and more efficiently. As the field focuses more on competitive advantage, so our moral questions recede further into the background.

Boston personalism became a moderately successful intellectual movement in North America and still has adherents today. Most of them are located in university departments of philosophy or theology. At Boston University, Bowne trained a second generation of scholars such as Edgar
Brightman, Albert Knudson, and Ralph Flewelling, and through them, personalism migrated to philosophical centers in California and elsewhere.

The core of Boston Personalism is its mutual emphasis on personhood and moral responsibility, including the moral responsibility of the scholar. Personalists believe that being human implies moral responsibility, and that philosophical beliefs have consequences for individual and collective action. Martin Luther King, Jr, who was a student of Brightman’s in the 1950s, said during the civil rights movement,

I studied philosophy and theology at Boston University under Edgar S. Brightman and L. Harold DeWolf … It was mainly under these teachers that I studied Personalistic philosophy—the theory that the clue to the meaning of ultimate reality is found in personality. This personal idealism remains today my basic philosophical position. Personalism’s insistence that only personality—finite and infinite—is ultimately real strengthened me in two convictions: it gave me metaphysical and philosophical grounding for the idea of a personal God, and it gave me a metaphysical basis for the dignity and worth of all human personality. (quoted in King, 1998: 31–2)

Personalism does not require us to become social activists like Martin Luther King. But there is a lot going on in the empirical world of strategy and moral responsibility. With a rebalancing of theoretical priorities, we may find new horizons of intellectual relevance, both for explaining empirical events in the world and in making moral responsibility a strategic issue for senior executives and ourselves.

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References


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