

One scholar's journey: A cautionary tale

Jerry Davis
September 22, 2009



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Background

- What is “management and organizations,” anyway?
 - **Micro**: individuals and groups as units of analysis
 - **Macro**: organizations, networks, industries as units of analysis
- **My question**: how has the place of the large corporation in American society evolved since the 1980s?
 - Dissertation: “Agents without principles? The spread of the poison pill through the intercorporate network”
 - Latest book: *Managed by the markets: How finance re-shaped America*

A R T I C L E

The Rise and Fall of Finance and the End of the Society of Organizations

by Gerald F. Davis

Executive Overview

Large corporations were a dominant force in American society for generations through their employment practices, expansion choices, and community connections. As the United States has shifted to a postindustrial economy, however, finance has increasingly taken center stage. This article documents shifts in corporate employment, institutional investment, corporate organization, financial services, governments, and household ties to financial markets over the past three decades. I argue that all these shifts can be seen as part of an interconnected movement toward a finance-centered economy, and that the recent economic downturn can be viewed as one outcome of this broader movement.

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- “What does this have to do with ‘management’ or ‘organizations’?”

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Gerald (Jerry) Davis

Wilbur K. Pierpont Collegiate Professor of Management; Professor of Management and Organizations

Ph.D., Stanford University
M.A., Stanford University
B.A., University Of Michigan

Jerry Davis is the Wilbur K. Pierpont Collegiate Professor of Management at the Ross School of Business and Professor of Sociology, The University of Michigan. Davis received his PhD from the Graduate School of Business at Stanford University. Recent books include *Social Movements and Organization Theory* (with Doug McAdam, W. Richard Scott, and Mayer N. Zald; Cambridge University Press, 2005) and *Organization: Rational, Natural, and Open System Perspectives* (with W. Richard Scott; Pearson Prentice Hall, 2007). Davis has published widely in management, sociology, and finance. He is currently Associate Editor of Administrative Science Quarterly and Co-Director of the Interdisciplinary Committee on Organization Studies (ICOS) at Michigan.

Davis's research is broadly concerned with corporate governance and the effects of finance on society. *Recent writings* examine why companies choose the kinds of directors they do and what effect they have; which kinds of countries open stock exchanges, and what makes them successful; what consolidation in the US banking industry has meant for banks' global branch networks and their boards of directors; how increased household participation in the stock market has led to changes in the ownership and control of US firms; how conflicts of interest affect the ways mutual funds vote their shares in annual elections; the effects of social movements on what multinational companies do; and how ideas about corporate social responsibility have evolved to meet changes in the structures and geographic footprint of multinationals.

His latest book *Managed By the Markets: How Finance Reshaped America* (Oxford University Press, 2009) examines how finance replaced manufacturing at the center of the American economy, and what the consequences have been for corporations, banking, states, and households in the 21st century.

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Working Papers | Faculty Vita
Management and Organizations Web Site

Faculty A-Z - UM Department of Sociology - Microsoft Internet Explorer

Address: <http://www.lsa.umich.edu/soc/directories/alpha.asp>

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Faculty A-Z

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Administrative Faculty & Staff
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The Department of Sociology Faculty

Below is an alphabetical listing of faculty with email and telephone contact information. Faculty listed below are grouped into regular faculty, lecturers, affiliated faculty and emeritus faculty.

Regular Faculty

Barbara Anderson	barba@umich.edu	734 764-0351
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Fatma Muge Gocek	gocek@umich.edu	734 647-4228
Robert Groves	grovesb@umich.edu	734 764-8365

"What I like best about teaching at Michigan is that my classes are filled with extraordinarily bright students who have an incredible passion to learn."

Read more from...
Pamela Smock
Professor of Sociology

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- Groups
- Other Communities
- People Directory
- Related Events

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economic sociology
innovation design social movements organization theory institutions leadership social networks healthcare
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collaboration
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About ICOS

So what is ICOS?
ICOS, or the Interdisciplinary Committee on Organizational Studies, has the single goal of enhancing the University of Michigan's strength as a world center for interdisciplinary research and scholarship on organizations. We seek to enrich the intellectual environment of Ph.D. students and faculty interested in organization studies, by increasing the quality, breadth, depth, and usefulness of organizational research.

What does ICOS offer?

- The Seminar. ICOS offers a weekly Friday seminar (1:30-3:00 in K1310 Ross School of Business) which brings together top organizational researchers to present their work. Any and all members of the University community are welcome to attend, whether or not they are registered for the 1 or 3 credit course in Business Administration (840), or the School of Information (702). An ICOS video library of past seminars (1994-1998) is available through the Film and Video Library and is listed on Mifilm. RealAudio recordings of our lectures began in the late Fall of 1997. There is a list of these RealAudio sessions from which you can play them back over the WWW with accompanying slides and photos. They are also accessible by clicking on presentation titles in the syllabi of current and previous seminars.
- Developmental Activities. We offer a series of opportunities for graduate students to deepen their understanding of scholarly work and careers. We hold periodic workshops and an occasional retreat on issues such as thesis topic selection, scholarly writing, journal reviewing, and careers outside the professorate. We hold a biannual Poster Session on Dissertations in progress and in alternating years, award the Likert Prize for organizational research stemming from UM dissertations.
- Conference Support. We provide up to \$5,000 of support for faculty interested in organizing conferences of benefit to the organizational community. We typically fund two conferences, events, or workshops a year. A call for conference proposals is made in late February (for conferences held the next academic year).
- Research Grants. We fund research grants for projects involving faculty and doctoral students at levels up to \$3,000. While the grants do not directly support dissertation work, they are intended to support joint faculty-student work that may be related to the dissertation. The call for research grant proposals is once a year in November. The grant duration is for two years.
- ICOS Executive Committee: Gautam Ahuja, Ross School of Business
Jane Banaszak-Holl, School of Public Health
Michael Cohen, School of Information
Jane Dutton, Ross School of Business & Sociology
Mark Mizruchi, Department of Sociology
Jason Owen-Smith, Organizational Studies, Sociology
Lloyd Sandelands, Psychology, Management & Organizations
Diane Kaplan Vinokur, School of Social Work

Jerry Davis, Ross School of Business & Sociology

Latest Lecture

- Joel Baum, University of Toronto
Outsourcing War: The Rise of Private Military Companies after the Cold War

Spotlight Lecture

- Elizabeth Armstrong, Associate Professor of Sociology, College of Arts & Sciences, Indiana University
Exclusion, Class, Gender, and College Culture

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Address: <http://www.lsa.umich.edu/orgstudies/people.asp>

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
Wednesday, October 31, 2007

People in the OS Program

Organizational Studies Advisory Committee

[Wayne Baker](#) (Professor, Ross School of Business)
[Justin Benson](#) (OS Concentrator)
[Michael Cohen](#) (School of Information, Political Science)
[Robert Meadinson](#) (Associate Dean for Undergraduate Education)
[Mark Mizruchi](#) (Sociology, Organizational Behavior)
[Marvin Farnes](#) (Associate Vice President for Research)
[Richard Price](#) (Barger Family Professor & Director, Org. Studies)
[Carl Simon](#) (Mathematics, Complex Systems, Economics)
[Kathleen Sutcliffe](#) (Ross School of Business)

OS Faculty & Affiliated Faculty

	Wayne Baker Professor, Ross School of Business 764-2306 wayneb@umich.edu
	Jane Banaszak-Holl Associate Professor, Public Health 936-1688 janesh@umich.edu
	Kim Cameron Professor, Ross School of Business 615-5247 cameronk@umich.edu
	Gerald Davis Professor, Ross School of Business & Sociology 936-1525 gfdavis@umich.edu
	Robert Groves Professor, Ross School of Business & Psychology 764-1376

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People
 people > primary faculty

Primary Complex Systems Faculty

These are faculty at UM who do complex systems research, teach a complex systems course and/or help administer the Center.

Lada Adamic
 (School of Information)

Jim Allen
 (Physics)

Robert Axelrod
 (Political Science and Public Policy)

Daniel Brown
 (Natural Resources and Environment)

Elizabeth Bruch
 (Sociology)

Michael D. Cohen
 (Information, Public Policy, and Political Science)

Robert Deegan
 (Complex Systems/Physics)

Gerry Davis
 (Organizational Behavior, Business School)

Charles Doering
 (Mathematics)

Nonprofit and Public Management Center

Click on any highlighted interests and activities. ** denotes past faculty.

Alexander, Jeffrey
 Professor, School of Public Health
 Professor, Ross School of Business
 Faculty Associate, Institute for Social Research

Babiak, Kathy M.
 Assistant Professor, Kinesiology

Baker, Wayne
 Professor, Ross School of Business
 Professor, Sociology Department

Banaszak-Holl, Jane
 Associate Professor, School of Public Health

Bastedo, Michael N.
 Assistant Professor, School of Education

Bishara, Norman D.
 Assistant Professor, Ross School of Business

Cameron, Kim
 Professor, Ross School of Business
 Professor, School of Education

Chesler, Mark
 Professor Emeritus, Department of Sociology

Chamberlin, John
 Professor, Ford School of Public Policy
 Professor, Department of Political Science

Checkoway, Barry
 Professor, School of Social Work
 Professor, College of Architecture and Urban Planning

Danzinger, Sandra
 Professor, School of Social Work

Davis, Gerald
 Professor, Ross School of Business
 Professor, LS&A Sociology Department

Board Fellowship Program

The Board Fellowship Program places qualified graduate students as Fellows on the governing boards of nonprofit organizations in Southeast Michigan.
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The monthly newsletter lists events and other news of interest.
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Lessons from graduate school: What not to do

Moving in and getting lost

- The value of a liberal education
- Applying oneself effectively
- A Beverly Hillbilly in Northern California

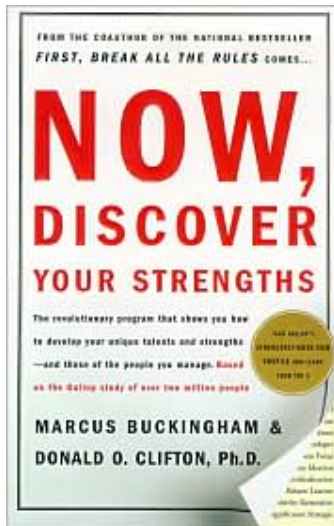


“Care for a Frutista Freeze with that degree?”

Moving in and getting lost

- The value of a liberal education
- Applying oneself effectively
- A Beverly Hillbilly in Northern California
- Finding one’s own corner of the big (round) tent

Choosing a research approach: “Now, discover your weaknesses”



- ~~Survey research~~
- ~~Interviews~~
- ~~Lab experiments~~
- ~~Fieldwork~~
- Merging monster datasets and running regressions on them

“When I was your age...”



Where did the data come from?

Variable	Compustat tape	Moody's Industrial Manual (hand-coded)	Current Population Survey (Jan. '83; calculated by industry)	Corporate Data Exchange directory (1981; hand-coded)	Spectrum 13F ownership directory (1980; hand-coded)	Standard & Poor's Directory (1982; hand-coded, cleaned, compiled into network measures)
Market to book	0.401	0.334				
Return on equity	0.334	0.401				
Cash flow	0.401	0.334				
Debt	0.334	0.401				
Free cash flow	0.334	0.401				
Age (log)	0.334	0.401				
Workforce tenure	0.334	0.401				
Growth rate	0.334	0.401				
High tenure/low growth	0.334	0.401				
Family control	0.334	0.401				
Bank control	0.334	0.401				
Misc. control	0.334	0.401				
Market value (B)	0.334	0.401				
Institutional ownership	0.334	0.401				
Banker on board	0.334	0.401				
Network centrality	0.334	0.401				
Model chi ²	0.334	0.401				

Dependent variable (date of takeover bid): coded from weekly SEC reports on microfiche (1980-1986) and Compact Disclosure (1986-1990)

Compustat tape

Moody's Industrial Manual (hand-coded)

Current Population Survey (Jan. '83; calculated by industry)

Corporate Data Exchange directory (1981; hand-coded)

Spectrum 13F ownership directory (1980; hand-coded)

Standard & Poor's Directory (1982; hand-coded, cleaned, compiled into network measures)

Time to completion: 4 years (1988-92)

625/ASQ, December 1992

WRDS taps the most comprehensive sources of financial, accounting, economic, management, marketing, banking, and insurance data. (More about WRDS)

REQUESTING YOUR FEEDBACK: Please consider answering our new, brief (only 5 questions) WRDS Customer Survey. Your feedback is vital in helping us make WRDS more valuable for you. Please click here to take our survey, which will open in a new window. Thank you!

Dataset List by Vendor | Dataset List by Concept

University of Michigan subscribes to datasets from the following providers (for details on datasets and permissions within each group, see My Permissions in my.WRDS):

- Bureau van Dijk
- COMPUSTAT Global & EMBD
- COMPUSTAT North America
- CRSP
- CUSIP Master File
- EVENTUS
- First Call
- Global Insight
- I/B/E/S
- ISSM
- KLD
- Mutual Fund Links (MFLinks)
- NYSE TAQ
- OptionMetrics
- RiskMetrics (formerly IIRC)
- Thomson Reuters

Free access data sets:

- Bank Regulatory
- Blockholders
- CBOE Indexes
- DNEF
- Dow Jones
- FDIC
- Fama French, Momentum, and Liquidity
- Federal Reserve Bank Reports
- PHLX
- Penn World Tables
- SEC Disclosure of Order Execution
- TRACE

Use WRDS Tools for company search and other services.

Research question: How intercorrelated are the most prevalent measures of corporate size? How has this changed over time for US firms?

COMPUSTAT North America

Annual Updates

Important Message: Compustat FTP format is no longer provided by Standard & Pooors. The final data cut is July, 2007 (fiscal year 2006). All new data updates will be provided in Xpressfeed format only. Please use this document to learn about the new data delivery method: http://wrds.wharton.upenn.edu/support/docs/xpf/compustat_xpf_overview.shtml

Data Query | Documentation | Data Manuals | Retrieve from myWRDS Queries

Step One: Determine Frequency

Frequency: Annual

Beginning: 1950 Ending: 2006

Step Two: Search

Search By: SMBL

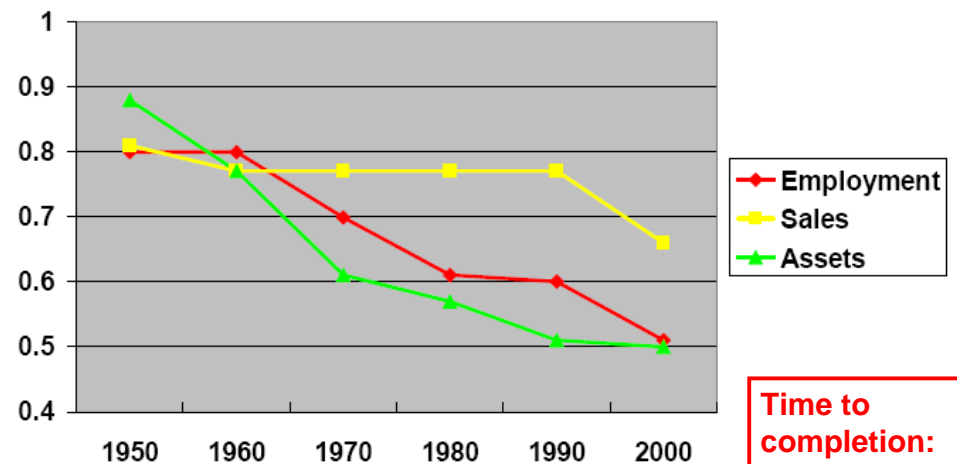
Choose 1 Of 3 Methods

1. Company Codes

2. File Containing Company Codes

3. Entire Database

Correlation between market cap and three other size measures, 1950-2000



Time to completion: 12 minutes

Lessons from 20 years as a professor: What not to do, part 2

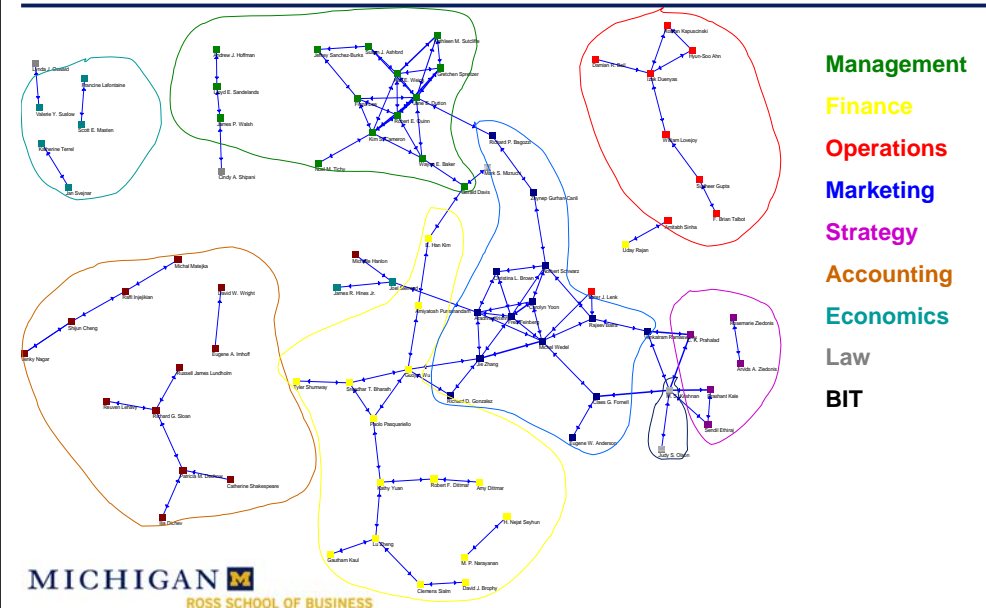
Lessons learned badly

- Previewing the career: no rest for the wicked
- Do what you hate
- We're all temps
- Know who your audience is not
- Don't throw anything away
- Everything has an implicit template
- The Amway approach to doctoral education

The business school as an estuary



B-school co-author network, 2000-2005



Disciplines in which I've served on dissertation committees at Michigan

- Management & Organizations
- Strategy
- Accounting
- Sociology
- Political Science
- Psychology
- Social Work
- English Literature
- Information
- Architecture
- Education
- Natural Resources
- Public Health
- Kinesiology

Disciplines I've done stuff in lately (alphabetically)

- **Architecture:** Jean Wineman, Felichism Kabo, and Gerald F. Davis, 2009. "Spatial and social networks in organizational innovation." *Environment and Behavior* **41**(3): 427-442 .
- **Finance:** Gerald F. Davis and E. Han Kim, 2007. "Business ties and proxy voting by mutual funds." *Journal of Financial Economics* **85**: 552-570 .
- **Management:** Gerald F. Davis, Calvin Morrill, Hayagreeva Rao, and Sarah Soule, 2008. "Social movements in organizations and markets." *Administrative Science Quarterly* **53**(3): 389-394 .
- **Paranoid management:** Dror Etzion and Gerald F. Davis, 2008. "Revolving doors? A network analysis of corporate officers and US government officials." *Journal of Management Inquiry* **17**(3): 157-161 .
- **Sociology:** Gerald F. Davis, 2005. "New directions in corporate governance." *Annual Review of Sociology* **31**: 143-162.
- **Strategy:** Eric J. Neuman, Gerald F. Davis, and Mark S. Mizruchi, 2008. "Networks and industry consolidation in U.S. global banking, 1986-2004." *Advances in Strategic Management* **25**: 213-248.

The Dow Jones 30 Industrials, 1987

Allied Signal	Eastman Kodak	Navistar International
Alcoa	Exxon	Philip Morris
American Can	General Electric	Procter & Gamble
American Express	General Motors	Sears Roebuck
AT&T	Goodyear	Texaco
Bethlehem Steel	IBM	Union Carbide
Boeing	International Paper	United Technologies
Chevron	McDonald's	US Steel
Coca Cola	Merck	Westinghouse Electric
Du Pont	3M	Woolworth

Blue = in index in 1930

~~_____~~ = gone by 2009

What's next? The mashup approach to enterprise

