British Management 1950–1980

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Abstract

The governance, managerial structures, and functional performance of large British companies at the end of World War II had preserved intact that in existence before the War: proprietorial governance (Quail 1996, 2000), sparse or nonexistent top management, poor financial planning and control, functional silos, and weak coordination of production and marketing. The nature of and changes in British management over the period to 1980 were conditioned by the slow changes in the preexisting company culture and structure, foreign competition, the role of the State, and the resurgent City of London and finance capital leading to a merger boom and great increases in the size of businesses. The general story is of a slowly increasing managerial professionalization and capability emerging during an escalating crisis of competitiveness into the 1970s and beyond. At the same time developments in company law, state regulation and intervention, and activist finance began to create a new environment within which managements had to operate and which conditioned managerial structures, skills, and priorities. In short by 1980 a managerial revolution of a kind was emerging within the firm but operation remained constrained by tradition and the external forces of financialization and global competition. The chapter starts with a general description of the business context within which management operated including a brief

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B. Bowden et al. (eds.), *The Palgrave Handbook of Management History*,
https://doi.org/10.1007/978-3-319-62114-2_38

analysis of the prewar "inheritance" in terms of firm governance, organizational structures and recruitment, and the relative performance of UK business in an international context. There then follows a more detailed account of UK governance and management structure recruitment and performance. The general conclusion is that by 1980 preconditions for a possible managerialist transformation of UK business were being established.

Keywords

UK management structures · Proprietorial management · Managerial capacity · Slow management change

General Business Context at 1950

The position and prospects for UK management and managers in 1950 did not look immediately promising. The 1939–45 War had seen immense efforts in production, in technological innovation, and in mass production. Yet in the process it laid bare huge deficits across UK industry in capacity, skill, and organization. Barnett, for example, gives numerous examples of poor performance, poor quality management, and poor management of quality, frequently quoting UK government sources (Barnett 1986). The organizational incapacity revealed does not come as a particular surprise, however, if one considers the governance, organizational structures, and skill sets of the overwhelming majority of UK companies in the interwar years. The problems stemmed primarily from UK company governance structures which were based on the requirements of UK company law which originated in a strict separation of office holders/employees from the board – designed as an elected committee of shareholders working for the interests of the body of shareholders as a whole. As firms grew and became more complex, committees of directors were formed to oversee parts of the business with departmental officers in attendance as when required. Boards were generally part time though the Chair would often be in more frequent attendance, sometimes even full-time. The 1908 Companies Act permitted the appointment of managing directors who were also not required to be full time. The result was that there was generally no full-time professional top management below the board and interdepartmental coordination was largely ad hoc. As the scale and scope of business expanded in the interwar years the internal organizational responses to the imperatives of complexity and growth were grudging and minimal (Quail 1996, 2000). With a few – a very few – exceptions, Scientific Management was not adopted by UK industry. Smith and Boyns conclude that in the great majority of cases British managements applied piecework systems rather than planning systems, organization design, and management task definition and ignored planning with objectives and targets (Smith and Boyns 2005). Marketing in the interwar years became cumulatively managed by Trade Associations, cartels, or other restrictive agreements (Mercer 1995, passim).

Recruitment of managers in the interwar years, and indeed after the war, was nepotistic and, where it was not, largely privileged public school boys. The Acton Society Trust found in 1956 that less than 10% of managers born before 1895 were public school educated but this increased to 30% of managers born between 1920 and 1924 who would have started work aged 16 or so around 1940. Once recruited, the same source says, public schoolboys were more likely to achieve promotion and rise to top management than entrants from other types of schools (Acton Society Trust 1956). There is a not inconsiderable literature boosting the leadership qualities and moral character of the public schoolboy for industrial management despite considerable evidence raising serious doubts on their commitment and ability (Quail 1998). International economic rivals like Germany or the United States recruited relevantly qualified graduates for industrial posts. That public schoolboys were considered suitable managerial material after what has been called a "Cook's Tour" of the firms various departments followed, if lucky, by a personal assistant appointment to a manager (Keeble 1992, p. 141) is as much a statement about the limited amount of knowledge and experience apparently considered necessary as it is about patronage-based recruitment.

A partially and then fully protected and cartelized economy in the 1920s and 1930s followed by the closed economy of World War II left UK business with rather less than optimal managerial resources and a maladaptive business culture as it faced an evolving and competitive global economy after the war. Nevertheless "[a]t midcentury, and after the catastrophic disruption of World War II, Britain accounted for 25 percent of world manufactured exports compared to 27 percent for the United States, 9 percent for Germany and 3 percent for Japan…" (Jones 1997, 112ff). Figures for overall UK Gross Domestic Product per hour worked show that while the UK had fallen behind the USA by 1900 it was not until 1970 "that the other large European economies reached British levels…." But while "(d)uring the 1950s and 1960s British productivity grew at a much faster rate than for decades… it grew much faster still in in most of Western Europe and Japan [who between the 1950s and 1973] narrowed the large technological gap which had existed between themselves and the United States" (Jones 1997, pp. 112, 113). The consequence was that by 1975 Britain's share of world exports was 9% (Jones 1997, p. 113), resulting in increased import penetration. "In 1983 for the first time since the Industrial Revolution, Britain imported more manufactured goods in value than it exported" (Jones 1997, p. 113). The fate of some sectors was striking: cotton textiles lost most of their export markets and faced great import penetration. In 1950 the UK produced one-third of world shipping output "but 30 years later British shipbuilding was a marginal force in the world industry." In 1950 "the country was the world's greatest car exporter … But over the next decade export markets were steadily lost" imports began to grow – 5% in 1965, 33% by 1975 (Jones 1997, p. 114). British passenger car production fell from 1.9 million to 880,000 between 1972 and 1982 (Jones 1997, pp. 112–117).

The reasons advanced for this reverse were generally poor management, labor recalcitrance, or foreign competition. Management performance will be a central theme in later sections but during the years 1950–80 labor was a particularly popular

object of criticism. The US ambassador to London in the late 1940s opined that "the only answer to Britain's problems is to work harder and, I fear, for less." A historian of the Marshall Plan comments: "In subsequent years popular discussion of productivity in British industry rarely rose much above this level. During the 1950s British employers would join the chorus and, with considerable success, lay the charge of sloth at the door of organised labour" (Carew 1987, p. 136). By the 1960s and 1970s this charge, it is persuasively argued, provided deep cover for bad management policies, decisions, and practices (Williams et al. 1983, pp. 251–258).

The use of productivity – GDP per labor hour – as the key measure of industrial efficiency can tend to privilege a labor-centric focus and ignore other highly relevant structural and institutional factors. A wider and rather more convincing analysis of British industrial failings is given by Williams et al. in their "Why Are the British Bad at Manufacturing?" A loose summary of their approach would that the problem of foreign competition faced by British firms was compounded by difficulties in accessing investment and a takeover boom in our period but were largely the consequence of the failings of management. The "distraction effect of bad working practices and labour disputes is less important than commonly supposed. Ineffectual management is immediately responsible for the non-price deficiencies of British manufactures" (Williams et al. 1983, p. 46). The areas of weakness are identified as the absence of "enterprise calculation" (essentially a combination of research, strategy, and planning), a lack of understanding of the nature of the changing national and international "composition of demand," and the consequential failure to design, produce, and market saleable goods. On top of the "problems of differentiated national demand" UK enterprise faced "problems of international distribution" (Williams et al. 1983, p. 48). British shipbuilding declined because, with the exception of one company (sic*!*), British shipbuilders continued building relatively small bespoke vessels for British shipping companies while developing world demand was for much larger standardized and mass produced vessels. UK overseas car sales were undermined by poor distribution, marketing, and servicing (ibid., pp. 49–58). These internal deficiencies were compounded by difficulties in accessing investment and the disruption caused by a merger boom starting in the 1960s. Meanwhile it is asserted that "after our review of the evidence and arguments about labour productivity and costs we could conclude that British industry's workplace performance is quite reasonable. The evidence shows that [UK] labour productivity performance is respectable in relative international terms" (Willams et al., p. 41).

The Chandler argument that the failures in UK enterprise stemmed from the failure to build multidivisional organizations with a top strategic management making investment decisions is considered overly simplistic and rigid by Williams et al. Citing Kantor, they say it is essential to have improvisation and innovation at middle management levels which provides the strategic options, appraises them, and proceeds to manufacture and marketing those that are approved by a top management exercising "enterprise calculation" (Kantor 1982). These are the necessary precondition for success. "The quality and marketing of UK manufacturing products has nothing to do with labour disputes and is the province of senior management."

The "distraction effect of bad working practices and labour disputes is less important than commonly supposed. Ineffectual management is immediately responsible for the non-price deficiencies of British manufactures" (Williams et al., p. 46).

The role of the UK government in the postwar economy was initially spectacular with the Labour government's program of nationalizations. But more generally the postwar Labour and Conservative governments did not pursue an activist industrial policy "except those considered essential for national security and national prestige: aircraft and computers. Apart from Rolls Royce (jet engines) US companies with huge domestic markets largely overwhelmed the UK aircraft and computer industries. . .there was no industrial policy" (Owen 2009, p. 50). The British state did however take a more activist role in competition policy. The post–World War II boom engaged an industry structurally indistinguishable from the prewar years. Indeed the War had strengthened the power of the already pervasive trade associations which had acted as intermediaries between government and industry during the war. Retail Price Maintenance had effectively stopped price competition in many areas of activity (Mercer 1995, p. 141). The British government became concerned and it was a wartime coalition government's 1944 White Paper that put down a marker that "Employers. . . must seek in larger output rather than higher prices the reward of enterprise and good management. There has in recent years been a growing tendency towards combines and toward agreements, both national and international, by which manufacturers have sought to control prices and output, to divide markets and fix conditions of sale. Such agreements or combines do not necessarily operate against the public interest; but the power to do so is there. The Government will therefore seek power to inform themselves of the extent and effect of restrictive agreements, and of the activities of combines; and to take appropriate action to check practices which may bring advantages to sectional producing interests but work to the detriment of the country as a whole (BPP 1943–44, quoted Mercer 1995, p. 54). The responsibility to see this through passed to a Labour government in 1945 given extra impulsion "when the incoming Attlee administration found itself with the urgent necessity of increasing productivity to close the post-war dollar gap and ensure economic survival" (Francis 1992, p. 1). As Mercer puts it: "[b]y 1945. . .the tenacity of potentially price-fixing and output-restricting trade associations presented a contradictory force in an expansionist world economy, while the trade associations themselves formed a formidable *political* barrier. . ." (Mercer 1995, p. 35).

Legislation was inevitable, the more so as the US pressure grew to remove national and international cartels in its postwar sphere of influence. The result, the 1948 Monopolies and Restrictive Practices Act did not work well; the outcome was muffled and ineffective due to industrial resistance and minimal powers in the Act to gain information and enforce compliance. Further legislation by the successor Conservative government, the Restrictive Trade Practices Act 1956, was more successful and required "the registration of all agreements between two or more persons producing, supplying or processing manufactured goods which fixed prices and discounts, allocated quotas and markets, or stipulated methods of manufacture" (Mercer 1995, p. 126). The Registrar was empowered to refer such agreements to a

powerful Restrictive Practices Court. If the Court found agreements restrictive they became automatically void. However, the Act in practice only affected cartels while large firms "in monopolistic positions or using monopolistic practices [were] often specially exempted from legislation" (Mercer 1995, p. 127). The result was that the Act did not "create a paradise of free atomistic competition" (which may have been initially intended) "but, in the long run . . . contribute[d] to the overall tendency of twentieth-century British business towards concentration and oligopoly" (Mercer 1995, p. 125) through anticompetitive mergers.

It was not the only force easing the path toward concentration. A clause in the 1948 Companies Act, whose wider potential appears little noticed at the time, stated that any director could be removed by an ordinary resolution of the shareholders. Directors had hitherto generally been subject to periodic re-election at company Annual General Meetings of shareholders but this new power for shareholders meant that the balance of power between shareholders now effectively presented as "owners" and directors as their "employees" had shifted very significantly: it enabled hostile takeovers that could immediately remove sitting directors and insert others (Segrestin et al. 2018). Previously, outsiders intending to acquire a majority of voting shares would have had considerable difficulty in doing so and, if successful, would have been involved in protracted trench warfare with sitting directors. As the City of London recovered after wartime restrictions were lifted and the quantity of ordinary stock in circulation and in the hands of financial institutions increased, the enhanced power of shareholders allowed hostile takeover to flourish, further increasing the tendency toward concentration and the growth of firms.

Before consideration of the spectacular growth of firms in the period 1950–80 it is prudent to first set out the particular – and peculiar – make-up of UK companies' capital and revenue structure in this period. Unlike European and US companies that relied heavily on bank lending to finance current capital expenditure, UK companies had much less access to this source because the security required was based on a liquidation approach, namely fixed assets. European, Japanese, and US banks used a more liberal going-concern approach monitored via a series of liquidity and gearing ratios (Williams et al. 1983, p. 69). "To a remarkable degree British companies have financed investment out of internally generated funds, [the Wilson Committee] showed that from 1964 to 1975 retained earnings averaged 70 per cent of total funds available" while "the banks and the stock exchange supplied roughly equal proportions of the 25 per cent of available funds that were externally provided." The stock exchange finance was debt (debentures) rather than equity (Williams et al., p. 59). "British companies did emerge from the Second World War flush with liquid assets, and reserves were considerable through the 1950s. . . But by the mid 1960s this liquidity reserve was exhausted. . . From the early 1960s onwards therefore, the sustainable rate of expansion in the corporate sector depended on profit, or the surplus earned on existing assets" (Williams et al., p. 61). However, the average rate of profit in British manufacturing dropped from approximately 13% in 1960 to 3% in 1978 (Williams et al. 1983, p. 63). The implications were emphatically restrictive. However, in the particular circumstances of UK enterprise calculation "assets double as production and financial assets. Enterprises may therefore pursue

trading profit or growth through the purchase of assets as well, or instead of, using those assets to produce final products" (Williams et al., p. 77). The lack of liquid funds from profits led to takeovers financed more or less entirely by new issues of shares by acquiring companies. This enabled a great increase in firm concentration; Prais shows that by 1970, 100 firms were responsible for half of UK manufacturing output – in 1958 this had taken 420 firms (Prais 1976).

Whether from the perspective of efficiency and rationalization of production or increased profits the results were disappointing. Meeks' study of approximately 1000 firms shows that the profitability in the 7 years after merger in the majority of cases was below the sum of that achieved separately by the premerger firms in the 3 years before merger (Meeks 1977).

The end of the 1970s, therefore, presents a landscape of much larger firms, performing less well financially, faced with difficulties in raising finance and the task of optimizing the structure and performance of their companies in a world made more difficult by the depressed economic situation following the dramatic rise in oil prices in 1974 following the formation of a cartel of Oil Producing and Exporting Countries (OPEC). An influential 1970s management history literature, however, accentuates the positive picture of the ownership, strategy, and structure of UK firms finding it closer to the American than any other European economy in terms of company size, separation between ownership and control, and adoption of the multidivisional structure (Channon 1973; Hannah 1976). The actual capacity and performance of the new greatly enlarged firms to perform like the large US multi-divisional companies is very questionable, however, as Meeks' study suggests, and requires further examination of the relation of firm structure to firm performance.

Business Management: Structure and Performance 1950–80

In general terms the physical and ideological structure of UK companies at the beginning of the postwar period was, as we have seen, that the directors and managers of a company were sharply different in status, and there was no top management structure below the Board, coordination of departments being the responsibility of a managing director or through board functional or departmental committees. Contemporary early postwar commentary from members of the small UK-managerialist avant-garde is helpful in identifying both the scope for and limits to change. Lyndal Urwick's 1954 pamphlet, *The Load on Top Management – Can It Be Reduced?*, asserts that the size and complexity of companies has grown immensely. The consequences for the "top manager" are the increasingly difficult requirement to coordinate/reconcile the managers of different and growing number of specialisms involved, together with relations with employees, customers, and government as well as ensuring smooth production and disruptive innovation. (This reference to a "top manager" is interesting because it easily applies to the US CEO or European structures but points an accusatory finger by implication at the UK managing director or chairman/proprietor and the more diffuse command structure of UK companies).

There follows a set of recommendations for adapting the organization for the new circumstances:

- Adopt a formal organization pattern with exact definitions of jobs and functions
- Divorce policy making (the Board) from execution (the Management)
- Separate research on policy making from policy execution
- Unify ultimate responsibility in a single chief executive
- Provide specialist assistance for industrial relations
- Provide specialist assistance for public relations
- Provide expert general staff assistance to the CEO

Finally the "separate businesses" within the firm should be decentralized – a reference is made to General Motors, implying a divisional structure.

This list would appear to encompass everything the great majority of large UK. Businesses were **not** doing with the exception of the separation of the board from management which was endemic and not noticeably accompanied by synergy. The assumption that UK boards generally had the capacity to develop policy in a form that was executable by management was optimistic. Nevertheless it was not impossible. A notable case is the United Steel Companies. The company published an admirably professional and clear series of lectures by its senior staff to the Engineering School at Cambridge in 1953 complete with organization charts, investment and financial planning systems, budgetary control, company structure – originating in a merger of four companies which had evolved into a decentralized structure somewhere between the functional and divisional form – and research, staff recruitment, and training (United Steel Companies Limited 1953).

The kind of practical problems of growth and complexity where expansion is rapid and innovative are addressed by Charles Renold in his pamphlet *The Organizational Structure of Large Undertakings – Management Problems* (Renold 1949). Renold, an owner/employer and a pioneer in management practice and management education, addresses the growth of his company involving an increasing diversity of specialisms and markets and dispersed operating units. The consequence is a growing difficulty of centralized management particularly when "several levels of authority have to be recognised and you have a multi-tier structure." One major difficulty is the communication of the "feel of the situation" from the units to the top. Another is establishing that the delegated powers from the top to the unit are being used correctly. The internal functional hierarchies must not be turned into spies. The choice appears to be between a new body of internal advisors or commissars, and is not resolved. These rapid changes are taking place in an organization which had emerged from a merger of three firms before the War to form what appears to have been a true M-form but which rapid development now appeared to be disrupting. The paper is of particular interest because of its uncertainty given that Renold had established a high-quality budgetary control system between the wars which would have seemed adaptable as company-wide corporate plan and out-turn method subject to audit. In any case the firm survived and prospered.

It would be wrong therefore to conclude that British Management was trapped entirely without options by its historic legacy. Indeed at board level there were shifts in perspective. *The Director*, the journal of the Institute of Directors, suggested that the composition of company boards and the role of the director were shifting to a merging of director and managerial roles to some degree. In a discussion on the appointment of a replacement when a part-time director retires, it is stated that full-time executive directors expect the "place to be filled from inside by a full time executive" and that there "is a noticeable tendency, particularly in manufacturing industry for the proportion of of full-time members of company boards to increase" (Copeman 1952a). The proprietorial standing of a directorship and the necessity for a new director to take up "a large holding" of shares was questioned: "If this were done it would limit the scope of appointments. Many suitable candidates had very little capital" (Copeman 1952b). A manufacturing employer wrote "If trend there be today, surely it is toward a board composed perhaps a majority of executive directors, with a number of non-executive directors who can bring not only other and perhaps wider experience but also a measure of detachment" (Tyzac 1960). There was also some anecdotal evidence of increased mobility up managerial hierarchies and from senior management to the board (G H Copeman, *The Director,* Vol 4 No.1, Oct 1952).

This is consistent with other evidence on the declining role of inherited positions in British companies: the proportion of founders and inheritors among chairmen decreased from 21% in 1907 to 4% in 1989, and for managing directors from 34% to 2%. Eight percent of the top 100 industrial companies were under personal ownership in 1983 and 4% in 1993. But social mobility did not ensue: business leaders, in the nineteenth and even more so in the twentieth century, were in their overwhelming majority (around 80%) recruited from the upper and upper middle classes – landowners, businessmen, senior civil servants, and professionals, and in the 1960s, more than half were themselves sons of businessmen. By the 1990s, however, there was "a sharp increase in the proportion of business leaders originating from a working class and lower middle class background: 39% for the generation active 1989" (All, p. 87). By 1998 25% of the top 100 directors in 1998 had come from a lower middle and 11% from a lower class background. So the "possibility of reaching the top appears to have increased by about 10–15% for individuals coming from a less privileged background" (Cassis 2009, pp. 86–88).

The discussion so far has largely considered the governance structure of large UK companies, and the changing recruitment to senior positions within it over time. However, the environment within which UK companies were operating was particularly stormy in the 1960s and 1970s not least the growth of firms in as a result of the merger boom where the span of control lengthened considerably. It is sensible to approach the nature of the resulting organizations holistically. It is not enough to concentrate on firm structure, or to ascribe aspirational modernity to a particular organizational form like the M-form and award points for adopting it. Companies need to survive and prosper. Their resources in manpower, technical expertise, marketing skills, and the specifics of their existing management structure and quality govern their options. The literature is not short of surveys and studies which are

generally critical in our period, particularly where comparisons are made with the capabilities of US firms.

A number of studies and surveys of this literature are usefully gathered in Wilson and Thomson (2006) and give a very downbeat picture. Firstly there was a wide variation in investment in machinery and its efficient usage, with performance generally below that of US manufacturers whose managements were superior at all levels. The variation in UK management quality is identified as the reason for the variation in productivity levels in UK firms. Management quality manifested itself in the use of budgetary control and long term planning, in greater capital investment, in production based on sales requirements rather than production dominating sales, on work study, and so on. US subsidiaries in the UK earned close to double the profits than UK companies in the period 1950–64. British top management did not coordinate or control the activities of their separate units or functions effectively, the result of a deliberate strategy of decentralization, and a reluctance to create middle level jobs with wide responsibility. This was the consequence of the holding company form favored in mergers combined with a proprietorial tradition of an aloof board membership of "'practical men' and gentlemanly amateurs" (Coleman 1973, p. 113) which was not prepared to dilute its sovereignty by significant delegations to functional or middle management (Quail 2002).

However, a rather different picture emerges from a study by Higgins and Toms of 200 UK quoted companies between 1950 and 1984 (Higgins and Toms 2012). Their aim is to "present an empirically rigorous analysis of the relationship between organisational structure and long run financial performance of British companies" using a sample of 200 companies (p. 108). The rather hectic environment in this period is illustrated by the survival rate of firms: of 3011 quoted companies trading in 1950 only 6% were still trading as independent organizations in 1984. The sample of 200 companies represents the survivors and their study supplies information on the "relationship between firms in the same industry, pursuing similar strategies but using different organisational structures and their financial performance can be examined." The study therefore gives a richer mix and wider appraisal of management performance, company form, and company survival and success. "Profit, unlike size, is more readily compared through time and is more easily related to changes in economic conditions and strategy. As a measure of success, profitability does not rule out the large number of smaller firms that may represent the more dynamic sectors of the economy [and] may include the family firms and networked organisations highlighted as alternatives to Chandler's big business dominated paradigm" (pp. 86–87).

Higgins and Toms find that firms in their sample were more likely to restructure and to adopt the multidivisional form in the 1950s and 1960s than in the 1970s but this was associated with underperformance and failure. Greater success in this period came with the adoption of the holding company. Post 1970 proportions were reversed: greater than 60% of structural changes were associated with top performers and the change most associated with success was change from functional to holding company structures. The multidivision firms in the 1984 sample were a minority "being associated with poor performance as often as superior performance" (p. 109).

An international survey of firms in France, Germany, and the UK by Horovitz allows a more detailed appraisal of a sample of large UK firms in the late 1970s (Horovitz 1980). Horovitz studied 18 companies describing most of them as holding companies where a "small central staff overlooks from twenty to fifty subsidiaries, each headed by a managing director, each having its own products, brands and markets and the necessary logistics to operate (administration, accounting, personnel etc.) Many decisions are decentralised to the subsidiary level while central office staff and directors shape policy decisions at the group level [and] act as bankers for the subsidiaries" (Horovitz 1980, p. 54). There is some prospect of development but it is muted: of the 18 UK companies studied 6 were "holding structure with divisional domains," the latter described as "much more areas of interest than managerial centres" each domain having a chairman, "not always a full-time executive" who sits on the subsidiaries boards and the main board. A further step to order and consolidate diversification is taken in 2 of the 18 companies described as "holding structures with divisions" These are "reinforcing central staff (group services, chief of planning. . ..)" and their divisions now have chief executives with their own small staffs. Note however that "subsidiaries remain the basic product market unit." This view taken together with the findings of Higgins and Toms appears to confirm that by the end of our period the multidivisional structure was not yet a reliable option for many large companies whether from the view that existing examples had not shown promise or that the leap from holding company to multidivisional form required particular management skills that were not available internally or externally except via consultants which carried considerable risks post restructure. The absence of a recruitable body of relevantly experienced managers could well be a significant factor in the lack of success in attempts at the M-form in Higgins and Tom's survey and the tentative explorations in divisional structures found in two companies in Horovitz's sample.

The discussion so far has emphasized the limited organizational capacity of UK management structures looking particularly at their adaptability in changing circumstances. The rigidity of the proprietorial structure of the firm, somewhat modified as our period has proceeded, has shown considerable lack of flexibility and capacity for change. The question must arise as to the organizational and management skills deployed within these structures and the capacity of the managers themselves carry out in day-to-day operations and administration and to adapt and change as external circumstances to ensure survival and hopefully continued survival. The next section will consider the capacity of the managerial hierarchies within the firm.

Managerial Capacity in UK Companies 1950–80

The governance and organizational structures we have discussed so far have shown themselves to be to a minor degree adaptable, demonstrated perhaps by a modest advance in managerial recruitment and career advancement to the board and a toe in the water of divisional structures. Expectations must be therefore also modest in considering managerial organization and operational technique and their managerial

performance. A number of studies and surveys give a mixed picture usefully gathered in Wilson and Thomson (2006).

Firstly there was a wide variation in investment in machinery and its efficient usage, with performance below that of US manufacturers where "the greatest single factor in American industrial supremacy over British industry is the effectiveness of its management at all levels" (AACP report quoted, p. 110). The variation in UK management quality is identified as the reason for the variation in productivity levels in UK firms. Management quality manifested itself in the use of budgetary control and long-term planning, in greater capital investment, in production based on sales requirements rather than production dominating sales, on work study, and so on. It is noted that US companies' subsidiaries earned an average after-tax profit of 15.4% while UK companies earned 8.7% in a large sample of companies in the period 1950–64.

There had been considerable efforts to use American mass production techniques in the UK after World War II which were "generally unsuccessful." The reason for this is suggested to be "because few firms had a sufficiently professional management cadre to make them operate efficiently" (Wilson & Thomson (2006), p. 112, ref to Tiratsoo et al. 2003). Granick's (1962) survey of four countries' processes of planning and control concluded that the "American advantage lay in the presence of substantial functional staffs at headquarters, whereas in Britain managerial practice did not require such staffs..." [quoted Wilson & Thomson, p. 112]. British top management "did not coordinate or control the activities of the separate units or functions effectively." This was a deliberate strategy of decentralization and a reluctance "to create middle level jobs with wide responsibility" This was the consequence of the holding company form favored in mergers combined with a proprietorial tradition of an aloof board membership of "'practical men' and gentlemanly amateurs" (Coleman 1973, p. 113) which was not prepared to dilute its sovereignty by significant delegations to functional or middle management (Quail 2002).

The development of trained professional management cadres in depth within the UK firm was therefore a key constituent of improved performance at both enterprise and national economy level. We have seen the structural impediments to this development working within the firm. It useful to note that government was concerned and encouraged management studies degree courses and supported the creation of two business schools in London and Manchester in the 1960s. These schools struggled to establish themselves as institutions and survived largely on foreign students (Wilson 1995, pp. 219–222) is stated elsewhere that the qualifications they produced up to 1981 tended to be used to add a credentialist gloss to more traditional patterns and privileges derived from public school and Oxbridge. Alternatively graduates moved into the developing and lucrative field of consultancy (Whitley et al. 1981). The number of undergraduates taking business courses was tiny in our period – 621 in 1970 rising to 1309 in 1980 (Quail 1999).

The numbers would accelerate rapidly in the 1980s and 1990s, however. This is a factor to add to other observations in this chapter on the increasing presence of senior managers and the decreasing presence of hereditary recruits on the boards of

companies, the beginnings of divisionalization out of opportunist and loose holding companies leading to something approaching a managerial revolution in the 1990s. This story I leave to others.

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