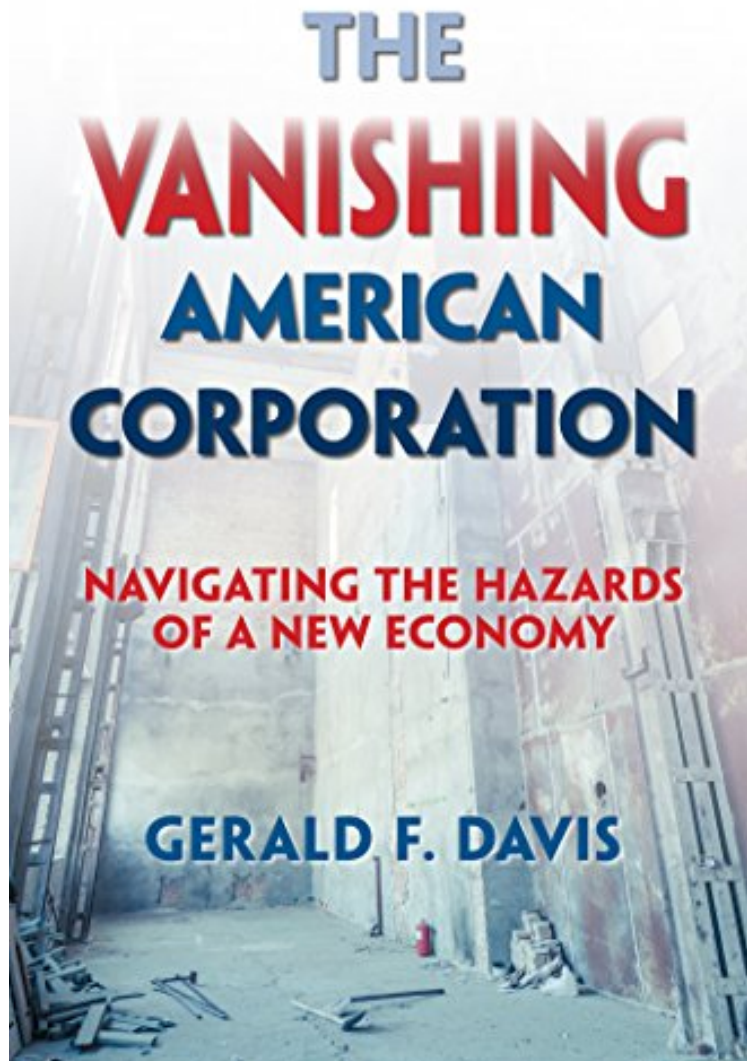


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# The Vanishing American Corporation: Navigating the Hazards of a New Economy

*Gerald F. Davis*

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**Gerald F. Davis : The Vanishing American Corporation: Navigating the Hazards of a New Economy** before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Vanishing American Corporation: Navigating the Hazards of a New Economy:

7 of 7 people found the following review helpful. Outstanding book on the Vanishing American Corporation By Myron M. Miller Review of the book by Gerald F. Davis Myron M. Miller "The Vanishing American Corporation" First, this is a book that should be read, and re-read, by all those currently involved in business,

NGOs and government. Perhaps even more importantly, it should be read by all university faculty and the students of today and tomorrow. Dr. Davis's description of what formed the corporations of America, and the dramatic forces that have changed them, provides an ideal background to the conceptions of all of us have about where our economy and jobs are headed in the future. On a personal note, I have lived through many of the changes. When I graduated from college with an M.S. in the 1950's, I joined Westinghouse Electric Corporation, along with 600 newly minted college graduates. We were gathered into a corporate "student training program." One can only imagine that world, as we reflect on that era. All of us were trained to be corporate people, specializing in some corporate function. When we graduated, we all had a choice to join any of a number of corporations, for the good entry jobs were aplenty. That was the era that Dr. Davis describes so well. Alas, there came a "perfect storm" of disruptive changes in corporate America, and these are very well described in his outstanding book. The development of conglomerates, where it was assumed that good executives could manage anything. The hostile takeovers of what had been excellent companies. The outsourcing that hollowed out much of American business, to the benefit of American consumers because of the lower prices, but were devastating to millions of employees in certain industries (appliances and television, for example). And then finally, the huge impact of technology on every aspect of American industry. I was personally affected negatively by all these disruptions. Fortunately, I was able to reinvent myself each time. Dr. Davis's description has "mapped" today's business scene, to the benefit of all who are coping with the disruptions, and for those who will face them for years to come. Understanding the elements of this map is essential for those educating and providing for the jobs of the future. He ends with some advice regarding what a college student might do to best prepare for what will be an equally disrupted future. His advice is to earn a degree in the liberal arts, plus a good dose of the kinds of technology/computer skills, and that is a good start. His last chapter raises the issue in a way that should be addressed and debated - widely in the academic community, particularly those in schools of business. Beyond his conjecture regarding the preparation of college students, there remains the enormous challenge of what is to be done with those who don't attend college, whether by choice in inability to qualify. I think this challenge might be part of Dr. Davis's continuing study and writing - to the benefit of all of us.

5 of 5 people found the following review helpful. Thought-provoking look at corporate America  
By Annie in Argyll  
A brilliant, eye-opening book which includes advice on how to adapt to the changing world of business. Rethinking one's career path might be wise. An interesting history on how the business world used to work and how and why it can no longer continue in the same direction. Corporations are rapidly disappearing and the reasons why are given. Some of the statistics on the state of corporations are surprising. Technology is changing the world of business very rapidly. Directed not only at academics and business professionals, but easily digested by someone like myself who doesn't normally read this type of book.

1 of 1 people found the following review helpful. Husband liked it. Great gift idea for the hard to buy for smarty pants...  
By SofieJVZ  
Husband enjoyed the book, then gave it to his Brother to read. I haven't read it - but might be able to....maybe...next year....

It may be hard to believe in an era of Walmart, Citizens United, and the Koch brothers, but corporations are on the decline. The number of American companies listed on the stock market dropped by half between 1996 and 2012. In recent years we've seen some of the most storied corporations go bankrupt (General Motors, Chrysler, Eastman Kodak) or disappear entirely (Bethlehem Steel, Lehman Brothers, Borders). Gerald Davis argues this is a root cause of the income inequality and social instability we face today. Corporations were once an integral part of building the middle class. He points out that in their heyday they offered millions of people lifetime employment, a stable career path, health insurance, and retirement pensions. They were like small private welfare states. The businesses that are replacing them will not fill the same role. For one thing, they employ far fewer people - the combined global workforces of Facebook, Yelp, Zynga, LinkedIn, Zillow, Tableau, Zulily, and Box are smaller than the number of people who lost their jobs when Circuit City was liquidated in 2009. And in the "sharing economy," companies have no obligation to most of the people who work for them - at the end of 2014 Uber had over 160,000 "driver-partners" in the United States but recognized only about 2,000 people as actual employees. Davis tracks the rise of the large American corporation and the economic, social, and technological developments that have led to its decline. The future could see either increasing economic polarization, as careers turn into jobs and jobs turn into tasks, or a more democratic economy built from the grass roots. It's up to us.

"Jerry Davis offers a gut-wrenching, mind-blowing picture of the Uberized society we are more or less blindly constructing. It raises radical questions for how we should collectively organize and individually navigate this brave new world, forces us to look afresh at how market and government should be allowed to interact, and puts our existing economic and political philosophies to the test." - Philip Pettit, L. S. Rockefeller University Professor of Politics and Human Values, Princeton University, and Distinguished University Professor of Philosophy, Australian National University  
"This is a brilliant book that describes the evolution of America's economic ecosystem and the implications of the 'task-based' economy for employees and society more generally." - Jeffrey Pfeffer, Thomas D. Dee II Professor of Organizational Behavior, Graduate School of

Business, Stanford University

“Davis challenges the future of the corporation and of traditional jobs in a world of digital disruption and decentralization. The implications are significant, but so are the opportunities. Davis offers us a way to understand the significance of the change and to lead through it. Great insights and inspiration.” — Jim Hagemann Sobe, former Co-CEO, board member, and Chairman, SAP

“Fast-paced, brilliantly written, and deeply informed. The best overview yet of the rise and fall of the giant corporation, the new technologies, and the opportunities and dangers — personal as well as political — we now confront.” — Gar Alperovitz, author of *What Then Must We Do?* and Co-Chair, The Next System Project

“This book is a comprehensive commentary on the history of public corporations in America. It provides an excellent insight on the rising fortunes of these corporations and dwells on their imminent fall. Elegantly paced, it gives glimpses of the social and economic impact of corporations on nations and makes for very good reading.” — S.D. Shibulal, cofounder and former CEO, Infosys

“Job One for the modern business academic is to provide actionable advice to help businesses create meaningful jobs and contribute to broad economic prosperity. Jerry Davis shows himself again to be a tower of strength in this quest with his brilliant new book. It is a must-read for anyone who cares about the future of democratic capitalism.” — Roger Martin, Institute Director, Martin Prosperity Institute, and former Dean, Rotman School of Management, University of Toronto

About the Author Gerald F. Davis is the Wilbur K. Pierpont Collegiate Professor of Management at the Ross School of Business and professor of sociology at the University of Michigan. He is the author of *Managed by the Markets* (winner of the Academy of Management’s George R. Terry Book Award) and the coauthor of *Changing Your Company from the Inside Out*, *Social Movements and Organization Theory*, and *Organizations and Organizing*. He also serves as the editor of *Administrative Science Quarterly*.

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Preface

WHY WOULD ANYONE want to write a gloomy book about the economy? And who would want to read it? As a business professor who sees a lot of examples, I can attest that the world does not need another dull and jargon-filled book about business. But my motivation for writing this book was more personal. I wanted to give some advice to kids heading off into the world, including my own. Yet I was stumped. When I headed to college, the options were clear. If you studied something practical, like engineering or business, you could get a corporate job when you finished school. If you studied something frivolous like philosophy, as I did, you could go to law school. And if you ran out of money and dropped out, there was always the chance of getting a union job on the assembly line. That was in the early 1980s. In the years since then, we have all learned about the death of the corporate career. The company would not take care of you; you had to navigate from job to job and company to company, sometimes shifting laterally, but over the long run moving ahead. Today, even the “job” is endangered. Kids graduating from college might find themselves juggling an unpaid internship with a part-time job as a dog sitter and an intermittent gig driving for Uber. If you ever played the children’s game Chutes and Ladders, you have a pretty good idea of the economic landscape facing millennials today. A handful land at the right place at the right time and manage to move up — maybe even selling their app to Facebook and retiring before age 30. But the vast majority face a precarious labor market where one wrong step might send them down the chute to part-time purgatory, struggling to put together enough shifts to make their x preface student loan payments. The factories haven’t been hiring for years, and law school only leads to a higher class of unemployment. Even the computer literate working for brand-name corporations find that their jobs can be done more cheaply offshore (sometimes after they train their own replacements). At the same time, the American corporation has been undergoing dramatic and puzzling changes. The shift from careers to jobs to tasks corresponds to a change in the shape of the corporate economy. Corporate careers only make sense when you have corporations that last a long time. But the “gales of creative destruction” beloved by business writers seem to be a lot heavier on the destruction than on the creation. The most venerable names in the corporate economy were going bankrupt (General Motors, Chrysler, Eastman Kodak), morphing into new industries (Westinghouse, Woolworth), splitting into component parts (Alcoa, Hewlett-Packard, Time Warner), or disappearing entirely (Bethlehem Steel, Lehman Brothers, Borders, Circuit City, and many others). The number of American companies listed on the stock market dropped by more than half between 1997 and 2012. Moreover, new entrants like Zynga and Zillow and Zulily start small and never grow big. By relying on contractors rather than hiring permanent employees in bulk, the newest corporations seem destined to remain tiny. The new businesses in the “sharing economy” have dispensed with employment almost entirely. At the end of 2014 Uber had over 160,000 “driver-partners” in the United States but only about 2,000 actual employees. Similar figures hold for Airbnb and other “sharing” firms. They are not manufacturers or service providers but platforms, out to disrupt traditional industries such as taxis, hotels, and even medicine. In school I was often threatened with suspension for being disruptive. Now being disruptive is an essential virtue for any new business plan. These things are connected. New technologies enable new ways of doing business and new forms of organization. New ways of doing business change the economic landscape and the prospects that individuals and families face. In the 20th century, the American economy was dominated by major corporations. In the 21st, that will no longer be true. The old maps no longer work for our emerging economy, and the old remedies no longer fix current problems. The steam engine allowed factories to operate anywhere that could obtain coal, and drove the first industrial revolution. It gave us

the steamship, the locomotive, and more globalized markets, as well as the "dark Satanic mills," as William Blake described them, and the urban bedlam of Dickens. The mass production methods that shrank the cost of the Model T spread to all realms of industrial society over the 20th century, from how children were educated to how war was conducted. They gave us the modern corporation, the modern labor movement, and the American way of life. The Web and the smartphone allow pervasive markets and spontaneous collaborations at minimal cost. They make institutions like the modern corporation increasingly unsustainable. What comes next is up to us. When the corporate economy arose in the early 20th century, astute observers like Theodore Roosevelt recognized that it created both opportunities for prosperity and hazards for democracy. Roosevelt and other Progressives recognized the need for well-informed public policy to harness the new corporations for public benefit. Today we face a set of challenges similar to those at the turn of the last century: rising inequality, lower mobility, a ragged social safety net, and politics dominated by the wealthy. But this time the cause is not the growth of the corporate sector, but its collapse. If we want to build an economy that works for all and that provides opportunities to the young, we need to start with an accurate diagnosis of our current situation. *The Vanishing American Corporation* is my venture at such a diagnosis. I want to thank several readers who gave generous comments on this manuscript as it evolved. They include J. Adam Cobb, David Drews, Wallace Katz, Maggie Levenstein, Dana Muir, and Niels Selling; three excellent Berrett-Koehler reviewers: Jeffrey Kulick, Robert Ellman, and Michael S. Brady; and particularly Steve Piersanti, who xii preface shepherded this book with care and expertise from its very earliest stage, in spite of my serial deadline prevarications. Working with Berrett-Koehler has been a delight from start to finish. As always, I also thank my delightful spouse Christina Brown for her endless cheer and encouragement. I hope the final product justified her faith.