Foreword by David B. Audretsch

For many decades, the firm has primarily been looked at as an organizational unit with the sole objective of providing profits to shareholders. To assist management in accomplishing this goal, management researchers have focused on resource acquisition, operational efficiencies and taking advantage of strategic opportunities. Although some academic fields do consider human resources as core resources, they do so under the auspices of skills as resources. The branch of research that deals with human behavior within the firm mostly focuses on employee well-being and motivation factors that are evaluated somewhat distinctly from the firm. To date, little effort has been placed on understanding the connection of what happens to the firm as a consequence of the human within. Refreshingly, the editors of this volume selected contributors who wrote carefully crafted chapters that focus attention to new ways of looking at the interaction of the firm and its human actors.

The environment of the firm has frequently been discussed in the past but never in terms of its variability and the effect this variability has on the employees. There is a two-way communication between the decision-making abilities of the employees and the environment in which they have to make those decisions. The decisions they make affect the environment of the firm and the environment of the firm in turn affects the decision-making abilities of its employees. Thus the question is not just how the firm may manage the people within, but what is the influence of the people on the organization of the firm. The question is not just about who to hire or promote to advance the success of the firm, but how does the environment of the firm affect its own success by influencing the decision-making abilities of those it hires or promotes.

Looking at the firm, human decision-making processes have been paid scant attention. The models of economic theories, based on rational choice and their logical means by which decisions are supposed to be made, preclude behavioral processes from being incorporated as important parts of decision making. Human behavioral processes are understood to be important in psychology, and business education and research have certainly benefitted from them. Still, the tendency has been to treat the human brain as a black box by scientists studying the firm and its employees. It has been almost axiomatic that institutions set rules and humans
adjust according to their personalities. It has also been assumed that there is little difference between the human at work and the human away from work. Personality tests, typically employed as part of the hiring/promoting process, have been designed to measure a desired bundle of skills and knowledge and some basic psychological traits. These tests assume that the personality traits of humans are stable. It is assumed that no factors may induce a different personality type on a person in the business practices of the firm. The concept of the resource-based view that considers humans as a resource of skills and knowledge posits exactly that.

Management education includes economics, accounting, strategy, law, ethics and even psychology as its core requirements, yet the connecting element in the application of all these remains elusive and is not taught. The connecting element is the human mind that must apply everything that was learned whether in a split-second decision or in a long and deliberate plan. Would a human mind end up with the same decision in a split second as it would when it has the time to think for several days about the same issue? What are those elements that influence the variability of decision-making?

Corporate managers, leaders and entrepreneurs come with all types of education and from various backgrounds. What makes some of them successful and others unsuccessful at leading or managing the firm? Are there biologically measurable abilities that help some people feel more comfortable and thus be more successful in certain business environments? For example, how would a firm know who exactly makes a great leader versus a great manager? What is the affect of risk and ambiguity on decision-making? We already know that some people are crippled with discomfort when it comes to risky decisions while others thrive. Who are the people who excel in a challenging environment of little information and who are those who excel in an environment of stability? We now understand that many decisions we make are on a subconscious level, yet we believe that within the firm all decisions are made consciously and deliberately. How do decisions made at the subconscious level affect the firm? Can the firm create an environment in which more of the decisions are based on conscious deliberate evaluations rather than on heuristics? Can a firm change how much people trust each other inside the firm?

Human decision-making is strongly influenced by hormones. Many hormones are essential to everyday life but we rarely focus on them in terms of the firm. For example, dopamine, oxytocin, testosterone and cortisol are some of the hormones that are naturally released in the brain in levels that change continuously in response to changes in the environment. Some of these hormones make people impulsive and restless while others make them relaxed, trusting and more generous. Some of these hormones allow
for better decision-making in some people and worse decision-making in others. Do people with high testosterone levels make decisions the same way as people with lower testosterone? Do men change their behavior when a pretty woman enters the office? Do women change their behavior when a handsome man enters the office? Do men and women affect each other within the firm to the detriment or the benefit of the firm?

In some way, the questions this book addresses are questions that we are all familiar with and have asked for many years. It suggests looking for answers in places that we have never thought of before. Some of the chapters will surprise you with their ingenious, simple answers and propositions; some will perhaps make you feel uncomfortable with their straightforward way of presenting what we all suspected but felt uncomfortable to talk about. Many ideas will need further research. Nonetheless, this is a book where every chapter provides leading edge information to today’s business and economics students and should be of great interest to corporate leaders and managers. The book also points the way toward new research methods and opportunities in management and entrepreneurial research. More than anything else, this book captures the excitement and spirit that accompanies the discovery and working out of a new and promising area for research. We are fortunate that, by compiling these chapters which, taken together, constitute a pioneering approach to understanding the firm, the editors share their exciting intellectual journey with us.