A Primer on Performativity and the Social Studies of Finance: Theory, Methods and Controversy

2011 AOM Professional Development Workshop
Organization and Management Theory (OMT)
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Organizers:

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The Social Studies of Finance (SSF) is one of the most exciting sub-disciplines to have emerged in the social sciences in recent years. This workshop provides a primer on the literature on Performativity and the Social Studies of Finance. The intended audience for this workshop is researchers from the disciplines of management studies, economics, sociology and organizational theory who have initial ideas about research projects regarding performativity or the financial markets. These participants will use the workshop to develop further their research ideas and, crucially, enrich their research perspectives using the analytical and methodological tools of this literature. Participants in the workshop will receive an introduction to the theories underpinning the literature and will then have a hands-on experience of discussing their ideas critically with peers and potential collaborators and have the opportunity to be mentored by leading scholars in this sociological perspective. The collective outcome of this workshop is to introduce performativity and the sociology of finance to an audience of management scholars.

PERFORMATIVITY AND THE SOCIAL STUDIES OF FINANCE:

SSF, born from the intersection of sociology of science, management and critical accounting offers a new vantage point for the analysis of financial markets and their dynamics. The young field of SSF has contributed to the sociological and management discourse a growing array of analytical notions, such as performativity, materiality of prices and market devices. Yet, so far, the intellectual roots of the field, the epistemological bases of its leading concepts and its methodological emphasis were not presented to the management audience. This workshop is intended to amend this situation and to serve as a close, concentrated look at SSF, and as a study of the conceptual and
methodological tools that it offers for the students of contemporary financial markets. SSF incorporates into a unified analytical framework three elements that affect the shaping and behavior of financial markets: performativity, materiality of markets and historical outlook. Performativity examines the impact that expert bodies of knowledge, such as accounting (Millo & MacKenzie, 2009), financial economics (MacKenzie & Millo, 2003) and management (Ferraro et al, 2005), have on the dynamics and the shaping of financial markets. Materiality of markets pays particular attention to the technological (Beunza & Stark, 2004; Preda, 2006) artifacts through which prices are produced and market behavior is determined. The historical outlook of SSF is a methodological perspective that sees today’s financial markets as outcomes of historical processes. As such, to understand market dynamics, SSF necessitates the analyses of the long-duration process organizational history of markets and encourages a multifaceted study of intertwined arenas: regulatory, technological and commercial.

Convened by Yuval Millo and Daniel Beunza from the London School of Economics, this intensive 3-hour PDW is aimed at presenting the field and discussing the major concepts it introduces. The workshop is directed at research students and early-career researchers in management who are interested in the study of financial markets from organizational, social and technological perspectives.

WHAT TO DO TO ATTEND:

There is no charge to participants, but they need to register with the organizers. To attend, please write to Daniel Beunza at d.beunza@lse.ac.uk

BACKGROUND:

SSF creates a synthesis between elements from two bodies of knowledge, the “new economic sociology” and science and technology studies literature. The central claim of the new economic sociology is that economic practices are embedded in social relations (Stinchcombe, 1983 and Granovetter, 1985). This is used by SSF as a starting point for investigating the different realms of influence in which markets are situated. While new economic sociology tended to focus primarily on the micro arenas in which prices are determined, as is shown in Baker’s seminal paper (1984) about the connection between price volatility and social contacts, SSF expands the analytical scope to the professional, regulatory and technological discourses that impact on social connections and, in turn, on economic activity (Millo, 2007; Millo & MacKenzie, 2009).

Another contribution to economic sociology comes from the particular attention that SSF gives to the materiality of financial environments. Among others, SSF scholars have referred to the spatial qualities of trading rooms and the computer programs used (Beunza & Stark, 2004) or the bodily presence and communication of pit traders (Zaloom, 2006) as determinants of market behavior.
Building on concepts from science and technology studies, SSF recognizes that financial markets are drenched in information and communication technology. This recognition motivated the SSF approach to look beyond human-to-human connections and to study how connections between machines and humans (e.g. market participants who use computerized pricing models) affect markets. This view led to the development of the concept of market devices (Callon et al, 2007), which asserts that the markets are characterized by the machines that operate within them. SSF scholars, for example, examined the role of the stock ticker in the emergence of technical analysis (Preda, 2007) or how standardized communication terminals ‘flattened’ cultural differences and geographical disparities among traders Knorr Cetina & Bruegger, 2002).

The SSF approach also challenges the exclusive attribution of agency to individuals. In line with the work of cognitive scientist Edwin Hutchins (1995), SSF sees financial markets as an area dominated by distributed cognition, where the ability of an individual to make meaningful decision is framed by other actors, as well market devices such as models, analysts’ reports and computer systems (Beunza and Garud, 2007; Beunza, Hardie and MacKenzie, 2007). The more comprehensive perspective of SSF on the nature of cognition in markets enriches the potential explanatory power of empirical works on asset valuation and its relation to the limits of human cognition (Zuckerman, 2004).

**OBJECTIVES:**

The workshop is intended as an introduction to the concepts and methods of SSF and is aimed at exposing students of financial markets to this set of new ideas, insights and findings. Following this initial goal, we hope that research students, as well as junior and established faculty will apply the tools of SSF, develop them further in their research project and incorporate the field into the expanding toolbox of management research.

**STRUCTURE:**

To attain these goals, we created three areas of activity in the workshop

The workshop will consist of several presentations. This structure is oriented towards the creation of a useful interaction between the participants' particular research projects and the core ideas of SSF.

**Part I (presentations)**

Market devices (Daniel Beunza)
- Understanding the cockpits of modern markets: the ways in which trading and market analysis environments affect market behavior
- Technology in markets or 'market technology': how to analyze hybrid networks
- Is the designer a market participant?
The concept of performativity (Yuval Millo)
- Saying things, writing things and doing things: critical accounting and SSF
- What happens when things are counter-performative: SSF approach to financial risk management
- Financial regulation and performativity: who regulates?

Methodology (Beunza and Millo)
- SSF and multiple method data collection
- The challenge of doing multi-site research
- Ethnography of machines: how to get the devices to talk?

Part II (roundtables)
- How to do SSF research
- New markets or new outlets: the BRIC countries (Brazil Russia, India and China) and the globalization of financial contracts
- Carbon-trading markets
- Using SSF outside the markets?
- Debrief

Participants will work closely with one of the facilitators as well in a group. The two organizers/ facilitators each have developed a successful published track-record in institutional logics research (MacKenzie and Millo 2003; Beunza and Stark 2004).

After the introductory tutorial and panel discussion, the workshop participants will break-out into small creative enclaves, organized as roundtables on the basis of interests in SSF-foundations, and methods. The specific number of roundtables will depend on the number of participants. In these enclaves participants will be encouraged to interact by discussion and debate on how their research interests relate to that of each other and the tutorials presented by the facilitators. The goal will be to identify key gaps, issues, and ways to build on the existing research, not by rote imitation of research questions and substantive domains, but by new creative extensions and challenges. The interaction should be characterized by the sharing and prospecting for new ideas, questioning and commenting on the tutorials with opportunity for debate, affirmation, reflection, exchange, and fraternity.

The creative enclaves will debrief to the full audience on any further questions and comments on the tutorial panel presentations and on their progress in developing research project ideas. Facilitators will wrap-up the full session by highlighting the commonalities of understanding and disagreement and by linking together the categorical areas of micro-macro-foundations, and methods of analysis.

INTENDED AUDIENCES AND SOURCES OF SUPPORT:
Conducting the PDW using the cumulative research program structure should enable participants to observe and understand why the tree of knowledge in the SSF perspective is perhaps more developed on one side than the other and where a bit of fertilizer can enhance its growth. The break-out enclaves are meant to foster and broaden networks among scholars and topic areas. As a result, this PDW should be of interest to Ph.D. and junior faculty scholars in the OMT and MOC divisions.

**IMPORTANT FOR OMT DIVISION:**

The papers within this symposium build upon theories central to the OMT division, helping to develop theory and refine our understanding of critical mechanisms. In a way, this symposium might create a forum to debate how can organization theorists respond to the challenges of financialization, an idea first suggested by Jerry Davis in his book Managed by the Market, which was awarded the 2010 George Terry Book Award by the OMT division. Furthermore, the symposium speaks to a parallel debate within the OMT division and the literature – that between institutionalist and performativity scholars about the extent to which market tools such as equations and spreadsheets can shape market outcomes. Last year, the OMT division hosted a panel session on the topic, led by Bruce Kogut, which was widely commented on and debated in blogs such as Orgtheory.net.

**SCHEDULE OF WORKSHOP ACTIVITIES:**

1. 5 minutes Introduction of session setting up the cumulative research program approach
2. 30 minutes tutorial on market devices.
3. 15 minutes creative break-out sessions with the purpose of networking among participants.
4. 30 minutes tutorial on performativity and the controversy
5. Break out into two or more groups (depending on number of attendees) and discuss personal research agendas (60 min).
6. 40 minutes debrief reports to general session and closure.

Total time: 3 hours.

**REFERENCES:**


