1998 How to win fairly

Why do big companies make big profits, even if they’re not very good at what they do? Why is it so hard for new competitors to enter established markets? Why do the most inventive companies often fail? These are the questions that fascinated Paul Geroski, the US-born London Business School professor who spent his life thinking and writing about what made for fair competition before joining and then running the UK’s Competition Commission.

Sadly Geroski’s work at the Commission was cut short. He had only three years as Chairman before his death in 2005, at the age of 52. And it was a real loss to the field of competition policy that he’d made his own. Colleagues agree that Geroski had big ambitions for his time at the Commission; he achieved some of them, but did not have time to complete what he wanted to do.

Star quality
The job was a big change from London Business School where Geroski had been one of the star teachers. Students came to the School because Geroski was teaching there. If he taught a course, it was guaranteed to become popular. PhD students wanted to be supervised by Geroski.

But in 1998 he switched the world of intensive research and teaching for the politicised environment of inquiries and interventions in big company mergers and operations.

“Paul was always very interested in the policy side of things, and the moment was right, with a Labour government suddenly ready to give competition policy some teeth,” says Saul Estrin. “He really was a man of the left, and he took the view that the kind of monopolistic behaviour that the UK has always tended to tolerate was just not right.”

Work and more work
While at the Competition Commission, Geroski kept up his fierce work rate, publishing a string of academic papers on competition policy as seen from the inside. He wrote about how to define a market (a matter that’s key to deciding whether a company has market dominance); about the costs and benefits of a competition policy (unsurprisingly he concluded that the public good value of an interventionist competition policy far outweighed the costs); and about the high economic costs of maintaining a ‘national champions’ system of preferred companies exempt from normal market rules.

Much of this work drew on Geroski’s earlier research into how competition works in new markets. Geroski had already published several books on corporate performance and innovation, culminating in the influential Fast Second, written with London Business School co-author Professor Costas Markides. The book argued that it’s not the innovative “first mover” companies that end up profiting from new markets, but rather the later entrants who manage to consolidate the market, reducing consumer choice and increasing company profits.

Data-based policy
Everyone who worked with Geroski, whether in academia or in government, testifies to the authenticity of his approach, what Estrin calls his fair-mindedness and integrity. Yet Geroski’s ideas on what was fair and what was right were grounded in academic rigour.

Georski’s work was always based on hard data. “He was Big Data before anyone had heard of Big Data,” says Estrin. “He had this ability to soak up a vast quantity of data and squeeze it until it started to yield conclusions.” And if he achieved a big change at the Competition Commission it was about data – he introduced the idea that you had to make decisions based on the data and not on anything else.

 Armed with data, Geroski felt there were no doubts about what was fair and not fair. “He had no time for bureaucratic compromising,” says Estrin. “Things were right or wrong, black or white, it was either competition or it was monopoly. That was his vision, the tragedy is that he didn’t have long enough to put it all into practice.”

Paul Geroski was Professor of Economics at London Business School, 1991-2005.

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