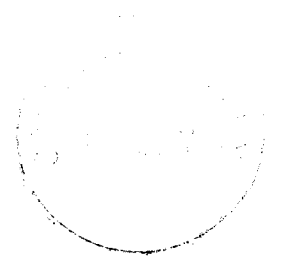




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**SWP 23/89 BUSINESS STRATEGY & BUSINESS HISTORY:  
A REVIEW AND PROSPECTUS**

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**Business strategy and business history:  
a review and prospectus**

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**Abstract**

In this paper we review the impact of business history upon business strategy research with particular reference to the influence of Alfred Chandler. Noting the virtual absence of any historical influences other than Chandler we then ask whether his work was in principle unique, whether it was only accidentally historical, or whether it does in fact provide a model for further contributions. Concluding that the latter is the case we then draw on an analysis of history and the social sciences in general, and of the history and social studies of science in particular, to illustrate the different ways in which history can contribute to a field such as business strategy research. Building on this discussion, and on our own research, we then set out a prospectus of specific aspects of business strategy research to which an historical approach appears necessary or appropriate.

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### Alfred D. Chandler and the framework of business strategy research

In 1962 Alfred D. Chandler's book Strategy and Structure: Chapters in the History of the Industrial Enterprise was published. This was an historical work, based upon detailed archive-based historical studies of the emergence of decentralised administrative structures in four large American firms (du Pont, General Motors, Jersey Standard and Sears) in the early part of this century. These in-depth case histories were supported by a more general analysis of the administrative histories of about a hundred other firms. On the basis of his historical analysis Chandler argued that the decentralised structure in American industry arose from the need to administer enlarged activities and resources as a consequence of corporate growth strategies, themselves stimulated by changing technologies and demand patterns. He also proposed that different types of growth would lead to different organizational forms and that, as a general law, structure follows strategy. Structure was here defined as the organizational design through which an enterprise was administered, whether this was formally or informally defined. Strategy was defined as the determination of the basic long term goals and objectives of an enterprise, together with the adoption of courses of action and the allocation of resources necessary for carrying out those goals. The existence of a time lag between changes in strategy and structure was noted, and attributed to one of two reasons: either executives were for some time ignorant of their new structural needs, or the strategic changes were not for a time strong enough to require structural changes.

While researching and writing Strategy and Structure Chandler was a historian in the School of Humanities at MIT, and during its most influential period he was Professor of History and director of the Center for the Study of Recent American History at The Johns Hopkins University. He was not a business school academic, and he did not address his work to the business school community. Its impact in

that community, and especially in the Harvard Business School, was however tremendous.

The subject of business strategy was not new. Capstone courses in business policy had been taught at Harvard since 1911, and were also commonplace at other business schools. Peter Drucker had talked explicitly of business strategy and strategic decision making in his 1955 book, The Practice of Management. But there was no research field of business strategy, and no concept within the business policy context of the organization as anything other than a static assemblage of resources (Ansoff, 1987). Even the fast developing literature on organizational processes and decision making behaviour stimulated by the work of Herbert Simon (Simon, 1947, 1957; March and Simon, 1958; Cyert and March, 1963) tended to treat the organization as a whole as basically static. Indeed it was only with the book by Burns and Stalker (1961) on The management of innovation, published just one year before Chandler's own work, that the kind of dynamic relationship between an organization and its environment portrayed by Chandler featured significantly even in the organizational behaviour literature.

So Chandler's book offered far more than just a new argument about business strategy or policy. It offered a new concept of business strategy as something relating the behaviour and structure of an organization to its economic environment. And it opened up a whole range of questions concerning these relationships, the existence of which could be used to define what was in effect a new field of enquiry within management science. More than any others, two works published in 1965 marked this development: Ansoff's Corporate Strategy, and Andrews, Learned, Christensen and Guth's Business Policy: Text and Cases, the conceptual content of which was due to Andrews and later published separately by him as The Concept of Corporate Strategy (1971).

Ansoff, who had recently joined Cyert at the Carnegie Institution, distinguished

between three types of business decisions: operating decisions, the aim of which was to maximize efficiency; administrative decisions, concerned with the structure of a firm's resources; and strategic decisions, concerned with the firms's product/market mix. For analysis of the first class he referred the reader to the recent book by Cyert and March (1963), and for that of the second class to Chandler's book, while his own book addressed the third class. Expanding on the relationship between his work and Chandler's he argued that effective strategy problem solving required two things: a method of analysis, which he sought to supply, and an appropriate administrative environment, which he saw as being Chandler's concern. Defined in this way, Ansoff's concept of business strategy, which has remained influential in the field ever since (Hofer & Schendel, 1978) was very different from Chandler's. It was in effect restricted to strategic planning and the formulation of strategies in terms of product/market scope, growth vectors, competitive advantage and synergy. But the influence of Chandler's work on its formulation is undeniable.

Andrews was Professor of Business Policy at Harvard Business School, where he had taught since the war, and his new textbook was very much in the Harvard business policy tradition of the case-based teaching of general management or business administration. But his definition of corporate strategy as "the pattern of objectives, purposes or goals and major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is, or is to be" was close to Chandler's. And while he and his colleagues were still very skeptical of the value of Chandler's work (Channon, 1973) his analysis of strategy nevertheless appears to have owed much to Chandler's concept of the relationship between strategy and structure.

#### Chandlerian themes in business strategy research

Apart from its general contribution to the molding of the field of business strategy,

Chandler's book has also provided a starting point for a number of specific research trajectories within the field. Its most immediate research impact was at the Harvard Business School. Harvard had had a chair of business history within the business school since the interwar years, and the journal Business History Review was edited and published there. It also had a strong tradition of case writing and teaching, especially in the business policy area. For both reasons it was probably more open than most business schools to the influence of a work such as Chandler's. But until Chandler himself moved there in 1971, there seems to have been little if any connection between the School's work in business history and its research in business policy or other areas of management science.

Sometime before then, however, Chandler's work was taken up by a group of doctoral researchers in the policy area under the supervision of Bruce R. Scott. The starting point for this research activity was a simple three stage model of corporate structural development put forward by Scott (1968) in response to a reading of Chandler's work. This was followed by a thesis by Leonard Wrigley (1970) in which Chandler's argument in Strategy and Structure was formalized and extended in terms of a classificatory system of strategy and structure dimensions. Using these analytical frameworks a group of five doctoral students then analyzed the historical development of the strategies and structures of industrial enterprise in five different national settings: Britain (Channon, 1973), France and Germany (Pooley-Dyas & Thanheiser, 1976), Italy (Pavan, 1972) and the USA (Rumelt, 1974).

From this work have developed several related strands of business strategy research. The stages of development model was developed by Scott and his students (Scott, 1973; McArthur and Scott, 1969; Salter 1970) and has since provided a basis for a series of more sophisticated analyses of corporate structural evolution (Greiner, 1972; Mintzberg, 1978, 1979). The relationship between strategy and structure has been explored for other countries and

other periods than those treated by the Harvard group (Suzuki, 1980; Chandler and Daems, 1980; Hannah, 1976), and also through the development of richer conceptual frameworks. Reflecting the circumstances specific to Chandler's study, the early work was restricted to a very limited characterization of strategic options and structural forms, and to an even more limited view of the firm's environment. In more recent work these restrictions have been gradually removed, and more sophisticated analyses of the relationships between strategy and structure (Miller & Friesen, 1977, 1978; Burgelman, 1983; Hall & Saias, 1980; Hill & Hoskisson, 1987; Miller, 1986, 1987a; Galbraith & Kazanjian, 1986; Galbraith & Nathanson, 1978; Palmer and others, 1987) and between strategy, structure and the environment ( Jauch & Kraft, 1986; Jauch & Osborn, 1981; Miller, 1987b; Miller & Friesen, 1983) have been developed. In the latter context, moreover, Chandler's influence has operated not only directly but also through the medium of Thompson's (1967) book, Organizations in Action, which drew heavily on Chandler but focussed on the relationship between organization and environment. In the hands of Miller and Friesen at McGill University, the longitudinal analysis of strategy, structure and environmental variables over a range of firms has led from a Chandlerian starting point to a general theory of strategic change processes (Miller & Friesen, 1980, 1984; Miller, 1982).

Another stream of research has concerned the performance implications of the strategy-structure relationship, and has built on the doctoral work of Rumelt (1974). These implications were from the beginning an interest of the Harvard team under Scott, but only for the American context were sufficient data available for the line to be pursued. In fact, although Rumelt was able to come to some preliminary conclusions, further development of this type of analysis has proved difficult and most of the prescriptive content of the strategy and structure literature remains only qualitatively grounded. The performance implications remain high on

the overall research agenda of the business strategy field, however; Rumelt's work is established as a classic, and some further progress has been made (Nathanson & Cassaro, 1982; Christensen & Montgomery, 1982; Teece, 1981).

Before the work we have described got under way, Chandler's work also impacted on another body of doctoral research at Harvard, this time in the international business area. The Multinational Enterprise Project was managed by Curhan and Vaupel and strongly influenced by Vernon and Fouraker (Vaupel & Curhan, 1969). It did not owe its conception to Chandler's work, but the birth of the multinational enterprise fitted naturally into a Chandlerian strategy and structure framework. In particular it was closely related to the rise of the multi-divisional form of structure. From this project came a series of important works (Stopford & Wells, 1972; Franko 1976; Stopford, 1968; Fouraker and Stopford, 1968; Franko, 1974) which served not only to develop the analysis of strategy-structure relationships but also to establish multinationals as a major new field of business strategy research. Moreover, although more recent work on multinationals has gone beyond the strategy-structure framework, the research field has still not lost sight of its Chandlerian origins.

The third major influence of Chandler's work on business strategy research has been altogether different, and has come about through the work of Oliver Williamson. Williamson's interest was in the theory of the firm, and in particular in the problems posed by Coase's work in this field. He completed his doctoral research with Simon, March and Cyert at Carnegie and before encountering the work of Chandler he had already sought to explain the structure of the firm by combining Simon's insights with an economic analysis in terms of utility maximization (Williamson, 1986).

On reading Strategy and Structure in the late 1960s, Williamson was struck by the role played by administrative factors internal to the firm, which appeared

inconsistent with the existing economic models. But he also saw the possibility of combining Chandler's organizational analysis with Coase's economic analysis of the transaction costs of alternative forms of contractual relations. According to the view developed in his book Markets and Hierarchies (1975), developments of corporate structure, and especially those in which a reliance of market contracts was replaced through a process of vertical integration by the use of internal contracts, could be seen as a consequence of transaction-cost minimizing managerial behaviour.

This view was strongly reinforced by the appearance in 1977 of Chandler's new book, The Visible Hand: The Management Revolution in American Business. On the basis of an historical study of the rise of the modern business enterprise in the period 1840-1920 (i.e. the period preceding that of Strategy and Structure), Chandler argued that multi-unit enterprises replaced traditional single activity firms when the volume of economic activity reached a point at which lower costs and so higher profits could be attained through administrative coordination than through market coordination. This argument lent itself admirably to Williamson's transaction cost interpretation, and was soon embraced by it (Williamson, 1980). Meanwhile William Ouchi applied the transaction cost approach to the analysis of alternative forms of structure or alternative managerial control systems. Three types of company organization (labelled markets, bureaucracies and clans) were defined and the choice between them explained in terms of the costs of mediating exchanges between individuals in different circumstances and environments (Ouchi, 1980; Wilkins and Ouchi, 1983).

Derived though it is from a consideration of Chandler's analysis, there is little room in Williamson's approach for strategy. But transaction cost analysis has been developed within the business strategy context both conceptually (Kay, 1982) and prescriptively (Teece, 1985), and it continues to be a significant force in the field.

Finally in this section mention should be made of the Harvard organization and environment research programme, and in particular of Lawrence and Lorsch's (1967) book, Organization and Environment: Managing Differentiation and Integration. The contingency theory approach pioneered in this work has had a tremendous impact on business strategy as on other aspects of management research, and while its genesis appears to have owed more to Burns and Stalker and other organizational theorists than to Chandler (Lawrence, 1981) the general influence of Chandler's work is nevertheless apparent.

#### History and strategy beyond Chandler

On the basis of the influences discussed in the last section we may already say that business history has had a major and profound influence upon business strategy research. But so far we have been concerned only with the influence of one man and, to a very large extent, one book. This might be taken to suggest that the influence of business history as a whole could, in principle at least, be quite enormous. But it could also be that Chandler's contribution was in some way in principle unique, or that its historical dressing was essentially accidental.

Certainly it is true that as a professional historian writing within the mainstream of management science Chandler is virtually unique. There are other examples. When Paul Lawrence came to look at the problems facing American industry in the late 1970s he felt the need of a professional historian as co-researcher and enlisted David Dyer to work with him on what became their joint book, Renewing American Industry (Lawrence & Dyer, 1983). But this book has not had a major impact on the business strategy field. Nor has Margaret Graham's (1986) history, RCA and the Videodisc, though it is a fascinating case study. And I can think of no other examples, either in business strategy or indeed in management science as a whole.

Some researchers have of course adopted

historical or partially historical methodologies, without necessarily calling them that, and this category includes some significant contributions. Andrew Pettigrew has argued consistently for an historically based approach, and adopted such an approach in his (1985) book, The Awakening Giant. Continuity and Change in ICI. Gerry Johnson's recent (1987) book on Strategic Change and the Management Process also has an historical element. But neither of these works can really be called business history. They incorporate an awareness of historical context, but no more so than any case study should. And their main focus is upon processes observed in real time and from close range, not upon analysis of the historical record.

So is Chandler's contribution unique? Is its historical dimension accidental? Or is it reasonable to look for other ways in which business history might contribute significantly to the strategy field?

As a business historian Chandler is, if not unique, at least very rare, for he is essentially a historian of business rather than of businesses, of the firm rather than of firms. And if we look at the history of the firm, then its structural evolution over the last 150 years does stand out as one of the most prominent features of the historical landscape. But it is certainly not the only feature, nor is there is any reason to believe it is the only feature which can be related to issues to business strategy. The culture of business has certainly changed, and so has the nature of the managerial contract. So too has the pattern of relationships between the firm and its different stakeholders: owners, employees, government and society.

Where structural changes may be rather more unique is in their dual appearance in both the development of the individual firm, regardless of historical context, and the development of the characteristic firm on the activities of which the economy is based. In Strategy and Structure Chandler described a change that could be observed in leading American firms in the 1920s, but it was also a change that could be

observed in the development of any firm at a certain stage of its development, whether that stage was reached in the 1920s or the 1960s. And this clearly contributed greatly to the perceived relevance of the historical work to current business issues. On the other hand, the development of Chandler's work in a business strategy context rested upon an extrapolation of the relationship between strategy and structure he observed to stages of strategic and structural development that no firm had yet reached in the period covered by the history. There seems no reason why historical observations of other features or relationships should not similarly be extrapolated to contemporary features or relationships of the same kind.

This still leaves the question open, however, as to how far the historical dimension was actually essential to Chandler's contribution. Since the processes he observed do take place within a contemporary setting, could they not equally well have been analyzed in that setting in the first place, using more orthodox management science tools. Was it not perhaps just fortuitous that an idea for which the business research community was ready happened to find its first expression in a historical context?

To some extent this is probably so. But given the close parallels between historical and contemporary changes there were considerable advantages associated with the historical approach. The central phenomenon of structural change stood out much more clearly in the historical setting, and could be much more clearly related to general, underlying environmental changes. The pattern of internal causation by which strategic decisions led to structural ones could be extracted from the historical record much more easily and securely than it could have been from contemporary observations, clouded as these are by a host of factors resulting from the relationship between the observer and his sources. Even if Chandler's point could have been made by a contemporary analyst, it is most unlikely that it could have been made with such clarity and to

such effect.

So if Chandler's thesis is not unique, and its historical source is not accidental, might we not look to history for further insights to the field of business strategy? We might indeed, and we shall offer in the last section of this paper a prospectus for the future contributions of business history to business strategy. But first it is important to be clear just what historical research can and cannot achieve in relation to the social sciences in general, and management sciences in particular.

#### History and the social sciences: problems and possibilities

Despite the positive conclusion of the preceding section, the fact remains that there has in practice been a sharp contrast between the influence of Chandler on the management sciences and the influence of other business historians. Although business history is in some respects a formally recognized component of the field of management sciences (as a division, for example, within the Academy of Management), it has been very generally dismissed, both by scholars in the field and by their institutions (Hannah, 1981). Chandler's work excepted, the impact of the business history corpus on the mainstream of management science has been negligible. History, for most business academics, appears to be of anecdotal interest only, with little to contribute to a "scientific" understanding of business.

This contempt for history is by no means restricted to business academics, for in organizational theory in general the same attitude prevails. Economics, sociology, and social psychology, even anthropology and individual psychology, are academically respectable and recognised as contributing essentially to the field, but history is not. Even when, as is often the case, the subject matter of an investigation is historical, the sophisticated methods and standards of historical research are commonly eschewed. As Merton (1968) has pointed out, contemporary sociological theory and methodology is characterized by a quite extraordinary historical naivety.

And yet without history large parts of the social sciences would scarcely exist. For Marx and Weber, historical analysis was the central component of sociological research. For Freud and Jung it was the primary medium through which their ideas were developed. For Lévi-Strauss, history is complementary to anthropology and essential to structural analysis: "By showing institutions in the process of transformation, history alone makes it possible to abstract the structure which underlies the many manifestations and remains permanent throughout a succession of events" (Levi-Strauss, 1963). Reflecting this prescription, the work of Foucault is as much a part of history as it is of sociology.

In order to understand better what hinders the interaction between history and the social sciences on one hand, and in what ways this interaction can be profitably developed on the other, it is worth taking a brief look at the particular area of science studies. This is the one area in which history and the social sciences have interacted to a considerable extent in recent years, despite continuing barriers and other problems. The history, philosophy and sociology of science are commonly taught in the same university departments, and increasingly share the same scholarly journals. They also have their own journals, and there is still a clear demarcation between the different professional groups, each of which tends to be wary, and sometimes dismissive, of the others. But at the leading edge of research the three approaches interact strongly, and among the leading practitioners at least there is a clear recognition of each others' values and contributions.

The striking feature of this interaction from our present point of view is that it is history which is in many ways the driving force. The archetypal historical contribution, Kuhn's Structure of Scientific Revolutions (1962), is in many ways a history of science equivalent of Strategy and Structure. But in contrast with the situation in business studies, Kuhn's work



has been followed by a succession of other histories or historically based analyses of philosophical and sociological import (for example Holton, 1973; Forman, 1971; Hacking, 1983; Rudwick, 1985; Schaffer and Shapin, 1985; Galison, 1987; Latour, 1988).

The more influential of these contributions have several features in common. Unlike the brief historical case studies traditionally used by philosophers and sociologists of science they make use of all the available historical evidence and are written to the standards of professional history. But they are also directed explicitly towards specific philosophical and sociological issues. And they are used by their authors to support explicit theses in these fields. These theses are not necessarily as dramatic as those of Kuhn or Chandler. The work may contribute to established theories and debates rather than proposing new ones. Typically, it may address the scope and limitations of different forms of "scientific" explanation or the nature and extent of different types of influence.

In most of these works, the difference between the historical and the contemporary context, often adduced by social scientists and practitioners as a key obstacle to the effective application of history, is also put to positive use. Either the same theme is explored in different historical contexts, so that common properties independent of the context can be extracted. Or the use of a context different to the contemporary one is used to bring out aspects of a situation whose relationship with the context is such as to prevent their clear apprehension from within that context. A good history takes the reader into a conceptual framework characteristic of the subject, period and context being studied, but it does so by making this framework explicit, whereas the framework of contemporary action remains almost always implicit.

Finally, while some of the influential historical works draw their conclusions from relatively large samples of cases, many rely on the in-depth study of individual or small numbers of processes,

and in particular on analysis conducted at the level of individual action. They are concerned with the purposes and motives of actors, and not merely with their visible actions. This concern raises an important point, for although a significant body of social research has been based upon the primacy of purposive and motivated action (Parsons & Shils, 1951), such a perspective has long been out of fashion. Contemporary social and psychological theory either eschews any explanation of observed regularities, or restricts such explanation to the operation of sociological or cognitive forces operating beyond the realm of conscious purpose. This bias operates in the study of science as well as in that of organizations, but the contributions of the history of science have served to emphasize that the conscious actions of the individual cannot be ignored. Even if an explanation makes no reference to such actions, it still has to conform with them, and among the functions performed by the historian is the demonstration or otherwise of this conformity, and the establishment of a relationship between the constructed world of social theory and the perceived world of social action. In some cases, perhaps, this function could be performed by a contemporary researcher, but it is not often that people will be prepared to reveal their motives or intentions directly to an observer. Such things are typically captured much more easily and much more surely by an historian working with the benefit of intimate records, but without the complications of personal involvement.

These general properties of the more influential histories of science are shared by Chandler's work, and to a large extent too by the only other historical work to have made a significant impact on recent organization theory, Janis's (1972) Victims of Groupthink. And they illustrate both the limitations of history and its positive value in a social science context. In the context of management and organizations there is no "philosophy" of the subject, but mathematical analysis in the tradition of Simon and applications of cognitive psychology both correspond to aspects of the "philosophy of science", and the

illustrations drawn from science studies may be easily carried across.

In contrast with historians of science, it is striking that business historians (Chandler excepted) have not specifically and explicitly addressed issues in management science. Consequently, their work has had no immediate relevance for the management science community, who have accordingly had no reason to take it seriously. And where management scientists have themselves adopted a partially historical perspective, they have not in general adopted the standards of professional history. Since the value of any piece of work is likely to be correlated to the skill with which it was conducted, the results have been meagre, and the prejudice against history reinforced. But there is nothing in this situation that cannot be changed. Since the business strategy field is heavily hooked on the problem of relevance, there may be a greater resistance to the purposive use of historical contexts than in the field of science studies, which has traditionally drawn on historical example. On the other hand, however, the demand for relevance should also make more amenable the argument that theory should be grounded in, or at least related to, the observation of purposive behaviour.

In the reception of Chandler's work, the dimension of managers' motivations and purposive actions was an early casualty. Indeed the whole question of the processes through which change was implemented in terms of managerial assessments and decisions, central to Chandler's own analysis, was largely ignored. But this seems to have been more a reflection of the primitive state of the subject's development than one of methodological dogmas. Both business strategy in particular and management science in general retain a strong tendency to shy away from any concern with the individual actor and his motives. But there is an increasing awareness of the dangers of this posture, especially in a subject dominated by practical concerns, and by the need to inform managers as to how they should, consciously, behave (Mulligan,

1987). In theoretical terms, business strategy and organizational theory appear to be at something of a crisis point, with a host of theoretical frameworks connected by a variety of metatheoretical syntheses, but with only minimal connections to the world of the individual problem-facing manager. Here, surely, is a potential role for history.

#### Business history in business strategy: a future role

Drawing on the preceding discussion, and on the insights gained from some of our own historical work in progress, we may now put forward a prospectus detailing some specific ways in which, and specific topics upon which, we feel business history can contribute to research in the business strategy field.

The most natural application of history is to the study of change processes taking place over relatively long time scales. Whereas most other forms of enquiry rely on the analysis of data collected at specific time points or upon observations carried out over relatively short periods, historical analysis has no such limitations. The value of historical analysis is not however limited to the study of long-term change processes, as many of the examples discussed above confirm.

In what follows, we have identified five areas of study in which an historical approach can link into general business strategy areas. In some cases our own research has suggested specific hypotheses. In others it is simply the approach that is significant.

Changing Industry Structure. The study of industry structure is usually considered to be the preserve of economists. But it is fair to say that much economic (particularly neo-classical) theory is more concerned with the aggregates of productivity, profits and so forth, or treats firms as "black boxes", responding in rational ways to outside stimuli. Furthermore, economists have generally shied away from examining oligopoly, concentrating instead on either of the two

extremes: perfect competition or monopoly. The historical approach to the firm treats it as a living, organic entity, possessing unique characteristics which distinguishes one firm from another. Chandler's principal contribution to the theory of the firm has been to compare oligopolies in different industries. His lead has been largely ignored. Derek Channon's application of the strategy/structure paradigm for the UK eschewed depth, concentrating on breadth instead. While much of the outline of the shift from unitary to decentralised corporations is clear, the detailed motivations and decision making involved is hidden.

Historical analysis of how industry structure changes over time can supplement work of this sort by comparing how firms across industries or within industries respond to similar external influences. Historical work tracing how firms in the same industry respond to changing market conditions, market entry and its effect on firm strategy is starting to get into print. Stephen Tolliday's (1988) volume on firm strategy in the steel industry provides many useful insights into strategic choices in mature industries: some sought protection by government subsidy; others adopted classic endgame strategies (Harrigan 1986). Such analysis could be complementary to econometric work on industry structure, testing whether the economists' assumptions hold good in the real world.

Technological Innovation. Among the long term change processes of interest in the business strategy field, one that has been relatively little explored is that of changing markets and industry structures, in particular in response to changes in technology. In the course of the last century revolutionary developments in chemicals, electrical technology, motive power technology, plastics, synthetic fibres, electronics and data processing technologies have each led to radical changes in industry structure. More recent developments in biotechnology and materials are beginning to have similar effects. These changes take place not only in those sectors directly concerned with

the production of the new technology, but in all those sectors to which the technology is applied. The effect of the computing revolution, for example, has been felt in sectors as diverse as machine tools and textiles, automobiles and banking, as well as in electronics and office machinery. And with each transformation, some firms profit while others lose out. From the strategy viewpoint, the most interesting thing here is the relationship between firms' behaviour, in respect of the new technology and the changing market opportunities around it, and firms' performance with respect to the changing industrial structure. It is hard to see how this relationship could be studied other than historically, and we are currently in the process of launching a historical research programme on this topic.

Although it will be fundamentally historical, this research programme will not be typical of the historical approaches discussed above. It will be relatively large sample work, fitted into a quantitative evaluative framework. The individual actor and his motives will not be of primary interest. There is more scope for history to apply its characteristic strengths, however, in the other long term change process of interest in the strategy field, the process of strategic change in individual firms.

Strategic Change Processes. Much of the interest in strategic change processes in the firm derives directly or indirectly from the work of Chandler, and research in the field is marked both by longitudinal research methods and by a general awareness of historical context. Much of this work has however fallen short of historical standards of evidence and interpretation. Williamson's transaction cost interpretation of structural change has been justifiably criticised (Perrow, 1981; Robins, 1987) for ignoring those substantial parts of the historical record that appear to be in conflict with it. Miller and Friesen's analysis of strategic changes in firms over a 40 year time period provided prima facie evidence for a discontinuous revolutionary model of the

change process (Miller & Friesen, 1980, 1984). But neither Miller's interpretation of this process nor the totally contrasting interpretation offered by his McGill colleagues Mintzberg and McHugh can be fully supported by the historical evidence presented (Miller, 1982; Mintzberg and McHugh, 1985).

Historical analysis has found rather more favour in the special field of international business. The flow of capital across national boundaries was one of the first themes to be taken up by business historians in the first decade of the twentieth century. Much of the work done by Chandler related directly to concepts of international business management and built upon earlier studies of American direct foreign investment undertaken by Vernon (1959). And since the publication of Strategy and Structure many of the foremost practitioners in international business strategy, including John Stopford, Lawrence Franko, Mark Casson, and John Dunning, have used historical examples to develop their theories. John Dunning's influential "eclectic paradigm" theory is itself multidisciplinary, with history playing a core role. Work by Mira Wilkins (1986; 1988) and Howard Archer (1986) has contributed to the debate which Dunning's paradigm has aroused, pointing to the important entrepreneurial characteristics of many overseas investment decisions. Wilkins' theory of the "free-standing company" shows the way in which our understanding of the international business enterprise is enriched by counter intuitive examples which have come about largely as a result of detailed historical analysis.

None of this work has interacted directly, however, with the more general analyses of strategic decision making and strategic change processes conducted by Mintzberg and his collaborators, Quinn (1980) or Johnson (1987). And while, as a result of the work of these and other researchers, we are beginning to get some understanding of the patterns of strategic change, and of how these patterns relate to managerial behaviour, the picture is still very hazy. Different studies employ

different conceptual models and suggest different patterns of motivation, intent, and action, and different modes of rational, social or psychological causation. If we are to develop our understanding of the processes involved further it seems likely that a substantial body of research will be needed, and that some of this will be historical. Meanwhile, our own research, focussing on strategic change in technology-based firms and in particular on the new product development process, has already led to some interesting perspectives and hypotheses. The natural historical focus upon the conscious role of the actor has allowed us to combine to some extent the cognitive, cultural and rational frameworks adopted by different researchers within an overall framework of political action characterized by negotiation processes between interest groups. Using substantial and carefully researched case histories this approach has led to the development of a classification of the elements of political context and political activity present in strategic processes, and to some preliminary results on the relationship between perceived decision making and implementation activities in such processes (Hendry, 1988).

Industry and the State. Turning from the general dimensions of business strategy to some more specific research areas, the application of an historical approach seems particularly appropriate when there is some element of secrecy or subterfuge conditioning the actors' responses to real time investigation. A particular example of this, and one that has featured strongly in our own work, concerns the relationship between government and industry, and in particular the strategic response of the firm to specific government policy measures (for example in innovation policy). Direct observation of contemporary responses is virtually impossible, for econometric analysis is generally ruled out by the specificity of government instruments and their implementation, and qualitative observation is highly likely to be misleading. There is in general a considerable difference between the rhetoric of a firm's response, designed to

please or appease government, to secure funding, and perhaps to deprive competitors of that funding, and the actuality of the response. The rhetoric is immediately apparent, but the reality is harder to determine and can probably only be uncovered historically when the issue which dictated the rhetoric cease to be important.

A full understanding of firms' responses to government intervention is still a task for the future, but a process of historical analysis has already led to some preliminary conclusions in support or elaboration of the non-historical arguments of Mintzberg (1984) and Porter (1988).

Strategy and Stakeholders. As a final example of a subject to which history might usefully be applied but has not yet been so, we might take the relationship between entrepreneurial and managerial motives and strategic goals. Within formal models of strategic planning and decision-making it is a commonplace that strategic goals are set within the framework of a corporate mission, embracing not only the desired positioning of the firm in the marketplace but also its role in society and its perceived responsibilities to shareholders, customers, employees, and local and national communities. However, the relationships of this framework, and especially of its social, political or ethical components to competitive strategy making remains obscure. Once again, the rhetoric masks the reality. Within the business history context, however, these are precisely the kinds of relationships which have traditionally attracted the historians attention, and which have lent themselves to analysis through historical documentation.

### Conclusion

We feel that this research agenda validates our argument that business history has a great deal to contribute to the study of business strategy. The problems and suspicions have arisen largely because of the unwillingness of historians to tackle these issues. The evidence is that over the last decade this state of affairs is changing and that business historians are

beginning to absorb more theory and use it effectively as a means to guide their research. Chandler was largely responsible for this change, circumventing the sterile contemporary debate about the ethics of American businessmen. concentrating instead on the dynamics and strategic changes of big American corporations. Much of the work undertaken by other strategy researchers would be at best distorted, or at worst meaningless, without a strong historical framework; the task remains for us as historians to develop challenging hypotheses and to focus our work on issues directly relevant to business strategy concerns. If others do not give us a proper hearing, then we will have no-one to blame but ourselves.

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