What Is Business History?

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In this thought-provoking, yet sometimes frustratingly paradoxical, piece, Daniel Raff sets forth a research agenda for the business history field that he argues will breathe fresh life into something that is increasingly seen as old and limiting: namely, the internally focused, firm-centric, Chandlerian paradigm (or “synthesis,” as he calls it). In contrast to some others who have written on this topic, Raff is not exhorting us to shift our focus outwardly, toward the external, social, political, cultural, or environmental contexts in which firms evolved or to turn our attention to the broader external, social, cultural, political, or environmental impacts of business activity. Instead, he is urging us to get on with the job that Chandler helped start but by no means completed himself: investigating, analyzing, and reaching deeper understanding of the history of what has gone on inside business over time.

What do I think of this? Full disclosure: my own research focuses on the history of industrial pollution and pollution regulation—in other words, it concerns the part of our field that Raff appears to be
explicitly excluding from the compass of his new synthesis. As I will explain later, like many business historians, I don’t believe the future of business history lies with purely internalist ways of conceptualizing our subject matter.

Yet I agree with almost everything said here. Business historians do need to continue studying what goes on inside firms. Business firms have played and continue to play much too important a role in American life for us to stop studying the internal history of corporate decision making in all its many aspects. We should indeed broaden the Chandlerian synthesis beyond Chandler’s own focus on corporate organizational structure. And, yes, I agree that it is very important that we look beyond managerial intentions and analyze the selection pressures that shaped and constrained management decision making—especially those that affected decision making in ways that encouraged managers to act in suboptimal ways. For one thing, this is the only way we can hope to explain many of the internal problems that General Motors and many other large American firms experienced over the past forty years. For another, many historians still treat business as what I call a “black box”—usually of capitalist greed and evil—that operates in an assumed rather than a carefully researched and analyzed way. Business historians have an obligation to help other historians, as well as our students and the public as a whole, understand the dynamics and complexities of internal corporate decision making, including the constraints and pressures under which management decision makers operate.

Finally, I also very much like the last part of the paper, in which Raff describes the kind of research we will need to conduct to carry out this new research agenda. I like the fact that an economic historian who is well known for his quantitative work openly acknowledges here that we do not have to base our studies of management decision making on quantitative analysis and economic modeling in order to write good business history. I’m also pleased that he’s urging us write the way that Keith Thomas and other cultural historians write, by immersing ourselves in our research and then telling stories about what happened in business over time. I fully agree!

This said, however, I have serious reservations about the way that Dan Raff has described the substance of his new synthesis. The difficulty isn’t that he is looking inwardly rather than outwardly as I do but that his new conceptualization of this part of our field is not nearly ambitious enough. His list of the kinds of management decisions we should be studying is too narrow, too focused on issues like technological innovation, product design, and supply chain management, to do justice to the broad scope of a truly new, firm-centric conceptual paradigm, one capable of capturing the imaginations of a
new generation of business historians. I think he should, for example, be urging business historians to tackle issues often considered to be the preserve of labor historians, like management decision relating to wages and benefits, union relations, outsourcing, employee training and evaluation, racial and gender discrimination, and affirmative action. We should also be examining changing patterns of and attitudes toward executive compensation—an issue that has been hugely controversial over the past thirty years or so, long enough to be of historical interest. Surely his list should also incorporate the history of management decision making in the areas of regulatory compliance, lobbying, political contributions, and the like. It should also include the history of decisions relating to the control (and noncontrol) of pollution emissions and other harmful environmental damages that were not regulated, as well as decisions about what is now called environmental strategy, such as the institution of innovative research and development (R&D) programs, product and process design programs, management systems, accounting systems, marketing campaigns whose goals were to shrink a firm’s environmental footprints while increasing its profits by reducing its operating costs, increasing market share, or enabling it to enter new markets. This new synthesis should also encompass the history of business decision making in the area of community relations and corporate social responsibility and ethics. All of these issues have histories. They should be part of any description of what business historians can study when they examine what goes on inside firms.

Raff’s description of the selection pressures he would like business historians to take into account suffers from the same sort of narrowness of imagination. He focuses on economic and organizational conditions that are located inside firms and their supply chains and to demand factors located in the market. Clearly, cost structures of production, internal organizational capabilities, routines, coordination processes, internal financial resource availabilities, and the like affected management decision making—as did market conditions. But so did a wide range of other pressures that were more external to the firm and the market place yet still capable of exerting large impacts on management decision making. These included regulatory and other public policies; common law; national and international political and economic developments; activities of nongovernmental organizations (NGOs), the media and other forms of public pressure; popular fads; and the like, as well as more contingent events like tornadoes, hurricanes, earthquakes, and other unexpected emergencies of one kind or another, including wars. Strangely enough, though he alludes to “mental events,” he also fails to incorporate into the outlines of his new Chandlerian synthesis the roles that corporate culture
and management mind-sets played in shaping and constraining management decision making. He also fails to include the personal quirks and capabilities of individual managers and management groups. It is, I would contend, just as important to bring these selection pressures into our analysis of the history of management decision making as the more cut-and-dried internal capabilities and resources he describes. This is especially the case if, as he urges us, we are to try to explicate the management decision making that led to, for example, the decline of General Motors and other, less-than-economical-optimizing approaches to innovation taken by corporate managers over the years, decades, and centuries of American business history.

I doubt that he will object to incorporating issues like this within his newly expanded conceptualization of the Chandlerian synthesis. But I do not know this for a fact. And since he is reenvisioning one of the key paradigms of our field by expanding its boundaries, it is important that he be clear about what he thinks should be included within these expanded boundaries—and what should not be.

Raff’s reconceptualization of the Chandlerian synthesis is particularly weak as regards to aspects of management decision making that relate to the external environment. I know he made a conscious decision not to address business’ impact on the external world in this piece. However, I am not asking him to incorporate the study of external impacts into his updated version of the synthesis. What I am saying is corporate managers have always made decisions that have broad, external effects—on the development of cities, class structure, consumer culture, public health, climate, water purity, and family life, not to mention politics and governance. These impacts are a large part of what makes it so important that we study the history of management decision making. Similarly, external, politically and culturally fraught nonmarket forces (including regulation, litigation, and media attention) have always impinged on managers, provoking, shaping, and constraining their decision making—including the sort that Raff puts at the center of his paper, such as those related to R&D investment, product and manufacturing process design, and materials sourcing. So I am urging him to recognize and incorporate the study of this complexity into his new Chandlerian synthesis. The boundaries of the firm have always been permeable. Information, controversy, and political, cultural, and social influence have always flowed across them, both inwardly and outwardly—not just prices, products, materials, labor, and capital.

The other big problem I am having with this effort to breath fresh life into the Chandlerian synthesis is this: many business historians are already investigating the ways in which corporate managers made decisions about “product categories, production technologies,
employee organizational skill sets, supply chain structure and attribute, whatever—rather than (or rather than just) forms of organization” (20). Not only that, many of us are already writing about a wide variety of “selection pressures” that influenced and constrained their decisions—including the social, cultural, regulatory, and other public policy pressures I have emphasized here, as well as Raff’s market and internal organizational pressures. I pulled a random few of these works from my book shelves. Malcolm Salter’s *Innovation Corrupted: The Origins and Legacy of Enron’s Collapse* is a fine example of a business history that analyzes the impact of internal cultural selection pressures on financial innovation at a company that has come to symbolize both the ethical and the economic perversity of some kinds of innovation. In *Pull: Networking and Success since Benjamin Franklin*, Pam Laird looks at how sexist and racist cultural values shaped the management systems that defined the personnel recruitment and promotion practices of American companies prior to the enactment of civil rights and affirmative action laws—and the impact those laws had in forcing change upon corporate personnel and human resource departments. In *Trust and Power: Consumers, the Modern Corporation, and the Making of the United States Automobile Market*, Sally Clarke examines how regulatory policy and legal decisions relating to product liability as well as consumer research affected management decision making in the areas of automotive product design, styling, and marketing. Steve Usselman’s *Regulating Railroad Innovation: Business Technology and Politics in America* and Marc Levinson’s *The Great A&P and the Struggle for Small Business in America* also deal with the complex and important effects of regulatory policies on innovation and management decision making. I count my 2007 article in *Enterprise & Society* in this group. It examines the role that pollution regulation played in the modernization of the meatpacking industry in New York City, New Jersey, and Chicago in the late 1860s and 1870s. I also have a growing array of books on my shelves that examine both the impacts of management decision on the natural environment and

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the impact of those impacts, via court cases, regulations, and public pressure, on management decision making.3

It would be easy for me to conclude this comment here by saying that Dan should have written this essay as a literature review that analyzed and assessed the ways in which the internally focused, Chandlerian paradigm has been evolving in recent years. In my view, however, something even more interesting is going on here than the frustratingly limited nature of Raff’s reenvisioning of the Chandlerian synthesis and his failure to notice that business historians are already doing what he is urging us to do. It has to do with the strangely lively corpse of the conceptual paradigm into which he is attempting to breathe fresh life—the original Chandlerian synthesis: the organizational structure–focused, structural functionalist, economic determinist, markets and hierarchies frame that Chandler created with his two most important books, Strategy and Structure and The Visible Hand.4

I have been thinking about the astonishing hold Chandler’s work once exerted on the way business historians envisioned the compass of our field—and its continuing power to structure our discourse (as this conference indicates). Perhaps more important, I have also been pondering over the strange fact that most of the firm-centric books and articles published during the 1980s and early 1990s, at the very pinnacle of the Chandlerian paradigm’s dominance, fit Raff’s revised Chandlerian synthesis better than the original synthesis itself! I have got some of those older books up on my book shelf, too. They include, for example, David Hounshell’s From the American System to Mass Production, 1800–1932 and JoAnne Yate’s Control through Communication.5 Both analyze, in extremely detailed ways,


the firm-level management decision making that spurred and shaped the sorts of product and process innovations that Raff is urging us to incorporate into the Chandlerian paradigm. I have also got Tom McCraw’s award-winning *Prophets of Regulation* on my shelf. Like most of what he has written, it is all about regulation, but has anyone ever seriously questioned whether Tom McCraw is (or was back in the 1980s) a business historian—or think that this book was not a contribution to the history of business in the United States? The same can be said of most of the articles published in the *Business History Review* during the 1980s and early 1990s. I checked out several years’ worth. The articles covered an enormous range of topics, many of which concerned issues far outside the purview of Chandler’s own interest in corporate organizational structure, including government regulation, labor relations, the business cycle, trade, business ethics, technological innovation, medieval business enterprise—even fisheries conservation and other environmental topics.

The fact is that while Chandler focused almost exclusively on the structural evolution of the corporate organizations, most other business historians did not, even in the 1980s and early 1990s, when Chandler’s influence was at its apex. Our field’s internalist “problematique” has always been more diverse and broader in scope than the Chandlerian paradigm. And we have never been confined to that paradigm!

How should we make sense of the strange disjuncture between the Chandlerian synthesis and the field that it for so long supposedly defined? The Chandlerian synthesis is a conceptual frame. However, I would argue that it is and has been much more than that for a very long time. It has become what sociologists, anthropologists, and other


7. I will not attempt to provide a full bibliographical breakdown here. Suffice it to say that the editors regularly published explicitly themed issues on such very non-Chandlerian topics as “Business History and the History of Technology” (Winter 1980), “East Asian Business History” (Summer 1982), “Transportation” (Spring 1984), “Business in Latin America” (Winter 1985), “Entrepreneurs in Business History” (Spring 1989), “Government and Business” (Spring 1990), “American Business Abroad” (Summer 1990), “Small Business and its Rivals” (Spring 1991), “Financial Services” (Autumn 1991), and “Experts, War and the State” (Winter 1994). Intriguingly, there was even a themed issue on issues relating to fisheries conservation and management and employee exposure to industrial toxic chemicals that did not receive an explicit label though now it is obvious that the articles fall into the area of business and the environment (Winter 1988). Even most of the articles in some of the themed issues that sound like they could fit Chandlerian synthesis turn out to fall outside it; see, for example, “British Business History” (Summer 1983), “Service Issues” (Autumn 1990), and “High-Technology Industries” (Spring 1992). The articles in nonthemed issues are even more diverse.
social scientists who study the role of human cognition in the develop-
ment of cultural beliefs and the social construction of knowledge
call a “schema.” Schemas are learned knowledge constructs that sim-
plify cognition. Deeply ingrained in human thought processes, they
are the general, automatic, taken-for-granted “default assumptions”
that “direct attention to relevant information, guide its interpretation
and evaluation, and provide inferences when information is missing
or ambiguous, and facilitate its retention.” They are mental shortcuts
that facilitate recall and understanding, while lending “stability to the
symbolically constructed world in which we live.” However, because
they are shortcuts, they put cognitive efficiency ahead of accuracy.
Research indicates that people tend to ignore information that conflicts
with their schemas, just as they seize on information that appears to
confirm them. Schemas can thus obscure as much as they help clarify.
Moreover, research indicates that once established in a person’s mind,
schemas are resistant to change. They persist. Schemas can also be
shared. When they are, we usually call them cultural beliefs.8

This sounds a lot like the Chandlerian synthesis, doesn’t it? It is
something we have believed in and paid homage to and critiqued
and sought to modify or transcend for many, many years, without
questioning whether it represents an accurate encapsulation of what
it claims to represent. It is a testament to Alfred Chandler’s stature in
our community and his impact on it that when we attached his name
to the firm-centric, internalist synthesis, we conflated the focus of his
personal research with the whole synthesis. What is interesting to me
as an historian is that we seem to have done this without even real-
izing what we were missing.

8. This description of schematic thinking boils down a great deal of com-
plex material into a highly simplified summary. It is based on the following: Paul
74; David E. Rumelhart, “Schemata and the Cognitive System,” in Handbook of
Does the Schema Concept Buy Us?” Personality and Social Psychology Bulletin 64,
no. 4 (December 1980): 543–57; David I. Kertzer, Ritual, Politics, and Power (New
Haven, CT: Yale University Press, 1988), 79–82; Roy D’Andrade, The Development
of Cognitive Anthropology (Cambridge, MA: Cambridge University Press, 1995),
122–48; and Maarten Hajer and David Laws, “Ordering Through Discourse,” in The
Oxford Handbook of Public Policy, eds Michael Moran, Martin Rein, and
Robert Goodin, New York: Oxford University Press, 2006, 409–24. Quotes are from
DiMaggio, “Culture and Cognition,” 269; Susan T. Fiske and Donald R. Kinder,
“Involvement, Expertise, and Schema Use: Evidence from Political Cognition,”
in Personality, Cognition and Social Interaction, eds Nancy Cantor and John
F. Kihlstrom, Hillsdale, NJ: Erlbaum, 1981, 173, quoted in Kertzer, Ritual, Politics,
and Power, p. 80, and Ibid; p. 80. Business historians interested in the cultural and
cognitive selection pressures that constrain management decision may find that
schema theory provides useful insights.
What we need to understand is that schemas are not cognitive straitjackets. When sufficiently motivated by the desire to overcome the cognitive dissonance that develops when a controlling schema persistently fails to explain new information, we have the intellectual capacity to override automatic, schematized thinking processes. We can modify existing schemas in incremental ways to accommodate new information, as Dan Raff is doing here. Or, if other schemas for interpreting the information are available, we can use one that seems to explain the information better. We could, for example, try to turn business history into a new flavor of social or cultural history. A third possibility is to develop a totally new framework for interpreting and making sense of the problematic reality one is trying to conceptually organize and explain. People are often slow to follow this last path, but they have the capacity to do so.9

Business historians can take this last route. And we should. I think we are reaching a Kuhnian transition point in the evolution of our field.10 The Chandlerian synthesis—schema, paradigm (call it what you will)—played an important role in the historical development of our field. But it is time for us to move on. As the problems with Raff’s essay indicate, it distorts our conceptual understanding of the purview of the business history field—still, after all these years. Even worse, it divides our community, driving a wedge between those of us who study what goes on inside firms and those of us who focus on business’ societal impacts and society’s efforts to control those impacts—despite the fact that these things are interrelated. We need to develop a much more holistic way of thinking about what it is that we study. We need a way of describing our field that accurately reflects the wide range of issues about which business historians actually teach and conduct research—and that unites us by giving us a sense of shared, common purpose.

What would this involve? I think we need to move away from thinking in terms of paradigms and syntheses at this point. This includes Richard John’s “broader, contextualist problematique.”11 Attempts to devise a new paradigm, even one we call a problematique, will always bring to mind the old conceptual frame: the Chandlerian paradigm. To make a clean break, we need to embrace a whole new approach to creating an identity for the business history field, one that moves us past our present condition of itemizing the issues that we should or should not put on our research agendas.

I think this means articulating a vision of our field that focuses on our scholarly and social missions. This vision should make it clear that we study the history of one of the most important and impactful sets of institutions in modern life and in human history—business institutions (including but not limited to manufacturing corporations, banks, transportation businesses, retail businesses, service businesses, high tech, low tech, vertically integrated, vertically disintegrated, publicly owned, privately owned, and big as well as small business enterprises). We need to make it clear that we grapple with many of the most important questions, problems, and issues facing society today: the rise and decline of firms and industries, technological change, management’s role in financial bubbles and in economic booms and busts, and business’ role in social and cultural change, in climate change, in politics and governance, in the exploitation of natural resources, and in the spread of toxins in our environment. Our mission is to help our students and the public—as well as historians in other fields—better understand the issues and problems with which business managers struggled in the past and how these struggles affected society (and vice versa). Our mission is to provide the historical insight and perspective that comes not only from examining the historical roots of current problems but also from our ability to investigate and hold up to the light the ways in which business managers, policy makers, and society dealt with (or failed to deal with or mishandled) past business-related problems and issues that are analogous to the ones we face today or that differ from them in revealing ways.

One of the reasons Alfred Chandler won a Pulitzer Prize and a Bancroft Prize for *The Visible Hand* is that the book spoke to society’s surging worries about the management of the nation’s biggest, most important industrial firms. The book came out in 1977, in the midst of the competitiveness crisis that opened America’s eyes to the bureaucratic inefficiency and ineptitude of many of our most highly esteemed corporations and the relatively high prices and low quality of so many of their once-vaunted products. Readers must have found Chandlers’ exhaustively researched message about the efficiency and rationality of management’s visible hand very thought provoking—not to mention reassuring. The book’s timing was no doubt a coincidence. Chandler started working on it “some fifteen years” earlier, in the early 1960s, long before the competitiveness problems of American corporations became evident.12 This does not matter. My point is that he spoke to real public concerns.

Rather than revising the paradigm that bears his name, we should take inspiration from Chandler’s impact. We need to articulate a vision that puts the importance and relevancy of our subject matter front and center. We need to build a community of historians who share our excitement about studying the myriad ways in which business managers made decisions that have had broad impacts—for good or ill—not only on their own firms’ bottom lines but also on society, government, culture, national economies, and the environment.