

Presidential Address, 1978: Business History —
A Personal Experience

Alfred D. Chandler, Jr.
Harvard University

This evening's talk will be standard fare for such ceremonial occasions. It will be about our field -- business history -- where it has been and where it is going; because of time and place, I hope I will be excused for beginning on an autobiographical note and then carrying on in a personal vein. As to time, I will be 60 on my next birthday. As to place, Wilmington, Delaware, is my home town. Both facts encourage reminiscing.

Wilmington has long been a company town and the company played an important part in my work, in *Strategy and Structure*, in the biography of Pierre du Pont, and elsewhere. The connection between Wilmington and my later interest in and ideas about business history is, however, tenuous. About all I can say is that in writing business history I found it hard to take a romantic view of my family's friends and neighbors, a few of whom were among the business leaders of their day. They were a varied lot but, whatever else, they were not heroic. They could hardly be identified as either sinister robber barons or virtuous industrial statesmen.

In any case, I am certain that this association with business leaders had no impact on my decision to become a historian. All through my education -- at local schools, then at Exeter and Harvard, I thoroughly enjoyed learning about the past. I loved history, but it never occurred to me that a historian might profitably study business. To most neophyte historians, the past is romantic. It involves the study of stirring events and powerful personalities, of politics, war, and diplomacy, and of grand movements of men and ideas. To this neophyte at least, business was prosaic, petty, and contemporary. Only in my senior year at Harvard, in Frederick Merk's course on the westward movement, did I begin to appreciate the relationship between the ways men made their living and the ways in which they voted, thought, or fought.

On graduating in 1940, I joined the Naval Reserve. My war was a soft one, but in every way a maturing experience. As second in command of a unit responsible for photographing all gunnery exercises carried out by the Atlantic Fleet, I learned something a-

bout running a small but somewhat intricate organization. Later, as an interpreter of aerial reconnaissance photography, I was made aware for the first time of how factories and large industrial complexes operate. By the end of the war the realities of economic and organizational activities were becoming intriguing to me.

So I returned to graduate school with a new interest in industrial and economic history. The romantic view was still there, reinforced by a magnificent seminar of Samuel Eliot Morison. Morison emphasized the need for a style and clarity in writing. He reinforced a conviction that people -- their thoughts, actions, and decisions -- must be at the center of any historical analysis. Yet after five years in the military service, what had been exciting as an undergraduate now seemed a bit sterile and unreal. However, luck was with me. At the beginning of my second term of graduate work, I wandered into a course entitled "The Social Structure of the United States," given by Talcott Parsons.

Although Parsons was hardly a stylist, the course's lectures and readings were a revelation. Here were new data, new insights, new methods, and, most important, new questions. For the first time I read with care the works of social scientists, including those of Werner Sombart, Emile Durkheim, and, most important of all, Max Weber. At another level of analysis I was introduced to Frederick Taylor, Elton Mayo, Chester Barnard, and other writers on industrial and business subjects. The evaluation of economic institutions and of decisionmaking became alluring topics of study. I became intrigued with the possibilities of economic and business history. Those family friends and neighbors in Wilmington, Delaware, suddenly became interesting.

The first task was to write the dissertation. I did check to see what might be done with Wilmington and the du Ponts, but I had an opportunity even closer at hand. Our Brookline apartment housed a collection of family papers, including those of my great-grandfather, Henry Varnum Poor. Because of my work with Parsons, I realized that what Poor wrote was more important than what he did. He was little more than a minor though perceptive journalist, lobbyist, and compiler of business information. The man's career could be summarized in a first and last chapter. The rest of the dissertation could concentrate on evaluating how well Poor carried his primary task, that of describing and analyzing the coming of the railroads -- the nation's first big business.

As I began to work on the dissertation, I sought advice on how to write business history. With one or two other graduate students I crossed the Charles River to talk to Professor N. S. B. Gras of the Harvard Business School. Gras was pleased to instruct us, but he made it clear that there was only one way to write business history, his way. His approach reminded me of the dictum of those enthusiasts of scientific management about the one

best way. Gras's focus seemed narrow and one-sided. After our discussion I almost decided not to become a business historian.

Fortunately, at that moment I was asked to participate in the Research Center for Entrepreneurial History, which Joseph Schumpeter and Arthur Cole had organized. I missed Schumpeter -- he died just before I attended my first meeting. But I did have the benefit of several years' association with Arthur Cole and the center. These years were intellectually the most stimulating in my life. The senior members of the center -- Cole, Thomas Cochran, William Miller, Leland Jenks, and, above all, Fritz Redlich -- had a broad, catholic approach to their subject. Their comments and concepts, their discussions and papers built on what I had absorbed from Parsons's courses. As important, Cole collected a number of junior associates with various backgrounds in economics, sociology, psychology, and history. With these varieties of approaches and personalities went intellectual rigor, curiosity, and vitality.

In the first years of academic life after completing the dissertation, my interests and academic work took me beyond business history. At MIT I taught American history and even, occasionally, ancient and Renaissance history. At the same time I assisted in editing the letters of Theodore Roosevelt. Later I went on to Johns Hopkins to teach recent American history and to edit the papers of Dwight D. Eisenhower. These editorial tasks were fascinating. A close and continuing look at two of the 20th century's most influential decisionmakers provided a superb way to get an insider view of the relationships among personalities, institutions, attitudes, and values.

The editing of presidential papers and the teaching of general American history, however, never undermined my commitment to business history as it had been developed in Cole's Research Center for Entrepreneurial History. Indeed, both tasks strengthened it. I realized that the organizations within which Roosevelt, Eisenhower, and their associates worked, the situations and problems they faced, and the methods they used to meet these challenges paralleled the organization, problems, and challenges of businessmen I had studied, such as Pierre du Pont, Alfred Sloan, Walter Teagle, and Robert Wood. In so many ways the institutional arrangements of the 20th century had become fundamentally different from any that had existed in earlier years, whether the field was politics, the military, or business. Rarely in the history of civilization had institutions changed so dramatically, so rapidly.

Inevitably such training and work shaped my views of the nature of business history and where I thought it had been and where it might be going. Possibly because of the broad approach taken by Parsons and by the senior members of the Research Center to the study of history, I never saw the need or the value of maintaining that business history was a separate discipline, one that was dis-

tinct from economic history. I have always considered it a subfield of that larger discipline, but one that has a special turf of its own. My original view of what the subfield business history constituted was best defined by Fritz Redlich, the center's most creative mind, at a conference at the Harvard Business School in 1961.

In Fritz's view, what made business history distinctive was its focus on the businessman and business unit, and particularly on policymaking by the key decisionmakers. Such policies concerned prices, output, product lines, methods of production and distribution, wages and other conditions of work, and, most important of all, the long-term objectives of the enterprise and the methods used to carry out these goals. This type of history could only be written from the records of businessmen and firms. This definition, Fritz recently pointed out to me, was Gras's and was, in Fritz's opinion, Gras's major contribution to the field. Clearly, that one right way had more to offer now than it had had when I first heard it from that master.

Fritz went further. Business history had to be more than empirical reporting. It had even to be more than a focused story. It had to be analytical. It had "to arrive at generalizations of restricted validity.... For the purpose of generalization, one conceptualizes and builds a model" [5, p. 67]. In his 1961 statement, Redlich identified most of the articles that appeared in the *Business History Review* as examples of *empirical* business history, the Hidys's history of Standard Oil as *focused* business history, and the article that he and I had recently coauthored on "Recent Developments in American Business Administration and Their Conceptualization" as *analytical* business history. Fritz then suggested two ways in which focused and analytical business history might escape the narrow bounds of company history in which his and Gras's definition appeared to place it. One was "the comparative method." By this term he particularly meant the comparison of how different firms carried on similar activities [5, p. 68]. (Redlich did not elaborate on this possibility.) The other was to follow Cole's plea to relate business men and firms to the larger "business system."

Now this broadened definition was, as Fritz suggested, still in some ways a narrow one. It seemed to exclude Edward Kirkland's majestic two volumes on New England transportation and Harold Williamson's masterful study on the oil industry; although it could include Thomas Cochran's superb *Railroad Leaders*, Redlich's own classic volumes on American banking, and other works produced at the center. But the Gras/Redlich definition did have the advantage of specificity. It did provide a precise focus through which the subfield could make substantial contributions to an understanding of changing business practices and procedures, of the role played by business men and firms in the economy, and of at-

titudes and perceptions of business decisionmakers. In addition a comparable definition could be effectively applied to other subfields of economic history, and in fact to many subareas of political, legal, military, and diplomatic history as well.

I had this focus in mind when I began the writing of what became *Strategy and Structure*. There the focus was initially on policymaking and policymakers. The book was based largely on the records of business firms. It was comparative -- that is, it compared the experiences of many business enterprises, especially their different sets of decisions that led to changes in both strategy and structure. However, the research for and writing of the book shifted my initial focus from the *content* of policymaking to its *process*, and from the *operation* of the firm to its *structure*. This broadening of focus contributed, I believe, to a fuller understanding of the practices and procedures of American business. At least *Strategy and Structure* was widely used in business schools in business policy courses and, to my surprise, was even taken up by consultants reorganizing business enterprises. Of more importance I think that, in carrying on the work of the Research Center, it permitted business history to make a significant methodological contribution to the writing of American history.

In a study of American historical writing published in 1965, John Higham remarked on what he considered the two most significant recent developments in the trade. These were the new psychological history and the new institutional history. As to the latter, he noted that

Deriving partly from studies in entrepreneurial and business history, and partly from contemporary American sociology, this kind of history is less concerned with motives and more with structure and process. It shows men managing and being managed through rational systems of control and communication. Perhaps we may call this the new institutionalism; for it is bringing back to life a morphological study of organization, now free from the formalistic, evolutionary emphasis of 19th century scholarship. Although institutionalists thus far have not done much beyond the monographic level, the breadth and importance of their contributions seem sure to grow. [3, p. 231]

Several years later Higham emphasized that he had predicted accurately [2, p. 68]. Today the new institutionalism seems to have come of age. Consider these comments of David Hackett Fisher, whose earlier study, *Historians' Fallacies*, was so critical of the output of many American historians. In reviewing books published in history in 1977 for the *New Republic*, Fisher exclaimed,

a revolution has happened in historical writing -- an improvement so sudden in its development and so sweeping in its effect that one Colonial historian has compared it to the Great Awakening.... The new history is about structures, systems, processes, patterns of behavior. [1, p. 21]

Although this new history is broader than institutional history, institutional history is a central part of it, and clearly business history has played an important part in its coming.

Can our subfield continue to contribute? I believe it can, by enlarging its focus and, therefore, its analysis. Specifically, the focus can go beyond structure and process to function. Business and other institutional historians can raise new questions and develop new analyses by focusing on the changing functions of an institution -- business, labor, political, or social -- in the changing economy, polity, or society.

I came to this judgment while writing *The Visible Hand*. That study was intended to be a history of an institution, the large multiunit business enterprise, an institution which did not exist in 1840, but which by 1940 had become the most powerful in the nation's economy. What I learned by describing and analyzing this institutional story was that large business enterprises often took on new functions and acquired broader economic responsibilities. Enterprises that had carried out one function -- production, distribution, transportation, communication, or finance -- later combined some or all of these functions. As a result, the multi-functional enterprise came to replace older institutional arrangements, those of market mechanisms and negotiated contracts, in carrying out the functions of *coordinating* flows of goods through the process of production and distribution, of *monitoring* the performance of operating business units, and of *allocating* resources for future production and distribution. Modern business enterprise did so by internalizing activities that had been or could have been carried by a number of independent business units and the transactions that had been or could have been carried on between them.

By broadening the focus to function, I was able to learn still more about the changing processes of policymaking, the evolving structure of the firm, and the shifting activities and perceptions of policymakers. In addition, the new focus permitted new explanations for the changing structure of the industries and the larger economy in which the policymakers operated. A comparable focus on function and its relationships to structure, process, perception, recruitment, and training should help to develop more complete views of other American institutions and more effective analyses of economic, political, and social institutions in other nations and thus make possible more precise cross-institutional and cross-national comparisons. And, as Talcott Parsons pointed out long ago, "in the social sciences"

the comparative method

represents the equivalent to the experimental method in the natural sciences -- the experiment being nothing but the comparative method where cases are to be compared are produced to order and under controlled conditions. [4, p. 743]

Let me conclude by returning specifically to business history and emphasizing that, in important ways, its basic approach and its basic source materials have changed little in the past generation. It is the focus and with it the analysis that has broadened. Decisionmakers and decisionmaking are still at the core of business history. Business records still provide the basic raw materials. But, as in the case of the history of other institutions, the expansion of the focus to the structure, process, and then to function, has made it possible to understand and evaluate with more depth the decisionmakers, the policies they produced, and the enterprises through which they worked.

The concern for process, structure, and function is hardly new. It was central to the courses of Talcott Parsons and the discussions with Arthur Cole, Thomas Cochran, Fritz Redlich and others at the Research Center that I so enjoyed some 30 years ago. All that is new is that concepts and ideas about process, structure, and function have been applied more generally, more systematically, and more rigorously to the study of the past.

Nor does the new focus necessarily downplay the actions, objectives, and achievements of individual business men and women. Individuals remain at the center of the writing of history. Indeed, I still believe that this concern with people is what differentiates historians from the social scientists, particularly economists. However, actions of individuals are hardly comprehensible until one understands the environment in which they act and the choices for alternative courses of action open to them. And it is the way these choices go and the way the situations are handled that determine the course of history. Because choice exists and different personalities respond differently to similar situations, prediction becomes dangerous, if not impossible.

Finally, let me stress that, although one cannot write about the past without having a focus, there is certainly no one best focus. Policymaking and policymakers, structure, process, and function are useful in writing institutional history, but there are many other approaches to history and there will be other foci even for institutional history. I became a historian because of a curiosity about why things happened when they did, where they did, and in the way they did, and because of a fascination for the way individuals made choices and handled situations. I was blessed with this curiosity and fascination long before I ever used, indeed, ever heard of, the terms policy, decisionmaker, structure, process, or function; and long before I realized that

friends and neighbors in Wilmington, Delaware, had any relevance to the study of history. I suspect that a similar curiosity about the past and a similar attraction to the drama of the constantly changing human situation turned many of you in this room into historians. I, for one, can never become the assured, analytical social scientist, but will remain a romantic, often frustrated, humanist.

REFERENCES

1. David Hackett Fisher, "The Year's Books (Part II -- History)," *New Republic*, 3 December 1977, p. 21.
2. John Higham, *Writing American History: Essays on Modern Scholarship* (Bloomington: Indiana University Press, 1970), pp. 160-64.
3. _____, Leonard Kreeger, and Felix Gilbert, *History* (Englewood Cliffs: Prentice-Hall, 1965).
4. Talcott Parsons, *The Structure of Social Action* (New York: McGraw Hill, 1937).
5. Fritz Redlich, "Approaches to Business History," *Business History Review*, Vol. 36 (Spring 1962), pp. 61-70.