The Conglomerate — Its Strategy and Structure

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This paper summarizes the results of field research into the major functions undertaken at the corporate level and the emphasis accorded those functions, in two groups of large and highly diversified companies. The conglomerates, which had grown largely through a strategy of recent and often unrelated acquisitions, were found to have an approach to the structure and role of the corporate office significantly different from the older diversified industrial companies that had not made significant recent acquisitions. Possible explanations for this difference, as well as the significance of it, are included.

The magnitude of the economic activity in which diversified and divisionalized forms are engaged is impressive. Various estimates [5 and 8] place the proportion of the 500 largest industrials that are diversified and multidivisional at about 80 percent to 85 percent. Since the *Fortune* 500 firms account for roughly two-thirds of our economy, the "diversified firm" is clearly our major form of industrial organization.

Alfred D. Chandler, in his landmark study of diversification in American industry in the 1920-60 period [2], sought to relate changes in corporate administrative structures to increasing diversification. The basic change in strategy with which Chandler was concerned was from single-product to multiproduct, and the basic structural change he described was from the functional to the divisional form of organization. He demonstrated quite convincingly that this now common divisionalized, decentralized structure evolved largely in response to the new managerial challenges created by a strategy of expanding into new products and markets, and concluded that such "growth without structural adjustment can lead only to economic inefficiency" [2, p. 16].

I seek to relate strategy and structure for two different groups of large diversified industrial firms in a similar manner. Let us think of strategy, for the moment, in the narrow terms of the manner in which the firm became diversified, and structure as the role of the corporate office: the management functions performed at the corporate level as well as the relative emphasis accorded these functions. The data indicate that

(1) There are significant differences in the role of the corporate office among companies of comparable size and diversity, and

(2) These differences in corporate role can at present be associated with differing patterns of growth or strategies of diversification.

More specifically, a number of companies that have followed a strategy of growth and consequent diversification largely through recent and often unrelated acquisitions at present have a concept of the corporate role vis-à-vis the operating divisions which differs from that of many companies which have been diversified for a longer period of time and which more often diversified into activities originally related to some aspect of their existing businesses or functional skills, often (though not necessarily) by means of internal expansion. I shall refer to this latter category of companies as "diversified industrials" and the former category as "conglomerates." General Electric and Westinghouse are excellent examples of diversified industrials; Textron and Gulf and Western of conglomerates.

The variable which provides the basis for choosing companies for inclusion in one of the two categories, then, is the means by which the company became diversified. It is, of course, a very rough measure and clearly one which in actuality could scarcely be defined in terms of a single continuous dimension, let alone the two-valued category already mentioned. I am using the history of diversification only as a basis for identifying two broadly different kinds of diversified companies, and not as a means for classifying the entire population of diversified companies.

The variable "corporate role," used here to refer to the functions undertaken at the corporate level and the relative emphasis accorded them, is even more difficult to define precisely than the variable "strategy." The major reason for choosing this as a basis for comparing and contrasting diversified companies with each other is that it bears upon a key strategic question for any diversified, multilevel company; the nature of the involvement of the management and staff "above" the division manager to the operations of that division. The nature of this involvement will presumably depend upon a host of other factors in the specific case, including such factors as the businesses and people involved, the administrative history of both the corporate level and the division, geographic location, and so on. Still, if groups of companies of similar size and diversity could be found in which there are substantial similarities within the groups but substantial differences between the groups, this would warrant further study as to the reasons for and the significance of the differences.

One way to describe the role of a corporate office would be in terms of the actual pattern of decentralization of authority and responsibility within each company in such a manner that it can be compared with that of other companies. To do this with reasonable thoroughness would be difficult indeed, and as a more manageable first step, the variable of functions undertaken at the corporate level, and the emphasis given those functions, was investigated. Such a measure could be applied to the corporation as a whole, could hopefully be collected on a comparable basis from a variety of companies, and could be based on observable facts rather than on company philosophy or on difficult and highly arbitrary judgments by a researcher.

THE FIELD STUDY

Two groups of five companies each were selected to test the proposition that the strategy of diversification has influenced significantly the structure developed to administer that diversity. All the companies sought for inclusion were primarily engaged in the development, manufacturing, and marketing of goods, with most of their business in the United States, and having a sales value between about $500 million and $2 billion.

Companies chosen for inclusion in the group called "diversified industrials" were selected because they had become diversified largely by the means described by Chandler:

(1) As part of a long-term trend, starting in the 1920s;

(2) With a characteristic pattern of

(a) Initial expansion and accumulation of resources in a single business,

(b) Rationalization in the use of resources,

(c) Expansion into new (often related) markets and lines to help assure the continuing full use of resources, and

(d) Development of new administrative structures to deal with the new management problems.

Companies selected for inclusion in the "conglomerate" group were chosen because they had become diversified in a different manner from, as well as much more recently than, the older diversified industrials. It was intended that companies in this group would generally have

(1) Achieved most of their growth and diversification within the last 5 to 15 years;

(2) Followed a characteristic pattern of expansion

(a) Largely by a series of acquisitions, rather than internally generated diversification,

(b) Often into widely unrelated areas, and

(c) Often by means of aggressive financial policies rather than with excess resources; and

(3) Shown serious interest in contributing to the operating performance of their acquisitions, even though there was considerable variation in the financial and acquisition policies of the companies in the sample.

Table 1

STATISTICAL DATA ON COMPANIES

Statistical data / Companies	1969						Approximate number of acquisitions 1959-69	1959	
	Sales ($ million)	*Fortune* rank	Assets ($ million)	Employees (thousands)	Number of divisions	4-digit SIC		Sales ($ million)	*Fortune* rank
Diversified industrials									
Bendix	$1,468	72	$ 980	63.5	53	30	16	$684	62
Borg-Warner	1,087	108	949	41.6	35	25	3	650	68
Ingersoll-Rand	711	160	690	33.7	27	31	11	162	269
Company X	About 500	...	...	...	...	About 35	n.a.	...	...
Average	About $1,000	...	...	...	...	About 30	...	...	...
Company Y	$2-$5 million		...	...	...	About 50	n.a.	...	...
Conglomerates									
Gulf & Western	$1,564	64	$2,172	85.0	37	89	45	...	...
Kidde (W.J.)	786	143	775	35.7	55	n.a.	74 (1964-69)	$ 41	...
Lear-Siegler	587	186	319	26.6	56	40	50	87	431
Litton	2,177	39	1,580	116.0	70	64	80	126	322
Textron	1,682	57	895	70.0	32	85	55	308	146
Average	$1,359	98	$1,148	66.6	50	70	61	...	...

Sources: *Fortune* 500 survey, and company data on divisions, SIC codes, and acquisition.
n.a. Not available.

The companies from which usable data were obtained, along with a brief statistical summary of each of the companies, are shown in Table 1.

Some special comments about Companies X and Y are in order. It was originally hoped that it would be possible to report in Table 1 the actual names of all the companies included in the research, and to protect the confidentiality of the data collected from them by using code letters rather than company names in Table 2. The data were released in this form by eight of the ten companies, but in the other two cases, modifications were necessary.

Company X, after seeing the study in draft form, felt that the organizational data supplied by them could be associated with but a minor amount of additional research. For this reason the actual name of this company, which is similar in most important respects to the others in its group, is not shown.

Company Y, with sales in the $2-$5 billion range, was originally selected because it was known to be one of several old and highly diversified industrial companies which would be typical of that category. Most of its activities were in manufacturing, but it had no dominant product. Although it was recognized that the company was significantly larger than any of the other companies in the sample, the hope was that it would still be possible to report the data furnished by them in such a manner so that they could not be associated with the company. Because the organizational data contributed by them turned out to be different enough from those of the other companies so that it would certainly be attributed to the largest company in the sample, however, it was decided to refer to the company simply as Y and to avoid describing it in detail sufficient for identification.

SUMMARY OF FINDINGS

The results of the field research are shown in numerical form in Table 2.

The most striking conclusion to be drawn from the data is the substantial similarity within groups and differences between groups with regard to the emphasis accorded R&D, marketing, manufacturing, and purchasing functions at the corporate level. None of these functions (with one exception in the case of purchasing) were represented at the corporate level in the diversified industrials. The greatest difference was in terms of numbers in the R&D function, with an average of 151 in the diversified industrial and zero in the conglomerates.

The diversified industrials, had, on the average, more than three times as many people at the corporate level as the conglomerates. Part of this difference was represented by the great disparity in the emphasis accorded R&D, marketing, manufacturing, and purchasing, as already pointed out, but the average number of pro-

Table 2

ORGANIZATIONAL DATA ON COMPANIES[a]

Companies / Functions	Diversified industrials							Conglomerates						
	Company				Four companies		Y	Company					Five companies	
	A	B	C	X	Total	Average		F	G	H	I	J	Total	Average
General executives	5	5	4	2	16	4	23	4	1	4	3	14	26	5
Finance	28	61	101	144	334	84	582	8	22	29	91	106	256	51
(of which control)	(10)	(36)	(78)	(107)	(231)	(58)	(424)	(6)	(12)	(8)	(38)	(49)	(113)	(23)
Legal-secretarial	4	10	22	42	78	20	92	1	7	5	6	66	85	17
Personnel administration	11	6	20	25	62	16	90	1	2	3	10	20	36	7
R & D	54	130	139	232	555	139	1,012	0	0	0	0	0	0	0
Marketing	5	0	34	0	39	10	101	0	0	0	0	0	0	0
Manufacturing	5	1	0	5	11	3	190	0	0	0	0	0	0	0
Public relations	1	6	9	16	32	8	45	5	3	5	6	9	28	6
Purchasing and traffic	10	1	33	4	48	12	30	0	0	0	2	0	2	0
Corporate planning	3	3	2	6	14	5	8	5	4	1	7	9	26	5
Totals	126	223	364	476	1,189	297	2,173	24	39	47	125	224	459	92

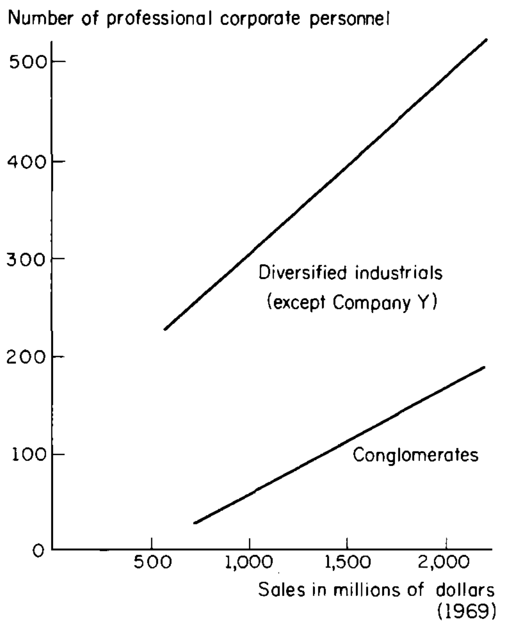
[a]Numbers shown indicate professional personnel in corporate functions as determined from field research (1969). See appendix for definition of various categories.

fessionals in the other size categories listed was, without exception, lower for the conglomerates. Not only did the conglomerates refrain completely from undertaking four major activities at the corporate level, they were also more thinly staffed than the diversified industrials in all of the remaining activities.

Both the finance and control functions represented a significantly larger proportion of the total corporate effort in the conglomerates (56 percent and 25 percent, respectively) than in the diversified industrials (28 percent and 19 percent). In terms of the average number of people involved, however, the conglomerates had only about 60 percent as many as the diversified industrials. The differences show up more dramatically when plotted against sales volume, as shown in the chart.

These contrasts are heightened by the facts that the sales for the average company in the conglomerate group were 40 percent

Corporate Personnel Versus Sales



Source: Tables 1 and 2. Points are not shown in order to avoid identifying companies. Straight lines were fitted to the data by means of the method of least squares.

larger than for the average diversified industrial and that the conglomerates were both more diversified and had more divisions than the diversified industrials. In addition, the group averages were based on the five companies in the conglomerate group but for only the four companies named in the diversified industrial group. The effect of including Company Y in the group averages, as shown in the last column of Table 2, would be to more than double these averages for almost every organizational category, accentuating in a dramatic way the contrast between the two groups of companies.

It is important to note that the figures by no means include the total corporate effort in any one of the areas listed, as they do not include activities at the group or division level. Neither do they allow for variations in the amount of outside services purchases. It was originally hoped that a way could be found to summarize the functions and people within the company but "above" the level of the division manager. The complexity and variation in practices at the group level dictated a deferral of this effort, however, even though much of the data were collected.

If a single company were to be selected to typify the "conglomerate approach to organization," Company H would serve the purpose well. It seemed to have the clearest strategy with regard to the types of businesses it was interested in and the organizational approach it would follow in order to make each division as effective as possible as an individual unit. Executives had often expressed their preference for acquiring and operating divisions which could function effectively as individual units, and not as customers of, suppliers to, or collaborators with other divisions. Perhaps as a consequence of this, it had the most straightforward organization of all the companies visited in either group.

The president often had stated his views on the importance of having as few levels and people as possible between himself and the operating divisions. He was also determined to avoid building up staff units and assistants to line executives in order to make it more likely that important issues could be identified and resolved quickly by the line organization. He and his predecessors had very consciously avoided building up existing corporate staff units, "assistant to" positions, or functional areas such as R&D, marketing, or manufacturing. He had consistently avoided pursuing many "sharp-pencil economies" that might be obtained by centralizing or coordinating matters such as purchasing and transportation. His reasons were that the tangible savings would be outweighed by the reduction in the entrepreneurial atmosphere in the divisions, in his ability to hold each division manager responsible for his own performance, and his justification for paying bonuses based solely on return on division net worth. Largely for the foregoing reasons there was no policy requiring, or even encouraging, interdivisional transactions. Divisions were all expected to act in their own self-interests in their dealing with other divisions, with no corporate involvement necessary. Even the audit and control area was relatively small because, as the president put it,

> We have always preferred to take our chances in the direction of too much rather than too little trust of the operating units with regard to keeping us informed of their problems.

EXPLANATION OF DIFFERENCES

The data show clearly that there are considerable similarities within groups and differences between groups with regard to the functions undertaken and the emphasis accorded those functions at the corporate level. Different strategies of expansion have resulted in different structures, as defined. It may be of interest to explore a few of the possible reasons for the differences. Since the conglomerates represent a more recent development than the diversified industrials, I shall describe the differences primarily in terms of why the conglomerates might differ from their older counterparts.

Companies in the conglomerate group have, by definition, recently acquired independent businesses; the older diversified industrials more often developed their divisions internally. In the one case the manager or entrepreneur and his staff already existed; in the other, they had to be created as the functions were taken away from the existing corporate staff. Simply following the path of least resistance in each case would lead in the direction indicated by the data, especially in those cases where a "strong" manager came with the acquisition.

Although the differing histories are clearly important, it does not seem likely that it is the sole factor, or perhaps even the major factor, responsible for the differences. At the time of the research, a number of the conglomerates had been of significant size for five or ten years, and had had the opportunity to build staff if they thought it advantageous. No systematic attempt was made to obtain comparable detailed historical figures, as generally they were not readily available. Without exception the executives providing the information had intimate knowledge of the general development of the corporate organization over a number of years, however, and although all reported some modest increases in staff, none felt that drastic changes had occurred in the recent past. More important, none of the conglomerates foresaw much of a buildup in any areas, and several were very explicit about *not* taking on any of the major functions they were not now performing.

It seems true that the skills and interests of the one or two top men in many conglomerates have been more financial than operating. This could easily have resulted in low priority given to the establishment of those corporate functions more concerned with operations than finance, as many observers have noted. In addition, during most of the 1960s, a variety of factors combined to make acquisitions a much faster and easier path to growth than improvement of operations [3], which could make efforts devoted to managing the divisions seem relatively less rewarding. In selecting the conglomerates for inclusion in the sample, however, an attempt was made to include only those companies which seemed to evidence some serious interest in the operations of their many divisions, even though a reliable figure for internal growth was not known.

Another important reason for the differences could be in the organizational philosophy of the top managers in the conglomerates [1]. They have written and spoken at great length about the virtues of their "lean" organizations and the emphasis they place on seeing to it that their divisions are well managed rather than in taking an active part in their management. Many have been very explicit about seeing the corporate role as providing a greater financial resource for the newly acquired divisions; relieving the division manager of "corporate" tasks such as dealing with the SEC, the financial community, and stockholders, thereby freeing the division manager to concentrate on the design, production, and marketing of his products; recognizing the need for and providing some help in installing "modern management methods" in basic areas such as financial controls and manufacturing policies; and finally providing an organizational framework, planning format, and system of incentives that can both motivate and prod the division managements into doing an effective operating job.

Many conglomerate managers seem to believe their approach is more effective, and attracts better managers, than the more "bureaucratic" approach of the diversified industrials. They see their lean staff as a virtue to be retained as long as possible, not as a weakness to be overcome as they become more "mature."

The importance of creating a climate which entrepreneurs will find attractive at the division level is constantly emphasized, and the avoidance of a large corporate staff is seen as essential in creating such a climate. Since the theme is so often emphasized and is supported by the data collected, it seems reasonable at least to consider that it may be an explanatory variable of some importance. It is not just the fact that conglomerates acquired companies with complete staffs that is significant, then, but also the fact that conglomerate managers appear to believe *and* behave as though it is important to leave much of the staff effort at the division level.

Another important explanation for the differences found is surely in the nature of the businesses the particular diversified companies are engaged. "Comparable size and diversity" can be a deceptively misleading term with regard to the management approaches appropriate for specific companies. Although the administrative history and the management philosophy are likely to be important, there is no doubt more opportunity or need for centralized staff services for some businesses and combinations of businesses than others. To the extent that the diversified industrials as a group tend to be in businesses that are more closely related to each other in terms of the customers served and the manufacturing skills and technologies involved, for example, than those of the conglomerates, regardless of quantitative measures of diversity, there will likely be more opportunity to apply corporate-wide the efforts of a larger and more extensive corporate organization [8].[1]

BROADER ISSUES

Alfred P. Sloan, Jr. [6, p. 249], in looking back over his long career in General Motors, noted that

> The balance which is struck between corporate and divisional responsibility varies according to what is being decided, the circumstances of the time, past experience, and the temperaments and skills of the executives involved.

That such broad qualitative factors as the foregoing influence the actual roles played by operating and corporate managers in any given situation is apparent to anyone who has observed the realities of a large, diversified company. That the balance arrived at in any particular situation cannot be prescribed as a model to be widely imitated by others, or even described very precisely, is also unfortunately true. As Harold Wolff [7] notes in a superb commentary on the evolution and refinement of "decentralized management" in General Motors,

> What has made General Motors great is this finely contrived balance [between the extremes of pure centralization and pure decentralization] that almost defies description in words and certainly makes imitating it almost as difficult as creating it in the first place.

He goes on to note the difficulties encountered by many companies in trying to apply too readily the "GM approach" to their own situations, and observes that

> There are only two things really to be learned from the experience of GM. One is how to go about the difficult and demanding job of creating an organizational structure that closely fits the needs of the business. The second is that this effort can have a lasting payoff.

In this study, however, I have attempted to find a middle ground between the acknowledged degree of uniqueness of each situation and the clear hazards of assuming that "what is good for General Motors [or General Electric or Textron] is good for us." In most of the companies visited, executives referred to internal studies planned or completed which would help them decide the appropriate organizational approach for their own situation and were interested in the experiences of other companies. What the data have shown directly is that there are at present substantial similarities within and differences between the two selected groups of diversified companies studied with regard to the functions undertaken at the corporate level and the emphasis accorded them. The opportunity to compare and contrast approaches adopted by groups of companies rather than just individual companies with regard to the role of the corporate office provides an improved framework for raising a number of issues. These can be grouped into four broad areas:

(1) To what extent do these different organizational approaches result in significantly different organizational climates within the company? How does "autonomy," however defined, in fact differ among division general managers in companies as a result of the two different organizational approaches followed? It is a complex but important question which deliberately was not addressed directly in this study. It certainly seems reasonable to expect, for example, that a division manager in a conglomerate which has no corporate R&D, marketing, manufacturing, or purchasing and traffic functions has more autonomy (and receives less help) with regard to those functions than his counterpart in a diversified industrial, but less autonomy than an independent company president [8].[2]

(2) If we accept that the two different approaches are likely to result in different degrees of autonomy and of services provided for the division managers, what are the relative advantages and disadvantages of these different approaches? One is surely not better for all purposes than another. It might be, for example, that for competing in certain types of industries over a long period of time one approach to organization is more appropriate than another, regardless of the administrative history or strategy of diversification of the firm.

Are there industries where one would expect there is some "inherent" advantage accruing to a division of a conglomerate, a division of a diversified industrial, or an independent company? More knowledge of the present structure of competition in well-defined industries according to the type of business units competing in it, as already described, would be useful. Over the long term, the extent to which each approach does have advantages and disadvantages for specific industries should influence the important choices of which businesses to enter or leave. Even tentative answers would also be of interest with regard to the complex public policy issues raised by conglomerate merger activity.

(3) Clearly related to the preceding issue is the probable trend of corporate organization in diversified companies. For example, the differences observed in the role of the corporate office could be partly time-related, in that the conglomerates may not yet have had the time for or interest in developing the kind of organization more common to diversified industrials. As discussed earlier, this did not seem to be a major factor for the

conglomerates studied. As another possibility, the conglomerate approach may be appropriate for the conglomerates at present, but perhaps should change in the direction of the diversified industrials as the relative importance of acquisitions declines, the existing businesses become more "rationalized," perhaps more interrelated, perhaps more mature, and therefore more susceptible to improvement via cost-cutting measures and more traditional economies of scale.

The converse of this position, of course, is the argument by many executives of conglomerates that many of the older diversified companies are overstaffed and too bureaucratic, and that an organizational approach more like that of the conglomerates would benefit them greatly.

Another factor influencing the evolution of the organizational approach of the conglomerates will be the inevitable transition from division managers who were in some cases owner-entrepreneurs to managers with different experience, skills, and motivation. Will the conglomerates be able to develop or attract managers who like and can perform effectively in the conglomerate environment, and if so, how? If not, will the new managers either need or prefer a more extensive corporate staff and more comprehensive policies and procedures? Conversely, if a diversified industrial decides to move in the conglomerate direction with regard to the role of the corporate office, will this pose problems of availability of suitable managers? Finally, will companies find it possible to follow *both* approaches, varying their organizational approaches according to the needs of various groupings of divisions?

(4) Implicit in the many questions raised in the preceding broad areas is the nature of the job of managing managers. What are the "generalized business skills" which enable a general manager in a diversified company, working within an appropriate structure and set of policies, to make some contributions to the operating performance of a division in an industry about which he may know far less than the division management? The customary way for a division manager to be effective is to "immerse himself" in the practices and problems of the division and industry he is in; a group vice-president in a diversified company cannot often afford that luxury. A better understanding of this higher level of general management is of importance for both the training and selection of managers to fill this crucial position in our diversified companies.

APPENDIX A

Definition and Classification of Organizational Data in Table 2

(1) Figures reported are for "professional" personnel. There

are no clear definitions for this category in wide use which automatically permit perfect comparability among companies, but in general there seemed to be no great difficulties in how to treat specific cases. People in this category were generally in the "exempt" (from wage and salary laws) classification. Whether a person or unit was "line" or "staff" was irrelevant. Secretarial and clerical workers were not included. In some cases in which the company respondent knew only total personnel figures for particular units (which happened more often in the diversified industrials because of the greater size and complexity of the organization) estimates were made, generally assuming half of the total (less than any known groups of clerical or hourly workers) to be professional.

(2) Every attempt was made to classify people and units according to the functions performed, using 10 of the major categories adopted by the National Industrial Conference Board (NICB) in a survey in organization [4]. The broad categories used are listed on the left in Table 2 in the text.

(3) Converting the data as collected from individual companies to the NICB format for better intercompany comparison entailed some reclassification of units. A corporate tax unit, for example, was treated as a part of the finance function, even though in a few companies it reported to the general counsel, and in another case a small internal consulting unit was assigned to the controller in whose jurisdiction most of the activities seemed to fall, instead of leaving it in the corporate planning category where it was actually assigned. There were no changes involving reclassification of people out of the areas of R&D, marketing, manufacturing, or purchasing and traffic in the conglomerate groups. The only reclassification of people into these areas among the diversified industrials involved the following situations.

(4) In two different diversified industrials units not shown at the corporate level (a purchasing and traffic unit in one company, and a manufacturing unit and a research unit in the other company) were, according to company executives, nevertheless performing corporate functions almost exclusively. They were not formally assigned to the corporate level due to a combination of factors related largely to the executives involved, and were therefore reclassified at the corporate level for the purposes of this study.

(5) Service and housekeeping activities at and for the corporate level were not included, nor were such units as an in-house printing facility, a credit company, workers in company-operated transportation facilities, personnel associated with company planes, and so on.

(6) Units supervising or primarily dealing with international operations were excluded where possible.

(7) Group executives and their staffs were not included, for reasons explained in the text.

(8) The decision of what to include in the "control" area came up most frequently. In this study such functions as auditing, accounting, budgetary planning (even though a separate category under finance in the NICB classification), electronic data processing, and systems and procedures were classified under "control" whenever set out separately. Also included in the control area, when these activities were identified separately, were the professionals in the management information systems area and the corporate-run regional data bureaus.

(9) For research facilities, only the number of professional people estimated to be working on in-house research (as opposed to research billed to outsiders) was included. In the case of the professionals in a research activity, the factor of 0.6 was applied to the total numbers in the two cases where the actual breakdowns were not available. For the three cases where the breakdowns were readily available, the average factor was in fact 0.63.

(10) There is, unfortunately, no precise definition of what constitutes a "division." For the purposes of this survey, I simply accepted the usage within each company, recognizing that divisions might range in size from perhaps $5 million to $100 million or so.

NOTES

*This paper, prepared for the 1977 Business History Conference, is a modification and substantial condensation of my earlier working paper entitled "Corporate Role in Diversified Companies" (9-371-523, 1971).

1. See [8] for the development of a classification scheme and subsequent research based on the identification of dominant product, related product, and unrelated product firms.

2. Leonard Wrigley [8] investigated the proposition that "unrelated product firms give more autonomy to their divisions than do related product firms, and much more than do dominant product firms" by means of field research in General Motors, General Electric, and Textron, and in general confirmed the validity of his proposition for those companies.

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