

Alfred D. Chandler, Jr.: his work on business history and its impact on management thoughts

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Abstract

Purpose - The intention of this study is to focus on Alfred D. Chandler's ideas as a historian who draws attention to the influence of Small Management Enterprises' history of management and its practices.

Design/methodology/approach - This paper evaluated Alfred Chandler's life as historian and being historian his bestowal to indulge his thoughts for management related disciplines and revisionists of theory of structure and strategy. Furthermore, this paper investigates Alfred Chandler's contributions to introduce new ideas for the understanding of US and international history of business. Content analysis is conducted is used as a data analysis tool.

Findings - The vision of Alfred Chandler regarding expansion of MNCs and their strategy related to procedure which leads this business on historic culmination. It has evolved as per observations of local market and international comparative analysis.

Practical implications - The study affords Chandler's insight as historian and implication of history in the business management to solve upcoming problems in future faced by the competitive global world.

Originality/value - This study explores the approach of Alfred Chandler's multi-dimensional analysis of history and his revisionist perspective in business history and management. It provides detailed background regarding management history to practitioners and commentators. It is considered as an integral part for learning and future business implications.

Keywords - Management history, Business practices, Business growth.

Paper type - Research paper.

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1. Introduction

Alfred Chandler Jr. is credited to introduce various aspects of history and defined new fields. Especially, the foundations of business history were strengthened by him; having remarkable and significant influence on business disciplines and business management history (McCraw, 1988; Yeager, 2008). Evans (1999, p.134) narrated that "History rests on the belief that the present differs from the past and

derives from it; it also points to the future, which will be different again". The study of history reveals the ways how histories are written, taught and thought regarding present, past and future (Jenkins and Munslow, 2004). Chandler sketched his intellect as a historian by focusing his early research on exploring the ways of expansion of MNCs in USA and their role in the growth of the US economy (Jones, 2008). The prime focus of his viewpoint was that lessons instigated from history can either be used as a means of

learning, or an individual is likely to duplicate the same mistakes.

Knowledge of history of any discipline is mandatory to understand the origin, evolutionary process and destination of that particular subject. Many of today's complex managerial situations began during the early management movement. Therefore, understanding of the historical evolution of this complexity helps the managers in contemporary organization to cope with the demands of their role. The challenge to present and future managers is not to memorize historical names and dates; rather it is to develop a feel for why and how things happened and to apply this knowledge on the practice of contemporary management.

The core objective of this article is to present a framework on the basis of Chandler's participation which reflects its distinction regarding magnitude of historical scope and impact on the business management. Firstly, an overview of Chandler's life will be presented along with his prominent contribution to the discipline of history of management and business. Furthermore, the management research which is in accordance with Chandler's contributions and his skeptics will be presented. Thereafter, the factors which changed the comprehensiveness of Chandler's historical perspective and popularity of his ideas internationally shall be evaluated. Finally, the lasting and marked impact of Chandlerian perspective on the history of management will be examined.

2. Chandlerian Work and its Impact on Management History

The impact of Alfred Chandler's work is based on the study of 100 MNCs in US. His work explored the unpremeditated factors that have contributed to the evolution and development of the economy of the country from 1909 to 1959. He, especially, focused on exploring how leaders of large industrial enterprises managed complex problems which eventually took the position of generic guiding principles. These principles have facilitated the MNCs to expand and emerge locally and internationally while its impact on national economic growth has also been area of interest (Fligstein, 2008). Chandler's work on history of management had a substantial impact on the perception of the role played by management. He had succeeded to attain the assiduity of researchers and critics, establishing his position as one of the pioneers in the field of history of management (Rose, 2008). The followers of his theory are known as Chandlerian, a term used to depict those who advocate the insights and strive to construct theoretical frameworks on the basis of Chandler's view (Rose, 2008). The historical traditions of Chandler's works and its impact are presented on the following sections in the light of views of skeptics.

3. Chandler Works' Tradition/Methodology

Alfred Chandler wrote "The visible hand" blended empiricism and theory, thus initiating an interesting prelude to understanding the perspective of history of management. The ideas presented in the book were marked by his belief in the role played by management in which he has accentuated his own thoughts of managerial visible hand. According to this idea, the managerial visible hand is the initial driving force of entrepreneur development when invisible hand of market becomes less effective.

The scope of impact of Chandler's theory has not been limited to business and management only. As noted by Rose (2008) and Wilkins (2008) Chandler's judgment had a strong influence on researchers in the field of economics, sociology, business history, management, and political studies. His perspective regarding management transformation ignites the development of technology and best leadership capabilities; providing a valid base for innovation in technology (John, 1997; Novicevic et al., 2009b; Paridon and Carraher, 2009).

Galambos – a historian, in 2008 has expressed concisely his compliments regarding Chandler's thoughts in following words:

"[...] nothing that his critics have said [...] has persuaded me that Al Chandler was wrong [...]: about the accomplishments and subsequent problems of the U-Form of centralized enterprise; about the success of the M-Form of multidivisional, diversified corporation; about the advantages first-movers had in [...] their markets; and [...] the strategies of the world's most successful giant enterprises of that era. These are the foundation stones of the Chandler legacy and they have been neither chipped nor overturned by recent scholarship." (Galambos, 2008)

Alfred Chandler was the only scholar who recorded the year wise history of the growth of MNCs of USA. His research findings reflect that competitive advantage based on skilled and well qualified managers lead to economic growth and productivity of an organization. He was perhaps the first who highlighted the importance of productivity, prosperity and innovation in internal corporate structure and procedures. Chandler's knowledge provides an intellectual foundation to contemporary researchers illustrated as follows:

"[...] institutional sociologists, like Neil Fligstein, and economists, like Oliver Williamson, who had long used Chandler's scholarship as a point of

departure for their own theoretical work in the social sciences (McKenna, 2008, p. 423).”

Williamson in 1985 presented a substitution to Chandler’s visible hands theory of MNCs’ expansion while developing his transaction cost theory (Novicevic et al., 2009a). despite this alterative perspective, Chandler’s visible hands theory has been globally accredited as exceptional historical research during last half century. His research is a vital contribution which established a link between innovation-based technology and empirical model of US economic development (John, 1997, p. 153). The scholars considered his work “The Visible Hand” as a significant contribution in the discipline of management of business strategy. This impact is reflected by the numbers of citations of Chandler’s books namely “Strategy and Structure” and “The Visible Hand” in many published articles of strategic management in the last 50 years. It is mandatory to state that these researches as historian craft a difference between strategy and structure, implementation and formulation of strategy and potential I& activities of any organization (Whittington, 2008; Trevinyo-Rodriguez, 2009).

Critics argue that Chandler ignored the factors of environment and context while studying the history of firms regarding historical revisions of his ideas. According to them, this heedlessness caused the use of inductive approach in firms. It was, specifically, claimed that the influential legislative role of government and institutions on complex firms and monetary sector could not be elucidated by Chandler’s work. The contemporary researchers have challenged Chandler’s view point, arguing that the advancements in today’s market are the primary driving force for organizational changes in entrepreneurial environment venture instead of entrepreneurial endeavor, legislative controlling authority or money market (Fruin, 2009).

4. Revision of Chandler’s Historical Perspective

Critics tried to revise Chandler’s established theories during 1990s and selected the route of annihilation of intellectual thoughts of Alfred Chandler (McKenna, 2008, p. 423). His theories are adopted in the same manner as skeptics claimed that Chandler’s findings are lacking generalizability due to negligence of supporting evidence (Wilkins, 2008, p. 411). Usually, revisionists are of the view that the traditional Chandlerian paradigm ought to be swapped by the revised entrepreneurial paradigm to induce the desired level of generalizability.

Some revisionists stated as:

“[...] contended that Chandler understated the significance of the managerial revolution; others that he

exaggerated its import. All agreed that there were important phenomena that Chandler’s analysis failed to explain. Their task in short has been basically one of revision (John, 1997, p. 180).”

The primary sources are considered as the basic source (in the form of company accounting records, meeting minutes, sales reports and advertisements etc.) of research in order to reach integrated and well researched inferences by the writers. They start their research from the evolution of enterprise till its maturity which is the fundamental for business strategy at the later stage (Chandler, 1962). The key elements of business historians are entrepreneurship, innovation, global issues relevant to that particular area, business environment, political environment and interference of governments in the enterprises etc.

Moreover, some global brands have diversified responses towards enterprises depending on diversity of cultures and life styles (Jones, 2010). Jones (2013) further claims that prevailing rationalization for the deficient institutions, poor human resources and geography cultures are important factors but partially true. He also stated that business history laid down many arguments which indicate that there are other significant and historical factors which have specific impact on the business enterprises like societal embracement and development for new technologies. The role of legal history is duly considered to shape business enterprise by business historic writers. Entrepreneurs, executives and enterprises are the prominent driving actors within that very legal environment (Jones and Friedman, 2012).

The historical role of business education through business schools is pivotal in the business history. Especially, post World War II era is very important for US institutions and European business schools because most business schools were established and developed after this war. Today these business schools are imparting their role without disseminating awareness of historical origin and development all over the world. They exhibit resemblances rather than divergence (Khurana, 2011).

One of interesting aspect regarding business history is adoption of integrated reporting received from various departments which can be excellent primary source for research and play vital role in framing business strategy for strategic business plans. This approach not only presented current state of practice but also outlined the previous scenario (Eccles, and Serafeim, 2011).

On the other hand, those researchers who endorse the political paradigm assert the vital and significant role of the state. Fligstein (2009) expressed his view by narrating that Alfred Chandler has attained a prominent position among researchers as he initiated and

pioneered the concept of study of firms' transformation and expansion. Furthermore, he draws attention and claimed that Chandler's views regarding managerial foresight and efficiency has no concern with reality and stood on without grounded theory.

Most of the criticism on Chandler's research is based on the dramatic changes in firms' structure and conditions at the national and international level as compared to those he studied. These disparities are confirmed as service sector became more important than manufacturing sector. The increasing significance of governmental influence and money markets has evident impact in terms of globalization on world economy. Therefore, modern revisionists raise the questions on the reliability of Chandler's thought on the basis of these arguments (Wilkins, 2008).

5. Historical scope of Chandler's work

At the outset, Chandler studied the historical evolutionary process of 100 large firms of America (assuming American exceptionalism), but thereafter, he examined the international firms around the globe (assuming transnational history) (Buckley et al., 1998, 2002; Carraher and Welsh, 2009; Langlois, 2007; Novicevic et al., 2009b).

6. Conclusion

Alfred Chandler Jr. chronicled differences in managerial styles and structures between the United States, Europe and Japan. No historian ever contributed as Chandler did to understand the significance of business history and its remarkable impact on the future implications. Being historian, he presented historical perspective and value-added insights that how large enterprises expand and attain growth nationally as well as internationally. He further explored and recognized the crucial role of managers in the superior efficiency and development which becomes a competitive advantage for the firm. This acknowledgment opened up new avenues in the field of strategic management and leadership.

To conclude it can be stated that it is important to note that the studies of Alfred Chandler deeply influenced the business history. The popularity of Chandlerian theories can be further observed from the existence of the term "Before Chandler" (B.C.). The tendency of intellectual harmony and focus of scholars may vary from one era to another but Chandler's enduring legacy may be followed and approached time and again with varied perspectives and ideas. Despite the conceptual framework originating in history, the theory remains applicable in contemporary world, providing insight into the dynamics of the local and international businesses.

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