

PRESIDENTIAL ADDRESS

Business History as a Discipline

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When many years ago I first began to teach American business history, my course was almost identical with the one I taught under the title American economic history. Over the decades, however, the two courses have diverged. My American business history course now has its own unique identity. American business history-- in my lectures and, I believe, more generally in the literature-- is no longer a stepchild of U.S. economic history. Economic historians are not automatically business historians. Likewise, my course is no longer purely American, but one that deals with U.S. business in a global context. I am deeply convinced that American business history must be presented not solely in a national but also in an international dimension. Over time I also realized that my course-- and my perspective-- should not be merely international, but comparative as well. There is a major difference, often not fully recognized. An international approach considers the extension of U.S. business abroad and that of foreign business in America and inquires on the implications of these developments. By contrast, a comparative approach asks: how does U.S. business (including its international role) compare with the domestic and international business institutions in other nations?

I want to argue this evening that our field, business history, has integrity as a discipline and that although we come from different departments and schools-- most of us from history and economics departments or from business schools-- we nonetheless share a core of ideas and goals that constitute a discipline. It seems to me we too frequently permit our subject to become diluted and subsumed under others instead of focusing on our fundamental contribution: the study of the growth and development of business as an institution. Our field is not economic history, not the history of an industry, not business biography, not social history; it is business history and as such requires specialized, although never narrow, attention.

Since my predecessors have taken this occasion for autobiographical reminiscences, I decided to follow their lead, using my own career to highlight the points I want to make about our subject as a discipline. My research, as most of you know, has been on the history of multinational enterprise, that is, the history of business over national political boundaries. It is a subject very germane to our Conference theme, for a student of multinational corporations always asks what makes a firm competitive outside its home market. I want to recommend this branch of business history to all of you. Aside from its inherent interest, it has major compensations. My research has taken me to fifty-nine different countries in the Americas, Europe, Africa, and Asia that have been home and host to multinational enterprises. My initial interest in this subject developed in the late 1950s as a result of data I found in Ford Motor Company archives.

After receiving my Ph.D., I became a research associate for one of America's greatest historians, Allan Nevins. Allan sent me to Dearborn, Michigan, where I helped out on his basic history of Ford Motor Company and discovered in the process a superb archives on Ford Motor Company's foreign business.

Allan Nevins had immense influence on me. He taught me to view businessmen in neither black nor white terms, to see nuances, to look at "grays." For many years I have had over my desk a quotation, not from Allan Nevins but from Arthur Schlesinger, Jr., which warns me not to ascribe "to premediation what belongs to fortuity and to purpose what belongs to chance." The quotation serves as an antidote to rational expectations.

Arthur Schlesinger put this very well. Allan Nevins would not have said the same thing, but the Schlesinger injunction is truly part of my Nevins heritage. What I learned from Allan was caution and care in evaluation. Evidence came first. If a theory or hypothesis did not fit the data, it was the theory or hypothesis that might well be vulnerable.

Allan Nevins knew that men were the key actors in the business drama and that accordingly there were immense ambiguities in business behavior. To most of you that sounds obvious, but when I was working for and with Allan Nevins, you must remember that this was a time when it was hard to see American business and American economic history as separate. The two, as mentioned earlier, were in many minds almost one. And this was the very period when the first studies in cliometrics were beginning to appear and when the "new economic history" provided an influential U.S. economic history textbook (in 1961) that had no mention of Henry Ford. I recall my shock: how could one write American economic history without mentioning Henry Ford? Macroeconomics was in fashion; it was easy to neglect the entrepreneur and the human dimension.

Allan Nevins offered me my first opportunity to delve into the richness of business archives. He was a superb narrative historian-- brilliant in capturing the dynamism of business leadership. He was, as were most historians of his

generation, however, more concerned with businessmen than with business as an institution. I became fascinated with the latter, which was also being ignored by the early cliometricians (and by most of the later ones as well).

When I found documents in the Ford Motor Company archives on the history of its international operations, I wanted theory. I wanted an analytic framework. In a certain sense, I was responding in consonance with what was happening in economic history in general. As more economic historians came out of economics rather than history departments, they required more theory. Most were influenced by macroeconomics and most turned to cliometrics. I did not.

Since I was studying the history of a multinational corporation I turned to the international economics literature for theory. I wanted to call on theory to help me explain what I was discovering in the archives. Avidly I read everything I could locate but found this literature barren for my purposes. Alas, the international economics (and also the international trade) cupboard was bare.

I started my research in the Ford Motor Company archives in 1958. At that time Stephen Hymer's seminal dissertation at MIT on the international operations of national firms was still two years in the future. Even the term, multinational corporation, had not yet been used. I searched somewhat desperately for an analytic framework, a theoretical context. I needed to understand why a firm such as Ford Motor Company would make international investments. What was responsible for the business abroad, beyond the personalities of the participants and mere chance? Was Ford typical? Were other companies behaving in a similar fashion in the same period? Why? It was not enough to say that business abroad was profitable. I wanted more in the way of answers. There existed, to be sure, a huge body of writings on foreign investments and some on foreign direct investments, but there were no adequate responses to the type of questions I was posing.

In 1962 I was back in New York City at Columbia Business School with a grant to study the overall history of American business abroad. That year I met both Ray Vernon and Al Chandler. Ray was then embarking on a massive project at Harvard on international business. His influence was to push me even more in a theoretical direction, to ask "why?", to seek patterns. It is appropriate, however, on today's occasion to state that the most satisfying paradigm, the most congenial analytic framework that fit the materials I was uncovering came from our own discipline, business history, from Al Chandler.

In 1962 Clarence Walton, then associate dean at Columbia Business School, invited Al to lecture at his Business and Society seminar. Al had just completed *Strategy and Structure* and I rushed to read it before I met its author. At the seminar Al explained why forward vertical integration took place in U.S. business enterprise. I became excited. At last, someone was providing a general explanation for what I had found for American business abroad. To my amazement, what Al was uncovering for domestic enterprise was exactly what I was finding for international business. With the work of Al Chandler, the field

of business history has come of age. It has moved beyond parochial case studies to provide a core of ideas. Al has opened the gate to what we can effectively call a discipline. Al Chandler's work has been a source of constant and continual pleasure for me. It has stimulated my search for understanding, not simply of business leaders, but of the history of business as an institution. He has had more influence on me than any other single scholar.

I have long had a tendency to collect lots of data. I have always had an insatiable curiosity, a concern with detail. This has an advantage, since without detail we can never understand. Business history, it seems to me, however, must ultimately conceptualize, sort out the detail, and define the broad issues. As a discipline, we are interested in how and in what directions business institutions evolve over time.

My own work on the history of multinational corporations, which as noted, began in the late 1950s, started with a single company's business abroad (Ford Motor Company). It then moved to the history of all American international businesses, and next to a more general study (hence the comparative element) of the history of other nations' businesses over borders. Most recently it has come to encompass not only international business, but international capital movements and the business intermediaries engaged in such capital flows-- that is, the institutional structure behind the transfers of capital from one country to another. Rondo Cameron has been particularly influential at this stage. All of these new elements will be in evidence in my forthcoming book to be entitled *The History of Foreign Investment in the United States to 1914* [2].

The study of the history of business over borders is part and parcel of the business history discipline. It begins with the operating enterprise. As a business historian my interest is in the firm-- how it functions and how it changes over time. How does it manage resources? How does it survive? The outside world (from a political, social, and economic standpoint) is important as it shapes the perceptions and strategies of decision-makers within the firm, but the business itself is at the center of the study.

Overall, my shock at the omission of Henry Ford from the 1961 textbook notwithstanding, I have become less interested in businessmen, or individual entrepreneurs, or in business biography, than in business as an institution. Nonetheless, as Hugh Aitken once pointed out, planes cannot be flown without pilots; business must be run by people. This is a given in my view.

In dealing with modern business history from the late nineteenth century to the present, as Chandler has many times noted, the significant business actors are not the small, single product, single plant, single function, local market enterprises run by one entrepreneur, but rather the important business actors-- at least in the United States and much of the developed world-- are the multiproduct, multiplant, multifunctional, multidivisional, multinational enterprises administered by a managerial hierarchy. To study businessmen, or individuals as entrepreneurs, offers only partial insights into the major

managerial institutions of modern times. It is the new business enterprises that emerged in the late nineteenth and early twentieth centuries that have been my concern. What is intriguing is how such businesses began and grew, domestically and internationally. Which ones prospered? Which ones failed? Why? What are the managerial efficiencies and constraints? And how are they similar and different between and among firms? How do firms face and cope with a competitive world?

It seems to me that as business historians our role must be to begin with the firm and its development. I am not suggesting that we should not draw from other disciplines. We must do so. Most of us have been influenced by scholars in many different fields. Yet, our discipline must have an integrity and be separate, or at least separable. It should be in a position to enrich other disciplines.

For me, one of the joys of writing on the history of multinational enterprise is that to understand the subject I have had to inquire into many topics. Thus, while I try to follow a straight and narrow path, at the same time I always ask, what can I learn from other disciplines? Accordingly, while I firmly believe we must hold to the core discipline, this does not mean we should or can wear blinders. I have mentioned Allan Nevins, Ray Vernon, Al Chandler, and Rondo Cameron by name, but scores of scholars (many of them not business historians) have had influence on my thinking. My research on the history of multinational enterprise has been enhanced by others' "background" studies in economic history and by various branches of economics. Economics has come a long way since 1958. The publications of Oliver Williamson, Kenneth Arrow, Richard Caves, Charles Kindleberger, and John Dunning have been especially useful to me. There is now a body of work in economics that does help to explain the growth of multinational enterprise. Interestingly, the explanatory literature builds more on micro than on macroeconomics. I also have learned from the work of historians, legal scholars, political scientists, sociologists, anthropologists, psychologists, and business management experts.

Perceptive journalists have often made my task easier. In addition, I read works of imagination. I hope, however, that I do not write fiction. I am not a "scientific" sort, but the history of multinationals is impossible to understand without dabbling into the history of technology, chemistry, and medical sciences. I am definitely out of my element in considering biochemistry and metallurgy, but I have read books and articles written on these subjects, which have on occasion been very relevant to the history of multinational enterprise.

Although it seems to me our discipline must cast its net widely to explain the international behavior of firms through time, we must still-- as I have repeatedly stated-- return always to our basic subject, that is the nature of business history-- the origins, growth and performance of business as an institution. We must always begin with the company and look for patterns (for continuities and discontinuities) in the development of enterprise. The firm as an entity with its changing package of attributes is what commands attention.

What is interesting is that as our topic becomes a discipline in its own right it not only draws from but contributes to other fields. It does this because of its integrity as a discipline. It seems to me that we must not write for other audiences. If our work is excellent, others will use it. Al Chandler's publications are quoted not only within our own circle, but extensively in many different literatures. I have been delighted that there is interest in my own writings on the history of multinational enterprise arising not only from business historians but elsewhere as well. Thus, in many fields in history, the history of business over borders is relevant. Students of the history of U.S. and British diplomacy want to know about the role of multinational enterprises in foreign policy. In many branches of economics, from industrial organization to studies of markets and hierarchies, work on the history of multinational enterprise has seemed useful. Indeed, the best scholars on the emerging theory of multinational enterprise are well-versed in the history of multinational enterprise. I recently read a forecast by a prominent economist, Mark Casson, that the modern theory of multinational enterprise has the potential to become a general theory of the enterprise in space, and as such, to encompass theories of the multiregional and multiplant firm. He continued, "The theory of the uninationaional single plant firm under perfect competition-- a theory which used to be known quite simply as 'the theory of the firm'-- turns out to be a quite trivial, special case." Casson has been much influenced by business historians [1, p. 1].

Students of economic growth (especially Japanese economic growth) have asked, how much did international business contribute? Some writers have included materials on the history of multinational enterprise in works on economic development. Business school professors, investigating contemporary international business, have drawn on business history studies. Likewise, textbook writers on international law frequently refer to materials on the history of multinationals. This is a limited sample. It is surprising how many disciplines the history of multinational enterprise can enrich. Yet, to repeat, as our own discipline adds to numerous subjects, it must maintain its own special integrity. We must write to contribute to an understanding of the nature of evolving business institutions.

In short, and to conclude, business history has to aid us in explaining what Chandler has called "the rise of managerial capitalism." It must help us to get within the "black box" of the firm and assist us in explaining why enterprises grow in particular manners and not in other ways. It must start with the proposition that economic resources must be managed, that this management is not typically done by the "market," that this management is not a given, and that the history of the business enterprise provides formidable insights into the structure of such management. Since firms do business over borders, our discipline cannot be solely national in content. To enrich our understanding of a single nation's business institutions we must be able to compare their international activities with those of firms headquartered elsewhere. Thus, our

discipline must be both international and comparative. Business firms are key actors in today's world economy. It is the business enterprise per se, as it operates through time, that must engage our primary attention as business historians.

References

1. Mark Casson, *The Firm and the Market* (Cambridge, Mass.: MIT Press, 1987).
2. Mira Wilkins, *The History of Foreign Investment in the United States to 1914* (Cambridge, Mass.: Harvard University Press, forthcoming in 1989).

