

What is Business History? Why it is important?

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Resumen

Esta contribución discute el desarrollo intelectual e institucional de la disciplina historia empresarial, la que fue creada en la Escuela de Negocios de la Universidad de Harvard. El artículo explora los cambios de agenda en este campo, los que han pasado de analizar grandes industria manufactureras intensivas en capital en los Estados Unidos y Europa, a investigar grupos empresariales, negocios familiares, impactos sociales y culturales, en América Latina y otros mercados emergentes. El ensayo destaca además la importancia de la historia empresarial en la educación administrativa y de negocios.

Palabras claves: historia, educación administrativa, Harvard, globalización

Abstract

This contribution discusses the intellectual and institutional development of the discipline of business history, which was created at the Harvard Business School in 1927. It explores the shifting research agenda of the subject, which has transitioned from looking at large capital-intensive manufacturing industries in the United States and Europe to research on business groups, family business, societal and cultural impact, and Latin America and on other emerging markets. The essay highlights the importance of business history in management education.

Key words: history, management education, Harvard, globalization

Business history was created at the Harvard Business School in the 1920s, and it has been researched and taught ever since. It hosted the first chair in the world when the Straus Professorship of Business History was created in 1927. Subsequently the School's Baker Library started collecting the records of firms. In 2015 it held 1400 original business records. In 1954 the first journal in the subject, *Business History Review* was created, and it has been edited at the School ever since. The first annual postdoctoral fellowship in the world in the subject, the Newcomen Fellowship, was created at the School in the 1950s. Later, Chandler Travel Fellowships now finance visiting younger researchers to use the Baker Library archives and other Harvard resources. During the 2000s a program of short-term visiting fellowships (Chandler and McCraw Fellows) was launched for mid-career and senior scholars to spend time with the business history group. Business history classes have been taught continuously at the School since 1927. Although confined to quite small numbers, from the 1980s the number of MBA students soared. During the 2000s a global business history course called Entrepreneurship and Global Capitalism was added to the traditional American business history course. Currently up to a half of the 1,000 MBA students take business history electives.

A landmark event came in 2012 when Dean Nitin Nohria created the Business History Initiative, establishing the subject as one of the priority research areas of Harvard Business School. Dean Nohria's words on the website of the Initiative are worth noting. Harvard Business School, he writes, "has a long and distinguished tradition of research in the history of business. Context is always crucial in business decisions. Learning from the past is a vital resource for business leaders. The new Business History Initiative reflects the School's belief that history matters, to our students today, and to the future."

So what is business history? And why does it matter? The baseline definition is easy. Business history involves the study of the history of entrepreneurs, firms and business systems. Typically, business historians research historical archives, and for more recent periods they so-

metimes employ oral history. The Business History Initiative at Harvard Business School, for example, launched a major oral history project called Creating Emerging Markets, which seeks to interview (and make available) business leaders with thirty or forty years of experience in multiple countries, including Chile, Argentina, Brazil, Turkey and India. (<http://www.hbs.edu/businesshistory/emerging-markets/Pages/default.aspx>). Typically, business historians generalize from empirical research, rather than test hypotheses. In general, and with important exceptions, research methodology is qualitative rather than quantitative.

Beyond such basics, however, the boundaries of the subject have always been contested, even in Harvard where it started. At the risk of gross over-simplification, three distinct views were discernable in the first decades of the subject at Harvard. A narrow view was exemplified by N.S.B. Gras, the first Isidor Straus Professor at Harvard Business School, who in 1934 defined the subject as "the collective biography of firms, large and small, past and present." An alternative wide view was found at the Research Center in Entrepreneurial History established at Harvard in the 1950s. This was an interdisciplinary group which included sociologists, economists like Joseph Schumpeter, the famous theorist of entrepreneurship, and economic and business historians. The goal of the Center, funded by the Rockefeller Foundation, was to examine the role of entrepreneurship in global patterns of wealth and poverty. There was also a third view of business history which can be conceptualized as conceptual. This was associated with Fritz Redlich, who called during the 1950s for generalization and theory-testing. These three views about the nature of business history have persisted until the present day, although constantly reframed and re-invented by new generations. The Business History Initiative at Harvard Business School is most closely identified with the so-called wide view.

As if these differences were not enough, there were also strong regional differences between how the subject evolved. In the United States the subject emerged in a business school context, and stressed relevance to prac-

tice and case studies. In Europe the subject emerged during the 1950s from the social science of economic history. Unlike the United States, European scholars moved easily between studies of macro-economic trends, institutions and policy and business history. The closer link between business history and economic history has remained a feature of the discipline in Europe, while the United States there is a clear professional divide between the two areas.

Between the 1960s and the 1990s business history reached a new coherence through the work of the Harvard Business School business historian Alfred D. Chandler. In three epic works of scholarship, *Strategy and Structure* (1962), *The Visible Hand* (1977) and *Scale and Scope* (1990), Chandler explored the reasons behind the growth of big business in some industries, and the relationship between a firm's strategy and its organizational structure. Chandler's work finally established business history as an intellectually ambitious and confident discipline able to ask big questions. His work became highly influential in the emerging discipline of strategic management, and exercised a substantive influence on other areas of management studies also.

The focus on big business and its organizational structure dominated business history for several decades, although less so in Europe, and not entirely. There was important work on business and government by, among others, Lou Galambos at Johns Hopkins University. Mira Wilkins also pioneered the historical study of multinationals in books such as *The Emergence of Multinational Enterprise* (1970) and *The Maturing of Multinational Enterprise* (1974), which described the growth of US multinationals between the nineteenth century and 1970. This led to a rich literature which featured interaction with economic theory of the multinational enterprise and discipline of International Business. The driving research questions included why firms became multinational, how they organized international business, and their impact on host economies.

During the last two decades the subject has been transformed in many ways. First, a substantial number of textbooks and syntheses have made the literature much more accessible than before. In Latin America, Carlos Davila published his wonderful synthesis of Colombian business history, *Empresas y empresarios en la historia de Colombia* in 2003. In 2008 Andrea Lluch and I published a comparative study of Argentine and Chilean business history, *El Impacto Histórico*.

Second, the era of focus on big business in capital-intensive industries has given way to new boundaries. New issues such as family business, networks, and business groups are now the focus of research. Business historians are exploring new domains, such as consulting, advertising, tourism, fashion, and beauty. My own last major monograph was on the history of the globalization of the beauty industry, called *Beauty Imagined* (2010). While this is partly traditional business history, exploring why some firms and entrepreneurs succeeded and others did not, the concern to explore how business shaped cultural concepts of beauty is far removed from traditional Chandlerian concerns. There has also been an expansion of research themes, which now include knowledge, identity, culture, gender, crime, and ethnicity.

Thirdly, there has been extensive institutionalization. Before the 1990s only the United States, Germany and Japan had business history societies. Thereafter there was a proliferation, beginning with the Association of Business Historians in Britain in 1990, and continuing to a new society in Canada in 2015. The creation of the European Business History Society in 1994 represented a pivotal moment bringing Europe's business historians together in an annual conference. Since then there have been regular US-European conferences, the latest in Miami in July 2015. There has also been a proliferation of new journals, including the US-based *Enterprise & Society*, launched in 2000. The journals have also reached higher standards. In the latest 2015 business school ran-

kings of journals in Britain, *Business History Review* was ranked 4 (the top 6 per cent of management journals).

Finally there has been an expansion of the geographies of business history. Before the 1980s the subject was largely confined to the United States, Western Europe, Australia and Japan. Subsequently it spread to southern European countries including Italy, Spain, Portugal and Greece, and then to Russia and China as formerly closed archives opened. Over the last decade the subject has started to grow in other Asian countries such as Thailand and South Korea, and especially in Latin America, where important clusters of business historians are based in Argentina, Colombia and Mexico. This literature struggled for years to impact the wider business history literature, primarily because most of it was in Spanish, but there has been a substantive effort to make research more widely available. Important milestones have included the book edited by Carlos Dávila and Rory Miller, *Business History in Latin America. The Experience of Seven Countries* (1999) and Carlos Davila's recent article "The current state of Business History in Latin America," published in *Australian Economic History Review*.

These new geographies have helped shift research agendas. Business history was for a long time the concern of the developed world. This shaped the global research agenda, which was focused on the rise of big business, for example, not SMEs or business groups. Research explored relative differences between rich countries rather than on explaining the big wealth differences between, say, Latin America and China, and the United States. New research on Latin America and elsewhere has shifted research agendas to other issues, such as business groups and family business.

Why does business history matter? There are three broad answers. First, the societal impact should be noted. Since the nineteenth century business has driven innovation, been major source of employment, and sometimes devastated economies, for example in financial crises. The actions of firms form a component of heritage of a country, and that heritage should be preserved and

understood. The actions, real or imagined of business, have shaped attitudes and policies in many countries. In Latin America, the perceived policies of US multinationals like United Fruit and ITT have famously framed negative perceptions of capitalism, especially but not only of the American variety. Careful scholarship can and should debunk myths or else confirm accusations, permitting informed debate about what has happened in the past, and so permitting better decisions in the future.

Secondly, business history has the potential to enrich and impact management research. In the past business historians have been pioneers of studying phenomenon which later became mainstream management topics, including entrepreneurship to firm heterogeneity. Unconstrained by methodological orthodoxies, business historians can often open up subjects where management scholars are unable to contribute. Business history also provides a reality check on false historical assumptions. This includes challenging phenomenon erroneously identified as new. For example, business groups were once widely seen as primarily a post-1945 and emerging markets phenomenon, shaped within the context of import substitution policy regimes between the 1950s and the 1980s. This was wholly wrong. Business historians have shown their importance in Argentina and India (and elsewhere) from the nineteenth century, while they formed an important part of the British business system from the nineteenth century also.

Finally, as the experience of the Harvard Business School shows, business history can form an important part of MBA and other management education. The newness of the present, including the Web and the rise of China, can suggest that little can be learned from the past, but we also live at a time of great uncertainty, and it provides an anchor and a learning opportunity for future business leaders. There are patterns to be observed. "History never repeats itself exactly," the nineteenth century American novelist Mark Twain observed, "but sometimes it does rhyme." There are red lights. "History", the American journalist Norman Cousins observed, "is a vast early war-

nings system.” But the real value added is on the mindset of future business leaders who learn that context matters in business decisions, that business decisions are integrated and cannot be constrained by academic silos, that things change, and will continue to change, and that business is part of society, and has an impact for good or bad on it.

Business history is a dynamic discipline with strong past achievements now evolving with a globalized academic community. The core research agenda is shifting with much research on business groups, family business and societal and cultural impact, and on emerging markets. From the days of Chandler the subject has contributed greatly to the development of management disciplines, and it has the potential to contribute much more. Finally it can provide a compelling and effective integrative vehicle for management education.

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