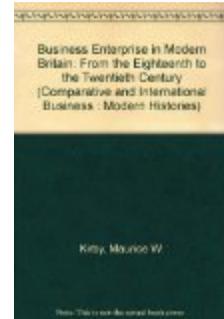


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M. W. Kirby, Mary B. Rose. *Business Enterprise in Modern Britain: From the Eighteenth to the Twentieth Century (Comparative and International Business : Modern Histories)*. London: Routledge, 1994. \$93.95 (cloth), ISBN 978-0-415-07574-9; \$40.99 (paper), ISBN 978-0-415-11559-9.

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Maurice Kirby and Mary Rose have edited an extremely valuable collection of synthesizing essays dealing with British business from the 1700s to the present day. Written by leading historians of British business and the British economy, this volume deserves a wide audience. Each essay deals with the relevant historiography, makes a substantive contribution to the topic under discussion, and concludes with a detailed bibliography. Both seasoned scholars and beginning students will benefit from this study, but the work is, I think, ideal for use in upper-division or graduate classes in British or comparative business history. Balanced and informed, this volume is the single-best extant introduction to the history of British business.

The essays are especially useful for pointing out alternatives to the approach of Alfred D. Chandler, Jr., to an understanding of international business developments. While not rejecting Chandler's ideas wholesale, the essays, the editors explain, "highlight the shift away from the Chandlerian interpretation of business, with its emphasis on vertical integration, towards one which explains why, in Britain, alternatives toward the firm have often been preferred to formal internalization" (p. i). In their introduction to the volume, the editors provide a valuable survey of how the British economy developed from about 1780s and the changing forms and roles businesses assumed in that development. Throughout, they discuss the most significant historiographic debates, in particular taking Chandler to task for what they see as his condemnation of family firms and personal capitalism. Topical and chronological pieces then expand on these themes in four essays on business before 1900 and eight essays about business in the twentieth century.

In an examination of the origins of the factory system S.R.H. Jones shows that small workshops and outwork long coexisted with factories, for "the existence of a body of outworkers and small subcontractors" provided budding industrialists with "flexibility to cope with short runs or fluctuations in demand without incurring the fixed and quasi-fixed costs in factory production" (p. 32). Even so, factories did arise from the early sixteenth century, first using handwork and later powered machinery, and Jones provides a concise survey of their development. Jones then addresses the oft-debated question of why factories developed, concluding that technological imperatives (the size and power requirements of machinery after about 1780) more than a desire by managers to squeeze workers or to limit transaction costs was responsible.

Mary B. Rose looks at the contributions of family firms to the development of Britain's business system between 1780 and 1914. She begins by surveying the position of family firms over time, emphasizing their pervasiveness and ability to adjust to changing economic circumstances. Rose next addresses the relationship between the relative economic decline of parts of Britain's economy and the personal capitalism of family firms (as posited by Chandler). Like many other British business historians, she finds the connection tenuous at best. In perhaps the most valuable section of her essay, Rose looks in detail at the connections between family firms and their local communities, finding in the links "networks of trust" very important to business developments even into the twentieth century (p. 74).

The analysis of family firms is carried farther by Pat

Hudson through an investigation of their financing between 1700 and 1850. Hudson questions easy assumptions about the availability of financing put forward by some economic historians, concluding that “many firms faced difficulties in gaining both the long-term capital and the credit they needed to survive” (p. 89). Family firms, Hudson illustrates, relied on a wide variety of capital sources, but especially on those of the extended families of their founders through the eighteenth century. Regional and interregional capital flows became more important in the nineteenth century.

Maurice Kirby surveys the extent to which big businesses existed in Great Britain before 1900, looking especially at joint-stock trading companies, insurance companies, banks, canal companies, and some early manufactures. Kirby shows that many of these large businesses—even including at least one early-day railroad—solved management problems by subcontracting (or in today’s parlance “outsourcing”) management functions. For quite a long time, he convincingly demonstrates, the benefits of subcontracting often outweighed those flowing from the internalization of transactions.

In a second particularly broad-ranging essay Kirby shows, however, that British business, especially in manufacturing, approached American norms in size and management in the twentieth century. Unlike some British business historians, most notably Leslie Hannah, who date that convergence to the interwar years, Kirby generally argues that convergence occurred only after World War II. Only then did British businesses embrace decentralized management structures in any numbers. Doing so was not, Kirby concludes, necessarily a wise move, for the adoption of management methods pioneered in the United States coincided with the decline of British business in the global marketplace. “The promulgation of a universally valid model of big business based on American manufacturing,” Kirby observes, “is misplaced” (p. 166). In fact, in the 1980s and 1990s British business leaders have, Kirby notes, moved away from big business structures developed in America in favor of “‘disaggregated’ capitalist ‘structures’”—that is, toward small businesses (p. 167).

Geoffrey Jones turns to a somewhat more specialized topic: the significance and nature of British multinational activity, especially foreign direct investment (FDI). Great Britain, he shows, was the world’s largest holder of FDI before World War II and has remained the second-largest, after the United States, since then. Jones surveys the nature of British FDI in the years before World War I, the in-

terwar period, and the years since World War II, analyzing the determinants of British FDI, what economic sectors attracted the FDI, the geographic locations of British investment, and the nature of the firms making the investments. Throughout, but especially for the twentieth century, Jones asks the question of how a country with an economy supposedly in relative decline could host businesses that consistently did very well in their multinational operations; and in his conclusions he challenges Chandlerian notions about the organizational capabilities of firms. Successful British multinationals, he persuasively argues, often adopted management structures and methods very different from those of their American cousins.

Oliver Westall examines the changing competitive environment of British business from the mid-nineteenth century to World War I, looking especially at how the unification of the domestic market shaped growth strategies opportunities for British manufacturers. Collusion, competition, and integration were all emphasized, he shows, in different periods—as “rational responses to the economic logic of their market environment” (p. 232).

Michael Winstanley surveys the interplay between small and large retailers since about 1800, focusing mainly on the years after about 1870. After investigating how and when fixed shops replaced itinerant trading and market trading in the nineteenth century, he examines the rise of large-scale retailers (department stores, chain stores or multiples, and coops) in the twentieth century. External and internal barriers limited the spread of large retailers through the 1930s, but disappeared after World War II, leading to the rapid demise of small retailers in some fields. By 1990, for example, four chains accounted for nearly 80 percent of Britain’s grocery sales (p. 256).

Michael Collins examines the development of banking from the late 1700s into the 1980s. After arguing that banks provided adequate funding for manufacturing ventures, even in the late nineteenth and early twentieth centuries, Collins analyzes the replacement of small private banks by large banking corporations with nationwide networks of branches—a movement in which both legislative and market developments played important roles. By the end of World War I, the Big Five banks, he shows, controlled about 80 percent of bank deposits in Britain. Far from being outmoded, banks, Collins argues, were up-to-date in their structures and management methods. “The form of ownership that most closely encapsulates Chandler’s concept of personal capitalism,” he observes, “was largely displaced in the retail banking market and

the corporate form of ownership came to dominate it" (p. 276).

Government-business relations are the focus of Helen Mercer's essay. She shows how failures in government rationalization efforts in the interwar years provided the impetus for new programs, especially nationalization, after World War II. Throughout, Mercer is careful to explain the different stances of the Conservative and Labour parties and some of the conflicts that occurred within each party. Attuned to the many nuances of government-business relations in Britain, Mercer concludes that government policies favored large firms over small ones, and business over labor.

Martin Chick continues the examination of government-business relations with a thoughtful survey of the nationalization, privatization, and regulation of businesses, focusing on the years since World War II. Perhaps most valuable are his assessment of the motives and likely costs and benefits of privatization in the 1980s and 1990s.

The nature of the education of Britain's industrial workforce from the 1700s to the present is examined in a second essay by Mary Rose. After establishing that British standards fell woefully below those of many other industrializing nations, Rose explores the changing reasons for the educational failure in three time periods: initial industrialization (1780-1830), the later nineteenth century and the twentieth century to World War II, and the post-World War II period. She concludes by looking at the deleterious impact of the educational deficiencies on the performance of British manufacturing, especially since about 1970.

Taken as a group, these essays offer a cogent picture of British business development, a probing examination

of changes in both the nature of the business firm (in services as well as in manufacturing) and the external environments of business, especially government-business relations and labor-management relations. Even so, the essays composing this volume are not comprehensive, and are not meant to be. The focus of this volume is on events after the First Industrial Revolution. Those desiring a fuller examination of economic changes and their impact on British business before about 1850 would do well to consult Pat Hudson, *The Industrial Revolution* (London: Arnold, 1992); the historiographic essay introducing this volume is especially valuable. Then, too, many of the essays comprising *Business Enterprise in Modern Britain* deal more with the macro-economic picture than with strategic decisionmaking in individual firms. Those looking for introductions to the strategies of individual British companies might consult Barry Supple, ed., *Essays in British Business History* (Oxford: Clarendon Press, 1977). Nor does *Business Enterprise* provide a full synthesis of the development of British business. Leslie Hannah's *The Rise of the Corporate Economy: The British Experience* (Baltimore: Johns Hopkins University Press, 1976, 2d ed., 1983), while now outdated in places, still comes closest in this respect. All of this is simply to say that, while of great value, *Business Enterprise in Modern Britain* is not the last word on the history of British business. In leading business history in new directions, the study will stimulate further work in the field. In the meantime, the volume will provide scholars with a valuable introduction to British business history suitable for classroom use.

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