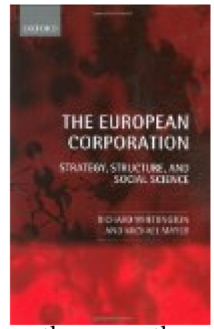
H-Net Reviews
in the Humanities & Social Sciences

Richard Whittington, **Michael Mayer**. *The European Corporation: Strategy, Structure, and Social Science.* Oxford: Oxford University Press, 2000. xiv + 271 pp. $85.00 (paper), ISBN 978-0-19-925104-9; $161.00 (cloth), ISBN 978-0-19-924208-5.



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Published on H-Business (June, 2003)

"Rumours of the death of old-style big businesses are greatly exaggerated" (p. 49). This bold assertion typifies Whittington and Mayer's approach, which they characterize as "history with purpose" (p. 3). Many of the largest corporations in the world today were founded in the nineteenth century, or even earlier: "Remarkably, twenty of the world's hundred largest industrial corporations in 1912 were still in the Top 100 in 1995." These include several of the European corporations that feature in Whittington and Mayer's comparative study of the largest industrial companies in France, Germany, and the United Kingdom. They confidently assert that these "big old businesses," such as BASF, Bayer, BP (Anglo-Persian), Guinness, RTZ, and Unilever (Lever Brothers), "have great staying power" (p. 49). Their general purpose is to defend "the prospects for robust generalization within the management sciences as a whole." If generalization is possible, then there is still a role for business schools and management consultants in providing prescriptions for managerial practices, contrary to the objections of postmodern relativists, although Whittington and Mayer concede that prescription must be "forever sensitive to the limits of time and space" (p. 20). Their specific purpose is to defend the view that there is continuing convergence of European industrial companies towards the model of diversification and divisionalization that Alfred Chandler first identified in *Strategy and Structure* (1962), his pioneering study of American firms of the 1920s and 30s.

Opposition to the Chandlerian view comes from two main directions according to Whittington and Mayer. There are those who stress the importance of national cultures, or of national institutions, which means that one model for corporations is unlikely to be equally applicable in all national contexts. Then there are those who argue that the prevalence of the Chandlerian model was the product of a historically specific set of international institutions, but that with the demise of American hegemony and support for those international institutions, the Chandlerian model will decline in Europe. Whittington and Mayer characterize the debate between the Chandlerian view and institutionalism, in both its the national and international variants, as a reflection of "a wider contest between positivist universalism and contextualist relativism within the management sciences" (p. 11). Whittington and Mayer accept that "context matters," but their question is, "how much? " (p.33).

Unlike much of what passes for historical debate in management and organization studies, especially from postmodern relativists, Whittington and Mayer's contribution is grounded in systematic historical research. They surveyed "the domestically owned members of the Top 100 industrial companies by sales" in France, Germany, and the United Kingdom (p. 15). The field research was conducted in 1994 and 1995 and they chose two comparison points a decade apart, in 1983 and 1993. In 1993, 67 of the Top 100 British firms were domestically owned, along with 66 of the French, and 63 of the German.

Before setting out their findings, Whittington and Mayer take three chapters–out of eight, over a third of the book–to set out their purpose and program of research (chapter 1), to outline the debate between Chandlerism and contextualism (chapter 2), and to discuss the scale, scope, and structure of big business (chapter 3). There is much of value in these chapters. For example, as followers of Chandler, who was well versed in Weber's work, having been taught by Talcott Parsons, Whittington and Mayer clearly see the need for an engagement of Weber's writings on bureaucracy, unlike many economistic organization theorists. They characterize the divisional form of organization as an embodiment of "most of the virtues of the Weberian ideal type of bureaucracy, only with a bit of internal markets mixed in" (p. 66), whereas "the holding [form] defies the logic of Weberian bureaucracy" (p. 71). All of this will enhance the appeal of *The European Corporation* as a text for teaching in strategy and organization studies. However, I suspect that many business historians might be tempted to skip to the findings.

The four chapters of findings are clearly set out, with numerous tables and charts, and many helpful illustrative mini-case studies of particular companies. Business historians can be reassured that the findings are easily summarized (Tweedale, 2002). Firstly (chapter 4), with regard to ownership, control, and management, a far higher proportion of British firms had dispersed ownership, 52.2 percent in 1993, compared to 7.6 percent of French and 11.1 percent of German firms. In France and Germany a far higher proportion of firms are still owned by founding families, while bank ownership is significant in Germany and state ownership continues in France. In Germany 46 percent of firms had personal owners in 1993, slightly higher than France with 42.2 percent, but much higher than the U.K., with only 4.5 percent. Personal managerial control is also far higher in Germany and France than in Britain, with 28.8 percent of French firms, and 15.9 percent of German firms, under personal ownership and control in 1993, compared with only 3 percent in the U.K.. All this demonstrates that the institutional peculiarities of the three countries "have clearly not faded away," which is "consistent with the expectations of national institutionalists" (p. 121), but contradicts Chandler's (1990) view that British firms are characterized by "personal capitalism," as opposed to Germany's more progressive "cooperative managerial capitalism." In common with Cassis, (*Big Business: The European Experience in the Twentieth Century*, 1997), Whittington and Mayer counter many of Chandler's criticisms of British business, noting that, "on average, the British firms are substantially more profitable than either the German or the French" (p. 151).

Turning to strategy (chapter 5), Whittington and Mayer find that firms in all three countries have moved towards diversification, as opposed to a single or dominant business strategy. Around 80 percent of the British and German firms followed a diversified strategy by 1993, but only 65 percent in France. The finding that most surprises Whittington and Mayer "is the success of the unrelated business strategy," the conglomerate, in Germany (pp. 134, 137). The reference to "success" is slightly misleading, because they are reluctant to draw any clear conclusions from their data comparing the financial performance of firms pursuing different strategies. This caution is hardly surprising, given that in Britain, firms pursuing a single business strategy were the worst performing in 1983, with a negative return on assets, but the best performing in 1993. What Whittington and Mayer mean by "success" appears to be more to do with longevity than financial performance. They count "survival" as "holding of the same strategy, while remaining within the Top 100" between their comparison points (p. 146). This strikes me as a reification of Whittington and Mayer's own research instrument, as if firms are as concerned with staying in the Top 100 with the same strategy as they are with sustained financial performance.

As Whittington and Mayer expected, there was a trend towards divisionalization in the largest industrial companies across all three countries, although it was more marked in the U.K. after a relatively slow start (chapter 6). By 1993 nearly 90 percent of domestically owned industrial companies in the British Top 100 were divisionalized, compared to 76 percent in France and 70 percent in Germany. Whittington and Mayer dismiss "modish talk" about new organizational forms superseding the multidivisional structure. They firmly state that there is "little evidence for a fundamental break in organizing principles" in large industrial corporations (p. 179). They did find several examples of companies that "were developing flatter, more flexible, and horizontal organizations in the form of the 'network multidivisional.' " But "in all these cases the essential principle of decentralized operations and centralized corporate strategy ... seemed to be at least maintained intact, and in some respects extended" (p. 179).

Of course it could be argued that much has changed since 1993. Nevertheless Whittington and Mayer have challenged the champions of new organizational forms to present convincing evidence rather than hype. Instead of arguing that Whittington and Mayer's findings are out of date, it could be objected that their methodology, comparing the largest 100 industrial companies in each country, is likely to miss network organizational forms that appear within and between smaller firms. Here again they could be accused of reifying the Top 100. Whittington and Mayer maintain that although networks and small firms may be fashionable, "big business is still big in Europe." They cite evidence that in the early 1990s the Top 100 firms accounted for 38 percent of net manufacturing output in the U.K., and 34 percent in Germany (p. 50). But that still leaves a lot of manufacturing output that could be accounted for by new organizational forms.

As for the performance of multidivisional firms, the financial data is inconclusive. The average performance of multidivisionals was either best or second best in five out of six of Whittington and Mayer's comparison points, compared that is to functional, functional-holding, and holding companies. Their explanation for this inconclusive evidence is that because the multidivisional accounts "for such an overwhelming proportion of firms in each country, its financial performance is inevitably dragged towards the average" (p. 186). Again they fall back on the superior "survival rates" of the multidivisionals, retaining the same structure while remaining in the Top 100 from one comparison point to another (p. 183). But multidivisionals are, almost by definition, more likely to retain their size and structure over time, especially compared to functional companies. Thus it is questionable whether Whittington and Mayer are justified in their conclusion that "the multidivisional meets Chandlerian expectations for performance in terms of robustness at least" (p. 187).

The last set of findings (chapter 7) considers the relationships between ownership and diversification, and between ownership and structure. Whittington and Mayer remind us "that France and Germany especially are still rife with the kinds of institutional idiosyncrasies that appear very 'unAmerican'. Personal ownership is still common; many firms are still run by founders or their successors; the state meddles, especially in France; and firms frequently risk compromising their strategic interests by taking or accepting shareholdings in other firms" (p. 189). All of which might lead us to expect resistance to diversification and divisionalization from firms that depart from the Chandlerian ideal of dispersed ownership with salaried professional top managers. But instead, Whittington and Mayer find that for all types of ownership, that is, dispersed, personal, financial, bank, state, and firm, there has been a general trend towards divisionalization and decentralization.

Only in France did one type of owner appear resistant to divisionalization, namely the state. Whittington and Mayer conclude that, "[f]or strategy and structure, ownership does not matter" (p. 213). They see this as welcome evidence that special interests of ownership do not exert political influence on strategy and structure, thereby "subverting the economics of big business in contemporary Europe" (p. 212). It also confirms their argument that national institutions do not inhibit the take-up of superior economic forms of organization, and therefore that economic generalization makes better predictions than sociological contextualism (p. 189).

Whittington and Mayer remark early on that "the large industrial corporation" represents, "for some, a crowning achievement of twentieth-century capitalism, for others now just a redundant remnant" (p. 47). It is clear that they see the large industrial corporation as an enduring institution of enormous importance for national economic performance. But, in "Concluding for the Corporation" (chapter 8), they want to go further, to argue that the rise of the diversified multidivisional corporation in post-War Europe had a progressive political dimension. As Kilduff remarks (2001), Whittington and Mayer "show us the M-form as its fervent admirers portray it." It is worth quoting their crucial passage at length:

"We should recall the sense of shock and anxiety experienced by Americans and American-trained scholars as they contemplated the Europe of the 1950s and 1960s. Europe was a dark continent, historically the home of undemocratic fascism, then still threatened by undemocratic communism. While Soviet Europe seemed to be mustering huge economies of scale, industry in Western Europe was fragmented by history and borders. Western European business elites were untrained, stagnant, and incestuous; they had already shown themselves compliant in the face of military occupation and dictatorship.... The multidivisional, as it challenged the hierarchies of centralized functional organizations, and as it opened up the opaque complexities of holding companies, was part of a democratic as well as economic project. The transparency, meritocracy, and accountability of the multidivisional might have been limited–they were–but on the whole the new structure was much better than what went before. It was Europe's good fortune that democratic and economic interests coincided even to this extent." (pp. 218-9).

After all they say about the irrelevance of European national institutions for the rise of diversified multidivisional corporations, Whittington and Mayer still claim that democratic national institutions and the multidivisional are mutually supportive. Given their commitment to longitudinal and cross-sectional research, such an assertion would appear to call for a comparative research program incorporating democratic variables that contingency theorists have been notably reluctant to consider. Whittington and Mayer seem to see themselves as positivist liberal-democrats who have found a convenient correlation between democracy and multidivisional corporations to counter radical anti-corporate organization theorists. But they have not. For one thing, Whittington and Mayer's focus on domestically owned industrial companies means that they neglect the multinational aspect of multidivisionals, but it is the multinational dimension of corporations that causes most unease regarding their relationship with democratic institutions.

Whittington and Mayer's findings are of significance, even if their political inferences are disputed. To support their findings they provide a helpful methodological appendix. Here they give details of the published materials that they used: "a wide range of sources from annual reports annual reports and other 'official' company documentation (for example, press releases and inhouse publications) to reports in the business press (extensive searches of the main daily and business newspapers in the three countries were carried out), and books and teaching case studies." They also used official government publications as well as national and international business directories (p. 246). They supplemented the documentary data with interviews in about one-third of the firms they studied.

The interviews, usually only one in each firm, were used to cross-check and clarify the published data. They found interviews "particularly helpful in understanding companies' structures" (p. 158). They also provided useful material for several of the illustrative case studies. The appendix also explains how Whittington and Mayer operationalized the categories of strategy and structure so that they were comparable between countries. One reassuring aspect of Whittington and Mayer's methodology is that such an impressive piece of historical research can be conducted mainly using publicly available data, especially when British business historians increasingly complain that company archives are not accessible. It seems unlikely that the substantive findings of the research would have been affected had access been denied for the interviews, although the case studies would undoubtedly have been impoverished.

Impressive as Whittington and Mayer's empirical work undoubtedly is, their reliance on publicly available documentary sources leads me to question the extent to which they are right to situate it "in the Harvard tradition of Alfred Chandler and his followers" (p. 4). They are concerned with the same issues as Chandler, namely the nature of the modern corporation. But in *Strategy and Structure* Chandler was concerned with the process of organizational change, and he specifically stated that "the details of structural reorganization" could only be accurately revealed by "a study of a company's internal business documents and letters" (1962, p. 380). As Donaldson, the arch-contingency theorist, observes: "Whereas Chandler (1962) conducted case histories and classified them to reveal patterns, subsequent researchers have measured strategic and structural variables and used statistical analyses to test for connections" (2001, p. 78). Albeit that Whittington and Mayer have kept sophisticated statistics to a minimum in favor of an accessible exposition of their findings, they are definitely in the camp of the subsequent structural contingency researchers.

In common with Donaldson, Whittington and Mayer (p. 31) claim Chandler for contingency theory. But as with any great historian, the theoretical location of Chandler's work is contested. Even Donaldson concedes that although "Chandler contributes to contingency theories of organizational structure ... being a historian he did not state it as a contingency theory" (2001, p. 78). The contingency theory interpretation of Chandler renders redundant the hundreds of pages of detailed historical narrative in *Strategy and Structure*. An indication of this is that Whittington and Mayer (e.g., pp. 6, 216) mainly refer to Chandler's conclusion, where he outlines the four chapters of "corporate development–from initial enterprise to full-blown divisionalization and diversification" (p. 27). Whittington and Mayer give the impression that Chandler's four major case studies of du Pont, General Motors, Standard Oil, and Sears Roebuck, with 230 pages, well over half of *Strategy and Structure*, are provided merely for illustration, much as Whittington and Mayer's own case studies are. Even in Chandler's major comparative work (*Scale and Scope*, 1990), detailed case histories are used to construct narrative accounts of capitalism in the United States, Great Britain, and Germany.

As Pettigrew (2001, p. S66) observes, Whittington and Mayer's work represents a demonstration that "modernist forms of science variously labeled as 'normal science', 'positivism', or 'rigorous research' are still alive and well" in management research. They ask "big questions," and their polemical style will "provoke debate about the challenges of social science and the future of large corporations" (Kilduff, 2001). *The European Corporation* is likely to stand as a reference point for future research on the strategy and structure of corporations in the same way as the original Harvard studies such as Channon's (*The Strategy and Structure of British Enterprise*, 1973) has done for the last thirty years.

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Citation: Michael Rowlinson. Review of Whittington, Richard; Mayer, Michael, *The European Corporation: Strategy, Structure, and Social Science.* H-Business, H-Net Reviews. June, 2003.

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