Alfred Dupont Chandler (1918-2007): thoughts on strategy

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Alfred (Al) Dupont Chandler was born just after the First World War (September 15 1918, Guyencourt, Delaware) into ‘east coast society’ and died almost 90 years later (May 9 2007) in his home state of Massachusetts. The family was immersed in railroads [1] but the young Chandler was interested in history. His formative years were spent in Buenos Aires, Argentina, followed by some time in Philadelphia and later returning to Delaware. Chandler pursued his dream of being an historian. He had a profound effect on the history niche which he chose, that of business history, a field within which he published many hundreds of journal articles and numerous books. The following is a discussion of the impact of his most widely known books upon ‘strategy’.

Chandler’s education was based around the ivy-league schools of the eastern United States: graduated Harvard College 1940, commenced his graduate schooling at the University of North Carolina, Chapel Hill, but returned to Harvard where he completed his graduate studies [1]. He was awarded his doctorate in 1952 for a history of a great-grandfather and founder of Standard & Poor’s Corporation, Henry Varnum Poor [2]. During this time he was an Associate Professor of History at Massachusetts Institute of Technology (MIT). Along with teaching a course on American Economic and Business History [1], Chandler assisted with editing President Theodore Roosevelt’s letters [3], and through discussions regarding possible strategy courses at the United States War College gathered data for the first of his revolutionary business histories, *Strategy and
Structure [1, 4]. Chandler also assisted in the production of Alfred Sloan’s only extant ‘business record’ [1, 5].

Between 1963 and 1970 Chandler was at the History Department of Johns Hopkins University. During this time he worked on the papers of President Dwight D. Eisenhower [6] and Pierre S. Du Pont [7], giving him insight into strategy both military and business on a grand scale [1, p 213]. In 1970 Chandler returned to Harvard where he was to revitalize business history: as a career choice for many, as a serious branch of history and to deliver information necessary for the formulation of the fast-moving field of strategic management. He discovered that teaching MBAs greatly assisted his business history research [1]. In the late 1970s The Visible Hand was published [8], at the very time Chandler had embarked on a grand-scale history, ‘the collective histories of the largest industrial companies over an extended period of time [1, p. 218]. Whilst at the European Institute for Advanced Studies in Management (EIASM) in 1978, Chandler made the decision to ‘focus on the industrial and enterprise histories of three nations’, Britain, Germany and the USA [1]. It would take many years of seminars, conferences and research collaboration with already established historians and graduate students from all over the world before the third of Chandler’s histories was published, Scale and Scope [9] in 1990. The three business histories represent in-depth accounts of large organizations from the late nineteenth century to the 1940s. This also marked the end of his active Harvard Business School life, although he continued to research and publish as an emeritus professor.

In the two decades that were to follow his leaving fulltime teaching, Chandler tackled the history of the modern industrial world. He concentrated on the information industry
(Inventing the Electronic Century [10]) and the chemical and pharmaceutical industry (Shaping the Industrial Century [11]). Throughout his life Chandler also published jointly with others and a list of books appears at the end of this article.

Although Chester Barnard had discussed ‘strategic factors’ within organizations [12] it was not until the 1960s that concepts of whole-of-business strategy were being formulated in the western hemisphere. Kenneth Andrews (the Harvard business professor), and others had begun stating that clear goals must be set and that managers were responsible for supervising the achievement of the goals [13]. Chandler, the historian, revealed that pressures from the external environment, such as a change in market dominance, changes in consumer need, etc., can force a change in the way a corporation does business, i.e. a new direction or strategy must be formulated. This new strategy may not work if the internal environment is not conducive and so a change in structure is required [4]. Chandler showed that in four successful, large American corporations of the 1920s, the change in structure included becoming multidivisional (M-form) [4]. Peter F. Drucker, a management intellectual [14] who had also worked with Alfred Sloan and General Motors, published a book which he felt was all ‘about what we now call strategy’ [15]. Throughout the late 1950s and early 1960s the mathematician turned organizational planner Igor Ansoff was gathering his ideas together for his book on strategy [16]. During the late 1960s and early 1970s strategy was the field of the consultants (such as the Boston Consulting Group), but few academics when the external environment once again made a major impact on business—the oil shocks of 1973 and 1979 [17]. It was into this melee that Chandler’s Pulitzer Prize winning book The Visible Hand was published [8]. Although the book made a major impact in the field of history
it had little effect on the field of strategy. Strategic management in the 1980s was dominated by the academics such as Michael Porter, not the consultants. Chandler’s *Scale and Scope* once again was welcomed and widely acclaimed by the historians with the term *Chandlerian* beginning its appearance when discussing business history. Business management and strategy were in the grip of new and better ways to ‘do it’ and Chandler’s publication apparently made minimal impact except to reinforce the views of *Strategy and Structure*. Strategy was now about dynamics, core competencies, and commitments.

The twenty-first century view on what Chandler has contributed to strategy can be exemplified by his own words regarding three of his works (see below). To these quotes one must add the take-home message from *Shaping the Industrial Century*—that of innovation through new scientific learning. Others are saying similar things. Hamel describes how to keep the skill base alive and thriving. McCraw in his re-analysis of Schumpeter’s *Business Cycles* states ‘above all, he pinspoints the role of innovation’ and later ‘Schumpeter’s entrepreneurs cease just to be ideal types—as they tend to be in earlier works—and become flesh-and-blood people who did specific things at specific times and places’. Schumpeter is saying the same as Chandler—innovation and new ideas are imperative for success—but Chandler has added the concept of nurturing to the mix.

The lesson of history is often ignored, that is, strategy is about looking forward so why look back. So why should the strategic management disciplines or business managers be interested in history? Booth sums the argument up succinctly by stating ‘because historical-knowledge is self-knowledge’
Quote: ‘My goal from the start was to study the complex interconnections in a modern industrial enterprise between structure and strategy in an ever-changing external environment.’ Chandler on Strategy and Structure [1, p. 211].

Quote: ‘The basic theme of The Visible Hand is that in the most vital sectors,…. of the economy The Visible Hand of managers replaced the invisible hand of the market forces in coordinating flows and allocating resources.’ Chandler on The Visible Hand [1, p. 215].

Quote: ‘Such [organizational] capabilities—both in facilities and [managerial] skills—provided the competitive advantage…Organizational capabilities are then heritage on which continuing competitive strength and profitability of enterprises and industries rest. Once created they have to be maintained. Their maintenance is as great a challenge as their creation, for facilities depreciate and skills atrophy. They can be destroyed far more quickly than they can be created and maintained.’ Chandler on Scale and Scope [1, p. 224].

Endnotes


In many biographical accounts of Chandler you read that he was an editor of the following publication, Roosevelt, T. and Morison, E.E. (eds) (1950, 1954) *The Letters of Theodore Roosevelt*, Cambridge, MA: Harvard University Press. This is not the case, he helped edit the letters and wrote essays regarding the letters but is not on the title page of the volumes.


[13] Andrews published few books in the late 1950s early 1960s, for example *Problems of General Management: Business Policy: a Series Casebook. Instructor's supplement* in 1961 and *Business Policy: Text and Cases* in 1965, with Edmund Learned and Roland Christensen (W. Guth was also an author in 1965). His ideas were summarised later in his book *The Concept of Corporate Strategy*. Note that field of ‘business policy’ was later re-badged as ‘strategic management’ within the business schools (see Rumelt, R.P. *et al.* (1991) 'Strategic management and economics', *Strategic Management Journal*, 12: 5-29). See also the comments by Pankaj Ghemawat *loc cit*.


**Books Published by Chandler with comments**


--- (ed.) (1979) *Managerial Innovation at General Motors*, New York: Arno Press. This is a reprint of selected articles from *Management and Administration* (1922-1924) and from the American Management Association annual convention series of 1926-1927.
--- (ed.) (1979) *Management Thought in Great Britain*, New York: Arno Press. This is a reprint of two important publications on scientific management in Britain: Sidney Webb’s *The Works Manager Today* (1918) and Edward Cadbury’s *Scientific Management in Industry* (1915).
--- (ed.) (1979) *Pioneers in Modern Factory Management*, New York: Arno Press. This is a reprint of selected papers originally presented at the annual meetings of the American Society of Mechanical Engineers and published in the society’s Transactions between 1885 and 1895.
This is the published papers from the 11th International Economic History Congress at Milan in 1994. A paperback edition was published in 1997 and this was subsequently translated into Chinese in 2004.


This is the published papers from the Third Bertil Symposium on the Dynamic Firm held in Stockholm, June 1994.


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