BUSINESS CULTURES AND BUSINESS PERFORMANCE: A BRITISH PERSPECTIVE.

By

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Business Cultures and Business Performance: A British Perspective.

Abstract.

There has been considerable debate about the cultural influences on British business evolution, opinion ranging from those who argue that it undermined competitiveness, through to those who claim that other factors (market-cum-technological, financial and governmental) were more decisive. This paper not only reviews these debates, but also offers some thoughts derived from what is an enormous social science literature on culture and its ramifications. In particular, it is possible to note that by focusing on the notion of establishing a relationship between a firm's environment, values and resources (the E-V-R congruence), one can combine the competing theories into an all-embracing analysis of business evolution. Building on this fresh approach, one can then identify five stages of British business evolution – Traditional, Neo-Traditional, Proprietorial, American and Network-form – that incorporate cultural, market-cum-technological and political pressures. This approach provides a new research agenda for business historians.

Business Cultures and Business Performance: A British Perspective.

Arising from a debate amongst economic and business historians that has been running for several decades,[1] a much more detailed understanding of the links between cultural influences and business evolution has recently emerged. One could hardly claim that a definitive set of guidelines has been reached, while national stereotyping remains the refuge of many analyses. Nevertheless, we seem to have progressed significantly from the bland claims which often culminated in the pseudo-authoritative conclusion that "It's a culture thing!". In particular, most in the discipline now recognise that cultural factors must be accommodated into any analysis of business evolution, alongside other key issues like the market-cum-technological and financial environments and the role of the state. Indeed, it is clear that these factors operate in a symbiotic relationship, indicating the need to be aware of their linkage effects. This paper will attempt to outline these linkage effects, highlighting the extent to which cultural factors have been incorporated into the analysis of British business evolution, regardless of the national stereotyping still evident in the literature. The first section will be concerned with briefly evaluating what exactly we mean by culture, differentiating between national and corporate systems and assessing their degree of interrelatedness. This will be followed by a discussion of the British business scene, differentiating between the various stereotypes that have emerged and outlining the problems this approach has created. Finally, it is vital to integrate this into an overall explanation of business evolution and explain the impact of cultural factors as one of the key issues for future research.

1. What is Culture?

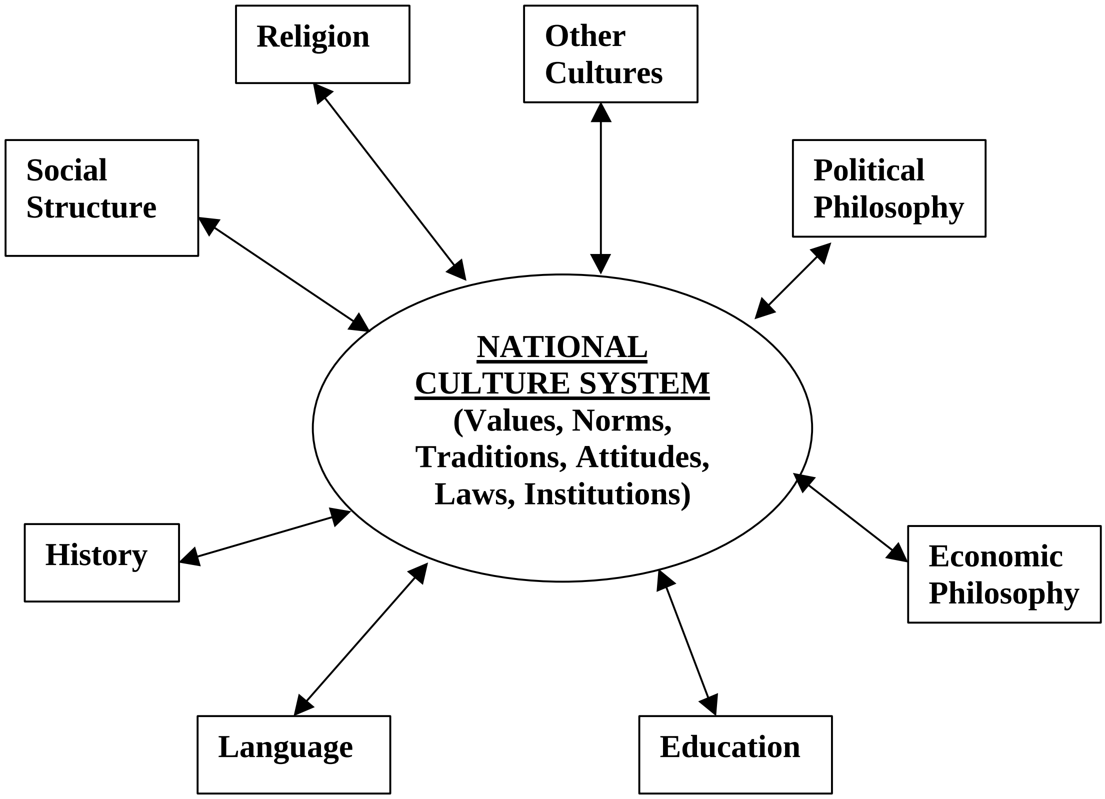
It is traditional in a paper of this sort firstly to set out some definitions of a concept that in the past has been regarded as too 'touchy-feely' to be susceptible to theoretical analysis. Fortunately, a consensus on this subject has now emerged in the literature, allowing historians to be much more precise in explaining the meaning of culture. As far as this paper is concerned, using Hill's phrasing,

> *'culture [is viewed] as a system of values and norms that are shared among a group of people and that when taken together constitute a design for living'.*[2]

It is noticeable that Hill talks about 'a group of people', rather than a nation-state, emphasising how on the one hand some countries contain several 'groups', or cultures, while on the other hand some cultures run across several countries. It is a complication to which we shall return later when assessing the validity of stating that there is such a thing as a 'British' (as opposed to an 'English') business culture, given a recent resurgence nationalism within the United Kingdom, resulting in the creation of assemblies in Scotland, Wales and Northern Ireland.

Of course, there are other definitions of culture that might emerge from our discussions at this conference, giving rise to further debate about the validity of applying the concept to business. Nevertheless, if Hill's succinct summary can be used as a basis for discussion, this leads on to another obvious question: 'What determines culture?'. Figure 1 provides an answer to this conundrum,[3] identifying eight key influences, religion, political and economic philosophies, education, language, social structure, history and other cultures. Although the first six clearly have important roles to play, considerable emphasis can be placed especially on the latter two, in that an identity is frequently forged as a means of differentiating one group from another, while major historical traumas (for example, military defeats) contribute to moulding a national culture. Furthermore, many cultures have proved to be highly eclectic, appropriating what was regarded as relevant aspects of another group's value systems and incorporating them into their own. Japan could be regarded as the classic example of this eclecticism,[4] while several European cultures owe much to the impact of Roman or Greek civilisations.

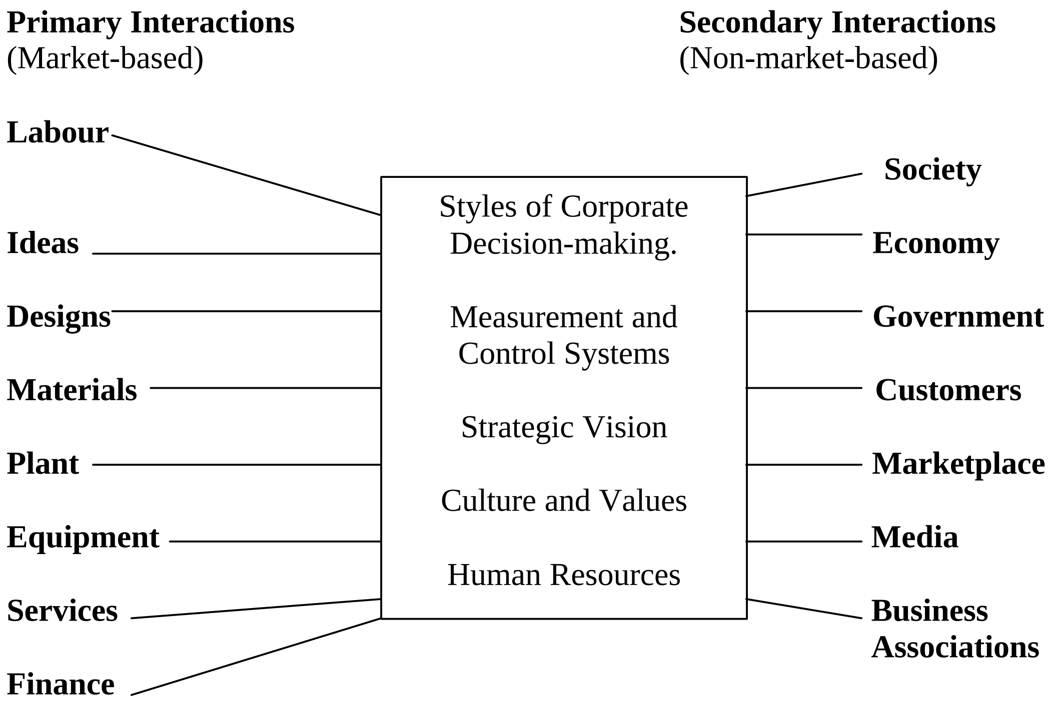
Figure 1: <u>The Determinants of A National Culture System</u>.



Whatever the evolutionary story, Figure 1 identifies the key determinants of what can be regarded as a 'national culture system'. This aggregate entity can then be fed into Figure 2, where an attempt has been made to trace the origins of corporate culture. The two initial influences in this schema are the 'national culture system' derived from Figure 1, as well as the founding entrepreneur's own social background. Inevitably, these two influences might well have been one and the same, although it is more than possible that an entrepreneur could have been an immigrant, giving rise to a situation in which influences external to the 'national culture system' determined the corporate culture. Once the company name had been decided, this would lead to the fabrication of a visual identity which should be regarded as 'a part of the deeper identity of the group, the outward sign of inward commitment, serving to remind it of its real purpose'.[5] This visual identity will take many forms, from a simple company logo or the adoption of a specific colour, through to blandishments like architectural finesse in either factory design or name,[6] and even company uniforms. Alongside the 'Code of Practice' adopted by the firm, this visual identity is an intrinsic feature of its *modus operandi*, persuading all that this body has a life of its own. The 'Code of Practice' simply codifies this *modus operandi*, providing a *raison d'etre* above the simple production or service function it performs within the economy. Although Hampden-Turner has argued that one of the principal roles of a company culture is to mediate between the inevitable dilemmas that emerge within any commercial organisation,[7] above all this 'Code of Practice' fashions the manner in which a firm operates, in terms of strategy, structure and staffing policies. For example, it determines whether or not the firm is marketing- or engineering-oriented. Alternatively, it can explain why some firms adopt more paternalistic or organic styles of management, as opposed to regimented and bureaucratic approaches.

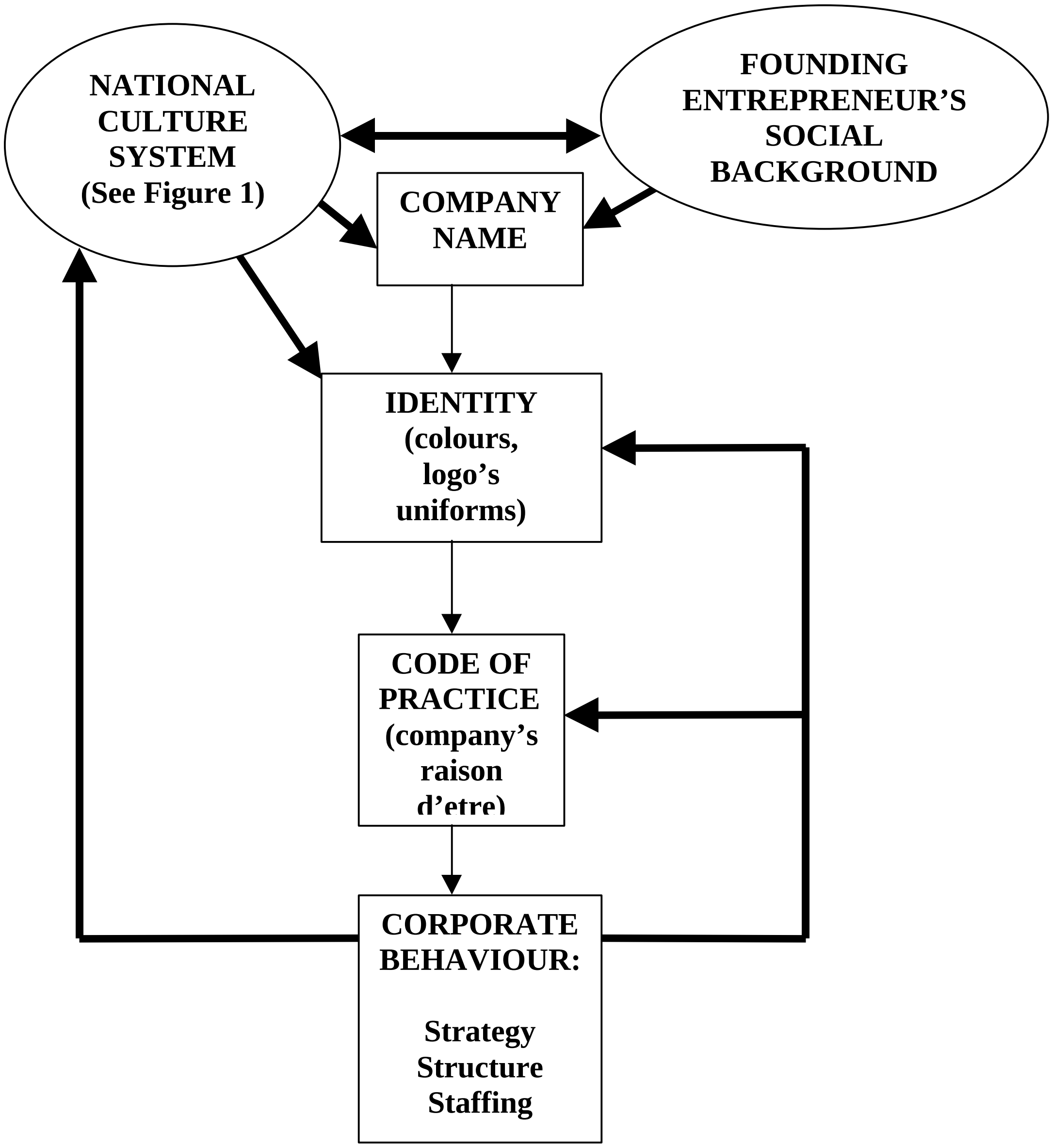
While all of this can be traced back to the initial influences on the firm's identity, as Figure 2 reveals there will also be a feedback loop from 'Corporate Behaviour' into 'Identity' and 'Code of Practice', given that a firm's behaviour evolves over time. For example, if the firm's strategy results in the pursuit of a series of mergers (whether defensive or aggressive), new ideas will inevitably infiltrate the organisation as a result of absorbing other firms' cultures. It is also important to note that as a result of changes to either the 'national culture system' or external market or institutional environments, this could well lead to important modifications of a firm's identity, and consequently the 'Code of Practice', and on down Figure 2.

Figure 2: <u>The Firm and its Environment</u>.



In simple terms, then, Figure 2 should not be seen as a static description of how corporate culture evolves, given the need to accommodate change arising from both external and internal influences. In this context, as Figure 3 outlines (derived from the work of Frederick, Post and Davis),[8] the firm is subject to a myriad range of influences, from both market-based (‘Primary’) and non-market-based (‘Secondary’) sides. Inevitably, Frederick, Post and Davis have set up some false dichotomies, in that ‘General Public’ in the left-hand column would also clearly represent the ‘Customers’ under ‘Primary’ factors. Similarly, it is not clear why ‘Business Associations’ should be categorised as a ‘non-market-based’ influence, even though in some cases (for example, the United Kingdom) they perform little more than a social, as opposed to an economic, function. Nevertheless, Figure 3 emphasises the extent to which external factors can impact on the internal operations of any firm, whatever the size.

Figure 3: <u>The Evolution of Corporate Culture</u>.

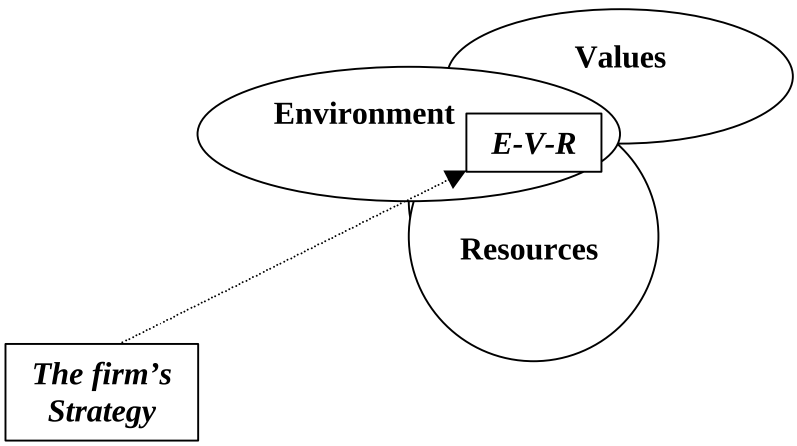


Building on the picture emerging from these Figures, it is now essential to assess just how all this links into corporate performance. In particular, remembering how we noted in the introduction that it is important to accommodate cultural factors in an all-embracing analysis of business evolution, using the concept of E-V-R congruence illustrated in Figure 4 one can begin to understand how the internal and external environments interact directly in the formulation of effective corporate strategy. As Thompson argues:

> *If one wished to claim that an organisation was being managed effectively from a strategic point of view, one would have to show, first, that its managers appreciated fully the dynamics, opportunities and threats present in their competitive environment, and that they were paying due regard to wider societal issues,; and second, that the organisation's resources (inputs) were being managed strategically, taking into account its strengths and weaknesses, and that the organisation was taking advantage of its opportunities'.*[9]

In this context, the 'Environment' would incorporate all the 'Primary' and 'Secondary' factors listed in Figure 3, 'Values' would be the product of Figure 2, while 'Resources' would be the sum total of all the expertise and factors of production collected together in one firm. It would be the task of management to ensure that the over time they should increase the E-V-R congruence, namely, the degree to which the three circles overlapped, thereby improving performance.

Figure 4: <u>The *E-V-R* Congruence Concept</u>.



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The symbiotic relationship between national and corporate culture must consequently be a central conclusion from this necessarily brief introductory analysis. Furthermore, one can clearly agree with Westall's claim that 'the rise and fall of a business can be related to the vigour, responsiveness and adaptability of its internal culture'.[10] Taking this further, one might also emphasise the role of a 'national culture system' in fashioning corporate culture, thereby giving it a key role in determining corporate success. Naturally, there have been circumstances beyond the control of any particular firm which have led to its (near) collapse, for example, war, freak weather or undetected fraud. On the other hand, using a nautical analogy, what Figure 2 describes as the 'Code of Practice' must be regarded as the rudder that determines the firm's direction, with management forced to introduce changes according to the state of the sea and wind if the firm is to remain afloat. Above all, then, corporate culture is about wealth-creation, defined in its broadest sense to include public welfare benefits as well as wages, dividends and taxes. Of course, this does not lead to the simplistic conclusion that as long as the 'national culture system' facilitates the emergence of a wealth-creating corporate culture, then an economy is going to prosper, given the need to accommodate a wide range of other factors into such an equation. Nevertheless, it places culture rightly at the centre of the wealth-creation conundrum, focusing attention on a group's values, traditions and institutions as one of the key dimensions of any research into this issue.

2. The 'National Culture System' in Britain.

One of the principal problems that face business historians when attempting to assess the degree of influence exerted by cultural factors is the extent to which national stereotypes have been used to colour the language. For example, one reads a lot about how in terms of training and education British businessmen up to the 1970s (at least?) could be described as 'amateurs', especially compared to their German or French counterparts who would have received extensive internal and external personal development before taking senior management posts. Similarly, it is claimed that right up to the 1990s German firms do not exist to generate profits for shareholders, while British business is so dominated by the influence of institutional shareholders that dividend payments are often regarded as the acid test of a firm's performance. As in all exercises of this type, there is naturally a thread of truth running through such stereotypes. On the other hand, they ignore so many other aspects of the business environment that such simplistic assertions reveal little about the real world in which firms operate.

To illustrate this point, it would be useful to take the example of British business and apply some of the conclusions reached in section 1 to the historic experience. Figure 5 has also been drafted, duplicating Figure 1, albeit with British fillings for the various boxes. Most importantly, according to the critical theses outlined by historians like Wiener and Barnett concerning the 'national culture system',[11] this combination of determinants can explain Britain's macro-economic failings up to the 1980s. Indeed, as Wiener and Barnett argue that Britain's socio-cultural climate limited the opportunities for fully-fledged capitalist development, this work is of considerable value in deconstructing what we shall refer to as the 'cultural critique'. Wiener, for example, was at pains to argue that the middle classes were so keen to ape their social superiors, namely, the British aristocracy, that a process of gentrification set in after 1850. Instead of reinvesting profits made as a result of industrial endeavour, businessmen allegedly preferred to sink their money into landed estates, living the 'hunting-and-shooting' aristocratic lifestyle so accurately portrayed in the *Bertie Wooster* novels. Interestingly, Wiener also uses the word '*English*' in his book title, rather than '*British'*, indicating that it would be difficult to associate either the Scottish or Welsh business elites with this process. As we hinted earlier, this remains a major conundrum for historians, given that no detailed research has been conducted into the geographical limitations of 'Britishness'.

Another aspect of the Wiener thesis is his claim that the second and third generations of most industrial dynasties were given a private education, in order to convert them into ‘gentlemen’, leading in time either to a mass secession from industry or the development of future managers with little or no inclination for the roles played by their fathers or grandfathers. Consequently, from the mid nineteenth century British industry was dominated by what has come to be known as the ‘Buddenbrooks Syndrome’, the principal characteristics of which were the reluctance to accept the value of functional training and education, the dissipation of a family’s entrepreneurial flair across generations, and the dominance of an anti-industrial culture allowing industrial profits to be redirected into luxury consumption.[12]

Published in 1981, at the nadir of Britain’s macro-economic troubles, the Wiener thesis made an enormous impact on right-wing politicians like Margaret Thatcher and Keith Joseph. This impact was especially emphasised by the coincident publication of Barnett’s *Audit of War*, a damning indictment of Britain’s industrial performance during the Second World War. According to Barnett, not only had Britain been largely dependent upon American supplies of vital components for its war effort, but also a ‘cultural elite’ had prepared plans for peacetime reconstruction which ignored the need to overhaul outdated institutions and moribund industrial traditions. In this respect, the Wiener and Barnett theses coalesce, focusing attention on a national culture system lacking in dynamism and ‘modern’ characteristics. Moreover, these books identified weaknesses in Britain’s education system, the background of its civil service and political decision-makers, as well as a general ‘anti-industry’ bias which pervaded society as a whole.

Reading these two books would leave students in no doubt that, in terms of Figure 5, Britain’s ‘national culture system’ was detrimental to indigenous entrepreneurs, especially in the way it failed to provide the right kind of institutional and psychological support for industrial modernisation and feed progressive characteristics into Figure 3. The arrogance and complacency associated with some of the other boxes would also have compounded these problems, limiting the opportunities for radical change at a time when other economies were taking a much more aggressive stance on modernisation issues. This leaves the distinct impression that any relative British under-performance in macro-economic terms can be largely ascribed to socio-cultural factors, emphasising especially the lack of general interest in industrial capitalism, the weaknesses of an education system averse to vocational dimensions, and an antipathetic establishment which preferred aristocratic lifestyles.

Before going on to assess the more general issues relating to the accuracy of such a sweeping conclusion, it is first of all necessary to point out some of the weaknesses in the 'cultural critique'.[13] In particular, it is vital to question the central tenet of the Wiener-Barnett school of thought, that not only did an anti-industrial elite dominate British society, but also the industrial classes aspired to enter this class, diverting much-needed investment capital into the purchase of landed estates and private education. Of course, there are some outstanding case-studies that illustrate the 'gentrification' thesis, from Arkwright in the late eighteenth century to the de Ferranti family after 1950.[14] On the other hand, Rubinstein has concluded from his detailed research into British wealth-holders that continuity was more a feature of industrial dynasties than a mass secession from industry.[15] This point is further substantiated by Howe, who noted that most Lancashire cotton-masters 'retained a lifelong interest in their firms'.[16] Crucially, though, it is difficult to accept that the aristocracy resented Britain's industrial achievements, given the consistent support this class provided for such crucial endeavours as coal-mining, railways and agricultural improvements.[17] The de Ferranti family mentioned earlier was also extensively committed to new technologies like micro-electronics and avionics, risking their family fortune on a series of ventures which almost ended in financial ruin. Furthermore, from the 1880s at least one-third of all the new peerages created were prominent industrialists, indicating how success in this sector was earning entry into the aristocracy.[18]

Another useful way of undermining the Wiener-Barnett thesis is to compare Britain's allegedly rigid class system with those of its counterparts like Germany and Japan. Surely, for the Wiener-Barnett thesis to retain any credibility it must be shown that more successful industrial economies possessed fluid class systems dominated by elites which espoused the virtues of industrial capitalism. However, as far as James is concerned, the German nineteenth century culture remained 'anti-modern, pessimistic, and specifically anti-industrial', while managerial recruitment patterns continued to rely mostly on nepotism.[19] Indeed, the 'Buddenbrooks Syndrome' noted earlier was derived from a novel written by Thomas Mann attacking the German, not British, business classes for its social aspirations.[20] From the early decades of its modernisation process, Japan was also dominated socially by an aristocracy resentful of its loss of feudal rights and wary of bourgeois values. Although after the 1868 revolution the *samurai* were successfully absorbed into the civil service and political establishment, Japanese society has remained essentially hierarchical and elitist,[21] portraying exactly the same characteristics which Wiener and Barnett claim to have undermined British macro-economic performance. Yet in the cases of both Germany and Japan, macro-economic success has been the hallmark of much of the last century, leading to demands for alternative explanations for British failure.

There are clearly fundamental weaknesses in the Wiener-Barnett claims that Britain was dominated by an anti-industrial clique. It is also apparent that even where the sons of industrialists were provided with a private education, this had little impact on attitudes or inclinations. In fact, while the business class accounted for an increasing proportion of those attending private schools, Rubinstein notes that by 1914 this practice was still relatively rare.[22] As part of a broader analysis of British economic performance, however, Rubinstein also reveals a paradox which neither Wiener nor Barnett noticed. In the first place, in spite of its reputation as 'The First Industrial Nation', the British economy has consistently since the eighteenth century relied more on commerce and finance (the service sector) for the bulk of its GDP and external earnings. More importantly as far as this paper is concerned, the financial and commercial interests have traditionally recruited much more from the private education sector, '*yet it was industry which declined* and finance and commerce which continued to prosper'. However, while this statement is more appropriate to the period up to the 1940s, it ignores the following four decades, when the privately-educated classes started to infiltrate senior management in industry. Indeed, sweeping generalisations which aim to describe the long-term business scene rarely prove credible, given the enormous changes effected since the 1850s. Furthermore, given this uncertainty, it is vitally important to consider other factors when assessing macro-economic performance.

3. British Business Culture.

It is already clear that any reliance on socio-cultural explanations for Britain's deindustrialisation lacks credibility, especially when one examines the detailed claims made by historians like Wiener and Barnett. At the same time, however, one must not forget that in analysing the nature of British management, other historians have concluded that the business culture possessed distinct characteristics which may well have undermined long-term performance. In particular, Chandler and Lazonick were only too ready to reinforce the claims that the British business culture lacked dynamism.[23] In drawing a stark contrast with the American system of *competitive managerial capitalism*, Chandler used the label *personal capitalism* to describe the British scene. He goes on to explain that while American business had since the 1870s been aggressively pursuing a 'three-pronged investment strategy' associated with mass production, mass distribution and sophisticated organisational systems staffed with highly trained professional managers, the British system built on *personal capitalism* had retained all the hallmarks of its 'Industrial Revolution' era (1770-1850). Apart from a failure to implement the 'three-pronged investment strategy' pursued by American corporations, the principal characteristics of *personal capitalism* were the persistence of family ownership and control, an aversion to professional training, and (supporting Wiener) a preference for immediate consumption over reinvestment of profits. Although Lazonick was more interested in extolling the virtues of *collective capitalism* (as practised in Japan, for example), as opposed to the American system of *managerial capitalism*, he was nevertheless highly critical of what he referred to as Britain's *proprietorial* style based on family ownership and control. According to Lazonick, the *proprietorial* system failed to provide the necessary degree of co-ordination across a business, especially between strategic management and those operating on the shop-floor. This highlights yet another alleged weakness in British business, namely, the divisions between different levels within a business, reflecting deep-rooted class divisions across society as a whole.

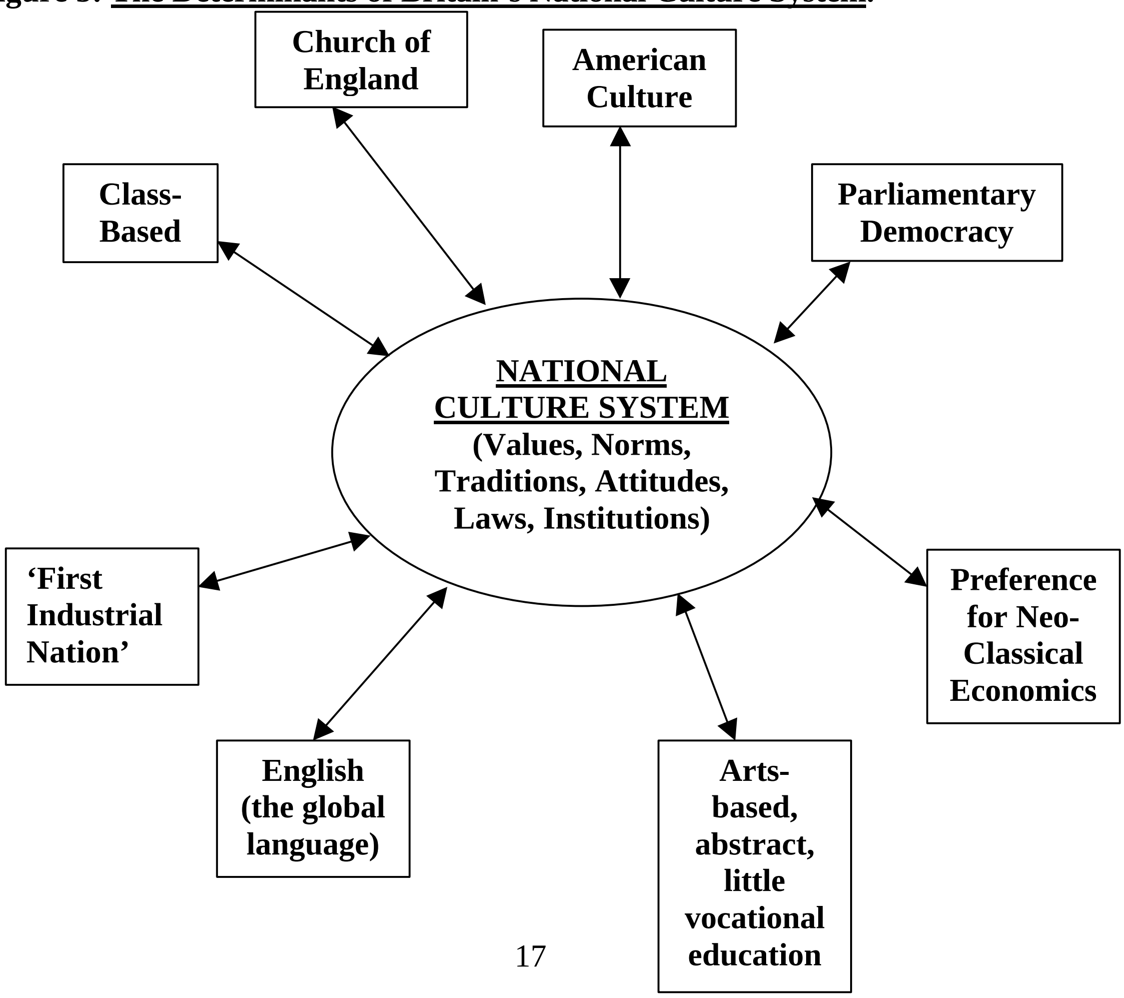
Although there are problems with the Chandler-Lazonick school of thought, compared to the weakly-substantiated Wiener-Barnett theses there seems to be some credibility in their claims. For example, until the mid twentieth century family firms dominated the British business scene, with an approach to recruitment into senior levels of management which resisted any tendency towards the development of vocational education.[24] Indeed, the British case has often been described as a classic example of closed recruitment through the well-trodden paths of either nepotism or private education and either Oxford or Cambridge universities. In fact, until recently relatively few senior British managers possessed a university degree, reflecting what Fitzgerald has described as a `tradition of the amateur or the practical man [which] pervaded the British manager's self-image'.[25] This would confirm Keeble's authoritative conclusion, that: `Businessmen and graduates have recorded the fact that higher education was seen quite widely as being a positive disadvantage to a business career'.[26] Indeed, throughout much of the twentieth century access to British boardrooms was largely a function of social status, indicating how what Stanworth and Giddens describe as the `established inner circle' has remained very much at the helm of leading corporations throughout the twentieth century.[27]

While it is clear that elitism has consistently determined recruitment patterns into the most senior British corporate positions, this ignores the inexorable rise of accountants as a significant component in the `established inner circle'. As Matthews, Anderson and Edwards have recently demonstrated with considerable authority, over the course of this century accountants have progressed from performing the tasks of mere functional specialists to a dominant role in strategic management. In fact, by 1991 twenty-two per cent of company directors in their sample of companies were accountants, compared to less than one per cent in 1891, while the proportion of companies with an accountant on the board had risen from four per cent to just over eighty-one per cent over the same period.[28] Moreover, the principal reason why accountants have reached such a dominant position can be found in Britain's failure to develop an effective system of management education and training, professional qualifications having become the essential alternative for the ambitious careerist.[29]

While one might argue that the overriding influence of City interests since the 1940s might also have influenced this trend, given the short-termism inherent in the strategies of British institutional investors,[30] this provides an interesting insight into how a business system with a traditionally disdainful attitude towards management education and training has coped with the demands of modern corporate life.

In British business, then, one can rightly claim that recruitment was determined by the maxim that `Managers are born, not made'. How else can one explain the strong relationship between access to elite educational institutions and career progression? Even though from the 1960s Britain attempted to imitate the American business school pattern, in the 1990s Coulson-Thomas was still able to report that `being an expert, or being perceived as a professional specialist, does not usually help an individual to obtain a directorship ... Individual qualities continue to be regarded as important in respect of appointments to boards of companies'.[31]

Figure 5: <u>The Determinants of Britain's National Culture System</u>.



The British business culture has consequently come to be regarded as a major problem. Even though the predominance of a family firm ethos waned after the 1940s, especially amongst the largest corporations, to be replaced by a distinctive form of *finance capitalism*,[32] senior management especially were consistently recruited from the same social background where 'The Old School Tie' carried more weight than any kind of formal qualification. While lower down the management hierarchy greater credentialism was evident, until the 1990s rarely did this influence recruitment into senior echelons, emphasising the extent to which until the 1980s the British business culture resisted trends towards greater professionalisation evident in most developed economies. In particular, one should remember that, as Figure 5 illustrates, the British education system consistently failed to develop an interest in vocational training, preferring instead an abstract curriculum based on academic principles. Moreover, as it fed (see Figure 3) into the business culture, the national culture system clearly failed to provide the kind of conducive environment required for dynamic entrepreneurial activity.

As we noted earlier, though, using such a mono-causal explanation for Britain's economic ills is fraught with difficulties. In this context, it is useful to replay some of the criticisms voiced about Chandler's work on British *personal capitalism*, given that his thesis fails to accommodate so many other features of the macro- and micro-economic scenes. As Scranton concludes in his review: 'The usual Chandler bracketings apply. Labour, culture, state policies, and all industrial activity outside the top 200 are set aside as secondary or irrelevant'.[33] One need only read Scranton's *Endless Novelty* to gain a completely different perspective on American business, most notably the emphasis on specialty production in small-scale firms, compared to the Chandlerian preference for 'the three-pronged investment strategy' in large-scale corporations.[34] The alleged failure of British business to imitate this approach must also be questioned, given the successes achieved by German and Japanese business in the twentieth century without using American strategies or structures. Indeed, Chandler's claims that the internalisation of transaction costs was a viable solution in all trading environments lacks any credibility, given the persistence in Japan especially of industrial-trading groups with fundamentally different structures to those adopted in the USA.

The reluctance to incorporate Japanese business in particular into his typology is one of the principal weaknesses of the Chandlerian typology, given that this country demonstrates how systems of corporate governance faithfully reflect national culture systems. Indeed, the development of a community-based system of corporate governance in Japan has frequently been regarded as one of the key reasons for its success as an industrial nation, especially since the 1940s.[35] Lazonick has been among the most prominent of those advocating this idea, highlighting the effectiveness of what he calls a *collective* system of decision-making.[36] On the other hand, these claims will have to be modified in the light of recent changes to the Japanese system, most notably the termination of age-based salary schemes and lifetime employment. This reveals how business cultures evolve and change with circumstances, a point further substantiated by referring to what Mabey and Thompson claim to be the recent changes to the British business approach to management development and training.[37] All these changes have arisen as a result of extraneous macro-economic shocks which have forced business cultures to question some of their long-held assumptions and values. This indicates how an all-embracing view of the impact of culture must accommodate other environmental factors, given the symbiotic relationship which exists between them.

4. Conclusions.

While there is much more that one could say about the weaknesses inherent in both the Wiener-Barnett and Chandler-Lazonick theses, it is important to come to a conclusion that will stimulate further discussion. In particular, one must state boldly that 'Culture matters'. From what we have seen of the British case, clearly a distinctive set of values and traditions influenced the pattern of business evolution, and especially management recruitment and training. In this context, the national culture system created a relatively hostile environment for industrial capitalism, with education as one of its key dimensions. Although over the course of the twentieth century a succession of reformers and missionaries have attempted to change attitudes at all levels towards education, until very recently the establishment has successfully rebutted the case presented.

Having noted the undoubted influence of a national culture system that was slow to change, it would be a grave error to go on and claim that this could explain Britain's relatively poor economic performance. As Figure 6 reveals, there have been a range of market-cum-technological, production and other influences which have forced business to pass through at least five major stages. At the moment, work on these stages is still at a primitive stage of development. It should also be noted that it reflects more what has happened to large-scale firms, rather than to the SME sector, over the course of the last 150 years, even though the latter are intrinsically involved in the *Network* form of organisation that has emerged since the 1980s. Nevertheless, Figure 6 provides a much more balanced typology than those presented by either Chandler or Lazonick, accurately reflecting the pattern of evolution and how this tallied with exogenous influences. Although it is difficult in a diagram of this nature to incorporate what Olson has accurately described as 'institutional sclerosis',[38] one can still see how as a result of changes to both the cultural and other tracks, British business has changed substantially since the mid nineteenth century. From the point of view of wealth-creation, it is consequently vital for firms to ensure that their values and resources match the pressures imposed by the broad environment composed of this myriad range of influences. This challenge is also clearly something which all business systems must cope with, given the propensity for constant change inherent in industrial capitalism.

Figure 6: <u>The Evolution of British Business</u>.

Stage (and dates).	*Business Form.*	*Market-cum-Technical Environ-ment.*	*National and Business Culture.*	*Traumas.*
<u>TRADITIONAL</u> (to the 1880s)	**Family Firm**	**Laissez-Faire; Little Competition Workshop-Factory; Specialty Production.**	**Aristocratic Ethos prevails; little vocational education.**	**Industrial Revolution; Urbanisation.**
<u>NEO-TRADITIONAL</u> (1880s – 1920s)	**Family Firm ethos mixed with Corporate influences (Railways, banks, etc.)**	**Greater competition from USA and Europe; 'Second Industrial Revolution'. Mass production.**	**Aristocratic ethos waning, yet Traditional attitudes to education prevail.**	**First World War; Demise of 'Old' industries (coal, cotton, iron & steel)**
<u>PROPRIETORIAL</u> (1930s – 1950s)	**Syndicates of owners and Professional Managers-Investors. Holding Company in vogue**	**Extensive Corporate Interven-tion; rapid development of new technologies. Mass production the norm.**	**Traditional attitudes prevail; rise of accountants**	**'The Great Depression'; Second World War; 'Cold War'.**
<u>AMERICAN</u> (1950s – 1970s)	**'Managerial Capitalism'; M-form adopted; City influence dominant.**	**Multi-national influence; Import penetration rising. Automation emerging.**	**Infiltration of business schools; reform of higher education system.**	**Balance of payments crises; IMF intervention; Deindustrialis ation.**
<u>NETWORK</u> (1970s – present)	**Global-isation; heterarchic networks of large and small firms.**	**Global-isation; flexible Special-isation.**	**Managerial Professional ism.**	**End of 'Cold War'; Global competitive Pressures; 'Europe'.**

NOTES

1. For a review of this debate, see John F. Wilson, *British Business History, 1720-1994* (Manchester UP, 1995), pp.113-19 & 239-41.
2. Charles W.L. Hill, *International Business. Competing in the Global Marketplace* (Irwin McGraw-Hill, 2000), p.79.
3. This diagram has been adapted from Hill, *International Business,* p.81.
4. For a discussion of this eclecticism, see J.B. Rosser & M.V. Rosser, *Comparative Economics in a Transforming World Economy* (Irwin, 1996), pp.129-31.
5. W. Olins, *The Corporate Personality. An Inquiry into the Nature of Corporate Identity* (The Design Council, 1978), p.15.
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