

Franco AMATORI y Andrea COLLI, *Business History: Complexities and Comparisons*, London, Routledge, 2011, 262 pp.

The present book can be described as an in depth analysis of the formation of firm's and nations' competitive advantage. As the title suggests, the book uses a comparative approach to answer to complex questions such as the following: What contribution did the business firm make to modern economic growth? According to the authors: «...business history inherently has a comparative and dynamic dimension: firms are seen as complex units that evolve over time and have considerable differences in their structures and internal dynamics.» (p. 12). Although the authors are well acquainted with the main theories of the firm and use them intensively, they state early on that their approach can be considered as Neo-Chandlerian (p. 8).

As leading members of the Chandlerian school in Europe, Professors Franco Amatori and Andrea Colli share several basic concerns with the prominent American scholar. First, technical progress is cumulative, but there are substantial discontinuities in history; in fact, three consecutive industrial revolutions opened up enormous opportunities for entrepreneurs and countries. Second, since the Second Industrial Revolution the large firm has performed a central role in leading economies by accumulating technological, organizational and distribution capabilities. Third, the rise of big business brought about significant organizational changes in the West, as the prevalence of the M-form of the firm over the U-form. Last but not least, related diversification was a successful strategy of growth for the large firm in the long-run. This appeared particularly clear during the 1970s-early 1980s crisis, when many American conglomerates, which had opted for non-related diversification, experienced dramatic collapse.

The book makes it clear that most of Chandler's huge contribution remains valid, in spite of recent criticisms. However, as the book is rich in the historical analysis of cases, it also offers some qualifications of the classical Chandlerian paradigm. Even in America, the main domain of the large firm, the growth of big business during the emergence of the Second Industrial Revolution went hand in hand with an increase in the number of very innovative small firms. The principal advantage of the latter was flexibility. The role of the M-form may have been slightly idealized, as new work on GM seems to suggest. In fact, Alfred Sloan opposed a complete separation between strategic planning and day-to-day operations. In his view, the most important thing

was to create consensus within divisions and to stimulate an entrepreneurial spirit within the ranks of middle management. The pure M-form (rigid separation between the divisions) was only adopted in the late 1950s, destroying the previous consensus and causing the relative decline of GM (pp. 106-107). Moreover, mergers and acquisitions, which were a scale strategy in countries such as the UK, appeared often as defensive choices by founding families to preserve control and ownership whatever the costs. On the other hand, during the Third Industrial Revolution, hundreds of small ventures were clustered in technological districts such as Silicon Valley (p. 145). Finally, the Third Industrial Revolution caused a relative decline of both big business and managers. The new Information and Communication Technologies favoured outsourcing and reinforced markets rather than hierarchies. They also gave priority to shareholders value maximization over long-term managerial strategies.

One of the outstanding features of the book is its ambitious comparative perspective, which leads the authors to cross the borders of neo-American capitalism. Amatori and Colli make a tremendous effort to explore significant business experiences from the rest of the world. The relative share of world GDP of the countries analyzed in the book is 66 per cent, including extreme cases such as the United States, Germany, China, India and Argentina. By taking into consideration the experience of the non-Anglo-Saxon world, the prominent scholars of Bocconi University, bring together the foundations of classical economic history, contemporary business history and even the evolutionist thought which adopted the comparative perspective. Taking into account the rest of the world (especially Continental Western Europe and East Asia), the authors highlight a set of other factors that seem to be important for long-term success. In particular, they pay attention to the role of banks supporting industrialization (*Grossbanken* in Germany, family banking in the *zaibatsu*, state-owned banks in the Korean take-off or in reformist China). They also consider the emergence of new forms of business organizations, including family groups (*zaibatsu* and horizontal and vertical *keiretsu* in Japan, *chaebol* in Korea, codetermination in Germany, pocket multinationals in Italy). Furthermore, Amatori and Colli stress the support to development of activist States (e. g. direct creation of firms in Meiji Japan; protection and investment encouragement through the MITI after World War II; Italian IRI; the resort to state-owned firms during the Golden Age of Capitalism in Western Europe; French planning; developmental State in Korea). Besides, they insisted in the fact that, even in America, the rise in military spending after World War II encouraged R&D in leading activities of the Second and Third Industrial Revolutions. Last but not least, «nationality» and culture count: «Diversification and multidivisionals, even if they are popular, are not always the most efficient strategies and structures» (p. 192).

In my view, several important conclusions of this impressive comparative exercise should be stressed. They can be considered as a spin-off of the late development of Chandler's thought. First and foremost, «...The large corporation is the irreplaceable motor of development, the tool by which nations compete for global leadership» (p. 253). Second, «...one of the ways large companies contributed to growth of contemporary economies was through their ability to organize themselves into central nodes...» (p. 145). Lastly, «The European hybrid business system offers an intriguing

alternative to the U model, just as the Japanese system does... The State backed away from business but did not yield its power completely...» (pp. 193-194).

I find it tremendously difficult to disagree with any of the theses put forward in this extremely well documented book. However, I'll try to raise a few points that could be debated. The authors consider that the Third Industrial Revolution technologies tended to penalize the neo-mercantilist development of Japan, Korea or, even Western Europe, in favour of America, «the nation which best understood» the new paradigm (p. 255). In fact, there have been cases of huge technological and economical success in the US in recent times such as Apple, Microsoft, Internet, Amazon and Google.

However, we might qualify the authors' optimism on neo-American capitalism with three last considerations. Nations such as Japan, Germany or South-Korea do not perform badly, when attention is focused on the top multinationals. Even though these nations suffered the consequences of de-regulation in the 1990s, their big business showed significant capabilities: for instance, Toyota and Fujitsu in Japan; Volkswagen and Daimler Benz in Germany; and Samsung and Hyundai in Korea. China, another neo-mercantilist nation, is showing competitive advantage not only in low added value manufactured goods but also in high tech. The authors present remarkable cases of Schumpeterian entrepreneurs (e. g. Ma Yun, the founder of Alibaba.com). Aggregate data from the book suggest that around 2005 the share of high technology in industrial value-added was already higher in China (25.7%) than in the US (23.9%). Lastly, one should take into account that China is the biggest holder of US obligations (with about \$ 2.5 trillion in reserves or about 8,000 dollars per US inhabitant).

According to some scholars, one of the most innovative nations today is Israel. Like India, Israel has been another booming economy, since liberalization in the 1990s. Nevertheless, both Israel and India supported import substitution and rather nationalistic policies from the late 1940s until the 1980s. Perhaps there was more continuity than the authors think between the two periods. Like the East Asian Tigers, both «showed that it was possible to escape underdevelopment not simply by substituting imports but, rather by combining that type of control with a big push towards exports» (p. 255). Moreover, these cases ratify the idea that nation and culture count.

Of course, none of the former observations challenge the results of the book. On the contrary, they should be considered as reflections derived from this very suggestive work. I should stress that my review focuses on a few controversial findings of this extremely impressive interpretative synthesis.

Finally, I would like to comment on the very innovative form adopted by the book. The chapters are quite short (circa 10 pages long). They include 2 or 3 basic charts and 5 or 7 must readings. This structure makes the book eminently suitable for postgraduate students. So it can be used as textbook, although it is also much more than that. I enthusiastically recommend the book both to scholars and to advanced students, interested in business history, economic development and strategic decision-making.

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