

The origins of the modern firm

Instructor: Eva Fernández (Department of Social Sciences)

Description:

The course is a business history elective taught in the third year of Business Administration degree program. This course is an introduction to business history of Western Europe, the United States, Japan and China from the nineteenth century to the late twentieth century. It seeks to investigate the origins and dynamics of global capitalism; the identification and exploitation of global business opportunities over time by focusing on the nature of the firm, the rise of big business, small firms, management, brands, innovation, organization of production, multinationals and family firms. It approaches questions from the point of view of economic and business history, rather than from management or sociology.

Main goal: Think as a CEO! I will present a situation (history!) and you would take decisions. Then, we will look at what people did in the past and why they succeeded

Course Information:

Office Hours: online, on appointment (via email: eva.fernandez@uc3m.es).

Course requirements and assessment:

There will be one introductory session (week 1), *8 lectures* and *15 practical sessions*. See below for the complete plan.

Practical classes are based around presentation of cases studies by students and discussion.

Grading will be based on:

- an in-class presentation based on one of the case studies (15%)- in groups of 3 students
- questions on case studies and lectures (15%)- **Questionnaires and multiple-choice tests will be performed every day**. Materials for questionnaires should be prepared in advance by students
- **contribution to discussions on both lectures and case studies (15%)**
- Two mid-terms (15%)
- a final exam containing material from the lectures and cases (40%). The final exam will be multiple choice questions.

Lectures: students are expected to read the material (available in AulaGlobal) in advance. **Quizzes on these materials every day!**

In order to pass the course, students should get a minimum average grade of 6 in case studies questions and write at less 75% case studies' multiple choice tests. Following the university rules, if the presentation is not given by the student in the assigned date, he/she will get a grade of 0. Students only can postpone his/her presentation by providing documentary evidence to justify his/her absence such as a valid doctor's note.

Attendance will be taken. Students should attend class for the entire period (at least 75 per cent of the classes, or 17 classes) and are expected to **contribute to discussions** on both lectures and case studies (this is 15% of your grade!).

Remember that presentations, questions on case studies and lectures, mid-term and final exams are compulsory elements of this course. For those of you who fail to complete the exam(s) and/or the presentation and/or the questions on case studies, or attend less than 75% of the classes, the exam

counts for 100%, and will cover in detail topics and materials from both the lectures and all readings in the "Reading list" (see below). Only Spanish students in Exchange Programs are excluded from this rule.

Students have to maintain perfect silence and pay attention to the instructor. If a student is creating a disturbance that distracts the instructor or other students, he/she will be asked once (and once only) to cease and desist; if he/she persists, he/she will be invited to leave the class (= absence in the attendance list) and his/her participation grade will be lowered by half.

Cheating constitutes a violation of University policy and students will be subject to University disciplinary actions. **Academic misconduct includes signing other student's name for attendance, cheating on the test** or copying other people's work without proper citation.

In-class Presentations and the Covid-19:

- (a) the presenting students keep 1.5 m space between themselves. Not all team members have to be there at once. Team may decide who they would like to delegate.
- (b) during the presentation, the professor goes on a distance from presenting students (e.g., on the back of the class).
- (c) the pointer/ clicker for presentations is disinfected after each student.
- (d) everybody should wear masks

Attendance, tests and the Covid-19:

Students will be considered to have justified cause for not attending class when they are in preventive isolation or quarantine due to COVID reasons. The student will contact the faculty directly and present to him/her the documents supporting the situation: diagnostic tests performed, communication of tracers indicating the obligation of isolation, recommendation of the Health Center, etc.

These students will follow the teaching activities in the following way:

- Through the online classes foreseen in their schedule.
- Materials in Aula Global
- Continuous evaluation tests missed during the period of isolation will be carried out on the date determined by the instructor.
- The student may use tutoring sessions that have been generally scheduled, preferably by electronic means.

Course Outline

1. Commercial revolution: the preindustrial period
2. The rise of big business in 19th-century United States
3. The emergence of managerial capitalism and the US model
4. Large and dominant? Flexible specialization and industrial districts
5. Family firms: Europe
6. Business history of China
7. Sources of competitive advantage: Patents and brands
8. Multinational Enterprises

Detailed Schedule Course 2021

★ Materials to be prepared at home before class

WEEK	DAY	Activity	
1	Sept. 7	Presentation	Presentation
1	Sept. 9	NO CLASS!	
2	★ Sept. 14	Lecture	Topic 1: Commercial revolution: the preindustrial period
2	★ Sept. 16	Lecture	Topic 2: The rise of big business in 19th-century United States
3	Sept. 21	Case study presentation & discussion	Case study 1* : Marshall Field and the Rise of the Department Store
3	Sept. 23	Case study presentation & discussion	Case study 2 : John D. Rockefeller and the Creation of Standard Oil
4	★ Sept. 28	Lecture	Topic 3: The emergence of managerial capitalism and the US model
4	Sept. 30	Case study presentation & discussion	Case study 3 : Ford vs. GM: The Evolution of Mass Production
5	Oct. 5	Case study presentation & discussion	Case study 4* : Du Pont: The Birth of the Modern Multidivisional Corporation
5	★ Oct. 7	Lecture	Topic 4: Large and dominant? Flexible specialization and industrial districts
6	Oct. 12	NO CLASS!	
6	Oct. 14	Case study presentation & discussion	Case study 5 : The Origins and Development of Silicon Valley
7	★ Oct. 19	Lecture	Topic 5: Family firms: Europe Case study : The Deutsche Bank
7	Oct. 21	Case study presentation & discussion	Case study 6 : IKEA
8	Oct. 26	MIDTERM	
8	Oct. 28	Case study presentation & discussion	Case study 7 : ZARA: Fast Fashion
9	★ Nov. 2	Lecture	Topic 6: Business history of China
9	Nov. 4	Case study presentation & discussion	Case study 8 : Enterprise Culture in Chinese History: Zhang Jian and the Dasheng Cotton Mill
10	★ Nov. 9	Lecture	Topic 7: Sources of competitive advantage: patents and brands
10	Nov. 11	Case study presentation & discussion	Case study 9 : The Wright Brothers and Their Flying Machines
11	Nov. 16	Case study presentation & discussion	Case study 10* : Henry Heinz: Making Markets for Processed Foods
11	Nov. 18	Case study presentation & discussion	Case study 11 : L'Oréal and the Globalization of American Beauty

12	★ Nov. 23	Lecture	Topic 8: Multinational Enterprises
12	Nov. 25	Case study presentation & discussion	Case study 12: Globalizing Consumer Durables: Singer Sewing Machine Before 1914
13	Nov. 30	MIDTERM	
13	Dec. 2	Case study presentation & discussion	Case study 13: Octopus and the Generals: The United Fruit Co. in Guatemala
14	Dec. 7	NO CLASS!	
14	Dec. 9	Case study presentation & discussion	Case study 14: Michael Dell: Winning on the Demand Side of the Information Revolution
15	Dec. 14	Case study presentation & discussion	Case study 15*: Bill Gates and Steve Jobs
16	Dec. 21	Final exam (only international students)	

Case studies

- 0) **Marshall Field** - Koehn, Nancy F. "Marshall Field and the Rise of the Department Store." Harvard Business School Case 801-349, February 2001. (Revised December 2002.)
- 1) **Rockefeller** - Nicholas, Tom, and Vasiliki Fouka. "John D. Rockefeller: The Richest Man in the World." Harvard Business School Case 815-088, December 2014.
- 2) **Ford vs. GM** - Shih, Willy. "Ford vs. GM: The Evolution of Mass Production (A)." Harvard Business School Case 614-010, August 2013. (Revised November 2013.)
- 3) **Du Pont** - Tedlow, Richard S., and David Ruben. "Du Pont: The Birth of the Modern Multidivisional Corporation." Harvard Business School Case 809-012, August 2008.
- 4) **Silicon Valley** - Nicholas, Tom, and James Lee. "The Origins and Development of Silicon Valley." Harvard Business School Case 813-098, January 2013. (Revised May 2014.)
- 5) **IKEA** - Bartlett, Christopher A., and Ashish Nanda. "Ingvar Kamprad and IKEA." Harvard Business School Case 390-132, May 1990. (Revised July 1996.)
- 6) **ZARA**- Ghemawat, P; Nueno, J.L "Zara: fast fashion". Harvard Business School Case no. Vol. 497. 9-703, 2006
- 7) **Dasheng Cotton Mill**- Koll, Elisabeth. "Enterprise Culture in Chinese History: Zhang Jian and the Dasheng Cotton Mills." Harvard Business School Case 308-068, February 2008. (Revised September 2010.)
- 8) **Flying Machines** - Nicholas, Tom, and David Chen. "The Wright Brothers and Their Flying Machines." Harvard Business School Case 811-034, December 2010. (Revised March 2015.)
- 9) **Heinz** - Koehn, Nancy F. "Henry Heinz: Making Markets for Processed Foods." Harvard Business School Case 801-289, February 2001. (Revised August 2001.)
- 10) **L'Oreal** - Jones, Geoffrey G., David Kiron, Vincent Dessain, and Anders Sjoman. "L'Oreal and the Globalization of American Beauty." Harvard Business School Case 805-086, April 2005. (Revised February 2006.)

- 11) **Singer** - Jones, Geoffrey, and David Kiron. "Globalizing Consumer Durables: Singer Sewing Machine before 1914." Harvard Business School Case 804-001, October 2003. (Revised May 2015.)
- 12) **The United Fruit Company** - Jones, Geoffrey, and Marcelo Bucheli. "The Octopus and the Generals: The United Fruit Company in Guatemala." Harvard Business School Case 805-146, May 2005. (Revised January 2015.)
- 13) **Michael Dell** - Koehn, Nancy F. "Michael Dell: Winning on the Demand Side of the Information Revolution." Harvard Business School Case 801-363, February 2001. (Revised January 2004.)
- 14) **Bill Gates and Steve Jobs** - Mayo, Anthony, and Mark Benson. "Bill Gates and Steve Jobs." Harvard Business School Case 407-028, December 2006. (Revised March 2010.)

Reading list (MANDATORY for those not attending the course: SEE ABOVE)

The rise of big business

- CHANDLER, A. D. (1980): "The Growth of the Transnational Industrial Firm in the United States and the United Kingdom: A Comparative Analysis". *The Economic History Review*, 33(3), pp. 396-410.
- LAMOREAUX, N. R., RAFF, D. M., and TEMIN, P. (2003): "Beyond Markets and Hierarchies: Toward a New Synthesis of American Business History." *The American Historical Review*, 108(2), pp. 404-433.
- KIM, S. (1999): "The rise of multiunit firms in US manufacturing." *Explorations in Economic History* 36(4), pp. 360-386.

The emergence of managerial capitalism and the US model

- RAFF, D.M and L.H. SUMMERS (1987): "Did Henry Ford Pay Efficiency Wages?" *Journal of Labor Economics* 5 (4), pp. S57-S86
- WILSON, J.M. and A. MCKINLAY (2010): "Rethinking the assembly line: Organization, performance and productivity in Ford Motor Company, c. 1908–27," *Business History* 52 (5), pp. 760-778.
- FRYDMAN, C. and R.E. SAKS (2010): "Executive Compensation: A New View from a Long-Term Perspective, 1936–2005," *Review of Financial Studies* 23 (5), pp. 2099-2138.

Large and dominant? Flexible specialization and industrial districts

- SCRANTON, P. (1991): "Diversity in diversity: Flexible production and American industrialization, 1880-1930." *Business History Review* 65(1), pp. 27-90.
- LANGLOIS, R. N. (1992): "External economies and economic progress: The case of the microcomputer industry." *Business history review* 66(1), pp. 1-50.
- KENNEY, M., and VON BURG, U. (1999): Technology, entrepreneurship and path dependence: industrial clustering in Silicon Valley and Route 128. *Industrial and corporate change* 8(1), pp. 67-103.

The alternative types of firm: Europe

- BERGHOFF, H. and MÖLLER, R. (1994): "Tired pioneers and dynamic newcomers? A comparative essay on English and German entrepreneurial history, 1870-1914." *The Economic History Review* 47(2), pp. 262-287.
- TOMS, S. and WILSON, J. (2003): "Scale, scope and accountability: towards a new paradigm of British business history." *Business History* 45 (4), pp. 1-23.

- TILLY, R. (1982): "Mergers, external growth, and finance in the development of large-scale enterprise in Germany, 1880–1913." *The Journal of Economic History* 42(03), pp. 629-658.
- EDWARDS, J. and OGILVIE, S. (1996): "Universal Banks and German Industrialization: A Reappraisal". *Economic History Review* 49 (3), pp. 427-46.

The alternative types of firm: Japan

- MORCK, R. and NAKAMURA, M. (2007): "Business Groups and the Big Push: Meiji Japan's Mass Privatization and Subsequent Growth," *Enterprise & Society* 8 (3), pp. 543-601.
- MIYAJIMA, H. (1994): "The Transformation of Zaibatsu to Postwar Corporate Groups- From Hierarchically Integrated Groups to Horizontally Integrated Groups." *Journal of the Japanese and International Economies* 8(3), pp. 293-328.
- CUSUMANO, M. A. (1988): "Manufacturing innovation: lessons from the Japanese auto industry." *Sloan Management Review* 30 (1), pp. 29-39.

The alternative types of firm: China

- ZEITZ, P. (2013): "Do Local Institutions Affect All Foreign Investors in the Same Way? Evidence from the Interwar Chinese Textile Industry." *The Journal of Economic History*, 73(01), pp. 117-141.
- DONNITHORNE, A. (1972): "China's cellular economy: some economic trends since the Cultural Revolution." *The China Quarterly* 52, pp. 605-619.
- JEFFERSON, G. H. and RAWSKI, T. G. (1994): "Enterprise Reform in Chinese Industry." *Journal of Economic Perspectives* 8(2), pp. 47-70.

Sources of competitive advantage: technological innovation, trademarks, marketing

- WILKINS, M. (1992): "The neglected intangible asset: the influence of the trade mark on the rise of the modern corporation." *Business History* 34(1), pp. 66-95.
- COX, H., and MOWATT, S. (2012): "Vogue in Britain: Authenticity and the creation of competitive advantage in the UK magazine industry." *Business History* 54(1), pp. 67-87.
- USSELMAN, S. W. (1993): "Organizational Capabilities and the Emergence of the International Computer Industry." *Business and Economic History*, 22(2), pp. 1-35.

Family firms

- COLI, A. and ROSE, M. B. (1999): "Families and Firms: The Culture and Evolution of Family Firms in Britain and Italy in the Nineteenth and Twentieth Centuries." *Scandinavian Economic History Review* 47 (Winter), pp. 24-47.
- FERNÁNDEZ, P. and PUIG, N. (2007): "Bonsais in a wild forest? A historical interpretation of the longevity of large Spanish family firms." *Revista De Historia Economica* 25(3), pp. 459-498.
- BERGHOFF, H. (2013): "Blending personal and managerial capitalism: Bertelsmann's rise from medium-sized publisher to global media corporation and service provider, 1950–2010." *Business History* 55 (6), pp. 855-87.

Multinational Enterprises

- WILKINS, M. (1988): "European and North American Multinationals, 1870-1914: Comparisons and Contrasts," *Business History* 30 (1), pp. 8 – 45
- NICHOLAS, S. (1983): "Agency contracts, institutional modes, and the transition to foreign direct investment by British manufacturing multinationals before 1939." *Journal of Economic History* 43(03), pp. 675-686.
- BUCHELLI, M., and SOMMER, G. R. (2014): "Multinational Corporations, Property Rights, and Legitimization Strategies: US Investors in the Argentine and Peruvian Oil Industries in the Twentieth Century." *Australian Economic History Review*, 54(2), pp. 145-163.