

The President and Fellows of Harvard College

Review: [untitled]

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Source: *The Business History Review*, Vol. 66, No. 3 (Autumn, 1992), pp. 616-618

Published by: [The President and Fellows of Harvard College](#)

Stable URL: <http://www.jstor.org/stable/3117002>

Accessed: 15/10/2011 05:07

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In the preface to the first volume of this series, Parker stated that, like Cornelia showing her children to the bejeweled ladies of Rome, he considered his students, not his writing, to be the jewels of his career. Yet these essays are jewels that have been enjoyed by more than one generation of scholars. My own teachers studied Parker's early work; as a student, I had the pleasure of contemplating many of these papers; now, with the completion of this two-volume series, my students will have easy access to all of them. This process has no doubt been repeated over the life cycles of many contemporary economic historians at universities across the country; long may it continue.

Lee A. Craig is assistant professor of economics and business at North Carolina State University. He is the author of several articles on the history of American labor markets, including "The Value of Household Labor in Antebellum Northern Agriculture," Journal of Economic History (1991) and "Industrialization and the Earnings Gap: Regional and Sectoral Tests of the Goldin-Sokoloff Hypothesis," Explorations in Economic History (1992). At present he is working on the history of old-age pensions in the United States.

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Commitment: The Dynamic of Strategy. *By Pankaj Ghemawat*
• New York: The Free Press, 1991. vii + 178 pp. Notes, tables, graphs, bibliography, and index. \$29.95. ISBN 0-02-911575-2.

Reviewed by F. M. Scherer

This well-written volume continues the age-old quest for the business scholar's Holy Grail: a general theory of business strategy. Rejecting conventional explanations of business firms' success as insufficiently concrete and general, Pankaj Ghemawat focuses on the role of *commitment*, defined as the tendency for a strategy choice to persist over time. Commitment is said to be the key to the success of strategies because, by definition, a commitment endures and therefore can cause long-run differences in company performance. Also, behavioral patterns that give rise to commitment—for example, being locked into a choice by high sunk-cost investments, the lags that ensue before a commitment is fully implemented, and the inertia that inhibits abandonment of a strategy—serve simultaneously as barriers to profit-eroding imitation by competitors.

Although not much is made of the connections—presumably because the book is targeted toward business executives—the underlying logic of Ghemawat's analysis stems from two prominent strands in economic theory. To retain profitable dominant market positions, firms must deter competitive entry. But deterrence can require threats that are credible, and commitment enhances the credibility of threats. This notion was originally developed richly in Thomas Schelling's 1960 book, *The Strat-*

egy of Conflict, which, curiously, is not cited by Ghemawat. On the other side of the theoretical balance is the newer (1982) book by William J. Baumol and others, *Contestable Markets and the Theory of Industry Structure*, which argues that when markets are exited as easily as they are entered—that is, when there are no costly commitments—profitable monopoly positions cannot persist.

Beginning from the premise that durable commitments are necessary to sustain profitable business positions, Ghemawat examines how one chooses which commitments to make (through careful, far-sighted benefit-cost analysis), how firms should take into account competitors' likely reactions to successful strategy choices, and how a delicate balance must be struck between commitments on the one hand and flexibility in modifying them when unexpected events intrude on the other.

A final chapter addresses the most difficult problem: coping with uncertainty so that durable commitments are made to strategies that will be successful, not fiascoes. Here Ghemawat marshals an impressive parade of wisdom accumulated over the decades by students of business decision making. Yet, in the end, it is hard to avoid concluding that there is more art and luck to the process than there is science. Ghemawat's view of the world, emphasizing business decision makers making rational choices in the face of substantial uncertainty, needs to be juxtaposed against the relatively new evolutionist school, epitomized in the pioneering 1982 book by Richard R. Nelson and Sidney Winter, *An Evolutionary Theory of Economic Change*. In the latter, decision makers' rationality and foresight are severely bounded, companies make strategy choices under uncertainty, and the market selects those who have the perspicacity or good luck to have chosen a winner. Both Ghemawat and proponents of new versions of the evolutionary approach emphasize what is called path-dependence—that is, commitments made at one moment in time have a long-lasting impact on subsequent success or failure. History matters.

Choosing between these two world views, or culling the best parts of each, requires an in-depth empirical examination of individual commitments, including those that fail as well as those that succeed. On this score Ghemawat disappoints. His book is rich in case study illustrations, but they are little more than anecdotes, inadequate in detail and analytic bite to identify initial alternatives, decision criteria, and chains of causation. And on occasion they border on error. For example, Lockheed's sustained commitment to the L-1011 tri-jet, despite the choice by McDonnell-Douglas of a similar airplane (the DC-10), is viewed as an avoidable blunder. Fiasco it was, but Ghemawat fails to observe that the companies originally planned to develop twin-engine "Kolk machines" and were pressured by their customer airlines to add size and a third engine. What does a product developer do when customers are adamant? Agreement by one firm to develop a tri-jet and another a twin-jet would have been preferable, but such an agreement would have landed the companies' executives in jail under prevailing U.S. antitrust law. Ghema-

wat states that the Airbus consortium "did rather well" with their later twin-jets (p. 50), but only fifty A-300 units had been sold four years after the aircraft entered the market and, without billions of dollars of subsidies, the program would have been a worse financial disaster than either of the Lockheed and McDonnell-Douglas developments. Honda is said to have been successful in motorcycles because of a bold 1959 commitment to establishing U.S. marketing channels, but similar commitments were made with less success by Yamaha, BMW, Triumph, and others. I can find no support in the historical record for Ghemawat's statement (p. 88) that before 1960, nonfiltered-cigarette market segments were each dominated by a single brand. And it is not true (p. 100) that the only alternative to running an alumina refinery "flat out" is shutting it down entirely; one or more of multiple pot lines can be mothballed.

Thus, although Ghemawat stimulates, he fails to convince. Much more research is needed before his approach to strategy can dislodge alternative claimants.

F. M. Scherer is professor of business and government at the John F. Kennedy School of Government, Harvard University. He has written numerous books and articles on industrial organization, technological innovation, economies of scale, productivity growth, mergers, and public policy. His book, International High-Technology Competition, was published in 1992 by Harvard University Press.

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Technology Transfer in International Business. *Edited by Tamir Agmon and Mary Ann Von Glinow* • New York: Oxford University Press, 1991. xii + 285 pp. Charts, tables, notes, bibliography, and index. \$34.95. ISBN 0-19-506235-3.

Reviewed by David J. Jeremy

This collection of fourteen essays by eighteen authors is the product of an international business research program at the University of Southern California's School of Business. Only one essay is concerned with a longitudinal historical perspective, that by Raj Aggarwal. Nevertheless, the other essays are of considerable interest for setting the process of technology transfer in the context of management strategy. The analysis of current issues and cases will provide business historians with additional tools and data by which to assess this complex and elusive process.

In his contribution, Aggarwal takes a very broad and long historical view. He begins with the premises that technology is the sum of knowledge, experience, and skill; that technical change is evolutionary; that technologies have S-shaped life cycles; and that geographically and historically there have been various pockets of technical advance, and from these the technology has been diffused along diverse channels. He ana-