

Perspective

Small Business, Manufacturing, and Flexible Specialization: Implications for the Archivist

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Abstract: This article relates current research in the history of small business to archival practice. It compares the ways small and large firms are organized and function and describes how these differences are reflected in the records of such firms. The author discusses the implications of this model for documentation strategies and the appraisal of business records.

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DURING THE PAST DECADE, historians have begun to reexamine the role that small business has played in U.S. economic life, particularly in the manufacturing sector. This interest has been driven at least partially by current debates about "the crisis of mass production" and the perception that the large U.S. corporation is becoming an uncompetitive industrial dinosaur. Some have gone so far as to assert that the solution to our economic problems may lie in moving toward a system of craft or batch production. In their best-selling book, *The Second Industrial Divide: Possibilities for Prosperity*, economist Michael J. Piore and political scientist Charles Sabel have argued that the key to American competitiveness and economic growth may be an economic strategy of "permanent innovation." In their view, this strategy would be based on an ability to respond quickly to changing market conditions, through the flexible use of plant and equipment and the skills of a highly trained work force.¹

This interest in flexible specialization is rapidly changing the focus of business and economic history, and it raises significant issues for archival appraisal and documentation strategies. Should archivists be paying more attention to the records of small manufacturing firms? If so, what aspects of these businesses should we seek to document? How do we get a handle on this infinitely diverse universe of firms and records? Should our documentation efforts be focused on the level of the firm, the industry, the trade association, the industrial district, the city, or the region? Are there key concepts (such as entrepreneurial spirit or bureaucracy) that we should seek to document? If so, do they differ for large and small firms?

Traditionally, the history of U.S. business has centered around the triumph of mass

production and the bureaucratically organized firm. The story unfolds in Alfred Chandler, Jr.'s two seminal books, *Strategy and Structure* and *The Visible Hand: The Managerial Revolution in American Business*. The author begins in the 1840s with the rise of the great railroads swallowing up their competitors and goes on to describe the achievements of Andrew Carnegie, U.S. Steel; Henry Ford, General Motors; the DuPont Company; and the Great Atlantic & Pacific Tea Company. This classic business history is a celebration of standardized product and technological innovation, which brought both soul-numbing assembly-line work and a vast array of consumer goods. Chandler's model tends to marginalize small business, viewing it as a historical anachronism operating outside the modern world of efficiency and progress.²

Given the usual relationship between trends in historiography and archival work, archivists have, for the most part, adopted this framework over the past ten or fifteen years.³ This approach has been reinforced by the fact that small businesses, which tend to rely on oral rather than written communication, generate and preserve far fewer records than big businesses. Since owners and managers of small businesses are usually one and the same, there is rarely a perceived need for structured written communication, reports, and interoffice memoranda. Small firms also rarely establish archival or records management programs.

²Alfred Chandler, Jr., *Strategy and Structure: Chapters in the History of American Industrial Enterprise* (Cambridge, Mass.: MIT Press, 1962) and *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass.: Harvard University Press, 1977).

³Francis Blouin, "A New Perspective on the Appraisal of Business Records," *American Archivist* 42 (July 1979): 312-20; JoAnne Yates, *Control Through Communication: The Rise of System in American Management* (Baltimore: Johns Hopkins University Press, 1989).

¹Michael J. Piore and Charles Sabel, *The Second Industrial Divide: Possibilities for Prosperity* (New York: Basic Books, 1984).

In contrast, big businesses are usually characterized by the separation of ownership from management and bureaucratic organization. These enterprises are managed by hierarchies of salaried executives who preside over distinct operating units (often at different locations), each with its own administrative offices and set of books and accounts. The main functions of salaried managers are to monitor, coordinate, and control the work of the various units that report to them. They thus generate huge quantities of paper records—constituting what JoAnne Yates has called “internal communication networks.”⁴ Paper records—reports, interoffice memoranda, policy and procedure manuals, written minutes of meetings, and specialized accounting statements—are all designed to provide information that managers need to ensure that the people who report to them are held accountable for their performance, and to control the way those people do their jobs.

Given these functions, paper records, if they survive, document all aspects of the history of the firm, in such minute detail as to overwhelm the appraisal archivist. As a result, business archivists in recent years have been preoccupied with developing very strict appraisal standards for the records of large, bureaucratically organized firms. However, it may now be time for us to step back from this discussion and develop an overarching documentation strategy that will place the records of small businesses, as well as those of big businesses, into their proper context as documentation of the history of the industrial United States.

Documenting Businesses: Some Distinctions

The strategy just outlined should focus on documenting the historical relationship between mass and batch production, big and small business, and the new concept of flexible specialization as well as the older idea of industrial districts.⁵ This becomes clear if one closely examines economic life in the Mid-Atlantic cities. In these cities, one is immediately struck by the absence of mass-production manufacturing firms, which for the most part operated in the Midwest or the areas around Pittsburgh, Pennsylvania, and Buffalo, New York. In cities like New York, Philadelphia, and Baltimore, however, industry was characterized by networks of small specialty companies producing everything from clothing and textiles to jewelry, machine tools, and five-cent cigars.

A major distinction between mass and batch producers is that mass producers, which dominate industries like steel, automobiles, and rubber, produce articles of uniform character. Relying on assembly-line techniques and an elaborate division of labor, they attempt to increase productivity and throughput by applying technology and the principles of scientific management to the production process. In contrast, batch or craft producers manufacture specialty goods and operate quite differently. These firms are usually run by teams of hands-on managers and owners who maintain close contact with both their customers and their workers on the shop floor.

As Philip Scranton has shown, in U.S. history, the key to productivity in such firms was a system of flexible specialization—an ability to adapt quickly to changing market conditions by producing goods

⁴JoAnne Yates, “Internal Communication Systems in American Business Structures: A Framework to Aid Appraisal,” *American Archivist* 48 (Spring 1985): 141–58.

⁵See Frank Ransom, *City Built on Wood* (Grand Rapids: University of Michigan Press, 1955); Howell Harris, “Getting It Together: The Metal Manufacturers Association of Philadelphia, 1900–1930,” in *Masters to Managers*, ed. Sanford Jacoby (New York: Columbia University Press, 1991).

that satisfied demand in relatively narrow sectors in the marketplace.⁶ This production system placed a premium on the talents of skilled workers, who retained a good deal of autonomy and control of the production process on the shop floor, since custom or craft production usually made it difficult to replace skilled workers with automated production machinery. This led to a species of worker control that was often reinforced by systems of in-house contracting, whereby skilled workers were paid according to a fixed piece rate and then hired their own helpers. In these specialty firms, Big Bill Haywood's famous remark that the "boss's brain is under the worker's cap" was often very much to the point. The work process was rarely defined and regulated by a centralized personnel office.

Whatever one may think of this arrangement, it represents for the archivist an organization in which there are seldom any central files of records that document the nature of work or the industrial relations system. In firms of this type, information was usually carried around in the heads of workers, managers, and foremen. Under these circumstances, it is extremely difficult to document the production process.

Most of the recent literature on flexible specialization focuses on the skilled workers who held relatively good jobs. However, one must remember that not all jobs in small specialty firms were good jobs. Thousands of women stitched shirt collars in frigid factories, and thousands of men spent their days plunging animal hides into the dangerous and ever-present toxic lime pits in the leather districts of New York, Boston, and Philadelphia. As elsewhere in

the industrializing United States, women, African Americans, and recent immigrants usually found that they had few alternatives to accepting work of this kind. With its relatively precarious and highly competitive markets and its low profit margins, batch production put downward pressures on the wages of unskilled and semiskilled workers, particularly in firms that had to pay relatively high wages to retain a cadre of skilled workers. These characteristics are all part of the picture that archivists must keep in mind when constructing their documentation and appraisal strategies.

Theodore Schellenberg's classic writings about appraisal and JoAnne Yates's book *Control Through Communication* (Johns Hopkins University Press, 1989) provide an excellent framework for evaluating the records of large, bureaucratically organized corporations. For these companies, appraisal starts by identifying those aspects of the firm that are important and then determining an appropriate level of documentation. Standard archival practice begins with identifying the evidential records—those that document the way the firm was organized and the way it functioned. As part of this process, the archivist attempts to identify major corporate initiatives or strategies and to see how they are reflected in the record. After documenting the changing relationships between corporate structure and strategy in large corporations, the archivist shifts focus and documents technological innovation, production, the work process, and, finally, sales (usually in that order). The priority assigned to documenting these functions and their complex interrelationships stems from the fact that in mass-production firms corporate strategy is usually based on adopting technological innovation to reduce costs and increase productivity. Similarly, such firms attempt to apply principles of scientific management to increase efficiency and to give managers better control over the work force. This involves establishing proce-

⁶Philip Scranton, *Figured Tapestry: Production, Markets, and Power in Philadelphia Textiles, 1885–1941* (New York: Cambridge University Press, 1979) and *Proprietary Capitalism: Textile Manufacture at Philadelphia, 1800–1885* (Philadelphia: Temple University Press, 1983); John N. Ingham, *Independent Mills in Pittsburgh, 1820–1920* (Columbus: Ohio State University Press, 1991).

dures for the division of labor and increasing the authority of the foreman and other middle-level managers. These relationships and managerial structures are usually reflected in the records of the bureaucratically organized firm.

Sales strategies in mass-production firms focus on moving existing merchandise. There is very little direct relationship between sales, product development, and the organization of work and technology. Sales records thus tend to be routine and repetitive lists of customers, with notations about the quantity of merchandise each bought. Advertising records are far more interesting, as they document how advertising campaigns were conceived and executed in order to appeal to the current consumer's social and cultural values. Similarly, market research files identify the ways in which particular products were sold and delineate strategies for selling to various socioeconomic classes, ethnic groups, and genders. Such files are useful for understanding the relationship between business and its society and culture.

Documentation strategies are quite different for small craft, batch, or specialty producers. Since archivists in this environment are working with owner-operated or family firms, usually with only one production site, documenting corporate organization and strategy is relatively straightforward. The board of directors and executive committee minute books contain most of the surviving record. After moving away from the evidential record, the archivist focuses on sales and marketing. In small firms, sales drive the production process and the organization of work. Specialty producers do not keep large inventories of merchandise for which they have no immediate customers. Instead, they send salespeople out to secure orders and then manufacture on specification. They recognize that demand is often short lived in the niche markets in which they usually operate. Profitability depends on being able to produce a wide range of products in such

a way as to respond quickly to customer demand. Sales strategies are critical to a firm's success, and this is where archival documentation strategies should begin.⁷

Archivists need to document the process by which technically trained salespeople offer a range of basic models and then enter into a series of complex negotiations aimed at meeting customer demand. They need to be sensitive to the ways in which these discussions ultimately shape the final product. Sample books and trade catalogs can provide important information about this process. Sales correspondence for firms of this type becomes much more interesting than its counterpart in mass-production firms. These records describe the kinds of products customers (or at least buyers and retail outlets) asked for, and the ways this demand shaped the firm's product. It is very important for archivists to capture the dynamics of the sales process because this is what determined the way the firm was organized and functioned. Sales also tended to shape the physical organization of technology, which put a premium on product design rather than on research and development. Similarly, given the role that in-house contracting, internal labor markets, and apprenticeship programs play within small firms, archivists must seek to document these informal relationships if they are to capture the nature of the work process. Unfortunately, as indicated earlier, records of this kind are usually difficult to find. Oral history can be sometimes used to fill in these gaps. Also, since owner-managers are usually involved on the shop floor, their correspondence and even diaries, as well as any fragments of worker correspondence that survive, can provide insights into the production process and shop floor class relations. These materials, of course, should

⁷Philip Scranton, "Diversity in Diversity: Flexible Production and American Industrialization, 1880-1930," *Business History Review* 65 (Spring 1991): 27-90.

be used in conjunction with trade union records, which document labor-management relations from the workers' perspective.

In mass-production firms, the operational strategy often is characterized by the following sequence:

1. Raw material acquisition
2. Research
3. Development
4. Production
5. Work process
6. Sales

The reverse is often the case for batch producers; here the focus moves as follows:

1. Sales
2. Product development
3. Production
4. Work process

Understanding these differences is important, for the archivist needs to keep in mind the relative importance of different firm functions as she or he seeks to document the history of a particular company or industry. To quote Charles Carpenter, a turn-of-the-century managerial consultant writing in 1917, for custom and batch work,

the selection of plant and equipment becomes less scientific and more a question of judgement. . . . Selling is no longer a matter of disposing of products already on hand. . . . It is a question of marketing what the plant can successfully make. . . . Scientific research and deductive logic no longer command attention. Judgement and inductive logic are controlling factors. . . . Intensive advertising is of no value, as there are no standard features to bring forth.⁸

This short passage describes the key elements of batch and specialty production. It also provides considerable guidance for the appraisal archivist. Again, in dealing with a small business, the archivist should focus on sales, not advertising. Do not look for records documenting research and development, division of labor, scientific management, or the relationship between business strategy and corporate organization. Instead, look for records that document product design, flexible specialization, the operation of internal labor markets, apprenticeship, and training.

While most scholars usually identify batch production with consumer goods, a closer analysis shows that significant segments of the producer goods sector were also characterized by flexible specialization. The manufacturing of machine tools, textile machinery, locomotives, and scientific instruments often involved batch or specialty work. Firms in these industries manufactured one-of-a-kind products, for which demand was highly specific. For example, Philadelphia's Baldwin Locomotive Works needed to produce a product to meet the specific traction needs of railways, some transversing the Rocky Mountains, and others operating in densely populated urban areas.⁹ Similarly, each ship produced by Bethlehem Steel or by its Harlan and Hollingsworth subsidiary was different, and manufacturers of textile machinery often had to construct their products to meet the particular needs of factory operators, who themselves produced goods for specialty markets.

The specification books, contract books, and engineering department letterbooks document this design process. Many of

⁸Charles Carpenter, "Jobbing, Work, and Efficiency," *Industrial Management* 52 (February 1917): 633-39.

⁹John Kennedy Brown, *The Baldwin Locomotive Works, 1831-1915: A Study in American Industrial Practice* (Baltimore: Johns Hopkins University Press, 1993).

these records contain machinery sketches that show how the sales people, engineers, and skilled workers cooperated to modify standard designs and meet customer demand. Unfortunately, specification books can be rather unintelligible to those without engineering training, and archivists may be tempted to avoid accessioning them. However, they often provide one of the only windows for reconstructing the ways in which the product development took place in small specialty shops. Trade catalogs describe the product, showing various models and how they actually worked, and they need to be studied in conjunction with these specification books. This combination often enables the nonengineer to understand the process of product development and design.

Seasonal demand was another defining characteristic of batch-production industries. This fact may be obvious for clothing and textiles, which are driven by the perennial fall and spring style changes. However, even the producer goods industries were plagued by the so-called lumpy demand curves as manufacturers bought equipment designed to last for long periods of time. These long-term purchases could mean that shops would lie idle for long periods, and workers had to be laid off during these periods, when factories often shifted from manufacturing to repair work. Some firms made an effort to retain key skilled operatives during these business troughs; however, many workers did have to search for other jobs, hoping to be recalled to their better-paying positions when business picked up. Batch producers attempted to manage demand as well as they could during slack times. Some extended credit, others engaged in more aggressive marketing. These efforts, which in many respects defined the industry, were one of the key components of the survival strategy that archivists need to be aware of when developing collecting strategies for batch-production businesses.

A Case Study

To illustrate many of these points, consider the history of the Beetem Carpet Company, a turn-of-the-century manufacturer that produced raglin rugs and operated out of factories in Carlisle and North Philadelphia in Pennsylvania. The firm's archives, which is at the Hagley Museum and Library, illustrates many of these points. This collection occupies approximately ninety linear feet of shelf space, about half of which is labeled as customer, dealer, and sales agent correspondence. Most of these letters represent correspondence with department stores, describing the ways in which changing consumer taste shaped product specifications. The desire to produce rugs that would appeal to affluent buyers led to major modifications in production procedures. The development of the poster rug, a picture rug with a log cabin at its center, required skilled weavers to learn how to translate this image into a raglin rug. Mill and dye house letter books document the way design and market concerns interacted to shape the production process and the organization of work. Production and employee records, work books, and time books describe the role of the skilled worker, the functioning of internal labor markets, and the ways in which sales considerations and the input of designers and sales agents determined the nature of the product line.

A 12 May 1909 letter from E. C. Beetem to Gimbel Brothers department store in New York captured the essence of the company's sales and production strategies:

Our Catalogue entitled *Ye Book of Ye Raglin Rugs & Curtains*, sent to you a week ago, is really a beautiful book full of interesting information and pictures; and if you have not as yet looked over it, we sincerely trust you will do so. These "Raglin" Rugs are interesting women the country over,

and we are receiving inquiries from New England to Virginia, and have shipped them as far west as California.

The reasons are: They are beautiful, reasonable in price, durable (being woven throughout by hand); and then, from the fact that we are willing to weave them to order, you can choose your own styles and colors. This gives you a select article such as no store affords and something the exact copy which (like an Ingrain, Brussels, or Velvet Rug made in the usual machine patterns) your neighbor will not have and you can pride yourself on possessing something absolutely distinctive of your own personal taste.¹⁰

Batch producers tended to be clustered in industrial districts—machine shops in Northeast Philadelphia; clothing manufacturers on New York City's Lower East Side; and in New Jersey, potters in Trenton and textile manufacturers in Patterson. This pattern made it possible to build complex interfirm networks that yielded external economies and reduced the risks and costs of product diversity. In these industrial districts, contracting relationships linked suppliers to producers of product intermediates and finally to manufacturers of the final consumer or producer good. Skilled and unskilled workers often moved from firm to firm as labor market conditions changed. In many areas, efforts were made to institutionalize interfirm relationships within an industrial district. This often resulted in the creation of governance mechanisms (trade associations) that managed and regulated decisions about pricing and wage scales,

allocated market share, established quality standards, adopted collective marketing strategies, dealt with government regulators, and formulated strategies to fight antitrust cases.

To understand how these industrial districts and specialty producers operated, documentation of the operation of the trade associations is very important. Fortunately, trade association records are likely to survive because trade associations play such a critical role in stabilizing an industry, and they tend to outlive most individual firms, whose records often disappear when the firm ends. Trade associations have permanent office staffs and retain records to satisfy the requirements of government regulatory agencies. Their histories often document the story of an entire industry in a concise and manageable way.

What this means is that when an archivist begins to think about developing a documentation strategy for an industry characterized by batch production or flexible specialization, she or he should begin with the trade association and pay particular attention to reconstructing the interfirm networks and the dynamics of the industrial district. Early record surveys should probably focus on the district before moving to individual firms. When appraising records, an archivist should ask questions about interfirm relationships, industrial geography, company location, labor turnover, and worker mobility. When making a decision about whether to acquire the records of a particular firm, the archivist should consider the place of the company within the industrial district. How central was it to the regional economy? Do its history and surviving records illustrate a pattern of cooperation that transcends the boundaries of the firm? Records from trade unions, particularly those engaged in multifirm collective bargaining, as well as those from central labor unions where geographic areas often coincided with the boundaries of an industrial district, can also provide important perspectives on these issues.

¹⁰E. C. Beitem & Sons Records, Accession 1178, Box 181, Folder 168, Hagley Museum and Library, Wilmington, Delaware.

Small Business and the Documentation Strategy

When documenting the history of small manufacturing firms, curators of business and social history collections need to consider a number of methodological issues in light of the documentation strategy literature.¹¹ In a recent article, Mark Greene argued that in the case of small business, it may be impossible to define a documentation area with sufficient precision to compile a formal documentation strategy on the Larry Hackman, Helen Samuels, and Joan Warnow-Blewett model.¹² The problem is that there is no general agreement about what constitutes a "small business." Some studies use the criteria of twenty employees or one hundred employees. The U.S. Small Business Administration often defines firms with as many as fifteen hundred employees as small businesses.¹³ Some scholars equate small businesses with owner-managed family firms, even though there are companies on the *Fortune 500* list, such as Joseph E. Seagram & Sons, that to this day remain family controlled, owned, and operated. To complicate matters further, historically, some very large firms, notably the Baldwin Locomotive of Philadelphia and most of the nation's major shipbuilding companies, have used the very same batch-production techniques that scholars have identified with small manufacturing firms.

Given these kinds of definitional problems, Mark Greene may be correct in saying that for small businesses the documentation strategy approach might be more useful as a framework for analysis rather than as a rigid model. Instead of attempting to begin by de-

veloping a formal documentation strategy, assembling a documentation group, defining a documentation area, and assessing the adequacy of documentation, archivists might find it more practical to begin by asking the critical question: What can the records of small manufacturing firms tell us about U.S. economic and social development? The next step may be to try to answer Mark Greene's three questions: (1) how much is out there? (2) where is it? and (3) how good is it?¹⁴ During this process it will be necessary to define the operational, strategic, and structural differences that distinguish big and small business and to identify how these are reflected in the record. A number of theoretical questions must also be considered. Is it possible to define the key elements of batch manufacturing (which by its very nature is extremely diverse)? Should archivists seek to collect the records of all small manufacturing firms, or should we be selective about the kinds of firms that are documented, recognizing that selectivity introduces an element of subjectivity into the process? If we are going to be selective, what kinds of small manufacturing firms should we emphasize, producers of finished goods (clothing, ships, and locomotives) or firms that manufacture product intermediates (foundries and tool and die shops)? What is the proper balance between collecting records of individual firms and those of trade associations? How are industrial districts and interfirm connections to be documented?

This type of macroappraisal, like the more formal documentation strategy approach, may strike some as being problematical. It does, of course, owe much to social science methodology, which begins with a hypothesis and goes on to seek appropriate evidence. As with all documentation strategies, the danger is that archivists will flatten out the historical experience as we reorient ourselves from the particular to the general or, one

¹¹Larry Hackman and Joan Warnow-Blewett, "The Documentation Strategy Process: A Model and a Case Study," *American Archivist* 50 (Winter 1987): 13-47.

¹²Mark A. Greene, "Store Wars: Some Thoughts on the Strategy and Tactics of Documenting Small Businesses," *Midwestern Archivist* 16, no. 2 (1991): 95-104.

¹³Greene, "Store Wars," 97.

¹⁴Greene, "Store Wars," 101.

might say, from the historical to the sociological. However, as this paper has sought to demonstrate, when archivists shift their foci from large corporations to small businesses, they enter the world of scarce records and infinite diversity. If we are to make sense of this universe, we need to adopt a macroapproach to appraisal. Without such a strategic

direction, archivists will forever remain focused on the records of large corporations because these are the materials whose physical presence cannot be ignored. Such an exclusive preoccupation with the records of big business, however, will result in the loss of important documentation about our industrial heritage.