

## The history of small business as business history

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The vast majority of the world's companies are small, have few employees and a moderate turnover when compared to large corporations. Small businesses can constitute the source of income for a self-employed craftsman, a vendor, or to utilize windows of opportunity under formal or informal conditions. Small-scale business can constitute a vehicle for new business ideas, provide a profit and promote innovations. Small businesses are defined and conceptualized differently. But there is a wide academic consensus about the importance of small businesses for the economy, as employers, especially when large companies rationalize and reduce the number of employees. Furthermore, small businesses have been considered to function as a lubricant in the economy, they work close to the customer, they have the ability to adapt to changes in demand. Moreover, small enterprises are carriers of innovations which are enabled by the size of the company and allow owners to slowly open-up new markets.

This session is based on an ongoing book project about 'Small business history as business history'. But we also welcome new scholars to join this discussion both in light of the importance of the topic, but we also want to provide an arena for new projects and publications.

### *Self-employment and Economic Change*

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The contribution will bring empirical observations, focussing mainly at the German case, in discussion with some conceptual discussion on the evolutionary nature and change of recent economies and societies. In the last quarter of the 19th century black pessimism regarding the future of independent self-employment and small businesses dominated against the background of the dramatically fast expansion of industrial capitalism. The paper will show that many empirical data at the end of 19th century pointed in the direction that the emerging capitalist industries and related big businesses will destroy smaller units of production and craftsmanship. Looking at recent times many apocalyptic prophesies have not come true since beside the permanent side of competitive destruction new technological developments have also proven to be a breeding ground of new business start-ups, new business opportunities and new independent business people working on their own not as wage- or salary dependent employees. The paper employs a historically broad perspective to discuss long ways of "ups" and "down" of business development and their complicated interaction in a holistic perspective. The paper is guided by a Schumpeterian interpretation of economic change through which all new phenomena are integrated into dynamic processes. Schumpeter, 1942, CSD: "The essential point to grasp is that in dealing with capitalism we are dealing with an evolutionary process".

### *Survival, Growth and Expansion: Different explanations*

Marcus Box, Södertörn University

Karl Gratzner, Södertörn University

This chapter discusses and elaborates both on the issue of survival (or “failure”) of small businesses and on small firm growth and expansion. In studies in entrepreneurial history and in business history, it is easy to find numerous examples of successful firms, entrepreneurs and business leaders. In spite of this, the economic transformation process is invariably also marked with exit and failure. Firms who never experienced success – be it fame, longevity, growth or expansion – are more difficult to describe and they have very seldom been in focus for the economic and business historian. In general, business historians have been more interested in the (long-term) “expansion” of existing businesses. We discuss how different disciplines and research traditions in the economic and social sciences have approached a ‘historical’ perspective to the study of small business. What are the implications and can be learned by economic and business historians from several decades of research on firm survival and on the size of firms in different fields and traditions

### *Historical Consciousness in Commissioned Company histories*

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Commissioned company histories are a significant body of literature that is, at least to certain extent, ignored by academic research. As Geoffrey Jones (1999) has argued, these company histories are thick, printed in best paper with coloured pictures, and they do look nice in your bookshelf, but rarely anyone reads them. However, there is a reason why companies have invested time and money for these commissioned histories that are in many cases written by professional business historians. Why then companies themselves are interested in ordering these histories?

In this article, we argue, commissioned company histories can be seen as a part of organizational identity construction (Ravasi & al., 2019), uses of history (Brunninge, 2009; Wadhvani et al., 2018), and as an important component of historical consciousness (Seixas, 2004; Suddaby, 2016). By combining the theory of historical consciousness (Seixas, 2004) and discussion on uses of history in organization studies (Wadhvani & al., 2018) we aim to analyse the components of historical consciousness among the small and medium sized firms. Our focus is on company histories that are an essential part of each firms’ historical culture and heritage that include also, for example, corporate museums, archives, buildings, and traditions. In the article our main task is to analyze to what purpose these corporate histories were compiled at the first place? Were they purely written for PR purposes, or can the books reveal also more in-depth motivations of companies for uses of history and thus, historical consciousness?

We have compiled a database including information on all company histories made in Finland from the late 19<sup>th</sup> century up to 2020 (N=3,198 books). From these, we selected a sub-group of company histories from 2010s (N=460 books). By analyzing the forewords by the company actors (included in 199 books) and by the author (in 276 books), together with the overall content of these commissioned company histories we are aiming to reveal the patterns of historical consciousness among small and medium sized firms.

*Beyond big business. State banking and small business Credit in Sweden, 1945-1965*

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Martin Eriksson, Umeå University

The established picture of small business finance in Sweden during the post-war period is that the bank-oriented financial system and the state regulations for investments favoured big business at the expense of small business. However, such studies have not taken into account that in parallel with the regulation of the banking sector, which undoubtedly was designed to benefit large firms, state measures were introduced to facilitate investments in small businesses and improve their supply of capital. During the 1950s, the government expanded its funds for small business credit which represents a hitherto unresearched area of Swedish financial history. By researching this area, it is not only possible to increase our historical knowledge of small business finance. The results will also bring new insights into how we should assess small business policy in general during the post-war period.

In our chapter, we will study the major fund for small business credit, the State Loan Guarantee Fund (Statens Lånegarantifond). We first examine the emergence and organization of the State Loan Guarantee Fund as a policy measure during the period 1945–1954 and the political objectives behind its creation. We thereafter focus on its lending on the firm level during the period 1954–1965. We present both a national overview and a case study of Västerbotten county. In the final section of the chapter, we discuss the implications of these empirical results in relation to previous research on small business finance and investment during the examined time period.

*How to industrialize “the other half?” Finnish Industrial policy promoting small-scale industries in the 1950s and 1960s*

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Since the interwar period and especially after WWII, Finnish economic growth and industrial development was rapid, yet it was not an even development. One problem considered at the time was that the industrialization was weak in remote regions in the north and east of the country; only half of Finland seemed to be industrialized. In fact, a core hypothesis and point of departure in this chapter is that the divide between industrialized and less industrialized regions became even more pronounced during these decades of overall rapid development. We will start by plotting out this development as a background to our investigation. Based on this analysis, we will ask the following questions.

We will ask what the contemporaries considered to be the solution to the problems of the divided country and how to develop more remote regions in the 1950s and 60s. And why did this problem become particularly to the fore during this period? One common solution suggested was the promotion of small-scale entrepreneurship in these regions. But why? At the same time also policies to industrialize the north through large-scale (state-induced) investments was on the agenda. Therefore, it is interesting to ask where, how and why especially small industries were considered as a solution for the under-industrialized part of Finland?

Furthermore, we will also ask what policies would promote entrepreneurial initiatives, firm creation and manufacturing in rural areas and in small towns according to contemporary analysts and experts?

*Our overarching aim is to understand, what role was given to firms in general, and small industries in particular, in this context.*

Our study is explorative. We combine three types of sources: Statistics and scholarly investigations built upon the census data, publications by semi-public interest organizations promoting the positions of small businesses, and committee reports. We analyse the different initiatives set by committees and associations, often advocating a bottom-up approach where rural communities and small towns would actively map their strength and improve the local conditions for small-scale entrepreneurship. We also utilize the contemporary investigations on regional spread, sectoral development and firm size structure. How did the situation actually look like in the data available for the contemporary scholars? What happened in the firm size structure in Finland during the “golden years” of industrialization and how did “the other half” of Finland look like, if firm size structure is taken into account?

We show that the debate was not only about low living standards, economic backwardness and staggering growth, but also about fear of depopulation. During this period the role of state policies became stronger in economic policy and this also meant the start of active regional policies. This form the context of the new initiatives and the debates.

We also contradict the view that scholarly interest in small-scale businesses only started since the 1970s. We show that in Finland, a country that the contemporary economists characterized as an only semi-industrial economy where only half of the country was to be considered industrialized, academic discussions were raised already in the 1950s and the 1960s. These studies highlighted the role of small businesses for sustainable economic growth and for industrializing the “other half”.

*The Glassworks Region in South-Eastern Sweden: Long-Term Change of a Low-Tech Agglomeration*

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This paper sets out with short discussion of different kinds of agglomerations through the example of the Swedish household ornamental glass industry in Småland between 1850 and 2000. Departing from the concept of Industrial districts, the paper analyses how a glassworks district was developed based on specific artisanal techniques, a specific type of organization and the advantages created by geographical proximity. The development pattern of the glass

district is similar to an S-curve with four phases, infancy, expansion, maturity with the addition of decline. Thus, in the 150-odd years, a glassworks agglomeration was established and practically disrupted and this paper deals with this course of events i.e. how this industrial district evolved, was renewed and declined. First, a short overview of some theoretical approaches to clusters and industrial districts is given. Thereafter empirical elements of the case is unfolded, highlighting key events and special technology of glassmaking is described as this is at the center of what happened. After that, the formation of the glass district, i.e. its growth, how it changed and why it declined, will be discussed. Finally, the questions of what remains today of this, once very active agglomeration, and whether the glass district has survived “in a renewed form” are dealt with.

*Does size matter? Studying female business holders fine du siècle*

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This chapter aims at contributing to the discussion on size of firms in business history scholarship by using my own and others' research on female business holders fine du siècle as case. Size is, as the introduction of this book discusses, certainly been an overlooked facet of business history research while simultaneously being paradigmatic. Alfred Chandler's work on scale and managerial structures in modern corporations has indeed contributed to the this.

Chandler assumed that the economy of scale and scope was if not a natural law so enacted by corporation for efficient reasons, but in the words of Neil Fliegstein firms always operate in a context of politics and conflict, and man-made norms and values.

The critique of Chandler has also been factored in by business historians, albeit his priority of large businesses over small stands if not unchallenged relatively firm: There is still a preference for larger companies to small companies within the field of business history, and the industrial and professionally managed corporation to the family-owned store. Business historians have in this way helped reproducing by default the values and meanings of size that came with the Chandlerian paradigm forty years ago rather than putting these political, institutional and cultural standards of modern capitalism under scrutiny. In this way, one can argue, historians of business have appropriated a very particular understanding of size in their studies of economic activity where smallness is regarded equivalent with economic backwardness and failure, and scale is a synonym with (and often regarded as a requirement for) business success and economic growth.

Clearly, this has had a tremendous effect on the historical knowledge of firms and business, as well as the categorization and the evaluation of this activity in hindsight.

Even as influential Chandler has been for the practices of business history, his theories were made in the second half of the twentieth century. This was a time when the downsides of industrial capitalism were not as obvious as today, with its man-made climate changes and extreme capital concentration in the hands of a few global actors. The economic recession in the wake of the Covid 19 Pandemic represents, at the same time, a new opportunity to problematize size and the normative standards of evaluation adhering to categories such as 'big' and 'small-size businesses'. In my view, business historians need to move beyond both

normative and conventional categorizations of economic and corporate life by challenging the normative underpinning of contemporary economic thought and policies.

The study of female business holders is a well suited for discussing the meaning and relevance of size in business history scholarship: Over the last three decades, women owned business have turned into a hot topic, almost an own branch or departure of historical research and writing. However, most of the scholars specializing in female entrepreneurs and woman-owned firms belongs not primarily to the field of economic and business history, but to gender history, and social and cultural history. This tell us that women's economic abilities and contributions are regarded less important or interesting for mainstream business historians to investigate. In fact, the study of women is still marginal within the field of economic and business history.

A brief look at scientific journals such as *Business History* and *Business History Review* help sustaining my argument: Since the seminal article of Joan Scott in 1998, emphasizing the benefit and implications of the gender category in business history studies, much less than 1 of 10 articles have touched upon issues related to gender and gender constructions within the business sphere. My question thus is what the research on business women potentially can bring to the discussion of firm size in business history studies. Asked differently, what explicit and implicit notions of size has been used in the research on female entrepreneurs and business holders *fin de siècle*; Where do these notions come from and how does it shape the knowledge on women's economic activities and contribution more generally? And finally, what lessons can eventually be learned from this when studying "small businesses" as business history?

My methodological approach will be to re-read my own and others work on female business holders *fin de siècle* with "size-firm" in mind: Is this an explicit / implicit thematic? What meaning and value is given to size, and what scholarly references are being made? And finally, what consequences does Chandlers normative stand on size have for the stories told about female entrepreneurs and business holders.

### *Small agricultural business – dairies in Sweden 1880-2020*

Lena Andersson Skog, Umeå University  
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Farms have always played an important role in the economy at local, national and international level. For centuries, farms were the main market players, they were the main source of employment and farm produce were key components in the emerging craft industries and in early exports. In 1860 in Sweden, around 75% of the total employment and around half of the country's GDP was created in agriculture.

Moreover, in the late 19th Century, a large number of small industries, such as dairies, breweries and mills were driven in large numbers on farms or in connection to farms in rural villages. These were also important providers of employment and creators of value. In the course of less than a century, rural, farm related industries declined in numbers and farms lost their prominent role in the economy as they became subordinated the growing urban based industries. According to Watts (1967) the decline of agricultural businesses and the changing role of farms, was enabled by technological development and by other changes in society.

But the status of farms, as businesses also changed as a result of the changing contract between urban and rural spaces. The economic activities of farms became regulated and the ‘invisible hand’ was replaced by regulated prices negotiated with the state. But the state also intervened through policies designed to promote certain types of farms, in the Swedish case, family farms with between 10 and 20 hectares, became the main arena for an unprecedented process of modernization and productivity gains. This trend was accentuated especially after 1947 when the state adopted what has been denominated as the Magna Charta of agriculture.

In small business research farms have almost totally been neglected, except for the last decades, when diversification in agriculture and the role of farms in rural tourism has become an important contribution to regional economies. In this paper we will analyse small-scale family farms as small businesses. We will highlight the role of various policies influencing the development of small-scale farms and how the general idea of farms as ‘non-businesses’ was established in the early 1900s and how this changed again after the 1990s under the influence of the ‘entrepreneurial turn’ in Swedish regional development policies. The Swedish case is representative for many countries in Europe and is contrasted to the US where farms have always been considered as business that are central to the country’s development.

*The Diffusion of Steam Power in British Consumer Industries, 1774-1800: A Contrast Between Textiles and Breweries*

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This paper considers the penetration of steam power in textiles (cotton and wool) and breweries during the last quarter of the 18th century. The analysis begins by tracing the trajectory of Average Total Cost (ATC) in cotton’s spinning process while it extends it to the entire production process in the case of wool. The paper’s quantitative analysis confirms that water power added much less to ATC compared to steam. It also addresses the question of whether the older atmospheric/Newcomen engines were preferable compared to the new Watt model. Based on a county-specific analysis, it shows that the decision hinged on the distance of coalfields and the price of coal as well as the intensity of the working routine of engines. There was, however, one major difference between the cotton and wool branches revolving around the size of firms. Firms in cotton acquired bigger size, hence the cost of steam could be absorbed into more units of output, a feature which explains the more drastic penetration of the new technology in cotton along with the fact that technical factors also played a more favorable role. Breweries is brought into contrast in order to show the effects of how different market structures impacted the diffusion of steam power. This sector was dominated by a dozen or so firms even prior to the introduction of steam power with the latter simply intensifying the forces which drove the trend towards greater concentration. Market expansion was more limited in breweries compared to textiles whose demand was largely driven by foreign markets, while the much stronger financial position of leading firms among breweries eliminated any prospect of using the new technology by their smaller counterparts as a lever to join the elite club. The paper is a chapter of a book manuscript in progress which is the companion volume of a published book on early British steam engines (*Innovation and Technological Diffusion: An Economic History of the Early Steam Engines*, New York and London: Routledge, 2016). Both

works rely heavily on research done by the author in the Dibner Library of Rare Books at the Smithsonian.

Key words: Technological diffusion, Steam Power, 18th century, British Industrial Revolution