

The Meaning and Limitation of Chandler's Study of Business History
—Concerning the Formation, Development and Transformation of Modern Business
Enterprise—

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Chandler demonstrated historical process that the modern business enterprise, that is, large vertically integrated organization which had established managerial hierarchy had become core business institution by doing administrative coordination as the visible hand of management. Chandler's theory concerning the formation and development of modern business enterprise is described as "Chandlerian model". The modern business enterprise had been the main business system during most of the twentieth century. However, in recent years, this modern business enterprise system has been disintegrating as a whole, and the "Chandlerian model" is now being criticized by many scholars.

This thesis attempts to re-appreciate the meaning of Chandler's theory and tries to explain its limitation. This research focuses on organizational capabilities which are the core conceptual parts of Chandler's theory and considers the meaning of Chandler's theory. One of the limitations of Chandler's theory is that it failed to incorporate the dynamic capabilities which modify and reconstruct organizational capabilities to maintain the sustainable competitive advantage as the circumstances keep on changing.

This research takes into consideration the "Post Chandlerian model". In the "vanishing hand" hypothesis, Langlois insisted that the visible hand had been replaced by modular business network and market coordination. However administrative coordination has been heightening its significance as coordination mechanism of firm's business activities in the business system which has formed as inter-firm relationship. Lamoreaux, Raff and Temin indicated the long term relationship in this regard, while Sabel and Zeitlin considered co-design and co-development as the main characteristic of inter firm relationship in the new business system. This research focuses on and considers this co-design and co-development. Finally, this research reviews Chandler's achievement in his later years, and examines transformation of modern business enterprises' organizational capabilities and business system.