

PROFESSIONAL READING LIST

The Defense Acquisition Professional Reading List is intended to enrich the knowledge and understanding of the civilian, military, contractor, and industrial workforce who participate in the entire defense acquisition enterprise. These book reviews/recommendations are designed to complement the education and training that are vital to developing the essential competencies and skills required of the Defense Acquisition Workforce. Each issue of the *Defense Acquisition Research Journal (ARJ)* will contain one or more reviews of suggested books, with more available on the *ARJ* website.

We encourage *ARJ* readers to submit reviews of books they believe should be required reading for the defense acquisition professional. The reviews should be 400 words or fewer, describe the book and its major ideas, and explain its relevance to defense acquisition. Please send your reviews to the Managing Editor, *Defense Acquisition Research Journal*: Norene.Fagan-Blanch@dau.mil.

Featured Book

The Visible Hand: The Managerial Revolution in American Business

Author(s):

Alfred D. Chandler Jr.

Publisher:

Belknap Press of Harvard University Press

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1993

ISBN:

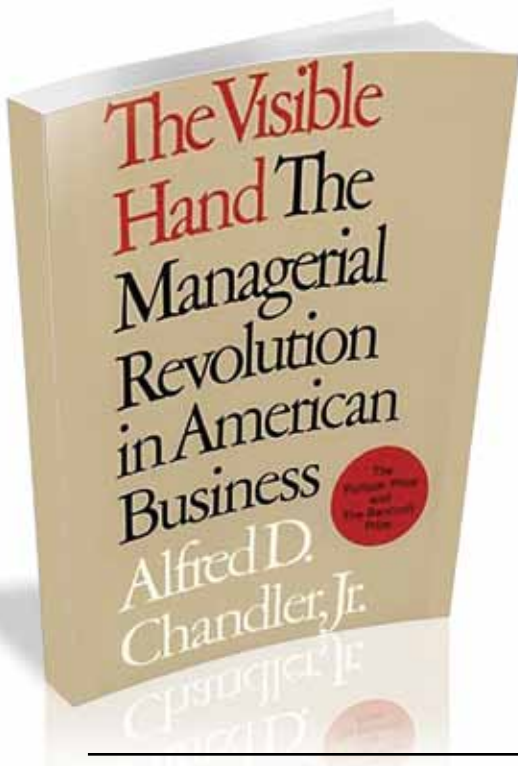
978-0674940529

Hard/Softcover:

Both, 624 pages

Reviewed by:

Dr. Nayantara Hensel, Professor of Industry and Business at National Defense University and a member of the *Defense ARJ* Research Advisory Board. Dr. Hensel's PhD is from Harvard University, where she learned from Dr. Chandler himself.



Review:

Alfred Chandler's *The Visible Hand* contributes significant insights into the historic evolution of the large-scale business enterprise and modern managerial capabilities. This has important implications in understanding how key business functions that are located in smaller business enterprises can be combined to form multiunit business enterprises, which, in turn, can be applied to the defense industry in several ways. First, the historical perspectives in the book can help in assessing whether key functions should be outsourced by the Pentagon or conducted internally. Second, the historical lessons can assist in exploring whether defense companies should outsource activities to smaller firms or whether they should internalize the activities and expand the size and scope of their corporate structure.

The Visible Hand examines the growth of business enterprises in the United States between the 1840s and the 1920s, and the developments in coordination and administration of production and distribution activities (including communication, finance, and transportation). Internalization of these activities into larger business enterprises rather than the continuation of these functions in smaller, diverse companies led to reduced transaction costs in conducting core functions, as well as greater productivity. Chandler focuses on the importance of the creation of managerial hierarchies as well as the development of the formal profession of managers in achieving the internalization of activities and in the formation of large, American companies. Without the development of professional managers, the benefits of improved productivity and lower costs due to the synergies between the functional units and their integration into the broader corporate structure could not have been realized.

Chandler examines the managerial revolution in a variety of industries, including the evolution of the railroad industry in the United States. The analysis examines changes in mass distribution (the development of department stores, chain stores, etc.) as well as changes in mass production. The analysis then examines the integration of mass production and mass distribution functions within modern industrial corporations and vertical integration through mergers in a variety of industries. These historical examples have many parallels with contemporary supply chain management challenges, some of which have been effectively dealt with through acquisition of smaller companies conducting core functions into larger corporate enterprises.

An understanding of how the “visible hand” of management replaced the “invisible hand” of market mechanisms through the evolution of the modern American business enterprise and through the associated development of managerial hierarchies is key in evaluating the challenges currently facing American industries, including the defense sector. When I was a PhD student at Harvard University, I always found that Alfred Chandler's perspectives in his discussions with the students in class provided valuable insights on how historic and contemporary threads were woven together to create the tapestries of particular industries or markets. Today, both the economic crisis and the associated budgetary pressures necessitate improved efficiencies, greater productivity, and reduced costs in the industrial base, and the exploration of economic history in *The Visible Hand* can provide the foundations for some possible solutions.