Symposium on Harrison's "Lean and Mean": A Policy Perspective

John de la Mothe
Gilles Paquet
Jeffrey Roy

Controversies, and the deliberations that they engender, often provide new insights into an issue when the dialogue is carried out in a spirit of rigorous, yet generous, interpretation. In taking such an approach to Bennett Harrison's *Lean and Mean* (1994), we find that new directions for economic development policy are suggested – even though they are not clearly stated.

In the complex whirlwind of knowledge-based economic competition and globalization, Bennett Harrison has chosen to question – head on – the role that small firms play in driving economic growth. He doubts their importance as leaders, and he criticizes the almost romantic attachment that some have regarding the value of small firms as job creators, as innovators, as diffusors of technology, and as aggressive traders.

Mr. Harrison, in speaking of the private world, has suggested that a more accurate and persuasive explanation of economic reality might be found in an alternative paradigm that he calls "concentration without centralization". In a world full of strategic alliances, joint ventures, virtual corporations, and national growth that is attributable to local systems of innovation, such a moniker clearly has its appeal. Harrison's 'alternative' explanation not only leaves the large, concentrated firm in the economic driver's seat – but it actually enshrines them in that position, almost to the exclusion of small and medium sized firms, public policy, and government-business relations. Harrison's critical reaction to the recent celebration of small business dynamism is in effect a cautionary tale against small firms that mirrors exactly the critical reaction that we saw in a previous age against the single-minded celebration of big firms.

Yet to reject Harrison's arguments out of hand would indeed be shortsighted: the policy debates regarding business growth, innovation, and economic development could certainly use a fresh, and critical, view of the new production realities that many have characterized as being based largely on industrial and technology clusters where small and flexible firms are the dominant actors and the keys to success.

Harrison constructs a convincing case that supporting small business is not a policy panacea, but his argument in this regard is incomplete. Few people today are really saying that small firms are the panacea. Instead, received wisdom suggests merely that small firms matter. Thus, not only is his policy advice incomplete, but his analysis is somewhat truncated.

What has been interpreted by some as Harrison's outrageous and unwarranted attack on the critical importance of small business should not be seen as a celebration of big firms, but be accepted as a suggestion that more attention needs to be paid to the complexity of the mechanisms that drive economic coordination. Harrison is essentially interested in what we call 'the function of transversal coordination in the networked firm'. Our comment here will thus not dwell on the controversies generated by Harrison's attacks on small business economics, but will focus instead on reframing the policy debate that has been opened by his drawing attention to transversal coordination.

While Harrison does indeed acknowledge the features of the network organizations, he constantly emphasizes the determining role that large, powerful, and well monied, firms play. This is

Final version accepted on January 20, 1995

Program of Research on International Management and Economy (PRIME),
Faculty of Administration, University of Ottawa,
Vanier Hall, 136 Jean Jacques Lussier,
Ottawa, Canada K1N 6N5

done in such a forceful way that, at times, large firms appear to be the sole meaningful force at work in Harrison's global economy. This is both unfortunate and unreal. Nothing Harrison adduces to the dossier would appear to indicate that this has to be the case. Coordination may equally well be catalyzed by larger firms, by smaller firms, by governments' industrial programs, or by spontaneous, tacit or emerging alliances wherever firms (of any size) interact. Consequently, Harrison badly overstates the case for the large powerful firms as drivers in economic growth. A side effect of this unfortunate insistence is that Harrison is led to re-introduce exactly that which he had been trying to escape, namely the dominance of vertical power relationships in hierarchical organizations as the mainspring of economic growth. This is clearly at odds with the most recent work on new patterns of governance that notes a massive dispersion of power amongst players and a major distribution of power in modern economies and organizations (de la Mothe and Paquet, 1994; Paquet, 1994a).

In no way does this diffusion or 'transversalization' of power eliminate power. Indeed, it does exactly what Harrison admits is actually happening. Power is not lost, but "power is changing its shape" (p. 8). One is not forced to rely on power coordination by vertical structures. Power has become ambient and may indeed be equally expressed as *power with* or *power between* or *power around* than as *power over* (May, 1972; Laurent and Paquet, 1994). Such variety in the nature and channels of power have the great advantage of allowing one to shift focus away from control and towards coordination in a network world of consultation, negotiation and learning, in a transversal world.

A more thorough treatment of Harrison's issues might have taken quite a different tact – one that emphasizes economic development as a function of the cognitive capacity of a forum and the collective learning capabilities of the organizations interacting within that forum. In a world where innovation and the production of new knowledge have become the prime mover of the socio-economic system, cognition is the central mechanism (Paquet, 1994b). Any socio-economy can thus be seen as a knowledge system, and the only meaningful way in which to gauge its performance is to ascertain how effectively it is learning. We are thus very far from the simple-minded measurements of allocative efficiencies. Much more has to be gauged instead in terms of adaptive efficiencies or Schumpeterian efficiencies (North, 1990; Dosi, Zysman and Tyson, 1990).

But, if innovation is the prime mover of the knowledge-based economy, one must ensure that the notion of innovation is not reduced to 'vulgar Schumpeterianism' (i.e. the introduction of new products, new processes, new organizational forms, the application of existing technology to new fields, or the discovery of new resources and new markets). These are only a part of the cognitive economy. In fact, the firm and the forum are 'knowledge systems' that create, process, receive and transmit information. 'Packaged knowledge' is now the standard output of the forum, public policy and the networked organization. But the accumulation of new knowledge need not only take the form of new products or processes. It may be "capitalized" (in a manner of speaking) and translated into an enhanced capacity of the network or the forum to learn fast, to adapt effectively, and therefore to generate more innovations in the future (Cohen and Levinthal, 1989; Wikstrom and Normann, 1994; Paquet and Roy, 1994).

There is little evidence at this time that any mapping of networks and forums will reveal anything but tangled hierarchies and circular causation. Moreover the forum and the networked organization are most likely in such a context to acquire a dynamics of their own as they develop and learn. So, the likelihood that evolutionary change is going to be ascribable to the plans of a few large firms is very low. In fact the process is much more likely to unfold through many rounds of "learning" – learning new goals as well as new means – and learning to evolve the requisite "emergent properties" (Wheeler, 1928).

Harrison shies away from giving any consideration to the cognitive fabric of networked organizations because he does not feel a need for any bottom-up explanation: he already has a ready-made top-down rationale. This is a major flaw of his book. Harrison, having chosen to argue that large concentrated firms are the big levers, is trapped in a centralized mindset (Resnick, 1994). He is therefore led in his policy discussions to comment on the ways in which a top-down policy might be designed to regulate global companies and their networks. But as we proceed through chapter 10, Harrison becomes more and more uncomfortable with this approach – offering only very light sketches of some of the more obvious policy debates (*a la* Reich, Porter, Tyson, etc.). Yet, instead of reverting to his more natural stance which is at least open to the possibility that the driving forces might be found lower-down in the system and then 'percolated' bottom-up (Storper and Harrison, 1991), Harrison scorns "deliberate care and feeding of localized networks of SMEs", ridicules Charles Sabel's efforts to entice groups of owners to study trust, and rejoices Irwin Feller's study demonstrating that industrial parks may not have been as successful as anticipated. These may be effective debating points, but they do not add up to a meaningful or realistic proposal for economic development policy.

When one reaches the end of the book, one is left unsatisfied with a strong sense that something has been left unfinished. Indeed, after much clucking, Harrison lays a very small policy egg. He meekly asserts the obvious: that "the possibilities of prosperity lie in a joining of the public and private sector to provide . . . technology, training and technical assistance" for the bigger firms "to help them upgrade the technical capabilities of their generally smaller suppliers". So, after more than 200 pages, Harrison has brought us to what John Kenneth Galbraith used to call in the days of yesteryear 'the horse and sparrow theory' of economic growth in which the feeding of the horse provides – ultimately – for the nutritional needs of the sparrow.

Given that such top-down policy initiatives have failed miserably in the past, and that the on-going dispersive revolution in the governance system of both private and public concerns would appear to point to a networked, bottom-up, cognitive approach as the only meaningful way out of the present array of crises (de la Mothe and Paquet, 1994), Harrison's recipe does not appear very promising.

A less doctrinaire economic policy thrust would appear to follow naturally from a more transversal perspective on coordination. One can build a reasonably persuasive case for a cognitive approach to institutional evolution in the spirit of the work of Douglass North (1990) and suggest that the strategic state as a moral agent can effectively make a difference in the process of "alliance capitalism" by legitimizing cooperation, by providing a framework for alliances, by improving the informational and technological infrastructure, by triggering a greater accumulation of trust capital, and by providing more stable conventions and common knowledge. One need only think of the possible application areas such as trade policy and technology policy. Indeed, in thinking about the transversal coordination route opens up the possibility of intervening, via policy, at two strategic levels: to increase the absorptive capacity of the network firm and to improve the infrastructure of those meso-forums, to improve cognitive gains and innovation (Paquet and Roy, 1994).

Conclusion

It is unfortunate that Bennett Harrison has been trapped into a Manichean view of the world and that, in his attack on small business, he has found no lever other than a reliance on big business. The world is not as simple as he would appear to suggest. It is neither black nor white, but grey; coordination is neither vertical nor horizontal, but transversal.

Yet one must welcome Harrison's polemical attack. It may yet serve as a catalyst that will enable the debate to go well beyond the large-firm/small-firms fixation (a somewhat sterile debate) into an exploration of the various forms of transversal coordination and of their relative merits in a rich variety of contexts. If this were to be the case, one might, in the future, see the present controversies surrounding Harrison's book as being something of a landmark, for while the book itself may have somewhat faded away into oblivion, the stimulating discussions generated by the book will have left behind what Gaston Bachelard would have called a "surobject" – a solid residue, a positive contribution to knowledge that would never have materialized without such a book (Bachelard, 1949).

References

Bachelard, Gaston, 1949, *La philosophie du non*, Paris: Les Presses Universitaires de France.

Cohen, W. M. and D. A. Levinthal, 1989, 'Innovation and

Learning: The Two Faces of R & D', *The Economic Journal* **99**, 569–596.

de la Mothe, John and Gilles Paquet, 1994, 'The Dispersive Revolution', *Optimum* **25**(1), 42–48.

Dosi, Giovanni, John Zysman and Laura D. Tyson, 1990, 'Technology, Trade Policy and Schumpeterian Efficiencies', in John de la Mothe and Louis-M. Ducharme (eds.), *Science, Technology and Free Trade*, London: Pinter.

Harrison, Bennett, 1994, *Lean and Mean – The Changing Lanscape of Corporate Power in the Age of Flexibility*, New York: Basic Books.

Laurent, Paul et Gilles Paquet, 1994, 'Préliminaires à une étude des relations de pouvoir dans les réseaux stratégiques', *Les Cahiers Lyonnais de Recherche en Gestion* **15**, 288–316.

May, Rollo, 1972, *Power and Innocence*, New York: Norton.

North, Douglass C., 1990, *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press.

Paquet, Gilles, 1994a, 'Reinventing Governance', *Canada Opinion* **2**(2), 1–5.

Paquet, Gilles, 1994b, 'From the Information Economy to Evolutionary Cognitive Economics', in Robert E. Babe (ed.), *Information and Communication in Economics*, Boston: Kluwer.

Paquet, Gilles and Jeffrey Roy, 1994, 'Méso-systèmes d'innovation: structures et stratégies', PRIME Working Paper (24 pp.)

Resnick, Mitchell, 1994, 'Changing the Centralized Mindset', *Technology Review* **97**, 33–40.

Storper, Michael and Bennett Harrison, 1991, 'Flexibility, Hierarchy and Regional Development: The Changing Structure of Industrial Production Systems and their Forms of Governance in the 1990s', *Research Policy* **20**(5), 407–437.

Wheeler, William M., 1928, *Emergent Evolution and the Development of Societies*, New York: Norton.

Wikstrom, Solveig and Richard Normann, 1994, *Knowledge and Value*, London: Routledge.