

# LEARNING FROM HISTORY: LEVERAGING EXPERIENCE AND CONTEXT TO IMPROVE ORGANIZATIONAL EXCELLENCE

*The perspectives of history are usually seen to be of value in politics, but the same approach can equally well serve businesses. Learning from the past—of the company, of the industry, of the market—can help point the way to future success. Consider what a historian could do for your company.* © 2002 Wiley Periodicals, Inc.

*James W. Cortada*

The *Wall Street Journal* carries an article quoting CEOs about the insufficient supply of liberal arts graduates in senior ranks of management. Harvard Business School professors are writing books on management practices that read more like novels than primers on management. Histories of corporations and industries are selling well.

These are all indicators of a trend among senior managers to look at historical precedents and prior corporate history for insight into corporate decision making. They have found value in taking into account context, and not solely financial or math-based marketing criteria. One of the great business lessons resulting from the September 11 terrorist attacks on the United States is that organizations need to pay attention to geo-political considerations when formulating their global cor-

porate strategies. Leveraging applied history can help managers improve not only their decision-making abilities, but also the performance of their organizations, in times of both calm and crisis.

## WHAT IS APPLIED HISTORY?

Applied history is the tasks and methods that historians use to gather and use information about the past to enlighten someone about the present.

Historical methods were successfully applied when West German Chancellor Helmut Kohl announced his intention to merge East and West Germany to British Prime Minister Margaret Thatcher. The British were very nervous because their view of history suggested that a strong Germany had previously dominated Cen-

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tral Europe and caused two world wars. What was to prevent Germany from doing it again? What did Thatcher do?

She called for a weekend meeting with several leading historians of Nazi Germany and sought out their opinions on whether merging the two Germanys was a good idea for Europe and the British. The historians—all distinguished scholars on 20th-century Germany with a long list of history books to their credit—advised her to endorse the unification because modern Germany was sufficiently different from the Germany of the past. She took their advice without having to take the time to read any of their books, none of which commented on what a united Germany would do anyway.

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Similarly, business managers often face situations where historical perspective can enhance their decision-making ability. This historical perspective can range widely, involving such issues as:

- Previous attempts by a company to do something specific
- Industry track records
- Previous experience with government regulators (for example, antitrust or environmental considerations)
- Patterns of customer responses to specific issues
- Key adversaries and how they might react to a proposal (crucial in merger talks)
- Cultural and political trends in another market, which is particularly useful to those who sell products and services in another nation

Suppose an R&D executive wanted to propose going into a new high-tech market with an offering that had lower margins than the current product line. Since this situation normally results in a

failure to obtain funding, this manager might want to know whether other firms had ever been successful in a similar venture and, if so, what they did that made it possible to introduce a potentially disruptive initiative.

Another example: A CEO contemplates merging his company with another to enhance the market presence of both and wants to know the chances of succeeding. An analysis of the history of such mergers in his or her industry would point out what happened in previous attempts and, more important, the issues to watch for as the firm goes forward.

Applied history is not about going out and commissioning a historian to write a history of the company or a biography of a beloved CEO. It is not about setting up exhibits of the company's past along a wall leading to the cafeteria. Nor is it about dedicating an issue of the company magazine to the firm's past on the occasion of an anniversary. Such projects can create a collective sense of identity—a corporate culture—but an organization does not need a historian to handle them.

The value of historians lies in the fact that they think and arrive at conclusions differently than MBAs, engineers, and most consultants or economists. Because they ask questions of situations and avoid relying on one simple set of hypotheses or case studies, they avoid the classic mistake made by so many analysts, the sin of simple deductive reasoning.

Historians are interested in the work of economists, consultants, and business administration professors, but they also typically think of other issues and sources of information outside the rigorous constructs of a typical consultant's or economist's discipline. This is not to say that consultants or economists are faulty in their work, merely that historians take a more inductive view of the past and present, casting a wider net for their catch. The more things change, the more one needs historical perspective to understand the larger forces at work.

The methods of historians are not as clearly defined as the tool kits of social scientists because of the eclectic nature of their work. Yet their investigations reveal patterns that serve well as working truths. The one with the greatest value to business management is also the one most closely

aligned with the work of economists: the study of waves of historical experience.

### THINKING OF CHANGE AS WAVES

Historians, economists, sociologists, and artists have begun to think of change in society as coming in waves. Historians in particular have discovered wave-like changes in economies, mergers, industries, civilizations, political parties, and fashion. Like waves, each surge of activity is not quite the same as the previous one, but nonetheless similar. Understanding waves of change can help management appreciate the possible.

The key characteristic of waves is that although they are repeated, each is different and has definable yet variable levels of intensity. That view helps to explain why history never quite repeats itself, yet events feel vaguely familiar. The business and historical research done on waves is exhaustive, and centers on such issues as environmental changes, economic growth, and technological evolutions, all of which affect business opportunities in both the short and long terms.

Environmental waves have profoundly influenced the expansion, contraction, and growth of human populations and economic well being. Today we are seeing a surge in Africa and in Latin America, and a leveling off in North America, Western Europe, and in Asia. Diseases and changes in climatic conditions have influenced and will continue to influence populations, nations, and economies.

A second type of wave is economic. Price and demographic waves occurred at intervals over the past 800 years, with the most recent surge in prices over the past century. Price surges (inflation) are byproducts of rising populations, making greater demands on energy, housing, and food, which, in turn, create shortages and, thus, rising prices and changes in customers' buying habits. Another byproduct of price waves is a rise in violence and its consequent risk to health caused by more crime, war, and health problems.

A third type of wave is technological. Massive surges in technological innovations occurred in the late Middle Ages, again during the first Industrial Revolution (1700s), and in the second Industrial Revolution (late 1800s, throughout the

1900s). Almost everything managers read today hypes what is being called the third Industrial Revolution or the Information Age. Regardless of title, all three "revolutions" have one thing in common: technology. Although it is not the sole driver of change, it is a major—if not *the* prime driver of change at such operational levels as living standards and for the demand and types of goods and services sold. Technology in each case has affected business practices, activities of an economy, national political practices, and the role of scientific and technological changes and innovations. Yet scholars also have started to document the cultural and sociological issues and practices of technology; in short, the subject is far more than just physics and computer chips.

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Policymakers, scientists, and business managers are increasingly becoming aware of the importance of waves of change. Therefore, corporations will want to factor these waves into their strategic planning. Environmental, economic, and technological waves drive such issues as use of e-commerce, global markets, use of information and knowledge, and overall worldwide prosperity.

A quick example of how to apply waves thinking illustrates the power of this perspective. Take the Information Revolution as an example. It, too, has gone through waves of change with each new succeeding technological innovation causing surges in the supply and use of information. In each case the technological innovation served as an aid to memory, making it possible to carry and use information in larger amounts than we could simply stuff in our heads. Each also created new business opportunities and both anticipated and unanticipated consequences.

Clay tablets made it easier for ancient civilizations to trade around the world, printing presses with movable type made possible the wide distribution of books (hence sharing of knowledge), and electronic information—handling tools in the 1800s and 1900s (moving information) did the

same. Before computers there were the telegraph, telephone, radio, television, and a variety of other information technology-based tools. We are now in the midst of another long wave in information technology, one in which the power of telephony is fully actualized with the merger of voice, image, sound, and data in what we currently call the Internet, e-commerce, or e-business.

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Because there is more information being acquired and used in the world today, we cannot speak about the Information Revolution as simply a computer-centric one. Nor should we speak of it as a new phenomenon, because book publication, for example, has steadily increased since the 15th century, and the literacy rate has been rising worldwide for the past two centuries.

A second point to keep in mind is the application of information in the performance of business activities. A century ago, more than 70 percent of American workers earned their living on farms, applying essentially the same quantity of information as had their fathers and grandfathers. By 1950, only 10 percent of workers were in agriculture and had vastly increased the knowledge required to perform their work (for example, use of tractors, new medicines for cattle). The same pattern is evident in Europe.

With the rise of corporations in the second half of the 1800s, a new type of organization emerged that required enormous amounts of information to manage people and assets across great distances. Between 1950 and the present, the number of knowledge workers required to feed modern economies with information went from less than 10 percent to more than 60 percent just in the industrialized world.

Those who are not historians have focused on the computer as machine, making it the icon for the Information Revolution. But scholars and business analysts are now beginning to use historical approaches to understand how computers are just another wave of information adoption.

We may soon come to realize that such phrases as Information Revolution or Information Age are patently misleading for managers trying to appreciate when information technologies are leveraged most effectively. We already know that there is something to the technology because more than half of the capital investments made by American management in the last 20 years went into IT and the productivity increases of the 1990s have been credited directly and emphatically to this technology.

So what do waves in information technology mean to management? Multiple technologies co-exist as we move from one wave to another, just as water is always around for every wave in the ocean. Therefore, managers can exploit multiple technologies. Second, while looking for the next wave, they can merge existing technologies into new ones, thus giving themselves the opportunity to apply these in profitable ways that provide competitive advantages. Such developments as pagers with PC-like capabilities and telephones the size of wrist watches are evidence of the long hand of historical waves at work. Theories and proof of the waves of change give us new perspectives on the drivers of change, which can be sources of profit. Deepening our understanding of the complex forces simultaneously influencing economics, culture, politics, and markets is crucial for success.

#### **HOW TO APPLY HISTORY IN A BUSINESS ENVIRONMENT**

Already companies are applying history to their work. Emerging practices fall into five types of activities.

***1. Putting a historian on staff or retainer to participate in key staff meetings, providing feedback on previous patterns of behavior.*** Such an individual can offer specialized knowledge of interest to the firm gleaned from prior research and training. Thus, an expert on the history of the computing industry could sit in on staff meetings of a major computer equipment supplier and comment on historical responses to competition, negative effects on profits caused by new technologies, and the historic success stories of killer applications. The U.S. military has often allowed historians to participate in critical high-level meetings, even

insisting that they formally document the events for future historians and officers to use.

**2. Having a historian conduct research and prepare reports or presentations on the history of an issue.** This is a very profitable use of historians, one that the U.S. Congress, for instance, routinely relies on. You assign a topic to a historian to research, but not to make recommendations on. Thus, if you were a banker interested in acquiring another bank, you could use a historian to inform you about the history and culture of the target bank. This offers you additional input on whether this acquisition would be a good fit. After the breakup of AT&T in the early 1980s, senior management commissioned a scholarly study on that episode of the company's history to learn from the experience.

**3. Having a historian work with strategists to define new markets, identify which strategies work in a particular industry, and help prepare the financial business case for a proposed initiative.** Normally this kind of activity calls for analyzing financial, economic, and demographic data, frequently also adding background material on competitors, customers, products, or case studies of successes and failures. It covers a broader period than a manager, consultant, or economist would routinely look at. This practice seems to be in greater evidence in Western Europe, where more detailed analysis is often done before any major initiative than in the United States.

**4. Using a historian to conduct substantive research on things other than history, reporting results.** Historians who have earned a Ph.D. know how to conduct extensive research on a very broad range of topics. They know how to find articles and books on specific topics and how to conduct interviews. Most important, they also know how to condense their findings and clearly express themselves orally and in writing. Many politicians use historians as speechwriters because of their ability to argue a position and to back it up with data, but without the qualifiers and stiffness that a lawyer might bring to the project.

In a study sponsored by the Andrew W. Mellon Foundation and the Rockefeller Foundation in the late 1970s, researchers discovered that individuals trained as historians working in business—usually in positions not as historians—applied the skills of the historian to their jobs. Seventy-eight

percent said that the critical thinking skills of the historian were essential to their success in their nonhistory careers. Right behind that discovery came extensive use of research techniques. In third place researchers uncovered the application of perseverance and self-discipline.

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**5. Deploying a historian to publicize key corporate messages.** Because they are trained to write, historians can prepare articles and books that articulate the company's position and demonstrate the firm's leadership to different types of audiences. The difference between historians and your communications staff is that they can be more substantive in bringing historical data to the task. They can also place your message in publications that reporters normally don't reach but your customers read, such as prestigious business journals. Since teaching is usually part of their training, historians can work at conferences, making presentations on issues of concern to the organization.

## FINDING HISTORIANS—AND FUNDING THEIR COST

In the United States there are more than 22,000 practicing historians, and a fresh crop of 700 to 900 is produced each year. The number of historians in Europe is even higher. About 80 percent teach at colleges and universities. Roughly another five percent work for state and national government agencies as full-time historians. Today less than one percent practice history in companies, but that population is growing. Several hundred in the United States routinely consult on historical themes. There also are thousands of additional people who have not completed a Ph.D., but have had graduate-level training in history. They can be found in every high school, and in most large companies and many mid-size firms enjoying other careers.

Historians will not typically think to come to you, but that attitude is changing, particularly among newly minted Ph.D.s and young faculty members. Still, you may need to go to the history departments of local universities you respect or to national associations for help. The largest in the United States is the American Historical Association (AHA), which has about 15,000 members and is headquartered in Washington, D.C. The AHA can be reached at (202) 544-2422. The Organization of American Historians, headquartered at the University of Indiana, can be reached at (812) 855-7311.

Management consulting firms and executive headhunters usually are not wired into historians' circles of contacts. Look inside your own company for individuals trained in history; you may be surprised by how many you have. Increasingly, historians are moonlighting on various projects outside academia, so the prospect of finding competent scholars to help your organization is good today.

Think in terms of hiring historians initially on retainer or to do specific jobs until it is cost-effective and practical to consider adding them to the permanent payroll. Some companies employ historians full time, but the current practice is to treat them more like consultants than as staff employees. Most *Fortune 500* firms need only one or two. They can be assigned to the communications department; to a corporate-level executive, such as your chief strategist; or to the organization that currently houses the internal economist.

#### **IS THE COST OF HIRING A HISTORIAN JUSTIFIABLE?**

IBM commissioned several histories of its main-

frame technology, which were then widely distributed and read by engineers and computer scientists who worked on future systems in the mid-1990s. Today, IBM's servers are the IT centerpieces in a network centric market. Was it coincidental that the company's stock nearly tripled in value? Was the cost of its historians' work justified?

For more than half a century, almost every major American corporation has commissioned a history of itself. These distinguished companies commissioned some of the best historical research done on the telephone and automotive industries. As in the IBM case, these were distributed and read by employees at all levels of their firms. In most instances, these companies stayed in business for a very long time because they understood what they had done and continue to do what makes them consistently successful. Is that cost justifiable?

Although a methodical, quantitative study has not been done on the value of history in the private sector, managers do not need to wait for such proof to leverage history to improve organizational performance. We know clearly that history has been of enormous value for the public sector, with the evidence overwhelmingly in favor of applied history. We don't have to wait around for a formal academic jury to pass judgment.

In the 16th century, Sir Francis Bacon said, "Histories make men wise." Four hundred years later, Peter F. Drucker made the same point in a slightly different way: "As Loyola and Calvin discovered, feedback is a primary key to learning." In other words, history gets you very close to the insight you need. ■

**ADDITIONAL RESOURCES**

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