

Industry Evolution: A Comparative Study of Irish Wholesaling

By

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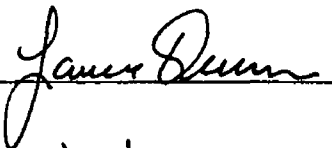
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January 2002

REFERENCE

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ABSTRACT

Industry Evolution:

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This thesis examines the process of industry evolution through a comparative analysis of three Irish wholesaling industries. In doing so it responds to a pressing need for research that examines the structural evolution of non-manufacturing industries. The focus is on identifying the drivers of industry change and examining the patterns of process. It has been carried out primarily within a strategic management perspective.

The research design is multi-level and multi-modal in the tradition of the Warwick studies on industrial and corporate change. The approach is inductive, qualitative and longitudinal-processual, using a comparative case-based method.

The thesis makes a number of contributions at both the empirical and analytical levels. At the empirical level it adds three new case studies to the limited pool of published material on industry evolution in general, and Irish wholesaling in particular. Nine empirical drivers of industry change are identified and related to the three main theoretical change motors highlighted in the strategy and related literatures (efficiency, differential power, and institutional power). A five-phase pattern of industry evolution is revealed and examined.

The analysis highlights the limitations of single-driver theories of change. It also identifies an additional theoretical motor ('thymos') not prominent in the literature and examines its implications. The five-phase pattern of industry evolution is a punctuated equilibrium model and highlights the limitations of industry life-cycle theory. It also questions the sharpness of the revolutionary cycle that is a central element in most mainstream punctuated equilibrium perspectives. At a more philosophical level, the study challenges the level of determinism evident in most of the main theoretical frameworks. The analysis also makes a contribution to the substantive literatures on three of the main empirical drivers of change identified, government, trade associations and leadership.

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CHAPTER ONE: INTRODUCING THE STUDY

1 INTRODUCTION

This thesis examines the process of industry evolution through a comparative analysis of three Irish wholesaling industries. The principal interest of the study is to identify the drivers of change and to describe and explain the process of change in industry evolution. The study has been carried out mainly within a strategic management perspective.

2. THE MOTIVATION FOR THIS RESEARCH

In the first instance the decision to study industry evolution is rooted in a professional interest in long term industry level change that was stimulated during the researcher's career as a senior manager in a number of different industries. This interest was further stimulated by research conducted for an MBA Dissertation on change in the Irish hardware wholesaling industry (Quinn, 1992).

In the course of this earlier research instances of variation between different industries were highlighted, e.g. the failure to replicate in hardware wholesaling a trading format that had proved successful within grocery wholesaling. This, among other issues, prompted questions relating to why different industries evolve in the way that they do.

Having chosen to study a wholesaling industry the researcher was also struck by the limited academic interest in wholesaling at both firm and industry levels which manifested itself across a variety of disciplines. For the most part, the economics, organisational and strategic management literatures have tended to focus mainly on manufacturing industry. Furthermore, despite the major role that wholesaling plays in marketing channels, there was a paucity of academically focused literature on wholesaling in the main marketing journals and texts.

3. THE CURRENT STATE OF RESEARCH ON INDUSTRY EVOLUTION

On initial examination the study of industry can be seen to represent an important part of the academic literature, with much of the work to date being conducted through an Industrial Organisation Economics (I/O) perspective. However, although there is a long history of industry level research within I/O, according to Klepper (1997) there is little in the way of generalisations to show for it. Furthermore, a number of other weaknesses in the I/O approach have been claimed such as its '*static and equilibrium flavour*' (Malerba and Orsenigo, 1996: 53) and both the reductionist tendencies and the difficulties with novelty/innovation that derive from its neoclassical foundations (Hodgson, 1999). All of this has meant that the I/O paradigm's contribution to our understanding of structural change has remained limited.

The resurgence of an interest in evolutionary economics since the 1970s, especially through the work of Nelson and Winter (1982), has provided the impetus for a more dynamic approach to industry structure and an expansion in the level of research activity relating to industry evolution. However, as Hodgson has recently pointed out '*evolutionary economics is at a crucial stage in its history [with] much variety and mutation within this species of economics*' (1999: 154).

Within this broad evolutionary tapestry Hodgson (1999) points to what he calls the *NEAR* (Novelty-Embracing, Anti-Reductionist) school of evolutionary economics as offering the most promise. Within this school researchers such as Richard Nelson, Sidney Winter, Giovanni Dosi and others have pursued an agenda that has been less concerned with formal modelling and more concerned with issues of philosophy, history, technical and institutional change, policy development and empirical enquiry.

An important characteristic of this approach has been its anti-reductionist stance and its incorporation of a mechanism for innovation through its adoption of a realist ontology (Archer, 1995, Bhaskar, 1979, Giddens, 1986). In doing so it has embraced the viewpoint that '*parts and wholes, individuals and institutions, mutually constitute and condition each other*'. In this way it rejects '*single-level theories where explanations of all phenomena are attempted in terms of one type of unit*' (Hodgson, 1999: 138). By adopting a viewpoint that sees reality as consisting of multi-level

hierarchies and recognising the existence of emergent properties at each level it acknowledges that explanations at one level cannot be entirely reduced to phenomena at a lower level.

Nonetheless, while research within evolutionary economics '*has uncovered a large number of stylised facts about industrial dynamics and industry evolution*', two of the most important writers in the field, Franco Malerba and Luigi Orsenigo, have argued that '*we still do not know much about the dynamics and evolution of industries as a whole*' (1996: 53).

In reviews of the evolutionary economics literature relating to industry level change (see Malerba and Orsenigo, 1996; Dosi et al, 1997) the research progress to date can be seen to fall within three broad categories:

- Industrial Demography: - e.g. Firm growth and size distribution etc.
- Structural Dynamics: - e.g. Entry and exit, changes in concentration etc.
- Structural Evolution: - e.g. Structural dynamics, the generation and transformation of technologies and products, changes in boundaries, the role of institutions etc.

However, most of the focus has been on examining specific dimensions of industry dynamics such as industrial demography. This has meant that areas such as structural dynamics and structural evolution have received less attention. For example, the industry life-cycle (Klepper, 1993:1996) remains the only dynamic model with empirical support, while progress in the area of structural evolution has been even more indeterminate. However, even the explanatory power of the life-cycle approach is limited and concerns have been expressed with regard to the narrow product definition of the industries studied that underpin the model (Malerba and Orsenigo, 1996; Klepper, 1997; Mowery and Nelson, 1999).

Malerba and Orsenigo attribute the limited progress in the area of structural evolution to the fact that '*empirical analyses provide few case studies of the structural evolution of industries*' while noting that for the most part these studies '*do not necessarily aim to analyse structural evolution as their primary research objective*' (1996: 66). A further limitation has been that most of the formal models developed '*have not been*

targeted at empirical phenomena' thus creating a gap between theory and empirical observation (Malerba, Nelson, Orsenigo and Winter, 1999:4).

Despite the efforts made by evolutionary economists, a further problem exists with their current efforts to understand industry evolution. It emanates from their perspective as economists. Non-economists such as Pfeffer (1997) and Hannan and Freeman (1989) are critical of the primacy given to efficiency explanations to the exclusion of other possible accounts of change. Furthermore, this focus on efficiency conflicts with the multi-modal approach to the study of change advocated by 'process' writers such as Gersick (1991) and Pettigrew (1992, 1997). However, despite the admonitions of the non-economists, multi-modal studies of industry evolution have remained rare to date.

A number of writers from other disciplines have engaged with industry level analysis and change. For example, population ecologists such as Hannan and Freeman (1989) have provided an evolutionary approach from a sociological perspective. However, the work emanating from this framework, while rejecting the primacy of efficiency explanations, has limited itself for the most part to the study of industry demographics.

Other theorists operating from a sociological perspective such as Fligstein (1991) and Leblebici et al (1991) have used industry studies to examine institutional change. Writers operating from a cognitive perspective have engaged with industry level analysis through their work on cognitive communities (e.g. Porac, Thomas and Baden-Fuller, 1989) and industry recipes (Spender, 1989). However, these efforts have been limited for the most part by their static, cross sectional approach. One notable exception has been the attempt by Shearman and Burrell (1987: 330) to combine '*a focus on the primacy of social relationships with the notion of industrial lifecycles*'. Here the authors attempted to link the cognitive perspective on industry to the network focus on relationships to produce a four phase life-cycle model.

Despite its eclectic theoretical base and the multi-modal research opportunities that this offers, the study of industry-level change in the strategy field has been limited by the fact that writers on industry have tended to focus more on content than process

(Van de Ven, 1992). Much of the reason for this stems from the strong influence exerted by I/O theorists on industry-related work in the field. However, the divide between content and process that is evident in much of current organisational theory must also share the blame.

Where an interest in process has emerged there has been a tendency in recent times to adopt a population ecology perspective with a resultant emphasis on demographic factors such as the 'birth' and 'death' rates of firms. However, some strategy writers operating from a process perspective such as Pettigrew and Whipp (1991), and Leavy and Wilson (1994) have indirectly addressed industry-level change as part of multi-level and multi-modal studies of areas such as strategic change and strategic leadership. Here, the study of industry level change has served to provide a context for other changes emerging at a lower level of analysis.

All of this leads to the conclusion that industry evolution still presents significant opportunity for study. The limitations that are evident in the existing literature would suggest a particular opportunity for further research that is aimed at studying the structural evolution of industries as a primary objective. Furthermore, recent advances made in evolutionary economics suggest that a realist ontology, which supports a multi-level, multi-modal examination, is likely to be most fruitful.

In addition, the need for studies of more broadly defined and non-manufacturing industries has already been identified (Utterback, 1994; Klepper, 1997). As such the study of non-traditional industries in an Irish context offers a significant opportunity to move the study and understanding of industry evolution forward.

4. STUDYING INDUSTRIES IN AN IRISH CONTEXT

Because of its size and openness the Republic of Ireland offers a very favourable environment for the study of industry related activities at a national level. With a population of 3.6 million and a small land mass of 68,895 sq. km. it is possible to conduct a multi-level research programme on industry evolution with far greater ease than might be possible in larger countries such as the USA or Britain, with more complex histories and patterns of development. At the same time, because of the

degree to which it can reasonably be taken as representative of the wider democratic capitalist system, the outcome of such research is likely to be of relevance to an understanding of the process of industry evolution well beyond the Irish context

5. THE SUITABILITY OF WHOLESALING FOR THE STUDY OF INDUSTRY EVOLUTION

5.1 Description.

Wholesaling is a distribution function that together with manufacturing and retailing forms part of a sector's marketing channel. The area has been defined by various bodies. Three of the definitions most useful for the purposes of this study are given below.

The EU defines wholesaling as involving firms

exclusively or primarily engaged in the resale of goods in their own name to retailers or other wholesalers, to manufacturers and others for further processing, to professional users, including craftsmen, or to other major users. The goods can either be resold in the same condition or after the processing, treatment, packing or repacking usually carried out by the wholesale dealer (European Commission 1990)

The Irish government sees wholesaling as being

the sale (without transformation) on own account or on commission of new and used goods to retailers, to industrial, commercial, institutional or professional users, or to other wholesalers. The goods can either be sold in the same condition or after undergoing the kind of processing, sorting, grading, packing, repacking, etc. normal to wholesaling (Irish Central Statistics Office, 1988)

From an academic standpoint, leading marketing channel writers Stern, El Ansary and Coughlan (1996: 107) note that

Wholesaling is concerned with the activities of those persons or establishments which sell to retailers and other merchants, and/or to industrial, institutional

and commercial users, but who do not sell in significant amounts to ultimate consumers

5.2 The Economic Importance of Wholesaling

A measure of the importance of wholesaling within an economy can be gleaned from the fact that in 1995 the US Department of Commerce reported that approximately 280,000 firms were engaged in wholesaling activities that generated sales of \$3.2 trillion and employed about 5.8 million people (Stern et al 1996). Furthermore, in 1990 the Amsterdam Consulting Group completed a report for the European Commission which found that wholesaling accounted for 43% of all goods movements within the EU.

Wholesaling plays a similarly important role in the Irish economy. The most recent census of wholesaling in the State yields the following information:

Annual Turnover	No of Enterprises	Turnover ex VAT IR£,000
Under £50,000	509	12,766
£50,000 and under £100,000	453	32,661
£100,000 and under £200,000	648	93,565
£200,000 and under £500,000	956	313,520
£500,000 and under £1,000,000	811	563,605
£1,000,000 and under £5,000,000	1,128	2,404,290
£5,000,000 and over	398	10,582,205
Total	4,912	14,002,613

Table 1.1 Number and Turnover of Wholesalers in Ireland (1997) by Turnover Size

Number of Persons Engaged	No of Enterprises	Turnover ex VAT IR£,000	No Employed
I – 4 Persons Engaged	2,773	852,949	5,878
5 – 9 Persons Engaged	1,024	1,313,787	6,601
10 – 14 Persons Engaged	457	1,068,642	5,240
15 – 19 Persons Engaged	154	604,798	2,560
20 – 49 Persons Engaged	354	2,304,935	10,429
50 or more Persons Engaged	149	7,857,502	19,453
Total	4,912	14,002,613	50,160

Table 1 2 Number and Turnover of Wholesalers in Ireland (1997) by People Engaged

A number of important facts can be gleaned from the analysis above. First, over 90% of the firms engaged in wholesaling have turnovers below £5 million and over 95% employ less than 50 people. While approximately 8% of firms account for 75% of total wholesaling turnover, the average turnover within this category amounts £26 million. Furthermore, although around 10% of firms account for 60% of employment, the average number employed here is only 59. All of this would point to a sector of the economy that consists mostly of small and medium sized enterprises (SMEs). However, when the total turnover of wholesalers of £14 billion is compared with total retail sales of £10 billion and a GNP figure of £46 billion for 1997, then the importance of wholesaling within the economy becomes apparent.

Given the economic importance of wholesaling within the modern economy and the need for studies of industry evolution that focus on non-traditional industries, it is evident that a study of wholesaling industries promises to enhance our overall understanding of industry evolution, on both the empirical and analytical fronts.

6 THE AIM OF THIS RESEARCH PROGRAMME

The particular focus of this research programme is to identify and examine the main change drivers in industry evolution and to describe and explain the main patterns of process.

The study is multi-level and multi-modal in its approach, which reflects both the aims and the nature of the inquiry. The perspective is that of the business historian and strategy process analyst, and it draws mainly on the literature on industry evolution that predominates in the strategic management and related fields.

7. THE STRUCTURE OF THE THESIS

This present chapter has two aims. The first has been to introduce the focus of the study along with its rationale, and this has been done in the preceding sections. The second is to outline the structure of the dissertation.

Following this brief introduction, chapter two will present a review of the main theories and frameworks from the strategy and related literatures that offer conceptual insight into the change drivers and process of industry evolution, either explicitly or by implication. This review of the literature will serve to shape and inform the later analysis, sensitise the researcher theoretically in a way that will help provide focus without premature categorisation in the search for meaningful patterns in the data, and provide the basis for the study's overall organising framework and research design. Five frameworks stand out in the literature as most relevant in the search for the main drivers of industry evolution. These are transaction cost theory, resource dependency theory, institutional theory, industrial network theory and the population ecology model. All advance their own primary drivers of change, some single, some multiple and some of which are competing views. In terms of process patterns, the literature tends to divide into two distinct streams, gradualist and punctuated, which largely offer competing descriptions and explanations. The existence of such competing views on both change drivers and process patterns suggests that there remains plenty of scope for new research, using an inductive case-based approach, to be both empirically interesting and analytically valuable. Chapter two ends with the development of the organising framework that was used in this study to guide the data collection and empirical analysis.

Chapter three describes and explains the study's research methodology and method. The study is located within a realist ontology and is subjective/interpretative in orientation. Multi-level inductive studies of the type being contemplated here are still

rare in the literature and there are still few established methodological frameworks available within which to carry them out. One of the exceptions is the contextualist meta-framework developed at the Warwick Centre for Corporate Strategy and Change in the late 1980s and used subsequently to study a variety of processes, such as corporate change (Pettigrew 1985, Pettigrew and Whipp 1990) and strategic leadership (Leavy and Wilson 1994). The approach to the study of industry evolution featured in this research is closely linked to this Warwick tradition in design and orientation, and is inductive, qualitative and longitudinal-processual in nature, using a comparative case-based method.

Three Irish wholesaling industries were selected and cases were developed. The time period covered by the cases spanned the period between the 1930s and the 1990s. A feature of this study was the high level of access given to the researcher. A total of 59 interviews were conducted with 44 interviewees who were drawn from the most senior levels, past and present, of the industries studied. The time period being covered resulted in interviews lasting for periods of between one and five hours with most exceeding two hours. In addition, extensive secondary research was undertaken using substantial documentary and archival material.

Chapters four to six contain the three industry-level cases narratives on which the subsequent analysis is based. One chapter is devoted to describing the evolution of each of the grocery wholesaling, hardware wholesaling and builders merchandising industries. These cases also contain a number of embedded firm-level cameos. Chapter five also contains a short narrative on the historical evolution of the wider Irish national context within which the three industries are embedded.

Chapter seven presents the thematic analysis of the data. Nine factors are highlighted in the data as the most important empirical drivers of change in the industries studied, five contextual, two social agency and two historical. These are, in turn, examined and analysed in terms of four main conceptual drivers of change, three of which are prominent in the theoretical frameworks examined in the literature review, namely efficiency, resource power and institutional power. However, the fourth conceptual driver is advanced within this study to fill a void in the empirical explanation left by the other three. This fourth driver is identified as '*Thymos*', and is invoked to help

explain the significant role that key individuals were found to play in driving change at industry level

The chapter goes on to analyse the process of change by comparing the patterns of process across the three cases. Though they are far from identical, these patterns of process reveal some striking similarities. In particular, a five-phase model of process is developed from this comparative analysis that seems to be quite generic in application. The five phases are characterised as periods of structural reinforcement, structural tension, structural fracture, structural reconfiguration and structural consolidation.

Chapter eight, the final chapter, examines the overall contribution of this research to the understanding of industry evolution by linking the empirical findings to current issues in the literature.

The thesis can be seen to make a number of contributions at both the empirical and analytical levels. At the empirical level the most basic contribution is to add three new sources of case data on the industry evolution process to the very limited pool of published material that already exists, particularly in the area of wholesale and distribution which is still very much under-explored in the literature generally. They are also the first case narratives written on the particular industries concerned, which of itself is significant from a business history perspective. At a higher level of empirical contribution, this study identifies the primary drivers of industry change, three of which, government, trade associations and leadership, are highlighted for closer examination and understanding because they have been underplayed in the more formal literature to date.

At a more conceptual level, this research is seen to contribute to an understanding of both the drivers and process of change in industry evolution. A useful distinction is drawn between empirical and conceptual change drivers and the relationships between the two sets are examined. This highlights a gap at a conceptual level, which a new driver is advanced in this dissertation to fill. The identification of '*Thymos*', a driver that is rooted not in the concepts of efficiency, resource power or institutional power

but in the human spirit, constitutes one of the more interesting findings of this research

The analysis relating the empirical drivers developed directly from the data to the main conceptual drivers developed from the theoretical literature highlights the dangers inherent in too great a reliance on single-driver theories of change, like transaction cost economics and resource dependency theory, particularly where the industry evolution process itself is the primary focus of interest. It also adds to our understanding of the relative importance of the four conceptual drivers in the change process and how this varies as industries evolve. At a more philosophical level, the analysis challenges the level of determinism evident in most of the main frameworks by revealing a substantial role for social action. It also challenges the dualism prevalent in most organisational approaches to action and context by revealing the reflexive and recursive nature of the relationship between the two.

One of the most substantial contributions that the study makes is the development from the data of a five-phase model of industry evolution that stands in contrast to the current life-cycle model. Industries are seen in this model to pass through phases of structural reinforcement, structural tension, structural fracture, structural reconfiguration, and structural consolidation. This phase model is seen to be a variant of a punctuated model of industry change and adds its own insight into the gradualist-punctuated debate that remains very current in the literature. Furthermore, it provides further elaboration and insight into the punctuated model itself (Tushman & Romanelli 1985, Gersick 1991, Meyer, Brooks and Goes 1990, 1993). In particular, the two phases described by Tushman and Romanelli (1985) are shown to be better seen at the industry level as three phases of continuity and two phases of punctuated change. In addition, the basic model's predisposition towards managerially induced punctuated change is seen, at the industry level, to relate only to the second punctuated phase of the proposed model. Moreover, the detailed examination of phase changes within the five-phase model offers further insight into the process of de-institutionalisation.

One of the major debates within the formal literature is the degree to which the process of industry evolution is path-dependent. The findings in this study reveal significant

path-dependency, with implications for the applicability of ahistorical models like transaction cost economics. More specifically, the findings also highlight the important role played by corporate parenting on the path-dependent evolution of industry structures, a relationship about which little has been revealed in the literature up to now.

Finally, in the concluding chapter of the dissertation, the main implications of the study for further research and future practice are highlighted.

CHAPTER TWO: LITERATURE REVIEW

1 INTRODUCTION

The research featured in this dissertation is a study of industry evolution carried out from a perspective rooted primarily in the strategy field and its related areas. Over the past two decades there has been an increasing interest in the study of change. Much of this has been concerned with understanding intra-organisational change with a view to implementing and managing the process. However, the study of long-term change at industry-level has also emerged as an area of growing interest. According to Malerba and Orsemgo (1996: 51) the increasing attention being paid to the importance of industry-level change has been driven by the findings of empirical research. This demonstrates that the evolution of industries ‘ *is characterised by intense change at any relevant time-scale. New firms enter an industry, some exit, some firms grow, others decline. In addition economic entities expand or contract their boundaries and undergo organisational change* ’

In studying industry evolution two empirical questions come to the fore – ‘what drives change?’ and ‘how does the process of change unfold?’ Because much of the research carried out to date has been within the economics field, efficiency explanations have tended to predominate, while at the same time the process of change at industry-level has remained substantially under-explored.

Within the strategy field the study of industry evolution has relied mostly on theories developed within both economics and sociology. During the 1980s, thinking was heavily influenced by the publication of Michael Porter’s *Competitive Strategy* (1980) with its emphasis on market power and industry structure. Porter combined elements of industrial organisation economics (I/O), resource dependency theory, network imagery and the life-cycle model to develop a relationship between industry structure, industry evolution and business strategy.

During the 1990s the influence of organisation theory at the organisation/environment level began to make its presence felt to a greater extent. Hannan and Freeman’s (1977, 1989) population ecology model, which invokes both biological and

sociological imagery in its attempt to offer further insights into the evolution of industries was particularly prominent. A measure of its impact on the strategy field can be seen in the special edition of the Strategic Management Journal published in 1996 that focused on evolutionary theory. However, as Leavy (1991) has noted the explanatory power of both I/O economics and population ecology has been limited by their tendency to underplay the role of agency, and of political and cultural forces in the structural evolution of industries.

Although the population level model has gained a significant following there has been a marked shift in emphasis within the strategy field over the past ten years from explanations based on market power and industry structure to that of firm level phenomena such as resources and capabilities (Wernerfeld, 1984, Barney, 1986). This shift has been underpinned by a renewed interest in the firm within the realms of economics and organisation theory (e.g. transaction cost economics, agency theory, evolutionary theory). Coinciding with this change in focus from market to firm level phenomena has been a debate between the advocates of the strategic planning models of Andrews (1971) and Argenti (1980) and those of the process models of Mintzberg and McHugh (1985), Mintzberg (1988) and Quinn (1980). However, an integrated model of industry evolution that captures and reconciles the diversity of current thinking within the strategy field has yet to emerge.

Within Europe a number of relatively new research streams have evolved around industry related issues. One of the most prominent is the focus by Richard Whitley (see Whitley 1994, Quack, S., R. Whitley and G. Morgan, 2000) on the comparative analysis of business systems. Whitley views markets, firms and economic outcomes as socially structured and embedded phenomena and sees them as being *'significantly affected by variations in social institutions and structures so that paths to competitive effectiveness and economic success differ across institutional contexts'* (Whitley, 1994: 4).

The key assumptions in this perspective can be summarised as follows:

- 1 The nature of firms and markets are socially structured so that variations in major social institutions result in significant differences in the ways that market economies are organised
- 2 The key characteristics of firms are interdependent with the ways that markets are structured and risks are shared between economic actors so that distinctive business systems have become established in different economies
- 3 Once established, these develop inter-dependencies with their institutional contexts so that major changes in business system characteristics are unlikely in the absence of substantial alterations in related institutions
- 4 Because the nation state contains many of the key institutions which affect the sorts of business systems that develop in market economies, important business system characteristics are often nationally bounded and distinctive
- 5 The institutionalisation of separate international business systems depends on the emergence of strong and separate international political and other institutions Until that happens, particular patterns of firm-market relations across national boundaries are likely to reflect those of the dominant economy and its institutions

Another body of research from the Danish Research Unit of Industrial Dynamics (DRUID) has focused on a range of industry related issues such as

- Regional specialisation and industry agglomeration
- The economic importance of geographic location
- Localised learning, regional development and industrial competitiveness
- National systems of production, knowledge creation and learning
- Institutional preconditions for regional development

The central theme emanating from this work is that firm performance and development are heavily influenced by firm environment, and prevailing conditions in the local or regional milieu seem to be particularly important Furthermore, the fact that economic, entrepreneurial and innovative activities tend to agglomerate at certain places, leading to patterns of national and regional specialisation, is seen as providing important insights into the process of firm competitiveness and industrial transformation

A major overview of the group's work is contained in Maskell et al (1998) in which the authors set out to answer some broad research questions such as what is competition about in today's economy, and how is the performance of firms and industries related to space and place?; why do geographical areas (local milieus, cities, regions, countries) specialise in particular types of economic activity?; and why do patterns of specialisation, once in place, tend to be so tremendously durable?

More recently Maskell (1999) has focused specific attention on the learning region. Learning regions are seen as a contemporary consequence of the way companies react to the global opening of markets. Maskell investigates the regional linkages between learning and competitiveness using the North European Oresund Region as an illustrative case. In the year 2000, the 16-kilometre long bridge and tunnel was completed between the cities of Copenhagen in Denmark and Malmo in Sweden, significantly improving the accessibility within an area of thousands of companies and a concentration of research facilities, technological and commercial expertise and educational institutions.

A third important stream of work within a European context has been that dealing with systems of innovation. This work has a strong evolutionary economics flavour. Within this perspective the international competitiveness of nations is seen to originate in innovation, with the focus being on interactive learning. The systems of innovation approach (Cooke and Morgan, 1998; Cooke et al, 2000; Edquist, 1997; Edquist and McKelvey, 2000; Lundvall, 1995) focuses on understanding innovation processes as well as the production and distribution of knowledge in the economy. A number of key issues emerge as follows:

- Innovation is seen as the main motor of business competitiveness.
- It is seen as an interactive process with strong social as well as technological linkages between users and innovators.
- Different parts of the national system such as the organisation of the firm, networks of firms, the public sector, the financial system, the system of education and training and the R&D system play important but varying roles in determining the long-term dynamics of the economy?
- Coherence is identified as important in national systems of innovation

- The importance of decentralized industrial policy in support of both corporate and regional economic development ambitions is acknowledged.
- Interactive innovation based on collective learning and associative practices are identified as becoming increasingly significant.
- The extent to which firms engage in systemic innovation linkages with other firms and knowledge centres is examined.
- The associational economy is seen as a possible 'third way' between state and market co-ordination of modern economies.

While these three research streams offer promising new directions in industry studies, they have so far failed to have much impact on the industry evolution literature because their focus to date has been mainly system configuration not change. For further insight into the questions of how industries evolve and what drives their evolution we have to look elsewhere.

Most of the recent mainstream work on industry evolution has been carried out by evolutionary economists. However, in recent reviews of the literature both Malerba and Orsenigo (1996) and Dosi et al. (1997) note that although interest in industry evolution has increased, still little is known about the dynamics and evolution of industries as a whole. Empirical analysis still provides few case studies of the structural evolution of industries and even these do not necessarily set out to analyse structural evolution as their primary research objective. Likewise, Lundgren (1995), writing from a network perspective, notes that although network research has been concerned with the evolution of whole industrial networks, only a limited number of studies can be found. In addition, the explanatory power of the work, to date, has been called into question due to the tendency to focus on narrowly defined manufacturing industries at the expense of non-traditional ones (Klepper, 1997).

For this reason Malerba and Orsenigo (1996) and Klepper (1997) argue there is a need for new research that should address the many outstanding issues. Those seen as being of particular importance are:

- The need for more cases, particularly from non-traditional sectors, that focus specifically on industry evolution.
- A wider definition of industries' boundaries.

- The collection of finer-grained empirical evidence on structural evolution and the development of taxonomies of industrial evolution in terms of some basic dimensions of structural change.
- Analysis of firms according to several dimensions at once.
- A focus on the connections that firms develop with suppliers and users.
- Greater consideration of institutions.
- Joint consideration of all of the various dimensions of structural evolution.

2. THEORIES OF CHANGE IN THE STRATEGY AND RELATED FIELDS

While industry studies to date have largely been the province of the economics literature, the Industry Organisation (I/O) perspective tends to present a unidirectional view of the relationship between industry and firm and offers little insight into the dynamics of the industry evolution process. As such, studies such as this one, that set out to examine the process of industry evolution are prompted to look beyond the I/O framework for conceptual guidance and insight. Locating this research primarily within the strategy field and its related literatures offers a number of benefits. Firstly, it will tend to be more sensitive to both industry-level and firm-level influences on industry evolution than the I/O perspective alone (Caves 1980, Porter 1980). Secondly, it will also be drawn to seek conceptual insight from a much wider theoretical base, since the strategy field does not have a unified paradigm of its own.

One conceptual source of particular relevance is organisation theory, which over the years has widened its own perspective on structural evolution and change beyond the organisational level alone. Both Scott (1992, 1998) and Davis and Powell (1992) have highlighted the emergence, since the 1960s, of open systems theories at an ecological or organisation/environment level of analysis. At this level the focus has been on the organisation as a collective actor functioning in a larger system of relations. As Scott (1992: 100) has observed, *'after the 1960s the environments of organisations, conceived in terms of economic, political, cultural, social, and inter-organisational elements figure prominently in attempts to explain organisational structure and behaviour'*. This perspective was combined, initially, with rational systems models and later with natural systems models to produce the open rational systems and open natural systems models that have come to dominate thinking at present (Scott, 1998).

The open natural systems models place a considerable emphasis on the role of the environment as a determinant of the structure, behaviour, and life chances of organisations and strongly challenge the open rational systems approach.

It is largely through such open systems perspectives that transaction cost economics (Williamson, 1977, 1985), resource dependency theory (Pfeffer and Salancik, 1978), population ecology (Hannan and Freeman, 1977, 1989), the new institutionalism in organisational analysis (Meyer and Rowan, 1977, DiMaggio and Powell, 1983, Powell and DiMaggio, 1991) and the industrial network approach (Easton, 1992, Håkansson and Snehota, 1995) have emerged to shape much of the current thinking on industry-organisation inter-relationships within the strategy field

Scott (1998) has highlighted the continued prominence of these theories as explanations of organisation at an ecological level of analysis. Likewise, Davis and Powell (1992: 316) believe that *'these different lines of enquiry represent the most robust current research on organisation - environment relations'*. However, they also conclude that no single correct, all-encompassing theory of organisation - environment relations has yet emerged.

In spite of their importance, Barnett and Carroll (1995) argue that the potential for using such basic theories of organisation to make predictions about change is frequently ignored. This is because change is often considered to be a distinctive aspect of organisations that requires its own ideas. This tendency to separate the study of organisations from the study of change has, as we shall see, led to the emergence of a quite separate change literature that has, for the most part, focused on theories of process. As Barnett and Carroll (1995) have pointed out, considerable work still needs to be done to unify the field. In the meantime, given the current state of literature, it would seem that the question of what drives industry evolution can, and perhaps should, be approached analytically both separately and together with the related question of what the main patterns of process are, in the search for fresh insight and synthesis. That is what this present study sets out to do.

3. THE DRIVERS OF CHANGE

What insight, then, does the literature offer into the drivers of industry-level change? Because the study of industry-level change has largely taken place within economics there has been an overwhelming focus on efficiency explanations. However, Francis (1983:7) has highlighted the critical nature of a debate within the social sciences over *'the relative attractiveness of efficiency and power as fundamental concepts in economic organisation'*. Within this, economists have tended to argue that organisations are all about efficiency while sociologists have responded with the view that organisations are all about power (Turk, 1983). This has resulted in accusations of either under-socialised or over-socialised accounts of economic behaviour (Granovetter, 1985; Roberts and Greenwood, 1996).

In spite of Oliver Williamson's (1996) belief that a healthy state of tension exists within the social sciences, non-economists, such as Jeffrey Pfeffer (1997), see economics and the efficiency argument as having achieved an unhealthy hegemony that significantly exceeds its explanatory power. In general, writers operating within the diverse sociological perspectives share Pfeffer's viewpoint in challenging the predominance of efficiency explanations and exhibit some broad agreement on the importance of power explanations. However, Rowlinson (1997) has drawn attention to the fact that theorists operating from within the broad sociological family demonstrate a diversity of approaches that are concealed by Williamson's (1993:107) tendency to lump power explanations all together into what he refers to as *'the power hypothesis'* (1993: 107).

This debate is reflected in the five major organisation theories featured above. These theories vary considerably in their approach to the question of change drivers.

3.1 Transaction Cost Economics (TCE)

Transaction cost economics or TCE (Williamson 1977, 1985, 1996) is an economic theory of the firm rooted within the new institutional economics paradigm. However, unlike the new institutionalism in sociology, writers adopting this perspective regard the wider institutions that operate at the level of the environment as merely

background conditions and focus instead on the institutional forms that function as governance structures (Scott, 1998). TCE's markets and hierarchies framework takes an exchange perspective and views the firm and the market as alternative governance structures.

The transaction cost approach (Williamson, 1975, 1985, 1996) sees economising as the key driver of structural change at firm and industry-levels. Rumelt, Schendel, and Teece, (1991) distinguish transaction cost economics as having been of particular importance in extending the prominence of the efficiency argument in both organisation theory and the strategy field. This has been done through a consistent articulation of the belief that *'economizing is more fundamental than strategizing... economy is the best strategy'* (Williamson, 1991:76).

Not only has Williamson emphasised efficiency but he has also been especially dismissive of power lines of reasoning, seeing them as providing only temporary market advantages. This is evident in his contention that *'...power has relatively little to offer to the study of capital and intermediate product markets, has more bearing on labor and final product markets and is especially relevant to politics'* (1995:33).

3.2 Resource Dependency Theory

In contrast to TCE the resource dependence perspective (Pfeffer and Salancik, 1978), sees power as a more significant driver of change. From this viewpoint organisational success is defined as organisations maximising their power (Pfeffer, 1982). Pfeffer and Salancik (1978) adopt a position consistent with the political economy framework proposed by Zald (1970) and view organisational actions as resulting from political processes within organisations.

An organisation's dependence on its task environment creates potential sources of uncertainty and constraints. This results in an organisation's behaviour becoming externally influenced as it adjusts to the demands of those in the environment that provide resources necessary for its continued survival (Pfeffer, 1982). Organisations are therefore assumed to work towards two related objectives within their environment:

- to acquire control over resources that minimise their dependence on other organisations.
- to acquire control over resources that maximise the dependence of other organisations on them.

Attaining either objective is thought to affect the exchange between organisations, thereby affecting an organisation's power (Pfeffer, 1981).

At the industry level, resource dependence theorists see the links between organisations as a set of power relations based on exchanges of resources. The resource dependency perspective further argues that organisations will attempt to reduce uncertainty even at the expense of profits. Power may have profit outcomes (Burt, 1983) but profit or efficiency is not the sole or even the most important driving force (Pfeffer, 1982).

3.3 The Industrial Network Approach

Unlike TCE and resource dependence, with their clear focuses on efficiency and power, the network approach is more indeterminate. Easton (1992) observes that there is strong disagreement about what the forces are that drive network changes. This can be seen in the diverse positions being adopted by the following writers

Elg and Johansson (1997) see the main emphasis as being on the use of co-operation as a vehicle for improving efficiency and effectiveness, thus introducing a sociological dimension. Håkansson and Johanson (1984) note the lack of mechanism that leads to optimally efficient configurations. Mattsson (1986) suggests that resource imbalance is an important driving force for investment processes to be initiated in different firms. Thorelli (1986) sees entropy as the driving force leading to the disintegration of networks. Resources are consumed and structures created in an attempt to arrest the process. An important theme in network writing has been the role of technology as a source of change (Håkansson, 1987; Lundgren, 1995). Innovation is a major force in networks, with much of the empirical work having been done on new product development (Easton, 1992).

Thorelli (1986 39) views power as the central concept in network analysis. However, the power that he describes comes from interdependence rather than unilateral action. As he notes, *'in the parlance of political science we are dealing with the politics of the marketplace'* (1986 38). Easton (1992) also sees network processes as being dominated by the distribution of power and interest structures. Håkansson (1992) notes that, the control of power in networks is both asymmetrical and unstable. He sees the driving forces behind this as *'human attributes such as greed and lust for power in combination with the fact that many resources are scarce'* (1992 141).

The activities of individual organisations as they seek out attractive positions in a network are also seen as sources of change. Thorelli (1986) sees an organisation as getting access to external resources through its network positions. According to Mattsson (1984, 1987) all strategies involve changes in network position. Desired changes or defence of position thus describe important aspects of the firm's strategy.

Lundgren (1995) sees industrial networks as being economic, social and technical structures within which the change process is driven by interactions in relationships. However, he also notes that *'the emergence and evolution of a new industrial structure is doubly dynamic in that it is driven by technological as well as social factors'* (1995 187). Lundgren (1992) also argues that from a network perspective economic change cannot be explained by theories governed by assumptions of individual action or the existence of aggregate variables which affect the behaviour of all firms equally. As he points out

to understand the forces behind economic change there is a need to focus on the interdependencies of industrial systems and an acknowledgement of the fact that economic change is not solely determined by economic variables but also by social and technological factors (1992 147)

L1 (1995) believes that it is pointless trying to single out individual driving forces. In his view *'channel dynamics are driven by chemical rather than physical reactions between numerous forces in combination'* (p. 245). Halinen et al (1999) have also noted the influences of multiple drivers of change in industrial networks. However, their exploration of radical change has led them to differentiate drivers of change during periods of stability from those during radical change periods.

3.4 Population Ecology

The main implication of changing from an organisational to a population level of analysis is that the '*locus of causality*' is seen to shift to the environment (Davis and Powell, 1992). While stopping short of determinism population ecology asserts the primacy of environments in shaping organisations (Meyer, 1990).

According to Barnett and Carroll (1995), individual organisations cannot change easily and quickly and when they do change significant risk is incurred. Changes in technologies and environments cause some existing organisations to fail and some new ones to appear. In this way '*the selective replacement of the old forms of organisation by the new forms constitutes the main way this mechanism accounts for change in the world of organisations*' (1995: 218). Changes arise largely through the processes of organisational birth and death as contrasted with the adaptation of individual organisations (Hannan and Freeman, 1989). While population ecology deals with selection pressures, those selection regimes may have political elements. There is no assumption that selection is only on the basis of efficiency or economic performance (Hannan and Freeman, 1989).

The most important environmental force that has been studied within population ecology has been the effect of population density. The density model of legitimation and competition (Hannan and Freeman, 1989; Hannan and Carroll, 1992; Carroll, 1997) proposes two general forces as the drivers of selection: social legitimation and diffuse competition.

The role of competition as a driver of evolution has also been a strong theme within population ecology (Barnett, Greve, and Park, 1994:24). Technology and technological change are also seen as important (Baum and House, 1990; Barnett, 1990)). Freeman (1990:53) describes the way that such changes '*disrupt markets, change the relative importance of various resources, challenge the learning capacities of individuals and organisations, and make suspect previously accepted claims to legitimacy*'. He identifies technical innovation as a source of opportunities for the creation of new organisations, of uncertainty and risk for older ones and as opening the door to new competition.

The role of changes in the institutional environment has been highlighted by a number of writers (Baum and Oliver, 1992, Barnett and Carroll, 1995, Miner et al, 1990 Singh et al 1991) Baum and Oliver (1990 187) note that *'the insights that institutional and population ecology theories of organisations have contributed to our understanding of organisational failure suggest that these two distinct approaches are potentially complementary'*

The lack of a single driver of change in the population ecology model is best expressed by Hannan and Freeman (1989 339) when they note that

We have expressed reservations about the power of efficiency in dictating change in the world of organisations Although we recognise that considerations of efficiency have powerful consequences for many organisations, we feel that they do not obviously override institutional and political considerations

3 5 The New Institutionalism in Sociology

Scott (1995 33) sees institutions as consisting of *'cognitive, normative and regulative structures, and activities that provide stability and meaning to social behaviour'*

However, Powell and DiMaggio (1991 8) note that within modern sociology *'the new institutionalism'* has tended to stress the role of *'cognitive-cultural'* processes in social life This contrasts with the fact that economists have tended to emphasise the regulative perspective while political scientists have focused on normative issues

Organisations are seen as being strongly influenced by their environments (Scott, 1992) with many of the most critical forces for change being social and cultural pressures to conform to conventional beliefs (Zucker, 1988, Powell and DiMaggio, 1991) Legitimation, is a major concern of institutionalism In common with the resource dependence perspective institutional theory introduces a major role for power However, the two perspectives on power differ significantly Fincham (1992) clarifies this difference by distilling power into two broad forms that he terms processual and institutional The first type is Emersonian in nature (Emerson 1962) and is evident in what Williamson (1991) would describe as strategising behaviour on

the part of individuals and groups Greenwood and Hinings (1996) have also used the term differential power to describe this form of power

In contrast, the concept of power at the institutional level reflects a structural view of power similar to that identified by Giddens (1986) Power is seen here as being embedded in the constraints imposed on organisations, and made manifest in the normative aspects of organisational life This results in the presence of institutionalised '*rules of the game*' (North, 1990), which create pressures for conformity While the presence of differential power is evident through the presence of conflict, the comparative absence of discord may, in fact, constitute evidence of the exercise of institutional power (Rowlinson, 1997) Most of the time the pressure is for conformity and change is resisted (Scott 1998)

Governmental units and professional groups are identified as the two major types of collective actors that generate institutional rules (Scott, 1998) Powell (1991 197) highlights the role of government action as a driver of change and notes that '*major changes often occur when legal or other rule-maintaining boundaries are relaxed*' In addition, Christensen and Molin (1995) stress the role of macro-sociological processes in the wider society as drivers of change Their findings mirror the argument of Meyer and Rowan (1977 88) that '*organisations that devise structures that conform closely to institutional requirements maximise their legitimacy and increase their resource and survival capability*'

Scott and Christensen (1995) note that contrary to Karl Weick's (1979) proposition that actors 'enact' their environment, from an institutional perspective environments seem to work to 'enact' organisations They identify change as originating in a number of different ways In some cases change arise through '*quite palpable agents*' (1995 307), in other instances through multiple and often conflicting environmental agents such as state regulatory agencies and professional bodies, and in others through the interaction of environmental forces and organisational agents

The fact that institutional forces are not always primary has been recognised by a number of writers such as DiMaggio and Powell (1983) and Tolbert and Zucker

(1983) They note a tendency for early adoption to be driven by technical, as opposed to legitimacy considerations

Perhaps the final word should remain with Leblebici et al (1991 335) who observe that

Institutional theorists have struggled with the problem of change by attributing it either to exogenous forces or to the dominant players in an inter-organisational field. These solutions lead to two theoretical puzzles – the first having to do with reconciling technological imperatives with institutional constraints and the second concerning how new practices replace established ones

3.6 Summary of the Literature on Drivers

The literature can be seen to offer a number of competing views on change drivers. These are summarised in table 1 below.

Theory	Paradigm	Change Driver
Transaction Cost Economics	Economics	Efficiency/Economising (Williamson 1985, 1996)
Resource Dependency Theory	Political Science	Differential Power (Pfeffer and Salancik 1978, Pfeffer 1997)
Institutional Theory	Sociology	- Institutional Power (Fligstein 1991, Greenwood and Hinings 1996) - Macro sociological Processes (Meyer & Rowan, 1977, Christensen & Mohr, 1995) - Government Action (Powell 1991, Scott, 1998) - Professional Bodies (DiMaggio and Powell 1983, Scott, 1998) - Institutional Entrepreneurs (DiMaggio 1988) - Collectivities (Zucker, 1988) - Pressures to Conform (DiMaggio and Powell 1983, Greenwood and Hinings 1996)

The Industrial Network Approach	Sociology	• Interaction in Relationships (Easton, 1992 Håkansson and Snehota 1995 Lundgren, 1995) • Heterogeneity (Lungren, 1995) • Technology/Innovation (Easton, 1992 Håkansson, 1987, Lundgren 1995) • Power (Easton, 1992, Håkansson 1992 Thorelli 1986) • Chemical reaction between numerous forces in combination (Li 1995)
Population Ecology	Biology	• Competition (Barnett et al 1994, Hannan & Freeman, 1989, Hannan & Carroll 1992 Carroll 1997) • The Environment (Meyer, 1990 Davis and Powell, 1992 Pfeffer 1997) • Technology (Baum and House 1990 Barnett 1990, Freeman, 1990) • Institutional Environment/Power (Baum and Oliver 1990 1992 Barnett and Carroll 1995) • Legitimacy (Hannan and Freeman, 1989 Carroll and Hannan, 1995)

Table 2 1 Drivers of Change in the Theories Reviewed

In the first instance, the source of these competing points of view emanates from the disciplinary divide between economics and sociology. However, even within the sociological perspective a significant number of contrasting viewpoints are evident.

Economists can be seen to argue for the primacy of efficiency and economising behaviour, while theorists operating from the varying sociological perspectives draw attention to the role of power as a change driver. Furthermore, economic explanations tend to provide an under-socialised account of organisational behaviour, while sociological explanations such as institutional theory veer towards offering an over-socialised viewpoint.

Although there is, for the most part, a generally recognised role for power within sociologically derived theory, the identification of a clear driver remains problematic. Variations arise as a result of the different degrees of determinism implied and the varying levels of analysis used. In addition, the rejection of maximising behaviour by theorists opens the way for an acknowledgement of the presence of multiple drivers.

As such it is often the case that different authors, even within the same theoretical framework, have tended towards being unclear in their conception and presentation of change drivers

In sum, the literature review so far reveals a range of theoretical drivers, most notably, efficiency, differential power and institutional power, with no clear view of which is the most significant or even how this might vary with context. The theoretical literature is also divided on the issue of single or multiple drivers of change. What also comes across is a tendency for the literature on drivers of change to range across both theoretical and empirical levels with little clear picture coming through at either level. For example, in parts of the literature the discussion is about efficiency versus power explanations. However, even in the less formal literature considerable debate still exists about whether technological, governmental, competitive or other factors might be the most significant drivers of industry change. All of this suggests that significant scope still remains for an inductive study, designed to identify empirically the primary drivers of change and relate them to more formal theory, to make a fresh and substantial contribution to our understanding at both descriptive and analytical levels.

4 THE PROCESS OF CHANGE

Turning to the change process itself, it continues to be the least understood aspect of industry evolution for a number of reasons (Malerba and Orsenigo, 1996, Malerba et al 1999). To begin with, most industry studies have been carried out within an orthodox economics framework. However, *'an evolutionary approach to organisations suggests an emphasis on change that is lacking in mainstream economics'* (Rowlinson, 1997: 45). Neoclassical economists adopt an ahistorical view of the world that is not conducive to process thinking (Malerba and Orsenigo, 1996). This makes it *'inevitable that models built according to orthodox blueprints miss completely or deal awkwardly with economic change'* (Nelson and Winter, 1982: 400). On top of this, the level of research specifically aimed at understanding the process of industry evolution has been insufficient (Malerba and Orsenigo, 1996, Dosi et al, 1997).

Since the 1980s the study of change within economics has been greatly enhanced by the renewed interest in the role of evolution and history. The publication of Nelson and Winter's (1982) *Evolutionary Theory of Economic Change* breathed new life into evolutionary economics and brought a new dynamism to the study of economic change. However, in spite of this, evolutionary economics has remained marginal within the general field of economics, and the work of evolutionary economists has often found a more receptive audience within other branches of social science such as organisation theory and strategic management.

For the most part, the emphasis of evolutionary economists has been on studying industry demographics, and to a certain extent dynamics, with industry life-cycle being the main dynamic model proffered (Abernathy and Utterback, 1978, Utterback and Suarez, 1993, Utterback, 1994, Klepper, 1993, 1997). However, the limitations of life-cycle explanations have been pointed out by a growing number of writers. Klepper (1997) has suggested that while the life-cycle concept does a good job of describing the stages of industry evolution through the formative eras of many industries, it does not succeed in capturing the dynamics of the mature phase. In their recent review of seven empirical studies Mowery and Nelson (1999: 341) found that *'theories of industry life-cycles that focus on the evolution of limited product classes are of limited use'*. McGahan (2000) has also questioned the efficacy of the life-cycle approach due to difficulties in identifying life-cycle phases and changes in industry boundaries. Furthermore, she views it as offering little help in understanding the adaptation of an organisation across generations.

The end result is that a very limited understanding of the overall process of industry evolution has been achieved. For this reason the relatively small band of economists who have been focusing on industry evolution have candidly acknowledged the underdeveloped state of their process offering to date, and have been active in calling for more research in the area (see Malerba and Orsenigo, 1996, Dosi et al, 1997, Malerba et al, 1999).

Those economists who adopt an evolutionary perspective have long been critical of the ahistorical perspective that has been adopted by many mainstream economists. However, even when an historic perspective is incorporated, as in the case of

Chandler (1962, 1977, 1990), there is a supposition of efficiency ascribed to historic processes. This has led March (1994:42) to argue that that while *'assumptions of efficient histories are appealing'*, they are *'assumptions that have long been suspect'* and that *'many of the developments in modern understanding of evolutionary processes involve identifying inefficiencies of history'*.

The evolutionary economist and historian Geoffrey Hodgson (1993:203) believes that the situation is changing. He notes that many economists are now coming to accept *'that the future development of an economic system is affected by the path it has traced out in the past'* and that specific types of rigidity in economic processes can be linked with path-dependence. Researchers have been increasingly drawing attention to the way that evolving systems can get locked into established paths of development that rule out a multitude of other, possibly more efficient or desirable options.

During the 1980s, the work of two economists in particular, Paul David (1985) and Brian Arthur (1989), initiated a growing level of interest in the importance of path-dependence. David (1985:332) has argued that *'it is sometimes not possible to uncover the logic (or illogic) of the world around us except by understanding how it got that way'*. As such the literature on path-dependence abounds with examples of technologically sub-optimum choices like the QWERTY keyboard (David, 1985), the VHS video system (Arthur, 1988), and the motor car (Best, 1982).

A number of writers operating from the sociological and organisational perspectives have also focused attention on the importance of history in the study of change. Kimberly (1980:4) has been critical of the ahistorical approach taken by many writers on organisations. This he sees as being *'a function of the tension in organisational research between science and history'* which *'often results in ahistorical perspectives'* and *'places a generally negative value on historical analysis'*. That said, Zald (1990) has pointed to the early influence of sociologists such as Max Weber, whose writings on organisation and bureaucracy were unequivocally framed in historical terms. Moreover, Zald (1990), in reviewing the role of history within both sociology and organisation theory, found many authors calling for an historical approach to organisational analysis. Miles (1980:430) concluded that *'organisations cannot be understood apart from their histories'*. Furthermore, Ranger-Moore (1997) has

highlighted the need for investigators to replicate their research across populations with different histories in order to capture the relative effects of history. In his recent book Aldrich (1999) has placed significant emphasis on the impact of history in terms of cohort effects, period effects and ageing effects.

In addition to conflicting views over history and path-dependence, the strategy and organisational theory fields also present a diverse set of viewpoints and inconsistencies regarding process. To begin with there has been a tendency for process to be viewed separately from content, and for process theories to have been developed independently from theories on organisation and structure (Barnett and Carroll, 1995). Furthermore, there has been confusion over the meaning and usage of the term 'process' (Van de Ven, 1992), leading to it appearing extensively in the literature without any process description ever being evident. Accordingly, Pettigrew (1997: 338) has argued that the only viable usage of the term is one that is *'able to describe and account for how some entity or issue develops and changes over time'*. This has led him to offer a working definition of process as *'a sequence of individual and collective events, actions and activities unfolding over time in context'*.

Indeed, for more than a decade, Pettigrew (1985a,b,1987,1990,1997) has been prominent in arguing that change is a multi-level process that can only be fully understood in its wider context, while noting that up to the late 1980s there had been *'remarkably few studies of change that actually allow the change process to reveal itself in any kind of substantially temporal or contextual manner'* (1987: 269). In this he has been supported by Wilson (1992) who, in an extensive review of the literature, concluded that the study of change *'needs a perspective which can blend the behavioural with the economic, the historical with future-orientated decision-making, and the political with the social and economic factors'* (1992: 123). Multi-level, multi-modal approaches of the type advocated by these scholars are still uncommon, though Leavy's (1991) study of change in the Irish dairy industry, Lundgren's (1995) work on technological innovation and network evolution and Kim's (1997) research on the industrial development process in Korea are among some notable exceptions.

4.1 Classifying Change Process Theories

Many scholars have drawn attention to the diverse and eclectic nature of the change literature (Wilson 1992, Dean et al. 1999), which some attribute to the fact that *'management scholars have borrowed many concepts, metaphors and theories from other disciplines, ranging from child development to evolutionary biology'* in order to further their understanding of change (Van de Ven and Poole, 1995:510).

Not surprisingly, there have been a number of attempts at classification over the years. For example, Child and Kieser (1981) highlighted purposeful action vs. environmental determinism and continuous change vs. quantum change as the key dimensions. Astley and Van de Ven (1983) also viewed determinism vs. voluntarism as important, but stressed change within the system vs. change of the system as a key distinction. In addition, they stressed the significance of selection vs. adaptation, a dimension also emphasised by Barnett and Carroll (1995).

Van de Ven and Poole (1995) distinguish between firm and population levels, but place their main focus on process conditions. The typology that emerges organises the diverse literatures into four types of process theories or motors: life-cycle, teleological, dialectical and evolutionary. The four motors are grouped in terms of whether they prescribe the sequence of change events *a priori* or whether the progression is constructed and enlarged as the change process unfolds. In this way, the typology also includes a voluntarism-determinism dimension. Both life-cycle and evolutionary accounts are seen as falling within the prescribed mode and as being associated mainly with gradual change. However, the two theories differ along adaptation (life-cycle)/selection (evolutionary) lines. In contrast, both teleological and dialectical motors are seen as corresponding to a constructive mode and as generating mostly punctuated change.

Aldrich (1999) identifies three main models of change: those utilising the life-cycle metaphor, non-life-cycle models and evolutionary models. He further sees theories that embrace the life-cycle metaphor as falling into three distinct categories: developmental, stage and metamorphosis models. Stage models assume a developmental sequence and an adaptive character. Metamorphosis models, in

contrast, see change as abrupt and discontinuous Aldrich (1999) draws heavily on the work of Van de Ven and Pool (1995) for his description of non life-cycle models by focusing on their concepts of teleological and dialectical motors However, he goes on to argue that both may be partially incorporated within an evolutionary framework rather than treated as competing alternatives Furthermore, in order to avoid *'the deterministic and linear implications of the term life-cycle'* Aldrich (1999 200) advocates the use of the term *'life course'*, a term used in the field of human development and family studies By doing so he links the evolutionary approach to social psychological and learning models of change

Perhaps the most prominent of the typologies developed within the strategy literature is that offered by Meyer, Brooks and Goes (1990, 1993) They classify change processes by their consequences or outcomes Drawing on the work of Watzlawick et al (1974) in psychology, they make a distinction between first-order and second-order change, where first-order change refers to change within a system which is gradual in nature, while second-order change is characterised by brief episodes of revolutionary change that tend to transform the system itself Their typology further distinguishes between change at the firm and population levels, leading to the identification of four broad kinds of change process (see fig 2 1 below)

	First-order Change	Second-order Change
Firm Level	Adaptation Focus on incremental change within organisations	Metamorphosis Focus on frame-breaking change within organisations
Population Level	Evolution Focus on incremental change within established populations	Revolution Focus on the emergence, transformation and decline of populations

Fig 2 1 Four Broad Kinds of Change Process (Adapted from Meyer, Brooks and Goes, 1990, 1993)

Also implicit in their perspective is the belief that first-order change tends to be more deterministic than second-order, and that change at the population level is more deterministic than at the level of the firm

While this review of the change process literature so far reveals a diversity of perspective that defies ready classification, some central themes come to the fore. The most significant of these appear to be concerned with:

- The role of history
 - Path-dependent vs. path-independent
 - Life-cycle vs. life course
- The mode of change
 - First-order vs. second-order (Gradual vs. quantum)
 - Voluntarism vs. determinism
 - Adaptation vs. selection
- The level of analysis
 - Organisation vs. population

In the following sections we will go on to examine how these key themes are reflected in the main theoretical frameworks identified earlier, and how their perspectives on process, explicit or implicit, relate to the typologies just reviewed. The two main dimensions of the Meyer et al typography, first-order/second-order and organisation/population, will be used to frame the discussion.

4.1.1 Theories of First Order Change

First order change is associated with alterations that support or build upon existing structures, systems and values and is described in terms of convergence, momentum and evolution (Kikulis, Slack and Hinings, 1995). It is to be noted that the five major frameworks reviewed in our discussion of change drivers are all associated with a gradualist approach to change.

4.1.1.1 Organisation Level Theories

Process thinking on first-order incremental change at firm level is most associated in the strategy field with the pattern of change identified by Quinn (1980) as logical incrementalism. However, its lineage can be traced back further and wider to a stream of organisational writers that also include Lindblom (1959), Braybrooke and

Lindblom (1963), Child (1972), Miles and Snow (1978) and Pfeffer and Salancik (1978) What's more, Barnett and Carroll (1995) also place transaction cost economics (Williamson, 1975, 1985) within this adaptational approach From this perspective, change is seen as coming about through a process of incremental adaptation whereby organisations track their environments more or less continuously and adjust to them purposively As Miller and Friesen (1982: 869) observe '*incrementalism allows the organisation to learn from its previous actions and still be in a position to remedy them*'

However, this adaptational approach to change incorporates contrasting views among theorists as to a role for strategic choice Writers such as Child (1972) and Quinn (1980), for example, envisage managers as purposefully experimenting with new products, structures and processes while, in contrast, writers operating from transaction cost and resource dependence perspectives view managers as having only a limited role For them organisational changes are viewed as responses dictated, for the most part, by external dependencies Furthermore, while the two frameworks may be viewed as incorporating an adaptive approach to change they are weak in their articulation of adaptive processes

Logical Incrementalism

Quinn's (1980) incrementalist approach has become associated within the strategy field with a gradualist approach to change (Stacey, 1999) Furthermore, it incorporates an important role for managerial choice that stands in contrast to the more deterministic points of view expressed in both the transaction cost and resource dependence approaches

Within this framework effective managers are seen to possess a clear view of what they are trying to achieve rather than managing in a piecemeal manner However, an awareness of both the ambiguity and uncertainty present in the environment causes them to retain a measure of flexibility through avoiding the articulation of a fixed strategy When it materialises, strategic change is seen to emerge from a political process that is orchestrated by top managers Strategic change is seen as emerging in small incremental, speculative steps resulting in an organisation feeling its way

towards a known goal, opportunistically learning as it goes. As such an organisation is *'driven by central intention with respect to the goal, but there is no prior intention as to how that goal is to be achieved'* (Stacey, 1999: 92). The process of emergence sees strategic change as a cumulative process with past decisions and events influencing the present. As such a role for history and path-dependence is incorporated.

The Transaction Cost Approach

The primary focus of TCE is on the content of change rather than the process. Furthermore, Kay (1992: 330) has pointed to the fact that *'Williamson's theory rests on comparative statics and cannot be used to describe dynamic, evolutionary phenomena'*.

Although it has avowed leanings towards the adaptive view, TCE finds dealing with the process of change problematic. Ghoshal and Moran (1996) draw attention to the fact that innovation related activities that are efficient only in a dynamic sense are ignored in the TCE framework, a fact acknowledged by Williamson (1985). Langlois and Robertson (1995) maintain that as transaction costs are seen as frictions they are, therefore, essentially short-run phenomena. As such, transaction cost economics can only provide snapshots of possible institutional responses to momentary situations.

Williamson's work also contains contradictions with regard to a role for history and path-dependence. In some instances he acknowledges a role while at other times he downplays it. For example he claims that *'the Fundamental Transformation... is a specific manifestation of the proposition that history matters'* (1993: 240) but then later asserts that it was *'not by history but by logic that the owners of capital became the owners of enterprise'* (1985: 324). The ambiguity about a role for history may stem from the fact that exchange, within a microeconomic context, assumes the absence of long-term relationships and sees successive transactions as being independent. This contrasts sharply with social exchange theory, which sees relationships as being more or less enduring with recurring exchanges being interdependent (Molm and Cook, 1995). Knudsen (1995) believes that the introduction of processes into the TCE model would necessitate modelling the firm as a *'hereditary mechanism'* that accumulates more and more complex behavioural

patterns over time. As such the organisational structure of a firm would no longer be determined by its transaction costs, but by the knowledge or competencies of the firm accumulated during its lifetime.

TCE sees rational economic reasons for the way in which transactions are organised (Williamson, 1985). Although Williamson (1985, 1996) adopts the notion of bounded rationality he believes that Simon (1961) enlarges rather than reduces the scope of rationality as found in traditional economics. Furthermore, by adopting the neoclassical stance that individual objectives emanate from a single-value utility function i.e. economising (Hodgson, 1993), and by focusing on conditions for stable equilibrium (Johanson and Mattsson, 1987), the transaction cost approach shows itself to be inherently deterministic.

The Resource Dependence Approach

Like TCE, resource dependence theory has proved to be one of the most fruitful frameworks for the analysis of organisation-environment relationships (Davis and Powell, 1992). However, in spite of its adaptive credentials, many of the most important studies in support of its claims have been cross-sectional in nature.

Unlike TCE, resource dependence theorists see management as not just responding to external constraint and control but also undertaking different strategies aimed at counteracting the effects of the environment (Pfeffer 1982). However, it is seen as being best employed to account for adaptive responses of specific organisations over a relatively short period. Furthermore, it shares with TCE a focus on the content of change and is weak in delineating the process by which change unfolds (Scott, 1998). While Pfeffer and Salancik (1978) recognise the need to specify the means by which environmental context affects organisational action, they consider only one example, executive succession, in any detail.

Resource dependency theory is also ambiguous in its treatment of history and path-dependence. While Pfeffer and Salancik (1978: 18) do acknowledge that '*most constraints on organisational actions are the result of prior decision making or the resolution of various conflicts among competing interest groups*' no explicit role for

history is articulated. Furthermore, as Mizruchi (1996) has pointed out, one of the theory's principal research streams, director interlocks, has tended to focus on their effect rather than their causes, and in doing so has generally ignored the historic context.

The resource dependence perspective is also somewhat ambiguous on the voluntarist/determinist dimension, particularly at firm level. While it seems to acknowledge that *'organisations seek to manage or strategically adapt to their environment'* (Aldrich and Pfeffer, 1976:79), nevertheless, Pfeffer and Salancik (1978:267) have been careful to stress that *'if there is one image we wish to provide the reader, it is that success is in the hands of many actors outside the control of the organisation'* (1978:267).

4.1.1.2 Population Level Theories

Both Meyer et al's (1990, 1993) and Van de Ven and Poole's (1995) conception of evolutionary models imply a gradualist approach to first-order change at a population level of analysis. They assume the standpoint that although individual organisations experience inertia, populations of organisations are driven towards alignment with their prevailing external surroundings by a variety of forces. Two of the five main organisational frameworks, population ecology and neo-institutional theory are frameworks that both authors see as falling within this bracket. However, the characteristics of the industrial network approach would also seem to fit the profile.

Population Ecology

Population ecology is, in essence, a process model of change at the population level of analysis. Where change does arise, major writers in the field such as Hannan and Freeman (1977) McKelvey and Aldrich (1983) and Aldrich (1999) adopt an incrementalist and evolutionary viewpoint.

Aldrich (1999: 163) sums up the current state of thinking when he acknowledges that after almost two decades of research *'ecologists are willing to admit that organisations can and do change, sometimes in quite radical ways'*. However, this

change is seen to be distinctly evolutionary in nature and achieved through a process of variation, selection and retention.

Barnett and Carroll (1995) identify the structural inertia theory of Hannan and Freeman (1977, 1984) as being the most developed of the population arguments on organisational change. The concept of inertia sees adaptive processes as being insufficient to enable organisations to keep up with the rate of change in the environment (Davis and Powell, 1992). In contrast, at the level of the organisation, population ecologists adopt an environmental selection perspective, seeing diversity as emanating from the births of new forms and the deaths of old ones (Singh and Lumsden, 1990). The density model of legitimation and competition has been used to explain long-term evolutionary change in organisational populations (Hannan and Freeman, 1989; Hannan and Carroll, 1992). This articulates a life-cycle approach to change.

Both Hannan and Carroll (1992) and Aldrich (1999) acknowledge the path-dependent nature of population ecology. Aldrich identifies both technological lock-in and network externalities as sources of such dependence. Equally, he draws attention to the impact of age, historical events and founding conditions on organisational outcomes.

Population ecology focuses attention on factors that are important, but over which organisations have little control except, perhaps, in relation to the choice of original niche. Pfeffer (1982: 191) sees *'little room in population ecology for elements of rational choice and for the operation of goals, preferences, wants or ambitions'*. Freeman (1982: 23) also notes that natural selection approaches to the study of organisations *'seem to leave no role for individual choice.'*

The New Institutionalism in Sociology

The new institutionalism in sociology concerns itself with the mechanisms that legitimate social practices, the social embeddedness of human arrangements, and the particular historical character of institutionalised practices (Meyer and Scott, 1983; Powell and DiMaggio, 1991). Zucker (1991:85) has observed that

'institutionalisation is both a process and a property variable'. However, in her view, the field is in danger of focusing on content to the exclusion of process, with little articulation of how processes of change work themselves through. As Zucker (1991:106) points out *'institutional theory is always in danger of forgetting that labelling a process or structure does not explain it'*.

Both DiMaggio (1988) and Brint and Karabel (1991) have drawn attention to a lack of concern within the field for change. On the contrary, Scott (1995, 2000) points to more recent evidence of a greater focus on process. However, closer examination reveals such studies to be far from numerous. Furthermore, they have mostly emanated from either multi-modal approaches or from other fields such as population ecology.

That said the importance of institutions to the process of industry evolution is well articulated by Nelson (1995:76-77) when he notes that the study of industry evolution, from a sociological perspective stresses the fact that it is the industry itself that moulds its own environment. This it does through *'the rules of behaviour and interaction among firms that evolve spontaneously, through the formation of a variety of industry-related organisations that decide matters like standards and through political action'*.

The major writers in the field (see DiMaggio and Powell, 1983; Scott, 1995, 1998, 2000; Zucker, 1987) view change as incremental and evolutionary with organisations becoming more homogeneous over time by incorporating institutional rules within their structures. Isomorphism, the constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions, is seen as the key institutional process promoting homogeneity (Meyer and Rowan, 1977; DiMaggio and Powell, 1983).

Scott (1998:220) believes that *'adaptation is not the exclusive preserve of the individual organisation'* but also *'occurs at the level of the organisational field'*.

At this level the way in which networks and structures have been developed to support collective action has been the subject of a number of studies. Examples are Hirsch's 1975 study of the pharmaceutical and record industries, Fligstein's (1991) study of

structural transformation in the auto industry and Leblebici et al's (1991) examination of the evolution of the US radio broadcasting industry

Scott (1998) identifies governance systems and institutional logics as useful in examining adaptation processes at industry level. Government, state agencies, trade associations, trade unions, professional associations and other collective forms are all seen as exercising substantial control. As Powell and DiMaggio (1991: 31) point out ' *dominant organisations continually enact strategies of control, most notably through the socialisation of newcomers into a shared world view or via the support of the state and its judicial arm* '. Adaptation is often carried out by existing governance systems. However, changes at this level are often linked to changes in the composition or membership of governance systems and in their mechanisms.

While they may change over time, institutional logics act as important sources of stability and continuity in industries (Scott, 1998). They influence issues such as definitions of success criteria, perceptions of the nature of work, the relative privileges afforded to different actors and organisations and the appropriateness of governance systems. A number of writers have engaged with industry-level analysis through their work on cognitive communities and industry recipes. The most notable of these efforts have been the study of the Scottish knitwear industry by Porac et al. (1989) and the work of J. C. Spender (1989) on industry recipes. Of specific interest has been Shearman and Burrell's (1987) adoption of a cognitive approach to develop a life-cycle-based social model of industrial development. Within it, four stages, the community stage, the informal network stage, the formal network stage and the club stage are used to map the process of industrial evolution.

According to Scott and Christensen (1995), the new institutional perspective emphasises the importance of the wider social context more than any other theoretical paradigm in the social sciences. Powell and DiMaggio (1991: 8) note that institutional theory, in its organisation theory and sociological guises ' *comprises a rejection of rational actor models with an interest in institutions as independent variables, a turn toward cognitive and cultural explanations and an interest in properties of supra-individual units of analysis* '. More recently Scott (1998) has come to support the view that rationality is socially constructed within an institutional framework, and

Fligstein (1991) to argue that environments are murky and require interpretation as a prelude to action.

The Industrial Network Approach

While Meyer et al (1990, 1993) omit networks from their typology, the industrial network approach would appear to position itself within the realm of evolutionary approaches at the population level of analysis. The most comprehensive articulation of the process of change in industrial networks, to date, appears in Håkansson and Snehota (1995), which integrates and extends earlier work on the development of the Actor-Activity-Resources Model (Håkansson, 1989; Håkansson and Johanson, 1992), with the articulation of change processes (Håkansson, 1992; Lundgren, 1992).

The most important dimension of change in business networks is associated with the development of actor bonds, activity links and resource ties. Change is seen to unfold through interactions in relationships, and structural change is viewed as a continuous process with thousands of small and large changes concerning technical, organisational, commercial and social aspects of the network occurring on a daily basis. As Håkansson and Snehota (1995:274) have noted:

Business networks are always the result of a continuous collective organising process consequent to the actions of its actors who, with only a partial understanding and control of the overall structure, take action vis-à-vis single specific other actors.

Although recognising the possibility of revolutionary change, evolutionary change is seen as the norm, and is not taken to follow any unified teleological design at the network level. Network change is seen as path-dependent, where current structure is viewed as 'a workable compromise for today that is bound to change tomorrow' (Håkansson and Snehota, 1995:274). Change in industrial networks is seen to proceed incrementally from within the existing structure of bonds, links and ties and to follow a rationale that Håkansson and Snehota call 'network logic'. From this perspective, three pairs of change vectors are used to characterise the development pattern, structuring-restructuring, specialisation-generalisation and hierarchy-heterarchy, with all of these vectors at work concurrently in every network.

Lundgren (1995) has articulated a three-phase process model for explaining technological innovation and network evolution. It encompasses a genesis phase that focuses on the creation and identification of novelty, a coalescence phase during which the innovation is developed and achieves legitimacy and a dissemination phase during which usage and adaptation takes place.

In network approaches the individual firm is seen as an actor embedded in a network of relationships that functions both as a constraint and as an instrument for interaction and counteraction (Davis and Powell, 1992, Lundgren, 1995). However, while the actor in a network may appear to be '*a lifeless puppet set in motion by others pulling the strings*', there is always a '*voluntaristic element*' with the strings to some extent '*pulled by the actor himself*' (Håkansson and Snehota (1995: 272) (p. 201)).

Coping with change in the network context is often seen as being synonymous with adapting to change or with absorbing its impact. In business networks, however, all actors are part of the dynamics generating the change. As Håkansson and Snehota (1995: 282) put it '*companies in business networks are at the same time objects and subjects of change*'. Absorbing change, given its magnitude and consistency, is not viewed as a viable long-term strategy and for this reason companies are seen to manage change.

4.1.2 Theories of Second Order Change

Second order change is associated with those '*patterns of change labelled as reorientation, re-creation and revolution and are concerned with attempts to move from one design archetype to another, something which involves holistic change in structures, systems and values*' (Kikulis, Slack and Hinings, 1995: 68). According to these authors the concept of evolutionary periods of incremental change interrupted by brief periods of discontinuous or revolutionary change has its roots in the biological theories of Eldredge and Gould (1972)/Gould and Eldredge (1977) and the concurrent work of Greiner (1972) in organisation studies. However, Barney (1986) traces its lineage back to Schumpeter's (1950) concept of creative destruction.

4.1.2 1 Organisation Level Theories

Frame-breaking changes that are confined within the boundaries of a single firm form the basis of metamorphosis theories. From this perspective organisations are seen to adopt stable configurations and to be prone to inertia. Because of this, periodic realignment is needed whereby organisations undergo rapid firm-wide transformations (Meyer et al, 1990, 1993)

Writers on second-order change have used various terms to characterise it, including strategic redirection (Doz and Prahalad, 1987), quantum change (Miller and Friesen, 1982, 1984), frame-bending change (Nadler and Tushman, 1989), discontinuous change (Meyer, et al, 1990, 1993), shift in design archetype (Greenwood and Hinings, 1988, 1993) and punctuated equilibrium (Tushman and Romanelli, 1985, Gersick, 1991). All share a perspective that sees revolutionary change as required periodically to overcome the high degree of inertia that develops in organisations. However, Pettigrew (1985a, 1987) and Child and Smith (1987) believe that many such perspectives tend to present the distinction between continuities and discontinuities in revolutionary change too sharply in time. By separating transformational periods too much from *'either their genesis or legacy'*, they portray them as shorter than they really are (Child and Smith, 1987: 583).

A common characteristic shared by these theories is an emphasis on *'the power of managers in general, and top managers in particular, to redirect the organisation's path'* (Dean, Carlisle and Baden-Fuller, 1999: 54). A further characteristic of the more developed of these second-order change models is their declared multi-modal approach to change drivers. Approaches such as Pettigrew's (1985a, 1987) model of continuity and change and Tushman and Romanelli's (1985) punctuated equilibrium model share a number of common characteristics. Both warn against applying theories based on universal drivers such as efficiency (Williamson, 1985) or power (Pfeffer and Salancik, 1978). In addition, both suggest that the applicability of differing theories about organisational adaptability depends on whether a system is in a period of transformation or continuity (Pettigrew, 1990, Gersick, 1991).

Kikulis et al (1995: 68) note that *'Greiner's (1972) idea of evolutionary periods of incremental change being interrupted by revolutionary periods of large-scale changes or crises has formed the foundation for much of the recent theoretical and empirical work on organisational change'* However, in more recent times the punctuated equilibrium model as espoused in the writings of Tushman and Romanelli (1985), Gersick (1991) and Romanelli and Tushman (1994) has proved the most influential

Greiner's Development Model

Greiner's (1972, 1998) model falls within the developmental category identified by Aldrich (1999) and as such it incorporates a role for history. In it he reveals what he identifies as the typical pattern of development experienced by all companies. Two variables, age and size, are used to plot the stages that all firms must pass through if they are to sustain acceptable levels of performance. Greiner describes five stages of growth that are each punctuated by crises. An organisation is seen as having to pass through a crisis if it is to progress from one stage of growth to the next.

As an organisation grows in age and size it first encounters a crisis of leadership as the entrepreneur's informal management style fails to cope with the growing level of complexity. Movement to the second growth stage requires the professionalising of management. However, this eventually leads to a crisis of autonomy as growth makes hierarchical control increasingly difficult to maintain. This second stage crisis is solved through greater delegation. However, a crisis of control eventually arises as top management perceives itself as losing control of the operating businesses. By solving the crisis of control through greater level of formal co-ordination the level of bureaucracy grows and ultimately leads to a crisis of red tape. As such, in order to move to the fifth stage the organisation needs to shed its reliance on formal control in favour of a greater level of collaboration.

Meyer et al (1990, 1993) see Greiner's model as falling within their concept of metamorphosis, whereby second-order change is needed to overcome organisational inertia. What's more, the resolution of each crisis is a strategic choice made by individuals. However, Van de Ven and Poole (1995) see the model as an exemplar of

a dual-motor theory 'grounded in temporal interactions between life-cycle and dialectical theories of change' (Van de Ven and Poole, 1995 530)

Punctuated Equilibrium

Tushman and Romanelli (1985 174) see their model of punctuated equilibrium as borrowing from ecological, adaptational and transformational models of evolution. They present their model as being characterised by 'three defining constructs'. The first consists of processes of convergence that function through incremental change mechanisms. A firm's strategic orientation is seen as being supported by a complex set of economic and political/social behaviours and activities. The incremental change mechanisms act on this network of socio-political and technical-economic activities to bring them into alignment and make them consistent. Current periods of convergence are seen as being shaped by an organisation's history.

The second construct involves periods of reorientation during which the patterns of consistency are fundamentally reordered toward a new basis of alignment. This highlights a basic premise of the model, which is that organisations can and do undergo radical transformations. Reorientations are seen as involving a series of rapid and discontinuous changes that fundamentally alter the organisations character and fabric.

Thirdly, executive leadership is seen as the primary mechanism of intervention. While the middle and lower tier of management can sustain the organisation throughout periods of convergent change, only executive leadership can intervene between forces for convergence and forces for change and initiate a strategic reorientation. Executive leadership is seen as taking on 'a protean role' in the punctuated equilibrium model (Tushman and Romanelli, 1985 214). During convergence, symbolic activities and incremental change are emphasised and core values are reinforced. In contrast, during transformation, executive leadership engages in both substantive and symbolic activities making consequential as well as normative decisions. The outcome is 'a model of organisational evolution based on a simultaneous consideration of forces for stability, forces for fundamental change and the role of executive leadership in mediating between these contrasting forces' (Tushman and Romanelli, 1985 213).

The model is regarded by Van de Ven and Poole (1995: 530) as a dual-motor theory which incorporates ‘*an evolutionary motor of change at a population level of analysis for relatively long convergent periods, punctuated by relatively short infrequent operations of a teleological motor of change by top managers at the organisational level*’. However, the motors of change incorporated are seen as being mutually exclusive with Tushman and Romanelli (1985) using time as the way of integrating the two motors in a theory of organisational change. That being said, the model does not specify, in any detail, the interplay between the two motors and as such the mechanism for transition between convergent and transformational periods remains unclear.

Romanelli and Tushman (1994), in a rare empirical test of the model, involving the life-histories of 25 minicomputer producers over a twenty year period, concluded that

- Revolutionary transformation is the principal means by which organisations fundamentally alter their systems, structures and strategy
- Organisations are unable to instigate or conclude transformation via incremental or gradual changes in organisational characteristics
- Revolutionary transformations are positively and significantly influenced by major changes in environmental conditions and successions of chief executives

More recently, Dean, Carlisle and Baden-Fuller (1999) set out to broadly replicate the Romanelli and Tushman research by studying ten major water service companies in the UK between 1992 and 1996. Their main finding was that ‘*incremental approaches have been as effective as punctuated change approaches in the UK water industry*’ (S13), which provided only contingent support for the Romanelli and Tushman perspective.

4.1.2 2 Population Level Theories

Second order change at the population or industry-level of analysis constitutes the least explored area of change on the part of strategy theorists (Meyer et al, 1990, 1993). References to such change in the literature tend to point loosely to the seminal works of Schumpeter (1950) and Gould and Eldredge (1977) to underpin the existence

of such change conditions. However, so far no comprehensive frameworks have been espoused. That being said, a number of writers operating from diverse theoretical streams have contributed to our understanding of changes of this type.

While population ecologists have generally focused on inertia and evolutionary change, a number of writers have acknowledged change of a more revolutionary type. McKelvey (1994) has recognised the importance of punctuated change and called for a greater level of engagement and debate between evolutionists and punctuationists. Astley (1985: 230) draws attention to the way that Mench's (1979) work on differing levels of technological innovation '*points to the relevance of the punctuated-equilibrium model in describing the evolution of industrial structure*'. He also introduces the biological concept of quantum speciation in order to articulate the process whereby '*certain factors suspend the forces that normally limit change to a gradualist pattern*' (p. 232).

In their seminal work on organisational ecology, Hannan and Freeman (1989: 38) acknowledge that '*the notion of punctuated equilibria seems highly appropriate for the study of social change, including organisational change*'. More recently Carroll and Hannan (1995: 275) have acknowledged that '*long-term evolution in organisational populations tends to be punctuational*'. It may be that the perspective on change adopted is often a reflection of the length of the period studied. The industrial network approach has also seen some recognition of punctuated change. Recent work by Halinen, Salmi and Havila (1999) has begun to shift the focus of network thinking towards examining radical change. In doing so they have sought to incorporate the punctuated equilibrium approach into the industrial network paradigm.

Some recognition of punctuated change is also evident among institutional writers. Walter Powell, (1991: 197) has acknowledged that '*when change occurs it is likely to be episodic, highlighted by a brief period of crisis or critical intervention, and followed by longer periods of stability or path-dependent development*'. This view is also supported by writers using the design archetype approach such as Greenwood and Hinings (1988, 1993, 1996).

An important and frequently-cited contribution is the 30 year study of San Francisco Hospitals by Meyer et al (1990, 1993) By utilising historical analysis they draw attention to the complex nature of change through their identification of three types of processes at work during different periods of their study For the first 20 years first-order change was seen to dominate During the 1960s the changes identified corresponded with a process of evolution through institutional isomorphism In the 1970s the focus shifted to a process of adaptation at the level of the organisation However, the 1980s were seen to herald a period of second-order revolutionary change that was particularly concentrated in the period between 1982 and 1983 As such they supported the punctuated model of change at the industry-level

In their original research design they took the firm as the principal unit of analysis However, they quickly came to recognise '*the value of theorising and observing at multiple levels*', and having identified both the industry and the inter-organisational network as additional levels of analysis, they went on to point out that at each of these levels, they observed '*discrete structures changing according to their own dynamics*' (Meyer et al 1990 107) This they saw as providing support for Pettigrew's (1987) contextual approach to the study of change A number of other insights emerged from their study, most of which are stated as propositions rather than conclusions The most important were that revolutionary changes within an industry are associated with metamorphic changes within organisations, that organisations do not respond to environmental turbulence as independent actors, and that factors other than executive leadership, such as technological and social influences, have a major influence on revolutionary change, especially at industry level

4.2 Summary of the Literature on Process and Drivers

This review of the literature overall indicates considerable diversity of perspective A further attempt at classification, based on the foregoing review is presented in Table 2.2 A feature of this classification is that it tries to relate in summary form the main typologies of process with the main frameworks on change drivers highlighted in the previous section

Mode of Change	Level of Analysis	Type of Change	Focus	Role for Social Action	Means of Change	Key Works
First order	Firm	Adaptation	Incremental change within organisations	Varies in extent with different theories	• Incrementalism • Resource dependence • Transaction cost economising	Pfeffer & Salancik (1978) Quinn (1978) Williamson (1975; 1985)
First order	Industry	Evolution	Incremental change within established industries	Limited	• Natural selection • Institutional isomorphism • Network logic	Hannah & Freeman (1977; 1989) DiMaggio and Powell (1983) Håkansson & Snehota (1995)
Second order	Firm	Metamorphosis	Frame-breaking change within organisations	Significant role for leadership as a driver of change	• Life-cycle stages • Configuration transformation	Greiner (1972) Miller & Friesen (1984) Tushman and Romanelli (1985)
Second order	Industry	Revolution	Emergence, transformation and decline of industries	Difficult to determine. Role for leadership and entrepreneurship during revolutionary periods	• Creative destruction • Punctuated equilibrium • Quantum speciation	Artley (1985) Gould & Eldridge (1977) Schumpeter (1950) Meyer et al (1990, 1993)

Table 2.2: Classification of the Process of Change in the Literature

Many of the perspectives in the literature were found to differentiate between first-order and second-order change, and between firm and industry-levels of analysis. It is clear that one of the major debates in the field about the basic nature of the change process surrounds the gradualist-punctuationist question. Up to the early 1990s, the gradualist perspective dominated. More recently, the pendulum has swung quite far in the opposite direction, too far say some (Fox-Wolfgramm et al. 1998), and it is a debate that remains '*hotly contested by both practitioners and theorists*' (De Witt and Meyer 1999:141). Recent studies have also questioned the empirical soundness and analytical value of trying to compartmentalise studies of change too sharply along gradualist-punctuationist lines and industry-firm levels, if we are to make further progress (Pettigrew 1987, Child and Smith 1987).

Much of the literature also divides between adaptation and selection as the primary mechanisms of change, and between determinist and teleological perspectives on change drivers. It is also evident that much of the literature is further divided on the question of single or multiple motors, the role of history or path-dependence in change processes, and the value of the life-cycle metaphor.

5. RESEARCH FOCUS AND CONCEPTUAL FRAMEWORK

It is clear from the foregoing review of the literature that many questions remain unresolved about both the drivers of change and the patterns of process, and no where more so than in regard to industry evolution. Given the current state of the field, there is still much scope for exploratory research, designed to re-visit some basic questions about the drivers and process of industry evolution through inductive inquiry, to make a valuable contribution both empirically and analytically. This is what the present study aims to do.

5.1 The Main Research Questions

The main research questions have been anticipated in the literature review and can be summarised as follows:

5.1.1 Drivers of Change in Industry Evolution

The questions to be explored in relation to the drivers of industry evolution at both empirical and conceptual levels are:

- What are the main empirical drivers of change in industry evolution?
- Where is their primary locus (Context/History/Social Action)?
- How does their relative influence vary over time and context?
- What is their relationship to more formal theory?

While the drivers and process of change are inherently bound up with each other empirically, it seems analytically useful to examine the question of drivers separately from, as well as along with, the question of process. As we have seen, this is no more than a reflection of the current state of the literature, where theories of drivers have not yet become well integrated with theories of process. A significant body of research still tends to look on the process of change as a separate phenomenon, almost requiring its own ideas, independent of theories of structure or content. In addition, it

is clear that the question of drivers can be usefully approached at two levels, the empirical and the more formal. This again reflects the current state of the literature where there continues to be much debate at both levels about what is (are) the primary driver (s) of industry evolution.

Industry-level theories, like the Industry Organisation (I/O) framework, offer a unidirectional view of industry evolution, with little insight into the dynamics of process. Taking a cue from the evolutionary economists, the search for relevant insight at both descriptive and conceptual levels was widened beyond I/O to the most relevant frameworks in the strategy and related fields. At the empirical level, we have seen the literature divided about the relative importance of such factors as technology and government regulation. At the more formal level, we have found the literature divided about single or multiple drivers, and about which drivers are pre-eminent.

Two of the frameworks, TCE and resource dependency theory, present single driver perspectives on change. In TCE, the dominant driver is efficiency. In resource dependence theory, it is power. However, in those frameworks where the level of analysis is extended beyond the firm, the identification of a dominant change driver becomes more problematic. We find research in the industrial networks perspective presenting a more complex picture involving multiple drivers at both descriptive and formal levels, with the primary focus shifted onto interaction. Population ecology literature also ranges quite freely across descriptive and formal levels as it identifies roles in driving change for factors such as legitimization, competition, technology and institutions, while institutional theory tends to place much emphasis on the role of professional norms and government regulation.

The literature is also divided on the primary locus of influence over industry evolution, with different frameworks reflecting different levels of determinism and varied views on path-dependence. This suggests that questions remain over the relative influences of context, social action and history in the industry evolution process, and these will be central in this study at both the empirical and formal levels.

5.1.2 The Process of Industry Evolution

Empirical analysis of the drivers of industrial evolution will yield its own insights into the nature of the process. However, further insight will be sought through additional questions that are more directly focused onto the temporal patterns of process. Again this insight will be sought at both descriptive and formal levels. The main questions to be explored will be

- What are the primary temporal patterns of process in industry evolution?
- How do these relate to formal theory?

It is clear from the literature that empirical studies of industry evolution are still rare, particularly those designed to examine the temporal patterning of process. Indeed, a characteristic of the literature was the pervasive use, and often misuse, of the word process, with relatively little insight offered into how processes unfold.

When the focus turned to temporal patterns of process, it became clear that the main frameworks on drivers formed only part of the overall conceptual picture and further perspectives on process were examined. The literature on process was divided along a number of dimensions. The most significant were

- First-order vs second-order change
- Organisation vs population level of analysis
- Adaptation vs selection mechanisms
- Action vs determinism
- Ahistorical vs path-dependent approaches

The five major frameworks used to guide the review of change drivers were all found to present first-order perspectives on the change process. Furthermore, they were all largely deterministic, some more so than others. In this they are in accord with Van de Ven and Poole's (1995) association of first-order change with a high level of determinism. However, they seem to be at variance with the voluntarism of logical

incrementalism (Quinn 1980), which remains the most robust first-order process theory of change at the level of the firm.

Moreover, when viewed in the light of Pettigrew's (1997) definition of process as '*a sequence of individual and collective events, actions and activities unfolding over time in context*', only two of the five theories, the industrial network approach and population ecology, could be called dynamic. TCE and resource dependency theory are short run theories that deal in outcomes rather than processes. The two frameworks that are more dynamic offer different perspectives on process, one focused on relationship interactions and the other on birth-death dynamics. Further debate was evident across first-order change perspectives concerning whether the primary mechanism was adaptation or selection.

Second-order theories of process were found to be more developed at the organisational level of analysis with key models being offered by writers such as Greiner (1972, 1998), Miller and Friesen (1984) and Tushman and Romanelli (1985). To date there has been little extension of second-order change theory to the industry-level, and the literature lacks coherence. At the level of the firm, theories of second-order change tend to be more voluntarist than most of the first-order perspectives, with executive leadership and individual choice seen to be key determinants of organisational redirection. The lack of second order perspectives at industry-level made it difficult to discern if this teleological character extends beyond the level of the firm, and this in itself is an interesting question to be explored in this study.

Last, but not least, the main division in the literature on temporal patterns of process, beyond the first-order (gradualist) vs. second-order (punctuated) debate, was found to be between those that adopt a life-cycle model and those that do not. To date, the life-cycle model has been prominent, but has its critics. For some, empirical support for the life-cycle model has been sought from too narrow a range of industries. Furthermore, its critics have found it particularly weak in describing and explaining industry maturity. In addition, recent studies have failed to detect a life-cycle pattern, and some have begun to advocate the adoption of less biological, and more biographical, imagery in the further development of stage theories of process. Whether the temporal patterns of process can be usefully characterised as gradual or

punctuated, and how they relate to formal stage theories, such as life-cycle theory, will be important questions in this study

5.2 The Proposed Conceptual Framework

The conceptual framework used to guide the empirical analysis is illustrated in figure 2 3 and is grounded in the forgoing literature review

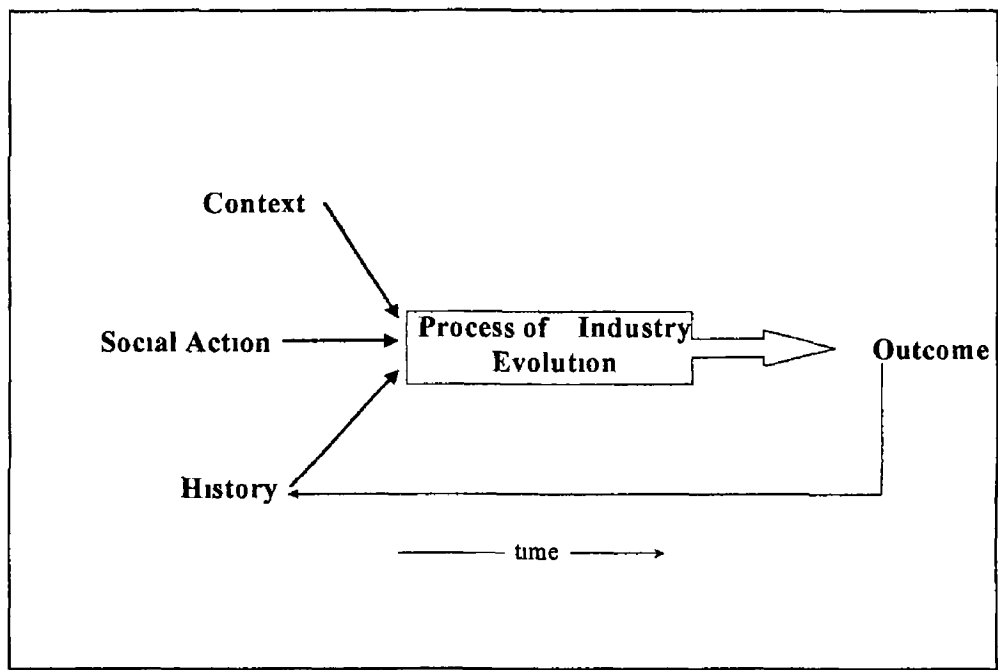


Figure 2 2 A Conceptual Framework for the Study of Industry Evolution

The framework is developed at a low level of resolution, as appropriate for inductive inquiry. The intention of the framework is to provide the fieldwork with sufficient conceptual guidance to give it focus, while avoiding undue advanced categorisation of the data. Within this framework ‘context’ is used to refer to those elements in both the task environment (Dill, 1958) and the institutional environment (Scott, 1998) that influence the process of industry evolution. ‘Social action’ is the phrase used to describe the effects of human agency within an industry context. Here it encompasses the purposeful action at the individual, organisational, and industry-level that serves to direct the course of evolution. The term ‘history’ is used to describe the unfolding historical influences that serve to direct the course of evolution in a path-dependent manner.

The low-resolution model represented in the framework sees the process of industry evolution as one that unfolds over time and is shaped by the interplay of context, history and social action. The time line and the feedback loop are included to highlight the framework's dynamic perspective, with the loop showing the ongoing influence of history. The framework leaves open the questions of specific drivers and temporal patterns of process, since fresh insight on these questions is to be sought through induction from the data.

6. SUMMARY

This chapter reviewed the relevant literatures on the two questions that are central to this research, the drivers of industry evolution, and the main temporal patterns of process. The limitations of the Industry Organisation (I/O) perspective prompted the extension of the review on the drivers of industry evolution to the strategy and related fields. The review had to be extended further when considering the temporal patterns of the process, because the literature on process to date has largely developed independently of theories of structure and content.

The current state of the literature on both drivers and process was seen to justify the undertaking of further study of an inductive nature and the main research questions were developed. The particular need for studies of a multi-level, multi-modal nature was highlighted. To guide the inquiry, a conceptual framework was developed from the literature. The framework was deliberately developed at a low level of resolution to avoid premature categorisation. Finally, immersion in the literature also served to sensitise the researcher theoretically in advance of, and throughout, the empirical analysis.

In the following chapter, the choice of research methodology will be explained, and its use in the conduct of this inquiry will be described.

CHAPTER THREE RESEARCH METHODOLOGY

1. INTRODUCTION

This research programme is a study of the drivers of industry evolution and of the temporal pattern of process, and it is clear from the preceding chapter that considerable scope still remains for inductive research to make a significant contribution to the literature. The purpose of this chapter is to explain the overall methodological approach chosen for the study and to describe how the study was conducted.

As Morgan (1983) has noted, methodological choice should be determined to a great extent by the purposes and characteristics of the research. The purpose of any methodology, according to Van Maanen (1979), is to act as a map to read or interpret the temporal and spatial domain of the social world selected as the territory for the research, and the contours of the territory to be explored in this study have already been outlined in the conceptual framework. The study will seek to explore how context, social action and history interplay in driving and patterning the process of industry evolution over time. It is essentially a process study of continuity and change.

A number of writers have warned against narrow approaches to the study of change. Both Pettigrew (1990, 1997) and Gersick (1991) have warned against singular theories of change, particularly against undue reliance on rational theories alone, and they have argued for multi-modal studies. Pettigrew (1985, 1987) has also been to the fore in advocating multi-level studies, a view supported by Meyer et al (1990). A more recent advocate has been the institutional sociologist Richard Scott (2001, 2003) who has observed that *'change processes are best examined by designs that incorporate multiple levels of analysis. Social actions and structures exist in a dualistic relation, each constraining and empowering the other'*

As yet, few templates are available to guide inductive research into the dynamics of industry evolution using multi-level, multi-modal approaches to the inquiry. This study follows a contextualist research strategy of the type developed for the Warwick Studies on Corporate Change, and since proven in use (Pettigrew 1985, Pettigrew and

Whipp 1990, Leavy and Wilson 1994). In common with most qualitative methodologies, it is not defined by any highly specified techniques. Rather, as Pettigrew (1985:38) has explained, there are a number of '*broad principles informing a contextualist analysis of process*'. These can be briefly characterised as follows:

- It involves multiple levels of analysis in connecting context, process and outcome using economic, political and cultural modes of analysis.
- It involves an underlying theory of social action that is neither over-voluntarist nor over-determinist in world view.
- It involves longitudinal case-based research designs that allow patterns of continuity and change to be observed over time.

The remainder of this chapter will be devoted to discussing the ontological and epistemological underpinnings of the contextualist approach and to describing how the study was conducted.

2. THE CHOICE OF METHODOLOGY

Qualitative researchers, right across the social science spectrum, are no longer as defensive as was once the case (Van Maanen 1979), and some of the most influential research in the industrial and business studies areas in recent times has been qualitative in approach. Porter's (1980, 1985, 1990) work on competition, Pettigrew's (1985) on strategic change, Hamel's (1991) on strategic alliances and Mowery and Nelson's (1999) on industrial leadership are among the most notable examples. However, as Pettigrew (1997) has observed, qualitative research is perceived in some quarters as suspect on grounds of validity and reliability, because it is unusual to find explicit statements of theory of method, particularly in process studies. It is clearly important that a study such as this should try to make explicit the main ontological and epistemological assumptions that underlie the chosen methodology.

2.1 Competing Paradigms in Social Research

According to Bartlett and Payne (1997:173) the social sciences '*have conventionally adopted the scientific meta-theory of empiricism and have therefore relied almost exclusively on the hypothetico-deductive logic of statistical inference*'. This

methodology has as its starting point an existing body of theory from which research hypotheses are framed through a process of deduction. The hypotheses are then operationalised in an experimental design within which the relevant dependent and independent variables are measured and controlled for in a sample representative of a target population. Non-random associations are established between the variables through statistical inference.

This approach to research results in a characteristic emphasis on the accurate measurement and recording of valid and reliable empirical data. It is positivist in outlook, and rooted in scientific realism, which assumes ontologically that there exists a reality driven by unchanging natural laws. The aim is to discover those laws, and thereby describe the true nature of reality. The epistemology is objectivist. It assumes that if there is one true objective world out there then it is possible to know about it.

While the hypothetico-deductive method remains the predominant approach, it has limitations. Some have long been concerned with what they perceive as the trade-off of meaning for precision in much positivist research. In the 1950s Mills (1959:60) decried the spread of '*abstracted empiricism*', and feared that obsession with method was taking too much precedence over significance of topic. Mintzberg (1979:583) later expressed the belief that research in the social sciences had '*paid dearly for the obsession with rigor in the choice of methodology*', where too often findings had been '*significant only in the statistical sense of the word*'.

At the other end of the spectrum is a philosophical outlook that is rooted in subjective experience and has its origins in the work of Kant and the German Idealist school of the nineteenth century. Idealism is based upon subjectivist assumptions and stands in opposition to the objectivist position through embracing the view that the social world is a human construct (Burrell and Morgan, 1979). In contrast to objectivism's nomothetic and positivist leanings the preference is for qualitative inquiry of an inductive nature, which is rich in description and convincing in interpretation.

While the hypothetico-deductive approach is quite precise in technique and strongly associated with one major philosophical position, the qualitative-inductive approach

tends to be more imprecise and varied. It also tends to be associated with several schools of thought, not all of which are clearly delineated.

In practice, many research designs do not fall neatly into one or other of these two basic objectivism-subjectivism categories. To reflect this, Morgan and Smircich (1980) developed an insightful classification, in which these categories are portrayed as ends of a spectrum, with a number of intermediate positions (Fig. 3.1).

	Subjectivist Approaches to Social Science					Objectivist Approaches to Social Science
Core Ontological Assumptions	Reality as a projection of human imagination	Reality as a social construction	Reality as a realm of social discourse	Reality as a contextual field of imagination	Reality as a concrete process	Reality as a concrete structure
Assumptions About Human Nature	Man as pure spirit, consciousness, pure being	Man as a social constructor, the symbol creator	Man as an actor, the symbol user	Man as an information processor	Man as an adaptor	Man as a responder
Basic Epistemological Stance	To obtain phenomenological insight, revelation	To understand how social reality is created	To understand patterns of symbolic discourse	To map contexts	To study systems, process change	To construct a positivist science
Some Favoured Metaphors	Transcendental	Language game, accomplishment text	Theater, culture	Cybernetics	Organism	Machine
Research Methods	Exploration of pure subjectivity	Hermeneutics	Symbolic analysis	Contextual analysis of gestalten	Historical analysis	Lab experiments, surveys

Fig. 3.1 Assumptions Characterising the Subjective-Objective Debate Within Social Science
Morgan and Smircich (1980: 492)

2.2 Contextualism

Contextualism has its philosophical roots in the pragmatism of William James and C. S. Peirce, is focused on the event in its setting, and relies on a truth theory of qualitative confirmation or falsification (Pettigrew 1985b). It was initially proposed as one of four worldviews by the philosopher Stephen Pepper (1942), the other being formalism, mechanism and organicism, and its epistemological basis was later clarified by Payne (1975, 1982). Since the mid-1980s, Andrew Pettigrew and the Centre for Corporate Strategy and Change at the University of Warwick have championed it as a research perspective, and from this has emerged an increasingly

refined and distinctive style of conducting longitudinal comparative case-study research (Pettigrew, 1985a, 1985b, 1990, 1992, 1997)

Contextualism occupies a position near the centre of Morgan and Smircich's subjectivist-objectivist continuum with the researcher adopting a more communal position by attempting to navigate a central course between involvement and distance. He also recognises that the nature of truth among the people involved in the research process is both relative and multifaceted.

An essential prerequisite of a contextualist analysis is '*to understand the emergent, situational, and holistic features of an organism or a process in its context, rather than to divide the world into limited sets of dependent and independent variables isolated from their contexts*' (Pettigrew 1985b 228). The researcher is encouraged to examine the relationships among the rational and the political, efficiency and power, the enabling and constraining forces of intra-organisational and socio-economic and political context. Theoretically sound and practically useful research on change is seen as involving the continuous interplay of ideas about the context, process and content of change, as well as skill in regulating the relations among the three. In order to achieve this a multi-level and multi-modal approach is advocated.

Pettigrew (1990, 1992, 1997) has identified the key assumptions guiding the contextualist approach. These may be summarised as follows:

- 1 **The importance of embeddedness** Processes are embedded in contexts and can only be studied as such. For this reason a multi-level analysis is required.
- 2 **The importance of revealing temporal interconnectedness** Understanding the sequence and flow of events over time is critical for the process researcher. History is important, with past conditions shaping the present and emerging future.
- 3 **The role for context and action** Context and action are inseparably intertwined. '*Context is not just a stimulus environment but a nested arrangement of structures and processes where the subjective interpretations of actors perceiving, learning and remembering help shape process*' (1992 10).

- 4 **A search for holistic rather than linear explanations of process** Causation is seen as being neither linear nor singular with no attempt at searching for single grand theories '*Links between multiple levels of context can only be established by exposing actions and recurrent patterns in the processes under investigation over years and sometimes decades*' (1997 341) This is facilitated by the adoption of the comparative case-study method
- 5 **The need to link process analysis to the location and explanation of outcomes** Complexity reduction is sought through research design Having a clear outcome to explain offers considerable advantages in process research

An important influence on the development of Pettigrew's contextualist approach has been Roy Bhaskar's (1978,1979,1986) espousal of a realist critique of both positivism and hermeneutics Bhaskar sees positivists as confusing regularities of experience with structure, and interpretivists as mistakenly seeing structures as being continuously fused in events As an alternative, he puts forward the view that social structures have depth and provide the powers that agents bring together in their activities In this way structure serves as a precondition for agency not an opposition to it (Whittington, 1988) The contextualist approach also resonates strongly with the 'ensemble des jeux' perspective of Crozier and Friedberg (1980), the structuration theory of Giddens (1985) and Sztompka's (1991) theory of social becoming, in its emphasis on the reflexive and recursive nature of the relationship between agency and structure

In essence, the '*driving assumption*' behind process thinking in the contextualist approach, is that '*social reality is not a steady state*' but '*a dynamic process*', and the '*overriding aim*' of the process analyst is to '*catch this reality in flight*' (Pettigrew 1997 338) However, within this dynamic perspective, the '*dual quality*' of the relationship between agency and context is recognised, where contexts are '*shaping and shaped*', and agencies are '*producers and products*', and this interaction between agents and contexts '*occurs over time and is cumulative*' (p 338-9)

3 RESEARCH METHOD

A central element of a contextualist approach is the emphasis on induction and the use of a comparative longitudinal case-based research strategy. In this section, the merits and limitations of this research strategy will be examined.

3.1 Inductive Analysis

Induction and deduction are often portrayed as mutually exclusive. In reality, the issue is more one of emphasis than dichotomy, as most researchers setting out to do inductive work soon realise.

Henry Mintzberg (1979: 584) has long been a strong advocate of research that is '*as purely inductive as possible*'. He identifies two essential steps in inductive research. The first he calls the detective work where patterns and inconsistencies are tracked down. The second is the creative leap, which involves generalising beyond the data. In his view, it is this kind of data-led exploratory approach, involving '*peripheral vision, poking around in relevant places, a good dose of creativity*' among other things, that really '*makes good research, and always will, in all fields*' (1979: 585). Going further back in time, the classic perspective on inductive analysis was developed by Glaser and Strauss (1967). The defining characteristics were '*the grounding of theory upon data through the process of data-theory interplay, the making of constant comparisons, the asking of theoretically oriented questions, theoretical coding and the development of theory*' (Strauss and Corbin 1994: 283).

However, few inductive researchers enter the field '*with an empty head waiting to be filled with evidence*' (Pettigrew 1997: 339). It may be possible for deductive analysis to proceed with little or no inductive element, but the reverse is rarely the case. Most inductive researchers now recognise that it is neither possible nor desirable to go into the field without any conceptual reference points. The recent acknowledgement by Strauss and Corbin (1994) that the original presentation of the classic grounded theory perspective overplayed the inductive aspects underlines the point. Likewise, while its main emphasis is inductive, Pettigrew (1997: 343) has come to view the contextualist approach to process research as '*best characterised in terms of cycles of induction and*

deduction’ The contextualist approach now consciously encourages some degree of *‘deductive structuring in the form of articulated research themes and questions’*, though this is seen as only *‘a prelude to a more open-ended process of inductive reasoning and pattern recognition’* (Pettigrew 1997 344)

A question at the heart of this issue is the role that literature plays in inductive analysis As Leavy (1994 115) sees it, in data-led qualitative research literature and data *‘are interleaved and the researcher continually interacts with both in ongoing inner dialogue throughout the duration of the project’* From the outset, the exploratory researcher must have some sense of what he is looking for, some idea of where to look, and the ability to spot the value in what is uncovered, and this is not possible without considerable immersion in literature from the start Some analysts see the role of this initial immersion as sensitising the researcher conceptually (Glaser 1978, Strauss and Corbin 1994, Bartlett and Payne 1997) As Glaser (1978) puts it, *‘when reading for his research the analyst should read for ideas’*, which helps to make him *‘sensitive to what he may discover in his data’* (p 32) At the same time the researcher must consciously try to avoid premature categorisation, since *‘preordained theoretical perspectives or propositions may bias and limit the findings’* (Eisenhardt 1989 536) Strauss and Corbin (1990 42) also recognise the role that years of professional experience can play as a further source of valuable sensitivity, since *‘one acquires an understanding of how things work in that field, and why, and what will happen under certain conditions’* Both of these sensitising sources played important roles in this study

3.2 The Case Study

The primary means used for the contextualist analysis of process is the comparative case study method Yin (1994) identifies four main types of case study design These are classified in the following matrix

	Single-case design	Multiple-case design
Holistic (single unit of analysis)	Single-case (holistic) designs	Multiple-case (holistic) designs
Embedded (multiple units of analysis)	Single-case (embedded) designs	Multiple-case (embedded) designs

Fig. 3.2: Basic Types of Design for Case Studies (Yin 1994, p. 39)

This study falls with the multiple-case, embedded category, and research designs of this type are particularly rare in industry studies to date.

As a general research tool, the case method has a number of important strengths that are significant for this research programme and which can be summarised as follows:

- A case study can be both descriptive and explanatory. Yin (1994:1) states that:

In general case studies are the preferred strategy when "how" or "why" questions are being posed, when the investigator has little control over events and when the focus is on a contemporary phenomenon within some real-life context.

- It accepts small sample numbers, allows for the creative use of alternative data sources, places emphasis on historical outcomes as the key area to be examined and provides the ability to identify the causal mechanism that underlies the outcomes (Easton 1995).
- It can reflect and be sensitive to the context within which a phenomenon occurs and to the temporal dimension through which events unfold (Li, 1996).
- It is particularly suited to the Irish context due to the constraints imposed on cross-sectional studies by the small population of firms and industries of any size and complexity (Leavy 1994).

In relation to its particular suitability for contextualist research, Pettigrew (1990) further suggests that:

- It best suits the topics, research objectives and modes of analysis of the contextualist approach.
- It provides the opportunity to examine continuous processes in context and to draw the significance of various interconnected levels of analysis.

Although the many virtues of the case method are increasingly being recognised across the social sciences, it has some limitations, real and perceived. Yin (1994) highlights three particular concerns that are often raised. One is the potential for lack of rigour in the evaluation of evidence and in the drawing of inferences from the careless application of a method which, by nature, has few procedural guidelines. The second is a widely-held perception that case studies offer little basis for generalisation, and the third is that they take too long and result in massive, unreadable documents. Eisenhardt (1989:549) points to the further concern that *'the intensive use of empirical evidence can yield theory that is overly complex'* and that *'theory building from cases may result in narrow and idiosyncratic theory'*.

No research tool can release the researcher from *'the firm and consistent practice of the ethics of scholarship'*, nor from the responsibility to present the work in a way *'that is open at every step to the checking up of others'* (Mills 1970:141). Rigour, in the final analysis, will always depend on *'honest recording and informed judgement'* (Brooke 1984:144). As for generalisability, Mintzberg (1979:583) simply asks in response, *'what is wrong with a sample of one'* and *'why should researchers have to apologise for them'*. Furthermore, Leavy (1994:111) argues that the issue is less acute where *'the case is clearly an example of a generic class of process or phenomenon'*, and suggests including cross-case comparison and within-case variation in the overall research design to enhance generic potential. Eisenhardt's concerns about theory-building are real, but not unique to this method, and far from inevitable, as many classic case-based studies show (Dyer and Wilkins 1991).

There is little doubt, however, that massive effort is usually involved, and case-based research can be long and arduous. In addition, the risk of being swamped by the volume and complexity of the data is all too real. In fact, Yin (1984:56) has argued that the demands placed by case-base research *'on a person's intellect, ego and emotions are far greater than for any other research strategy'*. Pettigrew (1985b:223)

sees case-based research as '*a craft process and not merely the application of a formal set of techniques and rules*'. The essential skills include conceptual ability, capacity to inductively recognise patterns in data, skill and perspective in the process of data collection, and writing skill (Pettigrew, 1997). Like all crafts, mastery requires much patience and reflective practice.

4. EXECUTION OF THE STUDY

The academic world operates largely in a world parallel with the world of practice, and much of the literature on research methods tends to portray an 'outsider' perspective on issues such as the genesis of research questions, choice of research sites, access to information and informants and theoretical sensitivity. Glaser and Strauss (1967) and Strauss and Corbin (1990) are unusual in explicitly recognising the contribution that prior professional experience can make to the research process when a practitioner returns to pursue a higher degree. A feature of this study is the extensive business experience of the researcher, and the description that follows will highlight the many ways that this contributed to the successful execution of this project. This is done in the hope that more practitioners will engage in research, and that more academics will encourage them to do so.

4.1 Case Selection

Case selection was governed by a number of considerations. The initial interest in the wholesaling sector came from the professional experience of the researcher. This was further developed through research for an MBA dissertation entitled '*The Irish Hardware Industry: Wholesaling Strategies in a Changing Environment*' (Quinn, 1992). It was clear from this earlier study that the literature on wholesaling was seriously under-developed. Significant variations in the structure of Irish wholesaling also became apparent in the study. From this, the conviction grew that further research on wholesaling at doctoral level could contribute much to a literature still largely dominated by manufacturing. A review of more recent literature for this study strengthened this conviction, with several authors highlighting the ongoing tendency in the literature to focus on manufacturing and on too narrow a product range, and calling for studies of more broadly defined industries and of non-manufacturing

sectors such as wholesaling and retailing (Klepper 1997; Orsenigo and Malerba, 1996; Utterback 1994).

In addition, an industry study on Irish wholesaling is believed to present particular attractions. Due to the lateness of Irish industrialisation, the wholesale/distribution sector has played a very significant part in the country's economic development. It was only from the 1930s onwards that serious attempts had been made to build a modern manufacturing base in Ireland, so a number of strategically important sectors, such as grocery, hardware and building supplies, had come historically to be dominated by wholesalers. Moreover, as Leavy (1988) has pointed out, a small country like Ireland presents its own attractions as a national context for research with embedded designs. Its relatively compact size, in both economic and geographical terms, facilitates multi-level analysis more easily than larger national contexts, and this has also been a consideration in both the choice of topic and the selection of method.

Pettigrew (1990) advocates that the researcher should go for strong contrast in case selection, to enhance the prospect for comparative analysis to unearth findings of interest and significance. The original intention was to concentrate on just two cases, given the enormous effort involved in case studies of the scope and type intended, and the initial selection of grocery and hardware reflected Pettigrew's advice. However, during an early attempt at drafting a narrative on the hardware wholesaling case, which planned to incorporate builders merchandising, it became more and more evident to the researcher that the latter needed to be treated as a separate case in its own right. In spite of the added burden that this was to impose, the potential benefits were believed to be worth it.

4.2 Access

A feature of this study is high quality access to respondents and archives. Pettigrew (1985a) has noted that one of the main reasons why studies of this type are still rare is the difficulty in gaining the quality of access required. However, this is one area where the practitioner-turned-researcher has a considerable advantage.

From the start, the researcher was able to draw on an extensive network of business contacts, having served as a CEO in one of the industries concerned, as chairman of a major professional body, and as a non-executive director on several boards. In addition, academic credibility with business had been developed through part-time lecturing in Irish higher education over the best part of two decades. Consequently, the researcher's integrity, trustworthiness, social skills and organisational savvy were already well known in key circles in advance of the fieldwork, and this had a bearing on the quality of the access gained. In addition, respondents were probably more generous with their time, more relaxed in interview, and more willing to be forthright with the researcher than might otherwise have been expected.

The main industry associations were particularly helpful in securing interviews with key respondents and accessing valuable archival material, and offered their assistance readily in return for feedback on the findings. Given the historical sweep of the study, help was also sought in gaining access to direct accounts and relevant archives from earlier times. In the hardware/building sectors, a former secretary general of the industry association provided valuable introductions to long-retired industry veterans. In the grocery sector, the current director general of the industry association, and several senior industry executives, paved the way for access to similar figures.

During interview, many of these industry veterans provided a surprising amount of invaluable personal insights 'off-the-record', leaving the researcher with the ethical challenge of how best to draw on these riches without betrayal of trust and confidence. Sadly, some of these elderly respondents have since passed away, and the researcher is fortunate to have heard their stories before they were lost forever.

4.3 Collection of Data

Most of the data was gathered over July-October 1997 and July-October 1999. However, typically of inductive research, some level of data collection continued over the duration of the project until 'saturation' had been reached, and further analytical benefit was no longer forthcoming (Burgelman 1983, Hamel 1991).

The data came mostly through personal interviews and archival material. In total, 59 interviews were held with 44 different individuals (see appendix A for details of interviewees). These interviews typically lasted between 1.5 and 2 hours, with some running up to four hours or more. Interview settings ranged from the formality of the executive office to the informality of the residential sitting room. All of the interviewees agreed to follow-up contact, and this was availed of in many cases. Early consideration was given to using a pro-forma interview schedule of the type suggested by Pettigrew (1990, 1997), and a version was piloted but found to be unwieldy for this project. For one thing, numerous respondents were being asked for accounts of different episodes from a range of perspectives to varying degrees of detail, in the hope of assembling complementary pieces of a larger jig-saw, given the historical scope of the study. Since interview time is a scarce resource, priorities needed to be set anew for each respondent. Furthermore, most respondents wanted to give their accounts in their own way, and seemed neither to require nor welcome much prompting from the researcher. In particular, many of the older interviewees clearly needed to relate their stories in a form and order that fitted best their levels of concentration and recall.

In the light of these considerations, the approach taken to the interview process was one of customised planning. An interview schedule was drawn up for each respondent having regard for their particular profiles and the material already gathered, and priorities were identified, taking into account the potential for novel insight and triangulation with other data. In this way, the interviews were somewhat structured, yet flexible enough to allow emergent issues to be fully explored. As the project progressed, the balance of priorities shifted, from exploration in the early stages to the testing of tentative conclusions towards the latter end.

Tracing the story of an industry over a long time span was found to involve detective work of the type described by Mintzberg (1979), with new leads to valuable archival material and further respondents continually emerging through the interview process and being followed up. A starting point in the archival search was the Central Statistics Office where census data on the distribution trades from 1935 to 1997 was found and examined. While this data was valuable, changes in format, level of detail

and category definitions over the years made the extraction of time series comparisons far from simple

Senior industry figures pointed the way to less public sources of records. An important breakthrough in relation to the hardware/building materials industries came with the discovery of a complete trade journal archive going back to 1938. All 700 issues were examined over a four-week period. These proved invaluable in tracing the chronology of events in these sectors from 1938 up to 1997, and also in identifying key companies and individuals in their historical development. The editor of the journal for most of this period, long since retired, was also traced, and, in over eight hours of interview, provided further valuable perspective on the players and events featured in the journal.

In the grocery sector, trade journals were also useful sources, but only went back as far as 1974. However, other valuable archives were unearthed and made available to the researcher. One was a sector history produced by RGDATA/IADT, the independent grocery trade association, to mark its 50th anniversary. Another was a set of minutes belonging to the Irish Wholesale Grocers Association, the predecessor of the IADT. The minutes covered the period from the association's foundation in 1956 to its demise in 1964, a critical time for the industry. Also unearthed through the interviews were company histories of several leading firms in sector.

Data from respondents also identified the important role that the Fair Trade Commission (FTC) had played in the histories of the sectors under study. With trade association assistance, copies of the reports of the commission were traced to the archives of the Competition Authority and made available to the researcher. In some cases, respondents willingly collated valuable material for the research programme. For example, Tesco Ireland assigned a staff member to prepare information from internal sources that helped the researcher to identify the current product structure of the grocery sector. In addition, several organisations made available copies of reports and documents that they had commissioned or prepared for their own strategic purposes.

Throughout the project, the researcher was conscious of the need to ensure the accuracy and integrity of the data, in order to provide as 'true' an account of events as

was possible. The value of triangulating data sources is well-recognised in qualitative research (Jick 1979). Collecting data from a variety of sources, and through a variety of methods, helps to make uncontested findings more robust and conflicting findings a stimulus to fresh thinking and debate. In this study, triangulation was found to be valuable in both respects.

4.4 Case Development and Analysis

Miles (1979) characterised qualitative data as '*an attractive nuisance*', and most qualitative researchers end up developing their own '*home-grown*' techniques for processing and analysis (Eisenhardt 1989: 534).

Over the years, there have been several attempts to develop standardised procedures for handling rich data that might be useful to others in the field (Miles and Huberman 1994). The following suggestions from Yin (1994: 103) are typical:

- *Putting information into different arrays*
- *Making a matrix of categories and placing the evidence within such categories*
- *Creating data displays – flow charts and other devices – for examining the data*
- *Tabulating the frequency of different events*
- *Examining the complexity of such tabulations and their relationships by calculating second-order numbers such as means and variances*
- *Putting information in chronological order or using some other temporal scheme*

However, such techniques were found to be of only limited value for this project, which, by its nature, still required a lot of handcrafting in data processing and analysis.

As Leavy (1994: 114-5) has indicated, in this type of inductive research '*the analysis begins with the case narrative*', and '*the transformation of raw interview or archival data into a coherent narrative always represents some degree of front-end processing*'. In the very early drafts of the industry cases, the narratives were

historically bracketed into decades. However, from these early descriptions, and the interplay with literature, clearer patterns began to emerge that were not initially evident in the raw data, and it became more meaningful to re-bracket the narratives into phases. This process of writing and rewriting the narratives to produce more meaningful descriptions has many similarities with the process of filtration in chemical analysis.

Eisenhardt (1989: 539) points out that the analysis of data '*is both the most difficult and the least codified part of case-based research*', and it is often hard to see how researchers have made the journey from field notes to final conclusions, as Miles and Huberman (1994) have observed. Whatever techniques are offered to help codify and analyse rich qualitative data, none seem to substitute for knowing the data intimately, thinking about them deeply and continuously, and having the inductive ability and conceptual literacy to recognise their analytical potential. One indispensable aid to inductive analysis in this project was the keeping of a research journal. This allowed for the recording of ideas, pieces of information and insights that appeared at random throughout the research programme. In addition, few seating positions at home or in the office did not end up with a pad of post-it notes and a pen nearby. The discipline of writing thoughts down immediately is quickly learned after one discovers early in the process how quickly unrecorded ideas and insights can be lost. So while this research report is linear in presentation, the actual process itself was more typically characterised by complex and non-linear interplay between data and literature, narrative and analysis, throughout.

5. SUMMARY

This chapter set out to explain the research methodology, and describe how the study was executed. It was explained that the study followed a contextualist research strategy of the type developed for the Warwick studies on corporate change. The ontological and epistemological underpinnings of this approach were discussed, its position on the broader spectrum of research strategies identified, and the reason why it was chosen for this inquiry explained. The multi-level, multi-modal nature of the perspective was highlighted. At the heart of the approach is the comparative case-based method, and this study was shown to feature a multiple-case embedded design.

The advantages and limitations of the case method were reviewed, and the main challenges presented in executing the project identified and discussed. The high quality of access to respondents and archives was highlighted. The next chapter begins the data section of the dissertation.

CHAPTER FOUR: IRISH GROCERY WHOLESALING

1. PREFACE

In this and the next two chapters, the empirical data will be presented. As a helpful lead in to the case narratives, this chapter will begin by providing a brief review of the changing national context shared by the three industries over the period under study.

2. THE CHANGING NATIONAL CONTEXT

From the Act of Union in 1801 to the Anglo-Irish Treaty of 1921, Ireland was governed as an integral part of the United Kingdom. Up to the middle of the 19th century power and wealth were concentrated in the hands of a Protestant ascendancy (Houghton, 1995:15). Although Catholic emancipation was achieved in 1829 a Protestant minority continued to control a disproportionate share of national wealth, owning many of the leading industrial and commercial firms and controlling the banking and insurance sectors (Cullen, 1987;Farmer 1996).

While the first half of the 19th century saw the development of thriving local wholesale and retail sectors, indigenous manufacturers found it increasingly difficult to compete with cheap British imports (Cullen, 1987). Ireland became increasingly dependent on the English economy as a market for agricultural exports and as a source of manufactured products (Houghton, 1995). By the early 20th century industrial employment was small at only 7% of the workforce (Cullen 1987) and while external trade was high, 90% of it was with Great Britain (Brophy 1985).

The first Free State government's economic approach was mostly laissez-faire but with an emphasis on developing a dynamic agricultural sector (Houghton, 1995). However, by the early 1930s the country was experiencing slow economic growth and a deepening international depression. In 1932 the Fianna Fáil party took office with Eamon de Valera as Taoiseach (Prime Minister) and Sean Lemass as Minister for Industry and Commerce. Both were to tower over Ireland's political and economic

development for decades to come. Fianna Fáil was ideologically committed to both self-sufficiency and enhanced national sovereignty. Protectionism was used to reduce economic dependence on Britain and to promote the emergence of a new Catholic manufacturer class (Farmer 1996:89). Relations with Britain quickly deteriorated and an 'Economic War' broke out which proved devastating for Irish farmers and importers and finally ended with an Anglo-Irish Trade Agreement in 1938. Tariffs were applied to a growing number of products and the Control of Manufacturers Act (1932) was introduced to limit foreign ownership. While industrial output rose by 40% over the five years to 1936, the growth was not sustained. During the same period, agriculture stagnated (Houghton, 1995).

The overall effect undermined competitiveness, with poor quality and rising prices forcing the introduction of a Control of Prices Act in 1937. Also between 1936 and 1961 the population fell by 5% through emigration caused by lack of employment. As the number of local capitalists grew, so did their political influence. Between 1931 and 1950, the number of employers' organisations exploded from ten to approximately 150, with many in practice being *'little more than cartels'* (O'Hearn 1990:12).

In the ten years up to 1958 the economy stagnated causing wide-scale emigration. The political establishment floundered in response, with three changes of government in a decade. A series of balance-of-payments crises, and deflationary responses created an air of despondency as the economy contracted. Tensions increased within government between those committed to fiscal rectitude and those, like Seán Lemass, who favoured export-led free trade. From the late 1940s, Seán Lemass began to publicly question the capacity of native enterprise to serve the national interest.

In 1947 Lemass introduced the Control of Prices and Promotion of Industrial Efficiency Bill to tackle profiteering and inefficiency. However, it was strongly opposed by the Department of Finance and industrialists and lapsed when the Dáil dissolved in 1948. On returning to power Lemass introduced the Restrictive Practices Act (1953) which established a Fair Trade Commission (FTC) with sweeping powers

to investigate any industry or trade (Lee, 1985: 291). A series of major inquiries were held during the 1950s under both Fianna Fáil and Fine Gael led governments.

On returning to government in 1957, de Valera appointed Jim Ryan, a Lemass supporter, to the Finance portfolio. A mood of crisis along with Common Market aspirations provided the political context for radical change (Whitaker, 1983). In 1958 T. K. Whitaker, the Secretary of the Department of Finance, presented a landmark paper which proposed the prioritisation of public funding for productive investment, the dismantling of tariffs and incentives to stimulate private industrial investment. This became the basis for the First Programme for Economic Expansion, which generated unexpected annual growth of 4% during the early 1960s. However, when two subsequent programmes fell short of expectations, enthusiasm for economic programming waned.

Socially, Ireland was also changing. Between 1946 and 1966 the urban population rose from 37.6% to 48.8%, emigration declined and car ownership grew from 117,460 to 414,053 (FTC, 1971). Free education was introduced at second level and a drive was made to increase participation in the higher education (Lee, 1989).

Whitaker's blueprint for the economy galvanised the national psyche. However, Lemass's leadership, energy and willingness to track a new direction both before and after he became Taoiseach in 1959 provided the political impetus to overturn the old economic order. Lemass retired in 1966 and was succeeded by Jack Lynch. By then, rising prosperity had brought industrial unrest and inflation rose by an annual average of 8.3% between 1968 and 1972 (McCarthy, 1973). Ireland finally joined the EEC in 1972 and this provided fresh impetus for development.

In 1973 a Fine Gael/Labour coalition, led by Liam Cosgrave, was elected and faced an oil price hike from \$3 to \$12 per barrel, caused by war in the Middle East. Government attempts to soften the economic impact proved disastrous. By 1976 public expenditure had risen to 50% of GNP and the current deficit to 7.1% of GDP (Lee, 1989).

EEC membership accelerated freer trade and the development of agriculture causing farming incomes to rise by 40%. A policy of targeting inward investment to the electronics and chemical sectors was initiated, to attract principally US companies looking for a European base (Lee, 1989). However, traditional sectors experienced a 40% decline, due to growing imports (O'Grada, 1997).

Between 1977 and 1979, the expansionary policies of a new Fianna Fail administration along with reductions in EEC agricultural price support and a second oil crisis plunged the economy into trouble. Then Charles J. Haughey's succession as leader of Fianna Fáil, following a divisive contest, triggered a period of political instability. There were three changes of government before a Fine Gael/Labour coalition gained power in November 1982 and began to apply economic discipline. Between 1979 and 1987 private consumption barely rose, unemployment grew to 18.2%, the Debt/GDP ratio reached 129% and the pound was devalued four times.

After 1987, a political consensus developed around economic reform and successive governments adopted a more prudent approach leading to a sustained recovery. The process began in 1987 when a Fine Gael backed, Fianna Fail government implemented a programme of radical economic reform. Throughout the 1990s economic policy remained consistent under governments of differing political hues. Ireland went on to participate in the Single Market after 1992. By the mid-1990s, the Irish economy was among the fastest growing in the OECD, with real growth rates of over 7% up to the year 2000. The country adopted the Euro in early 2002. Economic success has encouraged immigration and the population now stands at 28% above 1961 levels.

3 CASE INTRODUCTION

At the start of the 21st century, only three major players remain in Irish grocery wholesaling. Two of them, Musgraves and BWG, now account for 65% of the market, and have diversified internationally. Since the 1930s, the industry as a whole has undergone significant changes. It has grown considerably in revenue terms, but its overall share of the grocery market has declined. The number of firms in the industry has reduced and the level of industry concentration increased. Single-site full-service wholesaling has disappeared, and a new structure emerged around national wholesaling groups and independent wholesaler buying groups/co-ops that operate through symbol group and cash and carry formats. Significant efficiency gains have resulted, and new industry leaders have come to the fore.

The changes are summarised in the tables below ¹

	1951	1956	1966	1971	1977	1988	1993	% Gain 1951/1993
Grocery Wholesaling	119	120	154	204	302	323	451	
% Change		1%	28%	33%	48%	7%	40%	279%

Table 4.1 Sales Per Employee in 1993 Adjusted £'000

	1951	1956	1966	1971	1977	1988	1993	% Gain 1951/1993
Grocery Wholesaling	10.5	10.78	11.3	10.91	9.02	11.45	15.01	
% Change		3%	5%	(3%)	(17%)	27%	31%	43%

Table 4.2 Stock Turn

Year	Number of Outlets	Industry Concentration	Size in £ millions (inflation Adj. 1996£m's)	% Grocery Market	Leading Firms	Industry Recipe
1933	300	N/A	£9m (£381m.)	75%	Hugh Moore & Alexander Shirley Spence and Bedford.	• Large single site wholesalers offering full line full service. • Many smaller mixed wholesale/retail businesses. • Mostly regional.
1951	260	20 Firms - 45%	£22m (£405m.)	75%	Hugh Moore & Alexander Shirley Spence and Bedford.	• Large single site wholesalers offering full line full service. • Many smaller mixed wholesale/retail businesses. • Mostly regional.
1956	258	11 Firms - 23%	£30m (£49m.)	75%	Hugh Moore & Alexander Shirley Spence and Bedford.	• Large single site wholesalers offering full line full service. • Many smaller mixed wholesale/retail businesses. • Mostly regional.
1966	222	8 Firms - 28%	£41m (£440m.)	55%	SPAR Group Mangrovan Group MACE Group	• Multi-firm partnerships operating symbol groups and cash and carry chains. • Smaller wholesalers in two national buying groups.
1971	218	4 Groups - 90%	£68m. (£569m.)	50%	SPAR Group Mangrovan Group MACE/AND	• Multi-firm partnerships operating symbol groups and national cash and carry chains. • Smaller wholesalers in two national buying groups.
1977	191	2 Firms - 33%	£223m. (£882m.)	42%	Mangrovan BWG/SPAR AND/MACE	• First national firm, BWG has emerged. • Mangrovan increasing symbol groups and national Cash and carry chains via 3 firm partnership. • Four firm partnership operating MACE. • Smaller wholesalers in two national buying groups operating cash and carries.
1983	200	2 Firms - 42%	£833m (£1,036m.)	35%	Mangrovan BWG/SPAR AND/MACE	• Two national multi-site wholesalers operating symbol groups and cash and carries. • Three firm partnership operating MACE. • Smaller wholesalers in two national buying groups operating cash and carries.
1996	114	2 Firms - 65%	£2,000m	46%	Mangrovan BWG/SPAR AND/MACE	• Two national multi-site wholesalers operating symbol groups and cash and carries. • 3 firm partnership operating MACE. • Smaller wholesalers in two national buying groups operating cash and carries and small symbol groups.

Table 4.3 Structural Changes in Grocery Wholesaling

4. DESCRIPTION OF INDUSTRY

The industry is one of the country's oldest and largest commercial sectors providing wholesaling services to independent grocery retailers, caterers, hotels and restaurants. It provides a delivered service to retailers operating within wholesaler-led symbol groups² like SuperValu or SPAR and supplies others through cash and carry warehouses. Cash and carry has proved less attractive to grocery retailers in recent times but finds favour with catering firms, pubs and specialist retailers. Overall grocery is regarded as a very stable business with total sales holding up well during periods of economic difficulty.³

The retail grocers association RGDATA defines groceries as '*fresh and "dry" food products, and non-food products such as toiletries and cleaning products.*'⁴ while the Competition and Mergers Review Group (1999) would also add off-licence, hardware, gardening, newsagency, toys and clothing. A chain like Tesco may stock in

excess of 40,000 product items (see Appendix B). Today, the top ten selling lines account for 5% of total sales, while the last 5% comes from 1287 lines.⁵ Wholesalers typically stock 5,000 – 7,000 items and a similar range is delivered directly to group retailers, but billed centrally by the wholesaler. Recently, Musgraves, the largest wholesaler has extended its range to over 10,000 through distributing fresh, chilled and frozen foods.

5. THE INDUSTRY AT PRESENT

In 1998, Nielsen valued the market at £4.4B.⁶ Since then it is believed to have grown to over £5.0B. The wholesaling share is now estimated to be around 50%⁷, in marked contrast to a European average of 35% and 7% in Britain.⁸ There are now around 50 wholesaling firms. Two, Musgraves and BWG, account for almost 65% of the market. Of the others, 39 are members of Stonehouse, a co-operative group with a share of around 20%. In addition, there is a retailer-owned co-operative, ADM.

Musgraves is the largest wholesaling group with total sales of over £1.5B, and is a private company controlled by the Musgrave family. It includes both symbol group and cash and carry wholesaling. Its SuperValu franchise includes 193 large independent retailers, while its Centra franchise covers 268 convenience stores. The company operates nine large cash and carry outlets: seven in the Republic and two in Northern Ireland. As well as branded goods, it stocks a range of generic products under nine private labels. Recently it has spread its SuperValu franchise to Northern Ireland. It now also operates in Alicante, Spain with a chain of 25 cash and carry outlets and 58 convenience supermarkets. In 2000, it entered Britain by acquiring an interest in Budgeons. *BWG Foods* are the second largest with sales approaching £1.2B. The company is owned by Irish Distillers, a subsidiary of Pernod Ricard, and operates through symbol group and cash and carry wholesaling. The symbol group business supplies over 350 SPAR, Wise Buy and MACE (Leinster only) convenience stores, including some EuroSPAR supermarkets and SPAR Express forecourt shops. In addition, it operates 32 Value Centre cash and carry outlets. It has extended operations to Northern Ireland and parts of Britain under the MACE and SPAR symbols.

Of the other main players, *Stonehouse* is the product of a recent merger between AND-Keencost and National Wholesale. It is comprised of 39 companies and 66 distribution depots with a turnover of approximately £500m. Its main focus is cash and carry, but it also operates through the MACE franchise in some regions. *Allied Distributive Merchants (ADM)/Londis* is the oldest co-operative grouping and the only one now owned by retailers. It operates a delivered service. Turnover is estimated to be £100m and membership is approximately 130 retailers. It is the subject of ongoing take-over speculation, and several bids have been repelled to date. It has been losing members to wholesaler-led competitors. In 1998, it formed an alliance with TOP, an Irish-owned oil company, to supply a new chain of Londis Topshop forecourt convenience stores. ADM currently negotiates terms and conditions with suppliers on behalf of its members and provides marketing support. A new player, *Hendersons* of Northern Ireland, entered the market in 1998 with a new symbol group Vivo, but so far its success has been limited to border areas.

In 1998, the retail sector in Ireland was categorised as follows

<u>Shop Type</u>	<u>No. of Outlets</u>	<u>Average Sales Area</u>	<u>No. of products</u>
Multiples	157	2100 sq mtr	20,000+
Symbol groups	1152	626 sq mtr	3000-9000
Forecourt shops	1429	N/A	N/A
Independent grocers	6443	>400 sq mtr	>3000

Table 4.4 Grocery Retail Categories⁹

The concentration of retail grocery turnover in 1996 was

% Shops	2	5	10	20	50	100
% Turnover	50	68	77	87	96	100

Table 4.5 Retail Concentration¹⁰

The market share by retail group category in 1999 was

Category	Firm/Symbol	% Market Share
Multiples	Tesco Ireland	18.8
	Dunnes	21.0
	Superquinn	8.7
	Others	1.1
Total Multiples		49.6
Symbol Groups	SuperValu /Centra	20.2
	Others eg Spar, Mace	6.9
Total Symbols		27.1
Independents		23.3
		100

Table 4.6 Retail Market Shares¹¹

Over the past twenty years, growing affluence and social changes have given rise to the rapid expansion of catering through hotels, restaurants, pubs and caterers

*Checkout*¹² lists 307 companies supplying goods to the grocery industry. Of these, 142 are manufacturers. However, it is estimated that up to 500 companies may be supplying the market when small producers are taken into account.¹³ Many manufacturers engage in non-competitive third party distribution in order to provide a wider product offering and spread the costs of marketing and distribution.

The sector has been the subject of a number of public reviews over the past 40 years. The Groceries Order of 1987 currently regulates trading relationships and practices within the industry. It bans activities such as price fixing, below-cost selling, 'hello' money, boycotts, and the unjustified withholding of goods. The Local Government (Planning & Development) General Policy Directive 1982 ensures that local authorities and An Bórd Pleanála (the State Planning Body) consider the social and environmental impact of large-scale shopping. In addition, regulations were introduced in 1998 to limit the size of new grocery supermarkets to 30,000 sq. ft.

6. THE EARLY DEVELOPMENT OF THE IRISH GROCERY SECTOR

The Irish grocery sector has its roots in changes that took place throughout the United Kingdom during the 19th Century. The rise of the co-operative movement led to the formation of the first multiples, such as Leverett and Frye and Thomas Lipton¹⁴ who opened branches in Ireland's larger cities and were soon joined by indigenous firms such as Findlaters. Elsewhere, expansion in the number of independent retailers led to the emergence of a wholesale sector that included Musgraves, the current market leader¹⁵

Many of the early wholesalers built their businesses around key commodities such as tea, sugar, butter and flour. They were also significant importers and typically Protestant owned¹⁶. By the early 20th century, wholesaling had developed a full-service structure, providing a wide range of products, a high degree of personal selling, extensive credit and delivery services. While the actual number of grocery lines stocked at the time was quite limited by today's standards at between 500 and 1,000¹⁷, firms like Musgraves also carried a considerable range of non-grocery items such as household hardware, haberdashery, stationery and paints¹⁸

7. CONSOLIDATION OF POWER 1932 - 1945

The first ever Census of Distribution in 1933 recorded 474 establishments engaged in the wholesaling of groceries, wines and spirits, with total revenues of around £12m. It also noted 18,954 retail units engaged in the grocery trade with sales around £15-18m, 22.5% coming from multiples. A small group of leading wholesalers controlled a substantial proportion of the business. In Dublin, trade was dominated by firms like Hugh, Moore & Alexander and Shirley, Spence & Belford, which were '*part of a business establishment and philosophy which tended to think the grocery business was theirs as of royal decree*'¹⁹. It was similar in Cork, where four firms Newsoms, Punch & Co., Ogilvie & Moore and Musgraves were dominant²⁰. The 1930s also saw some new entrants, notably D. Tyndall & Sons and Mangan Bros. Ltd.

There were no product shortages in the years leading up to the Second World War, but duties and levies did affect the importation of some grocery products ²¹ In addition, the protectionist years undermined competitiveness and allowed some manufacturers to extract excessive profits ²² The establishment of a state-owned sugar company also had implications for those engaged in the sugar trade

A number of manufacturer trade associations like the Irish Food Manufacturers Association and the Jam Manufacturers and the Canners Association were formed during the 1930s, following pressure on margins from wholesalers and retailers and sought to reduce margins within the distribution channel The top 25 wholesalers responded by forming the Association of Wholesale Grocers, Importers and Distributors (AWGID) which was led by Reggie Knight, managing director of the Hugh Moore and Alexander In 1939, the smaller firms denied entry to the 'big' association formed the Wholesale Grocers Association of Ireland (WGA) The organisation of the sector was completed in 1942, when independent retailers formed RGDATA ²³

The wholesaler associations looked to fix wholesale prices for certain goods, and set a target of 15% as the minimum margin for small orders They used their collective muscle to extract better margins from manufacturers, operated a price agreement policy and provided in their rules for *'the removal from membership of a member who has acted in a manner detrimental to the interests of the association'* ²⁴ Both associations tried to discourage mixed wholesale/retail trading, but only AWGID succeeded in enforcing this policy

The Second World War brought shortages and rationing along with price controls and a system of registration to restrain access to key commodities This strengthened the position of the wholesalers who implemented the controls The period also altered the relative position of firms For example, Musgraves invested in large stocks of tea before rationing and by tying tea supplies to the sale of other products was able to improve its competitive position A growing sense of grievance amongst retailers caused the formation of RGDATA Initially, the association sought to protect margins

but as the war came to an end, drew up '*post-war plans to safeguard the interests of legitimate traders*'²⁵

8. A BUILDUP OF TENSION 1946-1953

After the war, shortages continued for some years, and many controls remained in place. The number of branded products began to increase, and three broad product categories evolved: staples whose price was government regulated, branded products where price was set by the manufacturer, and commodities where the trade could set its own margins.²⁶ Tensions began to build, fuelled by government price controls and changes taking place within the whole sector.

8.1 Government's Growing Concern

In the post-war period, government increasingly believed that food distribution was grossly inefficient and used controls extensively to limit margins.²⁷ It also acquired the power to licence and regulate food shops through hygiene regulations and rescinded legislation which regulated city retail opening hours. Yet, food prices inflated during the early 1950s, with rising by 10 points in 1951 alone.²⁸

Between 1951 and 1952, the Price Advisory Body held a number of inquiries into grocery prices and margins. For wholesaling, the publicity was damaging, as J. E. Lalor noted in his 1952 presidential address to the WGAI:

*our position as wholesale distributors has been assailed by misinformation and irresponsible criticism. Your Council has had to take vigorous steps to oppose attempts at restriction of the wholesalers' profit margin.*²⁹

When the Fair Trade Commission (FTC) was established in 1953 the grocery sector was among the first to come under its scrutiny.

8.2 The Changing Face of Other Channel Members

In the post-war period cut-price competition became more common, and new forms of competition emerged. In the cities, increased urbanisation and the development of

new suburban housing estates led to new suburban shops being opened and a growth in cut-price retailers. In 1950, the first self-service store was opened by H. Williams & Sons but within a year the shop reverted to counter service because of pilferage. In country areas, travelling shops and agricultural co-ops provided increased competition for rural grocers. Furthermore, a shift was taking place from credit to trade based trading.³⁰

After the war, independent retailers tried unsuccessfully to control the behaviour of manufacturers and wholesalers. In return for inclusion on an 'RGDATA List', they tried to force them to consult RGDATA regarding margins prior to product launch and to maintain an agreed price list. Retailers who persisted in cut-price activities were to be denied supplies. In 1948, following a meeting between AWGID and RGDATA, Reggie Knight, '*expressed the conviction that the Association could deal effectively with any members who might be charged with price-cutting*'³¹ However, he could only speak for his own association. Several attempts were made to get government to improve margins and regulate entry to retailing, but a Prices Advisory Body inquiry found existing margins adequate.

Changes also took place in manufacturing. One was the arrival of branded pre-prepared, freeze-dried, products.³² Manufacturers also became concerned about the impact of distributors' behaviour and performance. In the early 1950s, they made their first attempt to rationalise channel discount structures when the confectionery manufacturers announced a unilateral reduction. Distributors saw the issue as one of principle and their reaction was swift and unanimous. As an editorial in the *Irish Wholesale Grocer* declared, '*no group of manufacturers, however strong they might be, could be allowed to dictate policy to the distributive trade*'³³ The strength of this resolve forced the manufacturers to back down. In his 1953 President's report, David Tyndall of WGAI noted that '*if this ill-conceived action had been allowed to pass unchallenged we today in the wholesale grocery trade would have suffered similar and penal reductions in our already meagre profit margins*'³⁴

8.3 The Changing Face of Wholesaling

In wholesaling, peacetime released pent-up demand and a period of growth. New firms entered and the number of wholesaler/retailers seeking full wholesale terms increased³⁵. Between 1933 and 1950 the number of retailers declined by 22%. However, no official figures are available for wholesaling³⁶. By the early 1950s, the combined membership of the two main wholesaler associations was close to 100, and this probably covered the main grocery wholesalers.

The opportunities to import and sell almost any type of goods after the war along with the inefficiencies generated by price controls and outdated work practices among older companies made many firms vulnerable to competition from new entrants³⁷. Maintenance of discipline became more difficult. Some smaller wholesalers facilitated cut-price retailing that created tension within WGAI and forced AWGID to relax price controls. By the late 1940s, all effort to control prices and discounts had been abandoned. In the early 1950s, manufacturers reported difficulty identifying legitimate wholesalers, and unsuccessfully mooted a merger between the two main associations. Nevertheless, the emergence of wholesale trade associations was generally welcomed at the time. A 1952 *Irish Wholesale Grocer* editorial put it this way:

*In recent years the development of trade associations has helped to redress the worst evils of the competitive system. In this direction lies our greatest hope for the development of a satisfactory system of commodity distribution.*³⁸

Within the WGAI, however, the strains were evident. An editorial in the association's official journal declared that:

*The combined retailer/wholesaler is the Jekyll and Hyde of the grocery world... The progress of the whole Association is hampered by every member who hobbles along on a retail crutch.*³⁹

WGAI President, David Tyndall, challenged the dysfunctional practices of some members in a report described by a predecessor as 'one of the finest and most courageous reports which has been heard from any President of the Association'.⁴⁰

By 1953, there were serious challenges on the horizon, as a retrospective on the sector was later to recall:

By the beginning of the 1950s traditional wholesalers and retailers regarded their functions in distribution as relatively fixed. Only gradually did they accept the view that new methods of trading could not be successfully countered by negative action, and that the climate of government, manufacturing trade, and public opinion was now firmly on the side of change.⁴¹

9. THE ENDING OF THE OLD ORDER 1954-1958

The 1956 Census of Distribution classified grocery wholesaling separately for the first time and identified 258 participants. The number of retailers had expanded to 16,853. Both sectors remained fragmented, with the top 11 wholesalers accounting for just 23% of the market. Independents still accounted for 75% of the retail market, but 8,000 had turnovers of less than £5,000.

The 1954-58 period signalled the end of the old order. Independent retailers established their own wholesale co-operatives, while cut-price and self-service formats began to proliferate. The number of brands increased, while manufacturers unilaterally restructured channel discounts and increased their level of direct supply. In addition, the Fair Trade Commission (FTC) began an inquiry into the grocery sector that was to end resale price maintenance. Within wholesaling, tensions continued to grow. The larger players believed that existing structures could be retained and tried to reverse the direction of change.

9.1 The Reforming Role of Government

Government became increasingly concerned about efficiency, and escalating food prices became politically sensitive. In May 1955, the FTC launched a public inquiry into the grocery sector following continued evidence of restrictive practices. In June 1956, it recommended that resale price maintenance should be abolished, and that the collective fixing of prices and discounts be formally prohibited. Prices were to be based on purchase volume rather than function, extending 'wholesale prices' to large

retailers and co-ops. It saw no reason to prevent the integration of wholesale and retail activities or for limiting entry, thus opening up the sector to co-operative formats. The implementation of its recommendations was delayed by government transition, eventually taking effect as the Restrictive Trade Practices (Groceries) Amendment Order (1958). In addition, a Retail Prices (Display) Order forced retailers to display prices and manufacturers to publish increases in the newspapers.

9.2 The Changing Face of Other Channel Members

In 1954 the Federation of Irish Manufacturers drew up a definition of a genuine wholesaler but no generally acceptable standards emerged⁴². After 1954, widespread efforts were made by manufacturers to reduce channel discounts⁴³. With government making it difficult to implement price increases, reduced channel discounts were seen as an alternative source of revenue. The action was prompted by the delay in implementing the FTC findings. As IWGA Chairman Reggie Knight reported in 1958

*an order has been published but nobody [knows] whether or not the Order [will] become law. This unfair situation has permitted the development of forces in the grocery trade which will act to make it extremely difficult to re-instate the system of maintained prices as an effective protection of the interests of the members.*⁴⁴

The growth in branded goods and new processed foods increased the need for manufacturer-led marketing activity, which manufacturers looked to fund from clawed back margin⁴⁵. Also, the FTC draft rules, led some manufacturers to create new discount structures for multiples and co-ops.

Competition in retailing intensified as numbers increased in new city suburbs and the more professional retailers began to innovate with new fittings, lighting and layout⁴⁶. As the 1950s progressed, cut-priced self-service retailing began to proliferate and threaten the traditional retailer. By mid-decade, there were 200 cut-price shops in Dublin getting strong support from middle-class housewives. Traditional channel members tried to hinder this growth by pressing suppliers to restrict supply causing the Cash Grocers Association to be founded in response⁴⁷.

In 1954 one hundred Dublin retailers formed a wholesaling co-operative, Allied Dublin Merchants (ADM) and were followed in 1956 by RGDATA, which set up Merchants' National Co-operative (MNC)⁴⁸ Almost from the outset, MNC and ADM began to co-operate and had a profound impact on the wholesaling sector. Lobbying by RGDATA succeeded in gaining wholesale prices for their co-operatives, but failure to preserve retail price maintenance favoured the cut-price multiples.

9.3 The Declining Power of the Wholesalers

By the mid-1950s, the wholesale sector was under pressure. Cut-price retailing was squeezing margins, and retail co-operatives were taking market share. Manufacturers were cutting discounts and government was reforming the entire system. The main wholesaling associations had failed to retain resale price maintenance, the wholesale discount structure, and price discipline among the membership.

In January 1955, David Tyndall and other prominent members engineered the break-up of the WGAI having failed to prevent dual trading and price-cutting.⁴⁹ They then combined with the AWGID membership to form the Irish Wholesale Grocers Association (IWGA). Three trustees were appointed, Reggie Knight of Hugh Moore and Alexander, David Tyndall of D. Tyndall and Sons and Willie McBratney of Musgraves. Knight became its first President and Tyndall its Vice-President. The new association grew quickly to 46 members, and adopted a strict policy of admitting only '*people known to be desirable*'⁵⁰ This left a significant number of smaller wholesalers and mixed traders on the outside.

The IWGA fought hard to convince the FTC to retain retail price maintenance, to resist the reduction of discounts, to block co-ops and multiples from getting full wholesale terms and to block supplies to cut-price retailers. However, this agenda was running against the tide, and the wholesalers were continuing to experience bad press from reportage on the FTC hearings. In response, Willie McBratney urged that the association '*make its case in the National Press*' in order to counteract '*unfounded charges or inaccurate statements about the wholesale trade*'⁵¹

Divisions on strategy were also emerging. Selecting Reggie Knight as President was a vote for continuity, not change. Under Knight, AWGID had focused on strengthening the position of the larger wholesalers and as President of IWGA he resisted the changes taking place. Knight was a commanding figure who headed the industry's largest company and operated on a different level from other key actors. His mission was to preserve the industry's structures and he used his stature to override the opinions of lesser figures. Much of his influence came from his standing with the manufacturers, with whom he persisted in trying to seek accommodation long after the 'rules of the game' had changed. He also fully expected that the FTC Report would support the wholesalers' position. The minutes of IWGA between 1956 and 1958 show that Knight's views prevailed and the balance of support remained with him. However, Tyndall clashed with him over the need for greater competition, and attributed the formation of retailer co-ops to Knight's opposition to a more flexible discounting structure within the industry⁵²

Following the appearance of the FTC draft report, the Association submitted a memorandum to the Minister proposing amendments. Throughout 1956 and 1957, the IWGA minutes reflect a persistent conviction that 'order' could be restored. Letters were sent to manufacturers rejecting proposed cuts in discounts and demanding acceptance of the principle of a wholesaler functional discount. However, a defining moment came when the IWGA acceded to demands from the Jam Manufacturers and Canners' Association for lower discounts, and by 1958 the wholesalers' power to dictate terms was a spent force.

At its 1958 AGM, the IWGA adopted a proposal to limit the president's term to two years. While Knight was re-elected, he attended no further meetings and resigned in March 1959 citing illness. In tributes, it was noted that *'between the two Associations [AWGID & IWGA] Mr Knight had held the office of President without a break since 1937 – 22 years of service'*⁵³ With Knight's departure, the industry's largest firm was no longer represented on the executive, and in the early 1960s it went into liquidation.

Leaving a significant number of wholesalers outside IWGA weakened its claim to speak for the industry. Manufacturers effectively ignored its representations, and the

FTC rejected its case. When the *Restrictive Trade Practices (Groceries) Amendment Order 1958* became law, resale price maintenance was abolished and co-ops and large retailers gained access to best manufacturer prices. Shortly afterwards the Secretary of IWGA, Kevin Clear, addressed the executive. The minutes record that

he felt that it would be unrealistic to continue to plan and to think in terms of the maintained price system and that members should at least begin to prepare themselves for an era of keen and unrestricted price competition

Following this, new thinking began to emerge. At a special general meeting of IWGA held in October 1958, J. Sheridan of Carton Bros 'recommended that the Association should seriously consider some system of combining the purchasing power of members'. It was finally being recognised that the wholesalers would have to learn to trade in an environment of more intense competition.

10 FINDING A NEW FORMULA 1959-1973

After 1958, grocery wholesaling began a period of profound transformation, as the traditional full-service format was replaced by cash and carry wholesaling and symbol group trading. The industry experienced significant consolidation through closures, acquisitions, mergers and alliances, and new leaders emerged, including Musgraves and BWG Foods. Between 1956 and 1966, the number of grocers declined by 36%, although the number increased again by 11% by 1971 as new style retailers emerged. Over the same period, wholesale outlets declined from 258 to 218.

	1956	1966	1971
Retail outlets	16,853	10,735	11,988
Wholesale outlets	258	222	218

Table 4.7 Changes in Retail and Wholesale Outlets 1956-1971⁵⁴

10.1 The Changing Face of Irish Society

The period after 1958 was one of economic growth and optimism in Ireland with average growth in retail sales reaching 7% in the five years to 1965⁵⁵ Between 1946 and 1966 the population of Dublin grew by 25%, while the rural population fell by almost 20%⁵⁶ Dublin became the base from which the supermarket multiples extended operations to the rest of the country⁵⁷ There had also been a steady migration to the suburbs, with the number of people living in these new areas doubling over the 1951-66 period

A 1967 report by An Foras Talúntais noted that *'the growth of new communities affords grocery retailers an opportunity to start with a clean slate and introduce new equipment, build or lease new buildings or otherwise invest in technologically advanced retailing methods and facilities'*⁵⁸ In 1972, the FTC noted that *'Increasing car ownership induced shoppers to venture further afield than hitherto for their groceries, thus creating the large catchment areas that made bigger outlets economic'*⁵⁹

10.2 The Role of Government

While Government continued to monitor the grocery sector, it was reluctant to intervene despite repeated calls by RGDATA While the 1956 Grocery Order was reviewed in 1966 no changes were made Then, in 1971, it announced its first full examination since the 1950s The main issues for investigation were allegations of bias by suppliers in the matter of discounts, credit, merchandising, and 'hidden discounts', along with the power of multiples to extract unduly favourable terms and engage in unfair price competition⁶⁰

In their submission, the wholesalers looked to regain the functional discount and accused manufacturers of discrimination in pricing and terms The FTC refused a functional discount but advocated the search for a definition of net price along with a ban on below cost selling It recommended that manufacturers should both publish

their supply terms and apply them in a non-discriminatory manner In 1973 a new Ministerial Grocery Order gave effect to these findings

10.3 The Changing Face of Other Channel Members

By the early 1970s suppliers were delivering a higher proportion of their output directly to retailers and *'standardisation, packaging and branding of products had developed considerably'*⁶¹ In addition, the number of new grocery products expanded considerably Multi-national food manufacturers expanded their activities in Ireland in terms of facilities and product offering Some manufacturers also began to use their marketing and distribution skills to distribute products for third parties In 1962, the state-owned Erin Foods entered the dried food market and became a training ground for managers such as Martin Rafferty, Ray Burke and Michael Campbell, later to become key figures in BWG, Musgraves and RGDATA respectively The substantial increase in marketing activity caused the NIEC to report that *'as manufacturers devoted increased resources to marketing, the distributor now has little influence on the buying decisions of consumers'*⁶²

Throughout the 1960s, manufacturers backed the supermarket multiples in the expectation that Ireland would follow British and US patterns Although they continued to negotiate through their associations (perceived by many as *'little more than Masonic old boys clubs'*⁶³) their influence waned in the face of the multiples buying power⁶⁴ By 1971 self-service had become the dominant format among the larger retailers⁶⁵ Multiples such as Five Star, H Williams, Roches Stores, Dunnes Stores, Power Supermarkets, Quinnsworth and Superquinn entered the market and expanded This was aided by the construction of suburban shopping centres and innovations such as electronic cash registers, sophisticated retail weighing equipment, freezers, convenience foods and cheque guarantee cards

Throughout the 1960s multiple store openings increased dramatically, price competition intensified and grocery retailing absorbed chilled, frozen and fresh foods, along with drinks and light hardware⁶⁶ By the early 1970s, multiples had secured

33% of the market and both Findlaters and Quinnsworth had gone into receivership with Power Supermarkets taking over many of their outlets ⁶⁷

As the number of independent retailers declined the more progressive ones joined a retail-owned co-op or a wholesaler voluntary group and by 1971 there were 1,200 retailers accounting for 40% of the market engaged in group trading ⁶⁸

10.4 The Reform of Wholesaling

In March 1959, the IWGA president David O'Connell launched a 'Wholesaler as Salesman' programme, to demonstrate its members' worth to manufacturers ⁶⁹

Though broadly welcomed, the Vice-President and Musgraves representative, Willie McBratney advocated a more direct approach by individual firms. When discussions took place in 1959 to establish a central buying agency, McBratney *'doubted if an Agency of the kind envisaged, was the best instrument for achieving this purpose'* ⁷⁰ In August 1960, Efficient Distribution Ltd (EDL) was formed by 34 of the IWGA's 43 members, including Musgraves, and adopted the 'Golden Goose' symbol to promote its retail affiliates. This action proved too late for some. By the early 1960s, major Dublin wholesalers such as Hugh Moore & Alexander and Shirley Spence & Belford had closed and more progressive companies, like D Tyndall & Sons, acquired their assets and key staff ⁷¹

Once EDL began negotiating with manufacturers, IWGA no longer had a role and by 1964 had died away. However, before long EDL also experienced problems. In 1960 Musgraves formed a voluntary trading group in Munster and developed a cash and carry business in Cork, and on acquiring the VG franchise for Ireland in 1962, it left EDL. EDL then sought the SPAR franchise but was rejected on the basis of being too fragmented and not having modern warehousing ⁷² SPAR advised that *'a large efficient well organised distributing operation would be needed'* and that *'the best way to achieve these ends would be for some of the progressive wholesalers to join together'* ⁷³

10.4.1 The Emergence of New Industry Leaders

Musgraves

By 1960 Musgraves had become a leading Cork-based wholesaler, servicing 2,000 customers in Munster and South Leinster with a turnover of £1.2m. In 1955, Jack Musgrave became Managing Director when retailer co-ops were attracting customers away through keen pricing. His first response was to professionalise senior management by appointing Arthur Creighton as General Manager and Fred Markham as Finance Director. In 1959, Musgrave and Creighton returned from a study trip to English wholesalers convinced that independent grocers must be educated in modern retailing techniques and ready to embrace the voluntary group trading format. By 1962 Musgraves had launched a wholesaler-led voluntary group and obtained the VG franchise for the whole of the Republic.

Although a 'Protestant company' by tradition, Jack Musgrave was determined that only the best would now be employed.⁷⁴ Recognising its limited expertise in retailing, Pat Hickey, a retail expert with US and European training was hired.⁷⁵ Hickey proved to be 'a dynamic, magnetic personality', whose personal contacts helped to attract many of the bigger retailers to VG.⁷⁶ To achieve greater coverage the company enlisted Carton Bros. of Dublin to develop VG on the East Coast. However, the relationship soon floundered when Musgraves decided to establish a presence in Dublin. Two other partners, Garvey's of Drogheda and Niland's of Galway, were then secured and countrywide coverage was achieved.

Throughout the 1960s Musgraves developed the VG network by acquiring prime sites and selling them to suitable retailers. It also developed its own construction and shop fitting activities, and began to operate a number of retail outlets. Having also introduced the cash and carry concept to Ireland in 1960, this format was developed in tandem with VG. Investment was made in efficient handling and storage technologies for warehousing. During the 1960s a modern 70,000 square feet warehouse was built in Cork, and a 16,000 square-foot cash and carry facility in Limerick.

Later in the 1960s, key appointments were made that would prove critical for future development. Hugh Mackeown, Jack's nephew, joined the firm and became the designated successor. Shortly afterwards Seamus Scally, an experienced supermarket manager, and two marketing specialists, Bruce Carswell and Tim Nolan, were hired. Hiring top class managers and paying them the top rate was a major factor in the company's later success.⁷⁷ In 1971, Hugh Mackeown became the managing director and a key driving force. He was hard-working, businesslike and profit-focused, with a orientation towards formal planning and consistency.⁷⁸ As Arthur Creighton recalled: *'In Hugh, we encountered a very different style of management, more forceful, outgoing and authoritarian in style. He very much liked to give more freedom to management and let them make their own decisions, provided they delivered good results.'*⁷⁹ Like his grandfather, John L. Musgrave, Hugh had *'the ability to see around corners'*.⁸⁰

In 1970, Musgraves created two subsidiaries, VG Services Ltd. to manage its symbol group business and Irish Trademark Ltd to manage its other wholesaling activities. It also joined a computer services bureau, which significantly improved management information. Smith's, a successful Cork catering supplier was acquired and John Smith became a significant addition to the management team. In 1971, Mackeown and Creighton went to the USA to study distribution trends, in keeping with Jack Musgrave's general admonition to *'go and have a look'*. They came back impressed with the quality of business training, the large shopping areas, the growth of convenience stores, the central billing concept⁸¹ and the impact of information technology. Their new message was *'get big where the market is big and where you can dominate it and if you can't do this specialise.'*⁸²

By the early 1970s, Musgraves was successfully established in group trading and cash and carry wholesaling, with a turnover of £12m. However, profitability remained uncertain. In reviewing the 1960s, Mackeown observed that *'at no time during the decade has profitability been satisfactory, and the situation is, if anything deteriorating.'*⁸³ and at the end of the decade return on capital was still *'inadequate'*. Mackeown developed a five-year strategic plan aimed at strengthening the company's leadership in Munster and winning a significant share of the Dublin market. While

food remained key, profitability would be increased through expanding sales of non-essentials. Growth would be sought mainly through expansion in cash and carry and catering supply, and development of wholly owned supermarkets. Group trading was seen as being less certain with Mackeown wondering if it was '*really still for the future?*'⁸⁴

In 1972 Musgraves opened a 90,000 square-foot cash and carry warehouse in Dublin, which sold fresh foods, drinks and light hardware in addition to traditional grocery lines. *Checkout* editor Kevin Kelly later recalled, this as the moment when '*the cash and carry evolution in Ireland became a revolution*'⁸⁵. The format was modelled on that of the Dutch trading giant Makro and was aimed at both securing scale economies, and deterring Makro (already in Britain) from entering the Irish market.

BWG Foods

Following SPAR's advice in January 1963 David Tyndall merged with two other Dublin wholesalers to form Amalgamated Wholesalers Ltd (AWL), with him as chairman and managing director. Similarly in Cork David O'Connell brought two wholesalers together to form Munster United Merchants (MUM). Tyndall and O'Connell then joined forces to acquire the SPAR franchise. In 1964, Looney & Co of Limerick became the SPAR wholesaler for the mid-west and in 1967, nation-wide coverage was secured with the addition of the Western Wholesale Co in Sligo.

SPAR (Ireland) Ltd was set up with David O'Connell as chairman and Reg Fuller from SPAR UK as managing director. Fuller spent four years in Ireland successfully building the SPAR retail network, before being replaced by Colm Lyons in 1969. The impact of group membership on retailers was immediate with SPAR's first Dublin outlet doubling its turnover within six months.⁸⁶ A shortage of bank financing initially led SPAR Ireland to offer start-up funding to suitable retailers. However, a number of failures left the company with sites to sell off. In 1964, AWL built a 30,000 square foot warehouse in Dublin for its cash and carry, catering supplies and symbol group activities. Likewise, the other partners modernised their facilities, and expanded their

cash and carry networks over the decade. In 1968, the partners created the Value Centre national brand for their cash and carry activities.

In 1970, take-over interest from Gallagher Tobacco Company set David Tyndall thinking that AWL *'might be in a position to go public'*⁸⁷. Some time later, he met Martin Rafferty, an investment banker who planned to create a conglomerate. Tyndall agreed to AWL's inclusion. In 1973, Rafferty also brought together builders' merchant Brooks Thomas, pharmaceutical distributor United Drug, engineering firm Mahon and McPhilips, house builder Sylvan Homes and the Brooks Watson Group (BWG) was formed.

At the time, Tyndall had not waited to consult the other SPAR partners, fearing it might delay the venture. However, he believed that once AWL was in, the others would have to follow.⁸⁸ His gamble paid off, and agreement was reached to purchase the three remaining SPAR wholesalers. BWG Foods, with sales of £15m, was then established with Tyndall as chairman and managing director.

MACE/AND

Five more EDL members, J J Haslett & Co. of Dundalk, Punch & Co. of Cork, Lee & Co. of Dublin, Mangan's of Clare and O'Neill and McHenry of Donegal broke away to establish a MACE franchise. In 1966, Kevin Kelly was appointed as chief executive and by 1970 he had brought 280 stores under the MACE banner, with a combined turnover of £10m. By 1971 the members had also developed eleven cash and carry sites between them. However, from its inception the group lacked the ambition, cohesion and focus of SPAR and VG.⁸⁹ The first setback came in 1971 when J J Haslett & Co. decided to sell out to AWL. In 1971, the remnants of a much depleted EDL merged with MACE to form Associated National Distributors (AND).

The National Wholesale Grocers Alliance (NWGA)

The National Wholesale Grocers Alliance Ltd (NWGA) was formed in 1961 by a group of small wholesalers that had been refused admission to EDL ⁹⁰ By the early 1970s, NWGA had about 30% of the wholesale market and 53 members operating from 63 sites nationally Initially, the membership chose not to engage in symbol group activity Then in the mid-1960s, four of the members established Max Value which was replaced by the German-based A & O International symbol in 1972

11. THE WHOLESALERS FIGHT BACK 1974 – PRESENT

By 1974, wholesaler consolidation had yielded substantial buying power but a functional discount was not achieved Also the 1973 Ministerial Order proved ineffectual in redressing the industry’s grievances Wholesaling suffered from an obsession with cost at the expense of marketing effectiveness Poor pay failed to attract a high-quality workforce, and the infrastructure was weak ⁹¹ Throughout the 1980s collective power was used win substantial benefits in margin and protective legislation and during the 1990s wholesaling recovered market share, and Musgraves-BWG dominance increased

Competition in the retail sector intensified, resulting in the demise of some multiples and many independent retailers From the mid-1980s, the convenience shopping concept grew substantially, spurred on by forecourt shopping Social change, protective legislation and more aggressive group trading helped the independents to recover lost ground The changes are summarised below

	1971	1977	1988	1998
Retail outlets	11,988	8,917	6,664	5,940
Forecourt shops		N/a	673	1,429
Wholesale outlets	218	191	200	120

Table 4 8 Changes in the Number of Retail and Wholesale Outlets 1971-1998⁹²

RETAIL FORMAT	1970	1980	1985	1988	1998
Multiples	33%	44%	63%	60%	50%
Symbol	40%	31%	20%	21%	27%
Independents	27%	25%	17%	19%	23%

Table 4 9 Changes in Grocery Retail Market Share⁹³

11.1 The Intensifying Role of Government

Following the 1973 Ministerial Order, the government was increasingly drawn into the affairs of the grocery sector. Much of its focus was on fair trading and competitive pricing. The Restrictive Practices Commission (RPC) was constantly on the alert for evidence of collusion. Below cost selling by multiples continued, but remained difficult to verify. Arguments over invoice figures eventually led to the legal defining of 'Net Invoice Price'.

During the 1980s government succumbed to political pressure from an organised independent grocery sector. The introduction of the *Local Government (Planning & Development) General Policy Directive (1982)* placed limitations on shopping centre development and a ministerial directive in the late 1990s set a 30,000 square feet cap on store size. In 1987, the *Restrictive Practices (Groceries) Order 1987* was introduced. In addition to a ban on below cost selling, the order required suppliers to keep a statement setting out their terms and conditions of supply and any supplementary terms. It also prohibited price fixing, the unjustified withholding of goods, restrictive agreements, boycotts, hidden inducements, price-advertising for certain items and 'hello money'. In 1991 a new Competition Act came into force which included the retention of the 1987 Grocery Order.

The Grocery Order has been continuously opposed by the multiples and the new Competition Authority, and in the 2000 a Competition and Mergers Review Group recommended rescinding it. However, intense lobbying has ensured that successive Ministers have continued to renew it.

11.2 Changes Among Other Channel Members

From 1974 onwards, the trend continued towards branded and packaged goods, with increasing emphasis on fresh and processed convenience products. Buying power became more concentrated and manufacturers found themselves at the mercy of a small number of multiples and wholesalers.⁹⁴ In their 1999 submission to the Competition and Mergers Review Group, manufacturers argued strongly for retention of the grocery order and the control of multiples. They saw below-cost selling as *'only a problem in the grocery trade because stores can drop prices on a narrow range of items... while maintaining margins across the full basket of goods.'*⁹⁵

For the multiples, the 1970s and 1980s were characterised by price wars, court cases and accusations of below cost selling. By the end of the 1970s there had been a massive defection of Irish housewives away from the independent and symbol group sectors.⁹⁶ As the market became more crowded there were many casualties. In 1975 Lipton's was sold to Five Star Supermarkets, which in turn, was taken over by Quinnsworth. In 1977, a chain of 3 Guy discount stores was opened which was acquired by Tesco in 1979. In 1986 Tesco sold its stores to the troubled H. Williams chain and exited the Irish market. A year later, H. Williams collapsed and most of its outlets were picked up by Musgraves, Quinnsworth and Dunnes Stores.

In the 1990s, the pressure increased. The Musgrave owned SuperValu symbol group captured 15.2% of the market largely unnoticed by multiples too busy watching each other.⁹⁷ In 1997, Tesco re-entered the Irish market through the acquisition of Power Supermarkets (the owners of Quinnsworth and Crazy Prices). More recently, German low-price supermarket giants, ALDI and LIDL, have entered the market and there is little sign of let up in competitive intensity.

In the ten years between 1975 and 1985 independent retailers lost further market share. However, things improved after the mid-80s, as the new protective legislation began to shift things back in their favour. Progressive retailers gained confidence and began to upgrade their stores and join symbol groups. A mixture of economic prosperity, increasing numbers of single households and more married women in the

work force caused convenience shopping to take off.⁹⁸ The associated growth in forecourt retailing brought the oil companies into this segment of the market.

However, retailer-owned co-ops waned. MNC was sold to BWG and ADM/Londis exited the cash and carry business. Although ADM and Tedcastle Oil Products developed a Londis Topshop format for forecourts and convenience stores in 1998, a year later it was forced to close its warehousing operations due to rising costs.

11.3 The Regeneration of the Wholesalers

Throughout the 1970s, cash and carry was a very competitive format proving particularly attractive to customers wanting to avoid VAT.⁹⁹ In contrast, the major symbol wholesalers were questioning the continued viability of the format. By the end of the 1970s the cash and carry product assortment had expanded to include confectionery, fresh foods, drink, cigarettes and light hardware. Security problems prompted traders to shift purchases of cigarettes and drink to wholesalers. The catering sector also became increasingly important. However, during the 1980s, growth in cash and carry levelled out as symbol groups experienced a resurgence. Operators became embroiled in fierce competition with a greater emphasis on better facilities and marketing. Many smaller operators exited. The rest had to offer deliveries and limited credit to compete with the larger firms.

During the 1990s, cash and carry was transformed by investment in warehousing, marketing and computerisation. However, with a resurgence in symbol group membership the focus changed substantially. Cigarettes, alcohol, soft drinks and confectionery became the dominant lines and the customer base shifted towards caterers, publicans and newsagents. New reporting rules eliminated the tax avoidance.

11.3.1 Re-building Collective Power

In 1975, the National Prices Commission (NPC) reported that deliveries to multiples' branches cost manufacturers 3.8% more than large drops to wholesalers. However, wholesalers gained little from the savings accruing to manufacturers.¹⁰⁰ In 1978,

Michael Campbell of AND led a wholesaler boycott of the Willwood Group that forced the company to concede extra margin. Following this success a new wholesaler association, the Irish Association of Distributive Trades (IADT), was formed in 1979. Ray Burke, a senior manager with Erin Foods and a senior figure in the Fianna Fail party, was chosen as chief executive. Within a year, Burke had forced 26 leading suppliers to concede extra discounts. In 1980 Burke won a permanent injunction preventing Tesco from advertising goods below net invoice price and forced it to abandon its discount format.

During the early 1980s, Burke enlisted the support of the Fine Gael Party to force concessions from the Fianna Fail minister Desmond O'Malley.¹⁰¹ O'Malley was ideologically reluctant to interfere in the market and commissioned an RTC review. In 1981, the independent grocers picketed the Dail, and IADT and RGDATA refused to participate in the enquiry. When the report advised against intervention, both IADT and RGDATA began to leverage the political instability of the time to their advantage.

The battleground then moved to planning permission, with the blocking of Tesco's 50,000 plus square foot Galway development being typical. In 1982, the government introduced the Local Government (Planning & Development) General Policy Directive (1982), and IADT used this platform to block the development of three shopping centres the following year. In 1984, IADT formally allied itself with RGDATA, undertaking to staff and fund the organisation. Michael Campbell, who had replaced Ray Burke in the previous year, became head of both. This combination of wholesale and retail interests was without precedent in Europe.¹⁰²

During the next four years the IADT/RGDATA alliance fought vigorously for change and threatened the re-election of unsupportive politicians. It also funded court challenges to the planning applications of multiples and the pricing policies of manufacturers. In 1984 Fine Gael came to power, and a Dail Committee recommended tighter control over multiples. Campbell won over its chairman, Ivan Yeats, who became the independent grocers' champion within government. However, the new minister, John Bruton, was opposed to interfering in the market and reneged on his party's commitment to support regulation. Campbell responded by distributing

a leaflet asking '*Is Fine Gael's Word a Load of Old Rubbish*' during the 1985 local elections. In 1986, Michael Noonan replaced Bruton and initiated a new RPC enquiry which proposed a ban on below cost selling together with other prohibitions relating to hello money and supply¹⁰³

In 1987, Fianna Fáil returned to power with Albert Reynolds as the new minister. He had direct experience of the power of the multiples, as a former supplier, and proved amenable to their regulation. In 1987 a new Restrictive Practices (Groceries) Order provided wholesalers with the protection that they wanted, and the overall position of the wholesale sector improved during the 1990s.

Having secured this victory, the alliance focused on defending the gains and resisting efforts to reverse the Order. When Tesco purchased Power Supermarkets in 1996, the alliance funded an EU challenge, and followed this up by exposing it for systematic over-charging. Much of the credit for the alliance's effectiveness goes to Michael Campbell who is seen by both politicians and journalists as '*a straight player*', and better than most other industry representatives at ensuring that the industry's case is heard¹⁰⁴

IADT chairman Hugh Mackeown has also been pivotal. He has been driven by a genuine desire for the industry's wellbeing, and a determination not to let it flounder. Mackeown has been described as a cut above the rest, a combination of old world courtesy with an '*imperious air*' which some attribute to his '*wealthy Cork merchant class*' background. He is portrayed as '*a shy man with steel in his back*'. Within the industry he is widely admired, and seen to have the larger interest at heart with a rare capacity to bring the diverse elements along with him¹⁰⁵. In recent times, however, the success of Musgraves and BWG has led to growing dissension among smaller members.

11.3.2 The Leading Wholesalers – 1974 to Present

Musgraves

During the second half of the 1970s Musgraves built a second facility in Dublin and replacement branches in Cork and Limerick. On the occasion of its centenary in 1976 *Checkout* noted that *'one of the reasons Musgraves are so advanced today is they have the staff to implement their imaginative development programme'* ¹⁰⁶

As the decade progressed the company's strategy was revised as it came to realise that *'their forté was in distribution and wholesaling'* ¹⁰⁷ Retailing involvement was abandoned due to customer opposition and all non-core businesses were sold off. In addition, a system of central billing, involving a £ ¼ m investment in computerisation and the appointment of a buying administrator was implemented.

Between 1977 and 1980, turnover doubled from £30m to £60m, but profits declined to 1% of sales and capital for further expansion became a constant problem. The company considered a range of options including going public, merging with BWG, seeking venture capital, diversifying into more lucrative activities, and even selling the business. In the end, it chose to remain independent and focused on food. In late 1979, the financial director reported that he found it *'hard to even think of expansion let alone how to fund our ever-growing working capital requirements'* ¹⁰⁸

By 1977 cash and carry accounted for two thirds of turnover and generated significant cash flow and in 1983, a new cash and carry operation was opened in Belfast. In contrast, symbol group trading declined in importance and contribution. By the late 1970s it became impossible to market a diverse membership under the VG symbol as the bigger retailers were moving into additional product lines, which they bought directly. Lack of store uniformity led Musgraves to create teams of retailing consultants to promote consistency.

In 1979, Musgraves abandoned VG and created two new retailing brands, SuperValu, which was positioned against the multiples, and Centra against other voluntary

groups. An industry consensus had emerged throughout the British Isles that the future of the independent grocer lay in convenience/basket shopping. However, Musgraves concluded from observing the US experience that symbol groups could succeed in the trolley (weekly) shopping segment. This insight revived group trading, reduced reliance on cash and carry and propelled Musgraves into a leadership position.

In the mid-1980s, Hugh Mackeown became group chairman and Seamus Scally became chairman of group trading activities. As neither Garveys or Niland had the professionalism of Musgraves, the company acquired Garveys' symbol group activities in 1985 and Nilands' in 1989. In 1985 SuperValu was positioned as a 'voluntary multiple' and the first SuperValu store was opened in Dublin. Following the collapse of H. Williams, nine Dublin sites were acquired and sold to selected retailers. During the five years to 1989, sales tripled to £370m, and profits reached £7.2m.

During the 1990s John Smith died, Tim Nolan retired and a new generation of management emerged. Musgraves expanded its cash and carry business by acquisition and by building a second operation in Northern Ireland.¹⁰⁹ SuperValu also expanded by acquiring four more H. Williams stores, the 18-store L. & N. chain and by enlisting Roches Stores to the franchise. Purchasing power was enhanced by joining two major European buying groups, EMD and NISA-Today. By 2000 the company had a 25% market share and posed a serious threat to the multiples.

Market saturation caused Musgraves to look outside the Republic during the 1990s. In 1994, Dialsur, a chain of Spanish cash and carries, and Dialprix, a Spanish symbol group, were purchased. Over 1996-97, the company purchased 26 supermarkets in Northern Ireland for SuperValu and in 2000, it took a stake in Budgeons, an English retail chain.¹¹⁰ In 1998, it invested in wholesaling chilled and frozen foods, a new departure with implications for manufacturers and competitors. By 2000 Seamus Scally had replaced Hugh Mackeown as the chief executive and turnover reached £1.6b.

Musgraves is seen as the main architect of the wholesalers' recent success, and is credited with bringing professionalism to independent retailing. Denis Allman, the chairman of rival BWG Foods, recalled that *'Musgraves had a strategy before anyone else'*, and attributes this largely to Mackeown, whom he regards as the industry's outstanding figure for more than two decades. This view is shared by Martin Rafferty who sees Mackeown's vision as *'a key element in Musgraves success'*. Checkout, named Mackeown Man of the Year in 1986, noting that in the group sector Musgraves was *'far away the most outstanding company in Ireland's grocery trade'*, and that *'masterminding'* it all was *'that most elegant of gentlemen, Hugh Mackeown'*. Years later, Checkout noted that the company had achieved *'objectives that would have been thought impossible a decade ago'*. It praised Mackeown for having shown *'remarkable vision'*, believing that *'his leadership and a first-rate crew'* had *'proved a winning combination'*.

Mackeown sees a number of reasons for Musgraves success, with culture playing an important part. As he puts it, *'we are looking for a continuation of a style, ethos, name and an entity'*. To begin with there was *'an ambition to grow and be the best - we were always ambitious'*, and the feeling was *'because we are in it, let's do it well'*. A further characteristic has been *'a continuous and relentless push to improve'*. Musgraves also actively wants to be the leader, and likes to focus on *'things that other people are not or can't do'*.¹¹¹ In addition, his personal wealth was concentrated in the company and he was favoured with supportive shareholders. *'Being a private company'*, as he noted, *'you can take a long term view'*. Further insight into his thinking and make up is revealed from such personal observations as *'a cussedness - I didn't want us to be obliterated'*, *'I didn't want to have the company fail on my shift'* and *'the pure enjoyment for me is to be better than the other guy'*.

BWG Foods

After BWG Foods was formed the four SPAR wholesalers continued to operate under their own management structures. While Martin Rafferty saw BWG as bringing vision and setting the companies on an expansionary road, David Tyndall recalls its tenure as one of unfulfilled promise.

Shortly after formation, the new entity hit financial straits when the 1973 oil crisis plunged the building sector into recession. A collapse in timber prices left the builders merchanting division with grossly overvalued stocks and forward contracts. In 1974, the division lost almost £1.5m, and cash from the grocery division was needed to stem the crisis. David Tyndall quickly realised that '*the prospects of using Brooks "paper" to take over the wholesale business were diminishing*'¹¹². Building-related activities remained a severe financial drain up until their disposal in 1981. As Denis Allman recalled, '*there was no money to develop the business*'¹¹³. Despite this, the 1974-80 period was one of growth, with sales increasing from £18m to £57m and profits reaching £1.6m. SPAR expanded to 337 outlets, and Value Centre cash and carry to 22. The cash and carry business thrived, reaching 60% of turnover, but the SPAR business lost momentum due to a lack of investment and marketing¹¹⁴.

Growth, during the 1980s, came through a mixture of green field development and key acquisitions. The company took over Carton Bros, O'Neill & McHenry, Lee & Co the MACE Leinster franchisee, and MNC. David Tyndall's persuasive powers and ability to make acquisitions at minimum cost were seen as critical, with *Checkout* magazine characterising him as '*Take-over Tyndall*'¹¹⁵. By the early 1980s, BWG Foods was joint market leader but with a significantly better net margin of 2.9%.

In 1980, Tyndall was succeeded as managing director of AWL by accountant, Denis Allman, and concentrated on his role as executive chairman of the division. However, by 1983, the BWG directors realised that the conglomerate era was over and sold out to Irish Distillers. By then grocery wholesaling had become a major distribution channel for drinks and Irish Distillers feared that Grand Metropolitan was about to pounce. Following the take-over, the non-food businesses were divested and the grocery wholesaling companies were drawn united under a single management structure. In the process David Tyndall retired and Denis Allman became group chief executive.

Although profitable, the business had a number of problems. SuperValu had altered the basis of competition and exposed weaknesses in BWG. Throughout the 1970s, the

focus had been on efficiency and costs '*that resulted in false economy such as poor facilities and low-grade staff*'¹¹⁶ By the early 1980s investment was needed in infrastructure, staff and marketing In a paper to the board, David Tyndall observed, '*we know that we don't do as good a job as VG and group business is declining in real terms*', and '*we have no one with overall responsibility for marketing on the cash and carry side*'¹¹⁷ It was partly to address this that Ray Burke was 'head hunted' from IADT

Irish Distillers was initially more interested in the cash and carry business, a fact reinforced by the acquisition of Monaghan wholesaler T J Gillmore in 1984 Uncertainty over group trading caused Ray Burke to decamp to Musgraves However, the new owners dispelled these doubts The provision of fresh capital and the recruitment of Gordon Campbell from Ranks as group sales and marketing director reinvigorated group trading In 1987, Campbell repositioned SPAR as an upmarket chain of local stores and supermarkets A SPAR 'Eight Till Late' format was piloted which Campbell saw as a means of '*moving SPAR firmly into the convenience market*'¹¹⁸

In 1988, Irish Distillers was acquired by the French drinks giant Pernod Ricard This brought further investment and significant expansion Over the 1988-94 period, both SPAR and Value Centre activities were expanded and upgraded, and by 1994 the company's domestic turnover exceeded £200m The company also enhanced its buying power through joining the European buying group BIGGS However, in 1993, Gordon Campbell departed to become Managing Director of International SPAR Centrale

In the early 1990s, a significant investment was made in computerisation which allowed the company to expand into central billing and co-ordinate stock more efficiently In 1994, it entered Northern Ireland through the acquisition of J J Haslett, the province's MACE franchise holder The company's turnover increased to £414m in 1995, £165m of which came from the North In 1997, BWG acquired Appleby and Westward, a British West Country SPAR wholesaler with a turnover of £81m In the late 1990s, four more were added in England and Scotland, bringing turnover to

almost £1b. In the domestic market, the SPAR franchise benefited greatly from the expansion of convenience shopping. The SPAR Eight-Till-Late format flourished. However, 70 shops were controlled by one customer, and the high level of exposure prompted BWG to take a 25% stake in it.

In 1997, the company developed both the SPAR EXPRESS and MACE (Leinster) formats for forecourt retailing. The company also launched EUROSPAR to compete with SuperValu. By the late 1990s, the company operated 32 Value Centre cash and carry branches and invested £2m in new premises, extensions and upgrades. At the turn of the millennium BWG was number two to Musgraves in the domestic market but much closer in overall turnover due to its successful expansion in Britain. While the company had lost ground by failing to recognise the potential of the trolley shopping market, it had capitalised on Musgraves delay in entering the British market.

Since assuming control in 1984, Denis Allman had presided over the professionalisation of the company's management following the departure of its entrepreneurial founders. As he approached retirement, Irish Distillers Finance Director Leo Crawford moved to BWG to become the designated successor.

AND/MACE

In 1974, Kevin Kelly left and was replaced as chief executive by Michael Campbell. By then, only Punch & Co., Mangan Bros. and Lee & Co. were operating the MACE franchise, and the cash and carry activity was re-branded as Keencost. Punch & Co. was by far the largest, with extensive interests in manufacturing. As manufacturing qualified for export tax incentives, the company's strategy focused on developing it by using grocery wholesaling as a cash generator. The other two were more interested in cash and carry than symbol group trading. The result was that MACE increasingly fell behind the other major symbols.

In 1979 Michael Campbell moved on to be replaced by Bob Cullen. By 1985 Keencost had 18 members and 32 outlets. Some members built larger scale facilities and by the mid-1980s turnover reached £100m. In contrast, group trading experienced

a major setback in 1980 when BWG acquired Lee & Co , the MACE franchisee for Leinster This left Punch & Co and Mangan's controlling the franchise in the remainder of the country, and BWG with representation on the MACE board To sweeten the deal, a MACE-SPAR-Keencost purchasing organisation was developed under the chairmanship of BWG's David Tyndall However, the belief grew that BWG was stifling the development of MACE, a charge that was repeatedly denied In 1983, a *Checkout* editorial asked '*what is happening to MACE?*' and went on to question the commitment of the three wholesalers and blame the problems on their narrowness, short-term outlook and grasping self-interest¹¹⁹ As most members did not have a significant retail symbol, their focus was on the Keencost cash and carry brand By the early 1990s, the group consolidated as the strong members bought out the weaker ones

In a surprise move in 1992, five of the remaining nine members, combined to form a new group called Centacom The links with AND were retained, and Centacom members continuing to provide funds and avail of its membership of IADT However, it weakened the AND organisation, leading *Checkout* to comment that it raised '*the whole question of where AND is going?*'¹²⁰ The formation of Centacom raised many eyebrows, and Denis Allman of BWG said at the time, '*quite honestly I do not understand why a group of AND wholesalers moved out of an established general office to recreate another "group"*'¹²¹

Centacom bought five additional cash and carry sites from Garveys, but, by 1995, it was in financial difficulties and was wound up¹²² Three members reverted to AND, while Punch & Co and McCarricks merged to create Vantage Wholesale, which traded through ten cash and carry outlets in Munster and Leinster In 1998, Vantage introduced Costcutter, a British symbol with a 'no frills' emphasis with which it hoped to poach retailers from other groups¹²³

In the late 1980s, BWG took a lead in repositioning MACE and a new MACE Convenience Express format was introduced for the growing convenience market In addition, MACE Super Saver was launched as a supermarket format During the 1990s, MACE revived further, following BWG's acquisition of the franchise in

Northern Ireland This brought the number of stores controlled by the three MACE wholesalers to 400 The opportunities presented by the growth of convenience shopping and forecourt retailing led to the development of a new MACE image in 1995 This move was further enhanced by the decision of an oil distributor Maxol to turn over 60 of its forecourt outlets to the brand in 1997

As AND/MACE approached the end of the 1990s, the MACE and Keencost brands were trading successfully, but divisions among the members led to suggestions of a merger with NWGA In March 2000, a merger was concluded and a new entity, Stonehouse, created In July 2000, Punch and Co sold its MACE franchise to BWG in order to concentrate on its Vantage and Costcutters activities

NWGA

In the period to 1978, the A & O sub-group focused on symbol trading while its members cash and carry interests continued to be serviced by NWGA Then in 1978, it broke away completely and began cash and carry trading It then expanded through absorbing Carton Brothers and the Piggybank Group A & O began to attract new members, and by 1979 it had reached a turnover of £14m However, in the five turbulent years that followed, it unravelled, with members leaving or being taken over Following the loss of Carton Bros and Gilmour's to BWG, and further losses to Musgraves and Keencost, A & O ceased trading in 1985

During the 1980s, NWGA continued to operate as a buying group for independent cash and carry wholesalers Membership had fallen to 47 wholesalers mainly servicing the most vulnerable sector of the retail trade, the unaligned independents In the mid-1980s, a marketing dimension was added through the use of the National Wholesale brand From then onwards, the group began to lose members through closure and acquisition A number of members began to look to the catering sector for their future, while others chose to specialise in ethnic foods¹²⁴

By the late 1990s, NWGA was at a crossroads, servicing a diminishing group of retailers that did not want to be organised Furthermore, many of the members were

family businesses, often with no family member to carry them on By March 2000, NWGA had opted to throw in its lot with AND and merge to create Stonehouse

¹ Time-series data drawn from census reports published between 1951 to 1993

² Symbol group shops are independent retailers who operate under a common group name They are organised by a wholesaler or group of wholesalers, from which the retail members purchase a large proportion of their supplies

³ Hugh Mackeown, the Musgraves chairman, noted during interview that grocery is not a cyclical business but does experience shifts in product emphasis during recessionary periods

⁴ Taken from the 'Submission by RGDATA to the European Commission concerning a proposed concentration notified pursuant to Council Regulation (EEC) No 4064/89 of 21 December 1989 and Involving Tesco and Associated British Foods

⁵ Provided during interview by Ray Burke the Group Commercial Director of Musgraves

⁶ Source AC Nielsen, Retail Census 1998

⁷ Figures were assembled from information provided by IADT/RGDATA and *Checkout* the main trade magazine published in Ireland

⁸ Irish Times Feb 20 1998

⁹ Source AC Nielsen, Retail Census 1996 & 1998

¹⁰ Source AC Nielsen, Retail Census 1996

¹¹ Competition and Mergers Review Group proposals for Discussion in Relation to Restrictive Practices (Groceries) Order, 1987 December 1999

¹² *Checkout* is the main trade magazine published in Ireland

¹³ This information was provided during interview by Tom Nolan, Commercial Director of Tesco Ireland

¹⁴ These events are chronicled in Beeching, C L T (1919) The Modern Grocer and Provision Dealer Claxton Publishing Co London

¹⁵ See Nolan, W (1996) Family Businesses, Why Some Survive, and How, Unpublished M Comm dissertation University College Cork Also Walter Thomas Meyler (1868, 1870) Saint Catherine's Bells An Autobiography Parts I and II Simpkin Marshall London Meyler, a prominent merchant describes merchant life in Dublin during his lifetime

¹⁶ Interviews with Arthur Creighton and Michael Campbell

¹⁷ The lower figure was provided by Michael Campbell of IADT/RGDATA and is based on his memories of the level of stock carried by his parents grocery shop However, an examination of the Findlater catalogue for the 1930s would suggest the higher figure

¹⁸ Creighton, A H (1994) The Life and Times of Arthur Henry, Blackwater Press Dublin P 5 Arthur Creighton worked for Musgraves from 1926 until 1977 during which time he rose from being a warehouse assistant to being General Manager and later Marketing Director

¹⁹ David Tyndall started work in his family firm in 1933 and retired after a distinguished career as Executive Chairman of BWG Foods This quote is from a profile published in *Checkout* Magazine in August 1979 Tyndall was also a key source for this research and confirmed these views during interview

²⁰ Interview with Arthur Creighton

²¹ Interviews with Arthur Creighton, David Tyndall and George Cooke together with an examination of the Findlater archives

²² See Lee, J J (1989) Ireland 1912-1985 Politics and Society Cambridge University Press Also identified in the Fair Trade Commission Report of Enquiry into the conditions which obtain in regard to the supply and distribution of Grocery Goods and Provisions (1956), The Stationery Office Dublin

²³ The Retail, Grocery, Dairy and Allied Trades' Association

²⁴ Fair Trade Commission Report of Enquiry (1956) p 56

²⁵ Taken from Talking Shop 50 Years of the Irish Grocery Trade, p 6 Published by RGDATA in 1992 to celebrate their 50th anniversary

²⁶ Ibid

²⁷ Ibid

²⁸ Ibid

²⁹ Irish Wholesale Grocer, Vol 3, No 1 April 1952, p 3 Parkside Press

³⁰ Findlaters opened their first cash only branch in 1950

³¹ Fair Trade Commission Report of Enquiry (1956) p 56

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- ³² For example, Batchelors, a leading domestic food producer launched dehydrated chicken noodle soup
- ³³ Irish Wholesale Grocer, Vol 3, No 1 April 1952, p 3 Parkside Press
- ³⁴ Irish Wholesale Grocer, Vol 4, No 1 April 1953, p 271 Parkside Press
- ³⁵ The Fair Trade Commission hearings provided evidence of a significant but unquantified increase in the number of firms engaged in grocery wholesaling
- ³⁶ 1951 Census of Distribution
- ³⁷ Interviewee George Cooke had been a sales representative of Hugh Moore and Alexander and set up his own wholesaling business in 1949. He later became a founding member of the wholesaling group NWGA
- ³⁸ Irish Wholesale Grocer, Vol 3, No 7 April 1952, p 243 Parkside Press
- ³⁹ Irish Wholesale Grocer, Vol 4, No 1 April 1953, p 269 Parkside Press
- ⁴⁰ Irish Wholesale Grocer, Vol 4, No 1 April 1953, p 270 Parkside Press
- ⁴¹ Contained in Survival Group Action in the Wholesale and Retail Trade, An Foras Taluntais 1967 p 9
- ⁴² Reported in the Fair Trade Commission Report of Enquiry (1956)
- ⁴³ This is made clear in the minutes of the Irish Wholesale Grocers association from its founding in 1956 to its disbandment in 1964. These were supplied by Bob Cullen, Chief Executive of AND-Keencost. They were inherited when the IWGA trading arm EDL was absorbed into that organisation in 1971
- ⁴⁴ IWGA minutes for March 1958
- ⁴⁵ IWGA minutes record that firms such as Fry-Cadbury, Colgate-Palmolive and Lever Bros, as well as jam manufacturers and canners all restructured their discounts
- ⁴⁶ Dublin Corporation allowed new shops in the ratio of one shop to 20 new houses
- ⁴⁷ Talking Shop
- ⁴⁸ This took place a study trip to Brussels in 1953
- ⁴⁹ David Tyndall (1992) Recollections: My Fifty One Years in the Wholesale Grocery Business. Unpublished manuscript p 12
- ⁵⁰ IWGA minutes of September 1956
- ⁵¹ IWGA minutes for November 1956
- ⁵² Interviews with David Tyndall
- ⁵³ Minutes of IWGA general meeting 12th March 1958
- ⁵⁴ Collated from Census of Distribution 1956, 1966, 1971
- ⁵⁵ Figures contained in Survival Group Action in the Wholesale and Retail Trade, An Foras Taluntais 1967, The Stationary Office Dublin
- ⁵⁶ Figures contained in Survival Group Action in the Wholesale and Retail Trade, An Foras Taluntais 1967
- ⁵⁷ Taken from the Fair Trade Commission Report of Inquiry into the conditions which obtain to the supply and distribution of Grocery Goods for Human Consumption (1972), p 46 The Stationary Office Dublin
- ⁵⁸ Extract from Survival Group Action in the Wholesale and Retail Trade, An Foras Taluntais 1967 p 31
- ⁵⁹ Taken from the Fair Trade Commission Report of Inquiry into the conditions which obtain to the supply and distribution of Grocery Goods for Human Consumption (1972), p 28 The Stationary Office Dublin
- ⁶⁰ The Fair Trade Commission Report of Inquiry (1972), p 7
- ⁶¹ The Fair Trade Commission Report of Inquiry (1972), pp 15-18
- ⁶² NIEC Report on Change in Distribution (1968), p 24
- ⁶³ Interview with Kevin Kelly. Kelly is the publisher of *Checkout* magazine. After a period with Erin Foods he joined MACE (Ireland) in 1966 as Chief Executive and served in this role until his purchase of *Checkout*
- ⁶⁴ Interviews with David Tyndall, Michael Campbell, Arthur Creighton and Hugh Mackeown
- ⁶⁵ Figures compiled from Survival Group Action in the Wholesale and Retail Trade, An Foras Taluntais 1967 and The Fair Trade Commission Report of Inquiry (1972). They accounted for 34.4% of sales nationally and 53% in the Dublin area by 1966
- ⁶⁶ NIEC Report on Change in Distribution (1968)
- ⁶⁷ Interview with Alex Findlater. Also Alex provided me with a draft of a book which he has just completed on the history of Findlaters
- ⁶⁸ The Fair Trade Commission Report of Inquiry (1972),
- ⁶⁹ This was an initiative by the new president of IWGA, David O'Connell,

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- ⁷⁰ IWGA minutes for November 1959
- ⁷¹ Noted in David Tyndall (1992) Recollections My Fifty One Years in the Wholesale Grocery Business Unpublished manuscript And also in Arthur Creighton's The Life and Times of Arthur Henry
- ⁷² Talking Shop p 62
- ⁷³ David Tyndall (1992) Recollections My Fifty One Years in the Wholesale Grocery Business Unpublished manuscript p 15
- ⁷⁴ Interview with Hugh Mackeown
- ⁷⁵ This was done on the advice of Bob van Schiak the CEO of VG
- ⁷⁶ The quote is from The Life and Times of Arthur Henry p 121 However, the sentiment was also strongly imparted during interview with both Arthur Creighton and Hugh Mackeown
- ⁷⁷ There is a consensus of opinion that was evident among all interviewees that Musgraves management was superior to that of its competitors particularly in the areas of strategy and marketing
- ⁷⁸ Interview with Hugh Mackeown During interview Hugh was asked to contrast his style with that of his uncle's
- ⁷⁹ The quote is from The Life and Times of Arthur Henry p 145 However, the sentiment was also strongly imparted during interview with Arthur Creighton
- ⁸⁰ Interview with Arthur Creighton
- ⁸¹ Direct delivery by manufacturers but terms negotiated and invoicing through the wholesaler
- ⁸² The quote is from The Life and Times of Arthur Henry p 155
- ⁸³ Musgrave Brothers Limited Draft 5 Year Plan April 1972 to April 1977 Prepared by Hugh Mackeown in November 1971
- ⁸⁴ This was contained in a memo prepared for the Board by Hugh Mackeown in March 1971
- ⁸⁵ Contained in a profile of Musgraves published in *Checkout* in December 1976
- ⁸⁶ Interview with Ger Ralph who joined in 1963 and currently operates three shops
- ⁸⁷ The story of the formation of BWG was recounted during interviews with both David Tyndall and Martin Rafferty The quote is from Recollections My Fifty One Years in the Wholesale Grocery Business Unpublished manuscript p 33
- ⁸⁸ From Recollections My Fifty One Years in the Wholesale Grocery Business p 34
- ⁸⁹ Interview with Kevin Kelly
- ⁹⁰ Interview with George Cooke
- ⁹¹ These observations were made by BWG Chairman Denis Allman when reflecting on the state of the industry when he joined it
- ⁹² Collated from Census of Distribution 1956, 1966, 1971, 1988 and the Annual Service Inquiry all Published by the Central Statistics Office Dublin The 1998 retailing figures were taken from the 1998 A C Nielsen Report on Retailing Trends as was the forecourt figure for 1988 The Number of wholesale outlets was determined from the 1998 *Checkout* Directory
- ⁹³ Figures compiled from RGDATA and Nielsen 1998 Report
- ⁹⁴ For example both the Willwood Group and Johnson Brothers were delisted by Superquinn and Quinnsnorth over new terms in 1977 Equally, in 1978 an all-out boycott of the Willwood Group's consumer products by the non-multiple trade was launched in a dispute over wholesale differentials
- ⁹⁵ Competition and Mergers Review Group Proposals for Discussion in Relation to Restrictive Practices (Grocery) Order, 1987 December 1999
- ⁹⁶ Reported in Talking Shop and based on a Joint National Research Survey
- ⁹⁷ Interviews with Tom Nolan of Tesco and Michael Campbell of IADT/RGDATA
- ⁹⁸ This was informed by the interviews with Denis Allman, Hugh Mackeown and Michael Campbell
- ⁹⁹ This information came from the interviews with Hugh Mackeown, Denis Allman and Michael Campbell The use of cash and carry offered the chance to purchase a proportion of goods that could be sold without any paper trail, thus allowing the retailer to avoid tax This was brought to an end during the 1990s when the Revenue Commissioners insisted that cash and carries issue receipts and keep records of the purchasers VAT registration number
- ¹⁰⁰ Editorial entitled Supermarkets Win the Day in *Checkout*, January 1975, p 5
- ¹⁰¹ *Checkout* Magazine, September 1980, p 26
- ¹⁰² Talking Shop 1992 p 72
- ¹⁰³ Publication of the recommendations in *Checkout* Magazine, April, 1987
- ¹⁰⁴ Interviews with Denis Allman, Hugh Mackeown and Ivan Yeats TD
- ¹⁰⁵ The assessment of Mackeown's role is derived from interviews with Denis Allman, Michael Campbell and Hugh Mackeown

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- ¹⁰⁶ Kevin Kelly writing in *Checkout* in December 1976
- ¹⁰⁷ Irish Business Nov 1977 p 12
- ¹⁰⁸ Extract from an internal memo sent by Markham to Hugh Mackeown
- ¹⁰⁹ They acquired Keencost in Limerick and Lee's in Dublin
- ¹¹⁰ During interview with Hugh Mackeown he acknowledged that BWG had assessed the opportunities in Britain to greater effect. However, he was at the time in negotiations for a major British acquisition which he later discussed with me by telephone
- ¹¹¹ Three interviews totalling eight hours were conducted with Hugh Mackeown. In addition there were three telephone conversations and access to private papers. He also proof read the completed draft case and offered his view that it was a true and accurate account
- ¹¹² From Recollections My Fifty One Years in the Wholesale Grocery Business p 36
- ¹¹³ Interview with Denis Allman
- ¹¹⁴ Ger Ralph felt that SPAR performed well between 1963 and 1974 and after 1985 but believed that it went into a dormant period in the ten years between 1975 and 1984. This is confirmed by the Allman interview and the contents of a 1981 paper prepared by David Tyndall
- ¹¹⁵ *Checkout*, August 1979 & September 1980 together with interviews with David Tyndall, Martin Rafferty and Denis Allman
- ¹¹⁶ Denis Allman believes that a false economy was achieved through an overly rigorous focus on costs at the expense of developmental activities
- ¹¹⁷ Review paper prepared for the board by David Tyndall dated 23rd Feb 1982
- ¹¹⁸ Talking Shop
- ¹¹⁹ Contained in *Checkout Magazine*, March 1983, p 17
- ¹²⁰ From item entitled Centacom Gears Up, *Checkout Magazine* February 1992, p 6
- ¹²¹ Interview with Denis Allman contained in *Checkout Magazine* November 1992, p 22
- ¹²² Michael Campbell noted during interview that the operation ran up losses of over £1.5m
- ¹²³ Irish Times February 4th 1998
- ¹²⁴ Interview with founder member George Cooke

CHAPTER FIVE IRISH BUILDERS' MERCHANTING

1. INTRODUCTION

At present, the Irish builders' merchanting industry is dominated by three merchanting groups and by three buying groups owned by around 100 of the larger independent merchants. The three largest firms control 45% of the market and have expanded their activities to DIY retailing and overseas markets. Over the past 70 years the industry has undergone significant changes. It has grown considerably in monetary terms, but increase in direct supply has seen its share of the building materials market shrink considerably. The number of firms has expanded, but industry concentration has fluctuated. The industry's former two tier 'A' and 'B' merchant structure has been replaced with one featuring national merchanting groups and independent merchant co-ops and new industry leaders have emerged. Significant efficiency gains have resulted.

These changes are summarised in the tables below¹

	1951	1956	1966	1971	1977	1988	1993	% Gain 1951/1993
Builders' merchanting	97	81	72	109	125	140	148	
% Change		(16%)	(12%)	52%	15%	12%	5%	53%

Table 5.1 Sales Per Employee in 1993 Adjusted £'000

	1951	1956	1966	1971	1977	1988	1993	% Gain 1951/1993
Builders' merchanting	3.83	3.08	4.28	5.12	3.82	4.77	4.67	
% Change		(20%)	39%	20%	(28%)	25%	(2%)	22%

Table 5.2 Stock Turn

Year	Number of Outlets	Industry Concentration	Size in £ millions (Inflation Adj 1998 £m's)	% Building Materials Market	Largest Firms	Industry Recipe
1951	109	13 Firms = 63%	£13 (£232)	93%	Brooks Thomas Dockrells T & C Martin Baxendales	• Single location firms divided into A and B merchants • Provincial hardware and general merchants
1956	186	15 Firms = 43%	£17 (£264)		Brooks Thomas Dockrells T & C Martin Baxendales	• Single location firms divided into A and B merchants • Provincial hardware and general merchants.
1966	272	14 Firms = 48%	£32 (£355)		Brooks Thomas Dockrells T & C Martin Baxendales	• Single location firms divided into A and B merchants • Buying groups emerging.
1971	247	3 Firms = 50%	£61 (£524)		Brooks Thomas Heitons Dockrells	• Beginnings of multiple merchants • One merchant co-op formed. • Independent local merchants
1977	244	5 Firms = 40%	£179 (£699)	42%	Brooks Thomas Heitons Dockrells Chadwicks Buckleys	• Multiple merchants expanding branches • Three merchant co-ops formed. • Independent local merchants
1988	311	4 Firms = 27%	£446 (£574)		Heitons Chadwicks Brooks Group Buckleys	• Multiple merchants expanding branches • Three merchant co-ops • Independent local merchants
1993	246	4 Firms = 32%	£633 (£696)		Chadwicks Heitons Brooks Group Buckley s	• Multiple merchants expanding branches • Merchant co-ops • Independent local merchants
1998 Industry Estimate	N/A	3 Firms = 45%	£800	>40%	Heitons Chadwicks Brooks Group	• Multiple merchants • Merchant co-ops • Independent local merchants

Table 5 3 Structural Changes in Builders' Merchanting

2. DESCRIPTION OF INDUSTRY

Builders' merchanting is one of the country's oldest and largest commercial sectors, wholesaling materials and tools for the construction industry. Heavy goods are associated with building structures and light goods with fittings. Examples are shown in table 4 ²

Heavy	Light
Cement	Plumbing and heating
Bricks and blocks	Bathroom and sanitary ware
Plaster	Electrical
Timber	Painting and decorating
Steel reinforcement	Ironmongery
Drainage	Tools
Roofing products	

Table 5 4 Product Categories

As Farmer (1996) points out, builders' merchants also supply credit, and act 'as bankers' ³ for the sector. A 1979 National Prices Commission report ⁴ notes that '*the amount of credit provided by the builders' provider is an aspect of service which has*

few parallels in any other trade and in the same trade in either Britain or Northern Ireland' A credit period of 110-120 days is common as is the builder's tendency to spread his business to maximise it Merchants are often exposed to significant risk of bad debts due to the transient nature of building activity It is estimated that merchants now supply less than 40% by value with many goods like bricks and cement being sourced directly Large merchants traditionally acted as main importers of key commodities like timber, but changes in transportation have made it easier for smaller merchants to import themselves The customer base can be segmented as in table 5 below⁵, though exact numbers are hard to come by, and channel boundaries are crossed in many firms

Homebuilder	Contractor	Jobbing Builder	Tradesmen
Speculative building of houses and apartments for self or developer	Build to order	Extensions and renovations Single houses (particularly in rural areas)	Sub-contracting repairs and maintenance

Table 5 5 Types of Builders

The customer base is highly fragmented with 376 firms employing over 20 people in an industry where total employment is 124,000 Builders' merchants have also traditionally conducted varying levels of retail cash business, which in 1993 amounted to 18% of industry turnover In addition, 10-15% of hardware retailers are currently engaged in builders' merchanting The Sectoral Consultative Committee of the Construction Sector (SCCCS) has categorised the sector's output as follows

Category	Description	Activity Influences
Housing	Domestic housing both local authority and private (Traditionally the largest sector)	Demographic developments interest rates tax relief and local government spending
Market	Construction for the industrial commercial agricultural and semi state sectors	General level of economic activity
Infrastructure	Main components are roads sanitary services and educational buildings	Government and EU spending

Table 5 6 Construction Output Categories⁶

Historically, builders' merchanting has experienced cyclicalhty in line with the construction sector and the economy as a whole, and government spending and tax incentives have proved significant in stimulating demand, particularly in times of downturn

3 THE INDUSTRY AT PRESENT

In the period 1993-1998 the industry experienced unprecedented growth with the annual rate of house building activity increasing from 21,391 to 42,319 units ⁷ Sales are believed to have grown from £633m to over £800m, though the number of outlets has remained at around 240⁸ The industry has become increasingly dominated by three merchanting groups and three buying co-ops (see table 5 7 below) Of the 240 or so outlets nationally, 190 belong to either a national group or a merchant buying co-op

Firm	Parent	No of Outlets	Turnover 1998
Heitons	Heiton Group plc	23	£149m
Chadwicks	Grafton Group plc	22	£132m
Brooks Group	UPM-Kymmene Timber	9	£75m
National Hardware	Member owned co-op	45	£35m (est)
Associated Hardware	Member owned co-op	50	£30m (est)
Amalgamated Hardware	Member owned co-op	41	£30m (est)

Table 5 7 Leading Industry Groups

In 1991, the first-ever Top 100 list for the sector placed Heitons, Chadwicks and Brooks in the top three merchanting positions ⁹ All but the top 10 firms had turnovers less than £8m In addition to the top six firms above, there are a number of strong local and regional merchants These are well able to compete with national group branches, which sometimes complain of unfair pricing based on tax avoidance ¹⁰ It is believed that most of the group members have sales of between £3m and £5m

4 THE ORIGINS OF BUILDERS' MERCHANTING IN IRELAND

Builders' merchanting had its origins within the broader hardware sector Haughton's of Cork started as ironmongers in 1789, Graves of Waterford as timber importers in 1811 and Brooks Thomas of Dublin as glass importers in 1835 By the end of the 19th century, Brooks Thomas and another Dublin firm, Dockrells, had become the country's premier builders merchants These two family firms were linked through marriage, and became part of the business and political fabric of the country Both

Maurice Brooks and Sir Maurice Dockrell served as Westminster MPs and Henry Dockrell served in the Dail and Seanad. Other companies that were to come to prominence such as Heitons, Chadwicks and Baxendales were also founded by the beginning of the 20th century. This industry was also '*dominated by Protestant businesses*' and, as Farmer has noted in a world where '*at least until the 1960s every firm was known as either Catholic or Protestant*', a firm like 'Heitons was clearly Protestant'.¹¹

Builders' merchanting in Ireland developed initially as an importing activity around the major ports (see table 5.8 below). However, building materials were also sold by the country's 400 hardware and 112 general merchants.¹²

Dublin	Ballina	Cork	Limerick	New Ross	Waterford	Wexford	Sligo	Others
17	3	4	2	6	8	4	2	6

Table 5.8 Geographic Distribution of Merchants in 1945¹³

Prior to the 1930s, many building materials were imported from Britain and many British companies had commission agents calling on merchants throughout the country.¹⁴ By the early 1900s, the industry had developed a two-tier structure, with a small number of 'A' merchants re-selling to smaller 'B' merchants and general traders, primarily in the provinces. 'A' merchants were the primary importers of many products and held the key agencies, though provincial merchants sometimes imported directly where scale economies permitted. Veteran interviewees alluded to Masonic influences on the acquisition of agencies and the conduct of business among the largest firms.¹⁵

5. THE GROWING POWER OF THE 'A' MERCHANTS: 1932 - 1945

In the early 1930s the total market was worth under £10m, with most building materials distributed through the two-tier merchant structure.¹⁶ At that time '*British manufacturers customarily fixed resale prices and by withholding supplies and by other methods assisted in enforcing their maintenance*'.¹⁷ The main 'A' merchants were three Dublin based firms, Brooks Thomas Ltd, Thomas Dockrell Ltd and T & C Martin Ltd, but each had turnovers of less than £1m.¹⁸

In 1932, the arrival of the first Fianna Fáil administration heralded major change for the industry. During the following decade, building activity was stimulated by the building of 100,000 new local authority houses. However, in rural areas, the trade war with Britain reduced farm exports and the period favoured the urban merchant. Protectionism and the trade war encouraged import-substitution and more building materials began to be manufactured locally so that, by the early 1950s, the bulk of building materials were made in Ireland.¹⁹ Firms were established to produce products such as cement, plasterboard and foundry products, all protected by tariffs. Gypsum and Bricks Ltd was established in 1934 and expanded into plasterboard production in 1947. The Cement Act (1936) gave a local monopoly to a new firm, Cement Ltd.

This expansion in local manufacturing affected the distribution sector. The establishment of Cement Ltd in 1938 ended imports of the commodity and changed the distribution pattern, as the new firm appointed 64 distributors to supply the estimated 645 merchants throughout the country. These distributors formed two new trade associations, the Dublin Cement Association and the National Cement Distributors Association. Within the builder's merchanting sector, Chadwicks reduced its dependence on cement distribution through acquiring Concrete Products of Ireland Ltd, a manufacturer of blocks and tiles,²⁰ and others like Dockrells expanded into the manufacture of metal and timber products.

These developments prompted leading builders' merchants into collective action aimed at securing their industry structure. As the new manufacturers did not prescribe resale prices '*associations of merchants themselves undertook the fixation of margins and sought the co-operation of the home manufacturers in ensuring compliance with them*',²¹ The Associated Ironmongers and Plumbers Merchants was formed in 1932 to represent merchanting interests, and was reconstituted as the Irish Builders Providers' Association (IBPA) in 1944.²² Membership was confined to those with a minimum of 75% wholesale business with builders, plumbing contractors and other relevant trades. New trading standards were introduced setting out stockholding requirements, purchase volume and suitability of premises for 'legitimate merchants', establishing a clear line between them and the hundreds of provincial hardware and general

merchants who traded in building materials. The national executive negotiated prices with manufacturers, while a pricing committee administered a national price list. Over time the leading merchants developed exclusive relationships with indigenous manufacturers through their association and gained control over the supply of key building materials. With the outbreak of war in 1939, commercial activity was increasingly disrupted by shortages of raw materials and finished product, and a seller's market developed. By 1941, the shortages had begun to bite, but the leading merchants suffered only small reductions in their pre-war levels of profitability.

6. THE GROWING TENSION IN THE INDUSTRY: 1946-1953

As the war drew to an end, new opportunities opened up. In early 1944, the government proposed post-war building projects valued at £68m. This spurred the leading merchants to consolidate their control through the IBPA, prompting disquiet among smaller merchants and other traders. As pent-up demand was released, new entrants, some of whom already traded in hardware or general supplies, emerged. Between 1945 and 1951, the number of builders' merchants grew from 54 to 109.

Dissatisfaction with the existing distribution structure was not new. In 1938, the Hardware and Allied Traders Association had been formed to represent the interests of the smaller urban and provincial merchants. Pre-war editions of its journal, *Hardware and Allied Trader* (HAT), highlighted growing resentment directed at the larger merchants. However, it was the prospect of losing out on the post-war boom that prompted more vociferous reaction. The main resentment stemmed from the fact that the large firms in IBPA were supplying the larger builders/contractors directly while at the same time wholesaling to smaller merchants.²³

During the post-war years, the control of the IBPA tightened, leading the President of the Irish Conference of Professional and Service Associations to argue that '*building materials should not be controlled by a 'ring'*', and that government should have control of such materials.²⁴ In January 1949 a special meeting of the Hardware and Allied Traders Association was called, and from that point on the Association and its

journal conducted a campaign against restrictive practices. A 1950 editorial captures the prevailing mood

City firms with large stocks and staff and sole agencies working in conjunction with protected manufacturers have been trying to tell provincial merchants [that they] must belong to some "Big Bug" merchants association. To be a member they must carry stocks of value or give orders for certain amounts each year ²⁵

By 1952, IBPA control had become a political issue, a fact evident from a parliamentary exchange over the refusal of a protected bath manufacturer to supply a small merchant unless it was a member of IBPA. As opposition spokesman, James Dillon, pointed out, should the manufacturer fail to comply with IBPA rules, the Association would be on the phone to the Minister for Industry and Commerce to 'complain that the baths had flaws in them', and to demand that he 'issue a licence for the importation of baths or take other such action that would make things pretty hot' for the manufacturer concerned ²⁶. In 1953, Sean Lemass acted. The Restrictive Trades Practices Act became law and the Fair Trade Commission (FTC) initiated an inquiry into the supply of building materials.

7. THE ENDING OF THE OLD ORDER: 1954 - 1964

In the early 1950s, the leading merchanting firms were run by people like George Gamble of Brooks Thomas and Charles O'Kelly of T & C Martin's who were looked upon as 'serious professionals' and 'seriously tough guys' ²⁷. In particular, Brooks Thomas was seen to be a well-run firm with excellent accounting systems and good product availability, which commanded a premium price. In an industry plagued by credit problems Brooks operated a tight policy, and 'very few could afford to get stopped by Brooks' ²⁸. The leading merchants in Dublin and other cities had power and used it to control the supply of critical building materials.

7 1 The Fair Trade Commission Inquiry

The FTC enquiry provoked an almost immediate reaction within an industry already under pressure from increasing price competition and new entrants. The Commission found the IBPA network of merchant associations to be the main source of restrictions in trade, and noted the remarkable similarities in their rules and by-laws and the reference to price-fixing in all of them.²⁹ The operation of the IBPA centred on Baxendales, a British owned firm whose chief executive, Herbert Garner, was chairman. Leadership of satellite associations was spread among George S. Gamble of Brooks Thomas who chaired three, directors of T & C Martin who chaired three, and Henry Morgan Dockrell who chaired one.

It is clear from the evidence given to the FTC that controlling trade was seen to be a legitimate practice by those involved. As the chairman of one IBPA affiliate put it

*the question of price maintenance has been sustained against every attempt that has been made upon it and obviously if it can be sustained there must be a sound basis on which that system is built*³⁰

The chairman of another affiliate defended the actions of his association by asserting that

*quite a number of people invaded this trade and, to get in and get hold of customers, were just working off a price that no established merchant would look at and the older established houses just said – “Well, we are not going to let them in”*³¹

In its report, the FTC acknowledged that the IBPA had begun to reform its rules. However, the Commission concluded that ‘*purchasers had been confronted with a uniformity of prices that indicated collusion between merchants regarding the selling price of a wide range of commodities essential to the building industry*’³² It also found such price fixing arrangements accompanied ‘*by regulation of trade through investigations of the standing of firms not members of the association, and the making of representations to manufacturers, including manufacturers outside of the country, as to the terms on which such materials should be supplied*’³³

The FTC report also noted that no addition could be made to the 'A' merchants list without the sanction of the joint committee of the Association and manufacturers. In addition, manufacturers were found to have passed on trading information relating to non-IBPA members to the association. The Commission also found that such interference with competition extended to the control of trade channels, where *'associations of merchants in this trade have sought, with varying degrees of success, to establish arrangements with manufacturers and other suppliers with the object of regulating the channels of distribution'* ³⁴

7.2 The Decline of the 'A' Merchant System

Following its inquiry, the Restrictive Trade Practices (Building Materials) Order 1955 was issued which banned price-fixing, approved lists, resale price maintenance, interference with suppliers choice of channels and the unfair withholding of supplies. More generally, the work of the FTC served to reduce barriers to entry, increase price competition and precipitate changes that would radically altered the industry ³⁵. As an immediate consequence, the number of merchanting outlets rose from 109 to 186 over the 1951-56 period ³⁶

The Order coincided with a major slump in the building sector, prompted by budgetary cutbacks and the virtual abandonment of the government building programme. Between 1956 and 1957, sales of building materials fell by 15%, while gross margins declined by 1%. One of the leading firms, T & C Martin Ltd, saw a profit of £24,200 turn to a loss of £10,903 over the period, and the chairman noted at the 1957 AGM the *'unprecedented number of builders merchants going bankrupt'* ³⁷

In a review of the Order conducted in 1959, its effects were widely welcomed by manufacturers and builders, but not by the majority of builders' merchants and their associations. For them, competition had reduced prices to uneconomical levels, and they argued that

The removal of restrictions on entry into the trade for building materials had resulted in competition from new entrants, in addition, supplies were being made directly available to the larger building contractors. Small country

*merchants and co-operative societies had formed groups for the purpose of bulk-buying in order to obtain best terms from manufacturers. In consequence of these developments the long-established builders' providers had, it was claimed, lost considerable business. Furthermore, it was stated that price competition had gone to extremes because of the existence of the Order and many traders had had to reduce staff and some old established firms had gone out of business*³⁸

By the time of the review competition in timber and cement was particularly severe and the larger merchants were already seeing substantial reductions in their sales. Former customers such as public authorities, manufacturers of concrete products and builders were sourcing directly, co-operatives and small merchants were engaging in collective buying, and many new entrants were selling cement at very keen prices in order to secure volume discounts.

In 1958, the government introduced a Housing Bill and embarked on the First Programme for Economic Expansion. These developments stimulated building activities in the domestic and commercial markets. Within builders' merchanting, however, competition remained intense, and direct supply expanded. In the early 1960s J. J. O'Hara, a large Dublin merchant, went into receivership, and W & L Crowe, a major timber importer, exited the business. Leading merchants such as Brooks Thomas, Dockrells and T & C Martin's continued to acquire new agencies but did so in an industry going through major change. Highly unionised workforces, with many restrictive work practices, had to increasingly contend with forklift trucks, palletised products, new materials technologies and more mechanised goods transportation. However, in the face of change, these industry leaders continued to appear complacent and arrogant³⁹. This pushed the smaller merchants towards emerging alternatives.

8. THE EMERGENCE OF A NEW STRUCTURE: 1965-1974

The emergence of a free trade based, export-led national economic policy during the 1960s sparked off major investments in commercial building and infrastructural

development Ireland also became increasingly urbanised Between the late 1940s and the mid-1970s, over 130,000 houses were built in the Dublin area, with significant activity in other urban centres This had major implications for builders' merchanting

In the period 1956-1966, merchanting outlets grew from 186 to 272, and sales increased by 33% in real terms However, the following decade was to see the emergence of well-organised merchant-owned co-operatives, new leadership challengers, and reconfiguration through acquisition and closure

8.1 The Establishment of Merchant Owned Co-ops

Following the Restrictive Practices Order, smaller merchants began to create ad hoc buying groups, with AIM the most formalised In 1965, the core AIM membership formed National Hardware, to countervail the power of the 'A' merchants Its members had sizeable builders' merchanting businesses with significant general hardware activities Two other groups were to follow, Associated Hardware in 1972 and Amalgamated Hardware in 1973 Between them, they brought over 100 of the largest independent hardware and builders' merchanting businesses into wholesaling All three acquired large Dublin-based warehousing and appointed full-time management and staff While their main purpose was to secure scale economies in heavy building materials, before long they began sourcing hardware

8.2 The Emergence of New Leaders

The second half of the 1960s saw Heitons and Chadwicks come to prominence

Thomas Heiton & Co Ltd⁴⁰

By mid-1960s, Thomas Heiton & Co was rising to prominence as a major builders' merchant Heitons had been founded in the early 19th century by Thomas Heiton as an importer of coal and iron The need to transport these commodities from Britain soon led them into shipping Following the founder's death in 1877, control of the firm

passed to banker William Hewat, and businessman Malcolm Inglis. In 1896, Heitons went public with William Hewat as managing director. By the beginning of the 20th century the company had reached sales of £125,653, almost all of it coal. Over the years, successive generations of the Hewat family continued to lead the company by virtue of their controlling interest. William Hewat II, managing director between 1901 and 1935, played a prominent role in the business life of Dublin, becoming chairman of the Chamber of Commerce. He also served as a member of the new free state parliament a time when many Protestants withdrew from active involvement in the new state.⁴¹

Early on, the company's policy was to invest in new technologies. As early as 1906, it had telephones and electric light in its offices, while its wharf was fully equipped with a modern screening plant, rail siding and steam cranes. In 1910, the company began developing sales depots outside of Dublin in Kingstown, Bray, Howth and Newbridge. Its success in low-margin, commodity, businesses came from squeezing efficiencies out of every process, and '*much store was put in Heiton's culture of keeping immaculate books*'⁴² By 1934 it was already looking to identify return on capital by department.

Up to the mid-1930s, coal accounted for most of the company's revenues. However, the 'economic war' and protectionism undermined this activity, and its iron department reached 27% of profits by 1940. Within a decade, the company had undergone significant change in business emphasis. The advent of large scale bulk-carriers forced the company's withdrawal from shipping while the shift in demand from coal to oil undermined its core business. In contrast, by 1950 the iron department had developed into a builders' merchanting business that was included in the 'A' merchants' grouping. Over the following decade, merchanting replaced coal as the firm's largest and most profitable business and by the mid-1960s, it was catching up quickly on the three industry leaders.

Between the late 1950s and mid-1960s the demise of Heitons' core businesses prompted a series of unsuccessful investments in car assembly, food processing and metal engineering until finally they focused their full energies on merchanting. In the

mid-1960s, Richard Hewat, an accountant and son of the managing director, joined the firm and proposed a new strategy for the merchanting business. He predicted the formation of buying groups that would bypass the old category 'A' merchants. He also foresaw *'that developments in transport and product packaging were such that local wholesaling was vulnerable'*. The new strategy proposed bypassing the 'B' merchants and creating a nation-wide chain of supply centres to trade directly with building, industrial and agricultural customers. It also favoured developing a wider product range and a significant cash sales business. The capital base was widened with £250,000 raised from the public and when a slump and credit squeeze hit the sector in the late 1960s Hextons was well positioned to take advantage.⁴³

*Chadwicks*⁴⁴

William Chadwick established his first business near the Dublin docks, in 1902, to distribute both Irish produced and imported cement and plaster. Chadwicks was the Irish agent for the British Portland Cement Co. and the Drinagh Cement Works in Co. Wexford. During the First World War cement was a price-controlled, low-margin, product and as a result, cement manufacturers emerged from the war years with obsolete plant and little capital. Chadwicks sought economies by collecting "sweepings" from returned sacks. However, the business expanded and in 1925, extensive new storage and stabling facilities were leased in central Dublin.

The depression of the 1920s hit the cement industry very hard. British Portland and Associated Portland Cement Manufacturers merged to form the Blue Circle Cement Group. Following the closure of Drinagh Cement, Blue Circle became a major supplier to the Irish market, thanks largely to the efforts of Chadwicks. In the early 1930s Chadwicks acquired Concrete Products of Ireland (CPI) a manufacturer of concrete blocks and roof tiles to which it supplied cement. During the 1930s, the formation of Cement Ltd, with monopoly protection, put the Chadwicks cement activity under threat. In contrast, protectionism benefited CPI considerably and by 1938 it employed 80 people and held 50% of the tile market. However, the Second World War proved disastrous for the company with production almost grinding to a halt, and employment shrinking to single figures.

William Chadwick died in 1946, and control of the company was split between his sons, Terence and Finton. In the late 1940s, Marley Tiles of Britain was offered 30% of CPI in return for supplying proprietary tile-making equipment. This relationship grew out of an accidental encounter between the chairman of Marley, Owen Aisher, and Terence Chadwick in the late 1930s, while the former was on a sailing holiday in Ireland. Around the same time, Terence also visited the US and became the first to import equipment for making steam cured blocks.

In the early 1950s, the company broadened its wholesaling range and commenced the manufacturing of outdoor protective coatings and decorative products. The use of a suburban site to store bulk items unexpectedly generated cost advantages through scale efficiencies and this caused Finton Chadwick to transfer the entire merchanting business to a six-acre site in Co. Dublin during late 1950s. At the time, the industry was surprised by this move to '*the middle of nowhere*'. However, the site was acquired at relatively low cost, minimising the financial risk to the company.⁴⁵ It turned out to be an inspired move, placing the company at the centre of building activity in south Dublin during the 1960s and 70s and in an area which became the new hub of builders' merchanting.

Chadwicks' merchanting business expanded steadily throughout the 1960s, and profits grew from £6,590 to £60,308. The company sold directly to builders rather than engaging in two-tier wholesaling. In 1965, Chadwicks and CPI were merged to form CPI Holdings, with Marley taking a 51% interest. Turnover in its first year was £2.5m and profits £3m. As Michael Chadwick saw it, '*this arrangement helped us with our cash flow as the building industry was expanding rapidly in the sixties*'. In the mid-1960s, the company began a branch expansion programme starting with a second Dublin branch and followed by branches throughout the country. In the 1969 annual report the chairman summarised the company's strategy as follows:

*The growth in sales and profitability of the new depots we have opened in recent years has encouraged us towards a policy of national coverage. Sites which we consider suitable for our trade have been acquired and the Board has been enlarged so that we will be better able to cope with the demands of management.*⁴⁶

This organic ‘green fields’ strategy focused on locations outside of major cities and allowed the company to escape the difficulties associated with acquisition and avoid direct competition with the large city-based players. As a consequence, until the late 1970s, Chadwicks was mistakenly regarded as being ‘on the periphery’⁴⁷

8.3 A Period of Reconfiguration

Over the late 1960s and early 1970s, growth in building activity brought new capital into the sector, and intensifying competition had a major impact on the industry and its leadership. Structural change began when Heitons acquired its Dublin competitor McFerran & Guilford, which had strengths in timber and plumbing, and strong connections with small Dublin builders. In 1968, as Heiton McFerran, it acquired Morgan McMahon in Limerick, opened a depot in Cork, and overtook Brooks Thomas.

Brooks Thomas responded by acquiring Houghton Ltd in Cork, the Dublin firms of Dinan Dowdall Ltd and Norman Macnaughton & Sons and the timber assets of T & C Martin. T & C Martin had been wound up in 1968, following years of inadequate returns. At an EGM, the chairman summed up its plight:

*Businesses were changing. In the builders’ providing trade they had to carry large stocks and give credit while the margin of profit was being squeezed down. The old system of ‘sole agents’ was gone, competition was increased and manufacturers supplied goods direct to customers. Modernisation was meaningless unless directed by an attainable objective, and the board could not define an objective which they regarded as attainable.*⁴⁸

Around this time, Baxendales also closed and its site was sold off for property development.

By the early 1970s Heitons’ new strategy was paying off, with profits up five-fold. The company made two further acquisitions in Donegal and Limerick and acquired a 15-acre site on the Naas Road for a new custom-built facility. However, in 1973 the National Prices Commission forced rationalisation on the coal industry and seven Dublin coal merchants merged to form Coal Distributors Ltd.⁴⁹ Thus Heitons exited

coal and completed its transformation to being a builders' merchant. It also coincided with Richard Hewat's succession as managing director.

At the same time that Heitons and Chadwicks were coming to the fore, control of Brooks Thomas and Dockrells passed to emerging conglomerates. Interviewees cited the '*the 5% factor*' as a significant reason.⁵⁰ The determination of the long established firms to keep control in Protestant hands restricted them to drawing management talent from 5% of the population, and this became an acute weakness in a rapidly changing environment. By the early 1970s, the highly unionised Brooks Thomas workforce was rife with inefficiencies and restrictive practices, and addressing this problem created serious turbulence.⁵¹ Spurred by developments at Heitons, the company moved to the Naas Road, and reorganised into three divisions: building materials, construction services and timber. Over 1972-73, sales fell slightly, and profits declined fourfold. In 1973, non-executive director Martin Rafferty and two former banking colleagues gained control and formed the Brooks Watson Group plc. Through a series of quick acquisitions the group became a conglomerate spanning builders' merchanting, grocery and pharmaceutical wholesaling, house building and engineering.

By the early 1970s, Dockrells was '*still living in the 1940s*' and no longer a force.⁵² Maurice Dockrell devoted most of his time to politics, leaving day to day management to '*a number of devoted key fellows*' and a loyal workforce.⁵³ With no successor being groomed, the Dockrell family ceded 51% ownership to Fitzwilton, a broadly based conglomerate engaged in such diverse businesses as fertilisers, textiles, pharmaceuticals, construction services, plastics and wines and spirits.⁵⁴ Following acquisition, the company became the centrepiece of the construction services division and benefited from the buoyant market. New management was introduced, peripheral activities were shed, and former 'A' merchants, Graves of Waterford and New Ross, was acquired. In 1973, Dockrells' central Dublin premises were destroyed by fire. Although trading resumed quickly, '*the fire destroyed the ethos of the business and the penny dropped for the staff that change was going to happen*'.⁵⁵ It also provided the impetus to move out of the city centre.

Overall, the building sector boomed in the early 1970s and optimism abounded. Over the 1966-71 period, industry sales expanded by 50% in real terms, Heitons joined Brooks Thomas and Dockrells as industry leaders, and the number of merchanting outlets declined from 272 to 247.

9 CONSOLIDATION AND RATIONALISATION. 1974 - 1988

The period between 1974 and 1988 was one of two recessions and an upturn and is remembered by many as a helter-skelter ride. Overall, however, the market expanded substantially and the industry structure that had emerged by the early 1970s consolidated further.

Following the 1973 oil crisis, the economy experienced rapid inflation, escalating wage costs and recession. Demand dried up and prices collapsed. The chairman of Heitons reported at the time that *'the recession deepened with sales falling and margins tightening in a highly competitive market the private house-building sector came practically to a standstill, while in other areas many projects were abandoned or deferred'*

Builders' merchanting was plunged into crisis and new investors quickly learned that building activity is directly related to business confidence and interest rates. The already capital intensive merchanting side was left holding excessive stocks. Borrowing shot up and liquidity became a key concern. The situation was greatly exacerbated for larger merchants like Brooks and Heitons as heavy demand had pushed world timber prices up and many forward contracts were signed. When the market collapsed, the banks forced merchants into massive write-offs of over-valued and deteriorating timber stocks.⁵⁶

The expansionist policies of the Lynch Government sparked a short, but dramatic, upturn in building activity over the 1977-79 period, with sales of cement and concrete products alone growing from £100m to £160m.⁵⁷ However, this was ended abruptly by the second oil crisis in 1979, and ongoing problems in the public finances. Weak

demand and rising costs precipitated major retrenchment throughout the industry, with 1988 sales almost 40% below their 1979 peak in real terms

The industry's trading structure was also affected by changes in regional development patterns. In 1979 the National Prices Commission noted that

*The increased prosperity of the agricultural sector, and the policy of encouraging industrialisation in the less developed parts of the country have encouraged demand in areas remote from the urban areas where the longer-established builders providers are concentrated*⁵⁸

In Connaught/Ulster the number of merchants rose by 57% over the 1977-88 period and sales grew by 8% against a national decline of 18%. The establishment of government-aided rural joinery companies also caused the demise of Brooks' joinery activity

Over the 1977-88 period, merchanting outlets grew by 25% to 311, in response to the opportunities presented by the 1977-79 upturn, the growth in agriculture and regional development. Subsequently, '*in spite of over capacity, nobody got out*', probably because most firms were owner-run.⁵⁹ Industry concentration declined sharply, the top four having only 27% of the market in 1988

9.1 The Development of the Main Industry Groupings

The events of the period can be more fully understood by examining the experiences of the major constituent groups in the industry

Heitons

In 1974 Heitons incurred a £856,000 write-off on timber, and experienced its first loss. While the situation improved by 1976, losses were still incurred. The cost structure was improved by moving to the Naas Road site, as new warehousing, handling and storage technologies allowed staffing levels to be cut. As borrowings increased to £3.2m, banker John Bourke joined the board.

Over the 1977-80 period, turnover increased from £13m to £28m, and profitability returned, helped significantly by strong coal sales following the oil crisis. However, the second oil crisis caused another downturn. Between 1980-85 turnover declined, and profitability was only maintained through Richard Hewat's well-timed sale of two valuable city centre properties and strong contributions from coal. In 1983, the company's wrote off a £½ m investment when Home Grown Timbers Ltd. collapsed.

While the major restructuring undertaken by Richard Hewat during the 1970s had made Heitons leaner and fitter, more was now needed. During the 1980s investment in computerisation allowed the product range to expand from 12,000 to 30,000, and greatly reduced clerical staff numbers. By the mid-1980s, new technology played a major role in reducing workforce numbers from 650 to 280.⁶⁰ However, restructuring had weakened the balance sheet, and in 1985, £2.5m was raised from institutional investors. By 1988, Heitons had become the industry's leading firm.

Chadwicks

Throughout the 1970s, Chadwicks continued the organic expansion of its branch network and Finton Chadwick remained at the helm of the company, driving its developments. During the 1970s, Finton became concerned about the company's systems, viewing them as inefficient and causing significant stock and sales losses through error and pilferage. Having learned about the highly developed computer based systems developed by Lowes, a leading US hardware chain, Finton sent his son Michael to them for training. On his return, Michael became a director and was given the job of driving Chadwicks' computerisation programme. Competitors credited the company with pioneering the process of computerisation within the industry.⁶¹

By building its branch operations in more rural locations the company disproportionately benefited from regional development and agricultural investment during the downturn. It was also less exposed than competitors to the problems in timber and commercial building. However, in the early 1980s, after profits plunged, further rationalisation was needed and an industrial relations professional was hired to assist with reorganisation. In March 1986, closure of the Walkinstown branch

precipitated a nine-month strike, but the company succeeded in ending inefficient work practices

In 1987, Marley sold its controlling interest to focus on the UK and US markets and the renamed named Grafton Group became a plc. From that point the company, although still active in builders' merchanting, turned increasingly to diversification

Brooks

In 1974, Brooks Thomas incurred losses of £835k while BWG's house-building company lost a further £604k, and the new group almost went under. Greatly extended credit from timber supplier, Rouma Repola of Finland, and significant cash flow from grocery wholesaling, kept it afloat. While BWG returned to profit in 1975, Brooks continued to lose money. Group management had not fully appreciated the impact of cyclicalities, capital intensity, commodity pricing and over-manning on the sector. Cross-trading between BWG's merchanting and building companies are also blamed for the very high stock levels at the time.⁶²

From 1976, profitability returned until the downturn of the early 1980s. However, the company *'stayed with its wholesaling activities up until the 1980s as it did not have the capital to pursue a direct to builders strategy'*. As a result, Chadwicks *'ran rings around Brooks'*. Brooks did try to redress this by opening a cash and carry wholesaling outlet, but this eventually failed.⁶³

In spite of the 1977-79 recovery the BWG group decided to focus elsewhere. In the late 1970s the Group disposed of its house building interests and placed the builders' merchanting division under the wing of a new holding company, Brooks Builders Merchants Ltd, in preparation for disposal. By 1980, the BWG board sensed the ending of the conglomerate and began planning an exit strategy. In 1981 Brooks Builders Merchants Ltd was purchased by the Finnish timber giant Rauma Repola Oy which, between 1981-87, invested heavily in modernising and rationalising the company's timber mills in Dublin and Cork. Major investment was made in computerisation to modernise administration, and a redundancy programme

implemented to bring costs under control. However, despite this Brooks fell behind Chadwicks in market position.

Dockrells

While Dockrells avoided the timber crisis through prudent management of its stocks, EEC entry and the 1973 oil crisis generated problems for the Fitzwilton group. Goulding Fertilisers was severely affected by higher material prices while both it and the textile division, Crowe Wilson faced intense competition due to EEC entry. Crisis at group level diverted time and investment from Dockrells. Furthermore, group management had neither a sufficient understanding of the industry nor could command as much respect from the workforce as the Dockrell family.

In 1976, the company moved to the Naas Road, and commenced retailing on the new site. However, industrial relations had seriously deteriorated. In spite of moving from *'draconian conditions to modern facilities'*, the company lost *'its cultural glue'* and *'control of the workforce'*.⁶⁴ Fitzwilton became disenchanted with the building sector and in 1977, two directors, Jim McCarthy and Martin Simmons, organised a partial buy-out, acquiring a minority shareholding on a deferred basis.

In the early 1980s, an attempt was made to develop a DIY business under the Big D brand, in partnership with UK retailer B&Q and two stores were opened. However, the company continued to lose its way, with little cash and poor industrial relations. *'Things started to collapse and the company was gradually sold off in bits and pieces.'*⁶⁵ By 1986, the last trading division was sold and the company ceased to exist.

Buckleys

During the 1960s F & T Buckley, a small builders' merchant near the Naas Road, was acquired by the Moran Group, the owners of Premier Builders Ltd, and by the 1970s it had begun to make an impact. In 1973, the venture capital combine AIB/ACT took a 30% holding and provided an injection of capital. Later in the decade the company set out to build a national branch network. In 1978, the company was acquired by

British firm, Harrison and Crossfield and over time acquired three major provincial merchants Meldrums of Sligo, O'Dwyers of Limerick and Cork Iron and Hardware to give it six branches

Merchant Owned Co-ops

Over the 1970s and 1980s the buying co-operatives continued to ensure that key products were sourced at the best price Their activities also expanded to accommodate the needs of members that combined builders' merchanting with hardware retailing However, they suffered from cohesion problems, with members offering only conditional support and frequently buying outside of group structures

Industry veterans still have mixed views on these co-operatives As one put it, these buying groups merely '*scratch the surface*', add little value and '*are not given respect or trust by members*'⁶⁶ However, others acknowledge that the good local and regional merchants are '*well able to compete with the big multiple merchants*' and buy as keenly⁶⁷

10 CONSOLIDATION AND GROWTH: 1988 - 2000

After 1988, the government finally got to grips with the country's fiscal problems, and a sustained economic recovery began Low inflation and a series of national pay agreements eased the pressure on costs The 1988-93 period consisted of short cycles of low growth and retrenchment due to government efforts to control spending and reduce the budget deficit The Gulf War, and the ERM crisis in 1993, also undermined investor confidence Between 1988-1993 sales grew by 17% in real terms, still off the 1979 peak, and the number of merchanting outlets declined by 21%

In 1994, the economy began a period of unprecedented growth and building activity has since grown in all sectors of construction In house building alone, demand has more than doubled, fuelled by rising incomes and a growing population Substantial immigration has added to demand for housing, while a rise in the number of young single professionals has expanded the market for apartments⁶⁸ Since 1993, industry

concentration has increased, with little change in leadership order. In the late 1990s, high growth levels attracted the interest of foreign players. In 1997 Wolsely, the British merchanting group, acquired Heatmasters, a small merchanting group in the midlands, and this £20m investment has been watched with interest. Since 1998, the Grafton Group (parent of Chadwicks) has been building a stake in Heitons, many believe in order to fend off acquisition by major UK interests.

Since the late 1980s, both Heitons and Grafton have invested in the newly emerging DIY market and extended their merchanting activities into the UK. Expansion into the DIY sector has not been without its difficulties, as one leading merchant has noted: *'In the retailing side it is all about display and merchandising. In the builders' merchanting business it is product knowledge and the personal touch'*.⁶⁹ The move into DIY solved the problem of *'spending half an hour trying to sell a tin of paint to a woman while a builder waited to fill a large order'*, and also counterbalanced credit-intensive merchanting with cash-intensive retailing⁷⁰.

10.1 The Development of the Main Industry Groupings

Once again, the developments of the period can be more fully understood by examining the experiences of the major constituent groups.

Heitons

Over the 1988-98 period, the Heiton Group turnover grew to £165m., with merchanting accounting for £149m. This was achieved through acquisitions and strong growth in the building sector. Since the late 1980s, the company strategy has focused on expanding its branch network in Ireland, diversifying into DIY retailing and extending its activities into the UK. However, in 1994 the link with coal was finally ended with the disposal of the CDL stake.

In 1989, the company purchased McCowan's of Trillick, and entered the DIY market by acquiring the Atlantic Homecare chain. It also bought two steel stockists in the U.K., but was forced to liquidate them as trading conditions deteriorated. In 1994, it

pulled off a major coup by acquiring the Buckley chain, which strengthened its position in the house-building sector. In subsequent years the acquisition of McCormick's of Gorey, Patton's of Monaghan, and Gillespie's of Carlow, brought the branch network to 24. The company also entered the plant and tool hire market through the acquisition of Sam Hire. In 1999, the UK based merchanting group Cooper Clarke was acquired. Recently, the company invested £2m in new IT infrastructure.

The Atlantic Homecare investment has taken some time to produce results. Over the 1995-97 period, sales declined from £17.1 m to £14m, before recovering in 1998. Several branches were closed and a new management team appointed as part of a restructuring effort. In 1999, a new store was opened in Dublin. Richard Hewat retired at the end of 1999 and was succeeded by Leo Martin, another accountant. Many attribute Heitons' rise to market leadership to Richard Hewat's long term vision and the company's proactive strategy. Hewat was seen as '*a good leader*' who made '*people feel good*'.⁷¹ Through difficult times in the 1970s and 1980s, the company remained steadfast in its branch building strategy, developed during the 1960s. Under Hewat, the firm developed a commitment to formal planning, with rolling five-year plans produced by senior managers.

Chadwicks

Turnover at the Grafton Group grew from £49m in 1987 to £337m by 1998 and group management was strengthened with the appointments of Norman Kilroy as managing director and Colm O'Nuallain as finance director.

In the late 1980s, Michael Chadwick's concern about over reliance on the Irish merchanting market prompted him to broaden the company's business base. Diversification into DIY and expansion into the UK were the central elements of this strategy. In 1989, the company purchased MacNaughton Blair, a Belfast builders' merchanting and wholesaling company. This was followed by the acquisition of Williams (South West) a plumbing and heating merchant in Britain. By 1999, the

company had more than 90 outlets in the United Kingdom, accounting for over 50% of group turnover

Woodies, the company's home-grown DIY retailing chain has also been a success with 1998 turnover double that of Atlantic Homecare Richard Hewat of Heitons acknowledges Michael Chadwick's vision and persistence in entering an underdeveloped market and sustaining significant early losses

In the period up to 2000 Chadwicks' merchanting continued to grow, adding only one Dublin acquisition in the process During the 1990s, it focused on plumbing as a distinctive competence, to counteract Heitons' strength in steel and Brooks' in timber It has also established hire centres at some of its sites throughout Ireland By 1999, it was operating from 22 sites throughout the country, challenging Heitons for market leadership Michael Chadwick continues to describe his company's 14% stake in Heitons as an investment, but few will be surprised to see a full bid coming

Brooks

In 1987 the company turned to expansion, and in 1989 purchased Corbett's of Galway During the 1990s, it expanded its branch network by acquiring O'Brien Mollen in Tullamore, and opening new branches in Dublin, Limerick and Waterford By 1995, turnover reached approx £65m In 1996, Hunter Timber, a leading timber and builders' merchanting company in Northern Ireland was acquired, adding 30% to group turnover In late 1999, the company made its first acquisition in Britain, though further expansion will be restricted by its the parent's existing base there Turnover in 1999 exceeded £100m, and the company is looking to increase its network in the Republic to 16 sites

Looking back, many now believe that the company's development was retarded by its failure to pursue an active branch building policy during the 1970s, and by its lateness in exiting 'A' merchant type wholesaling⁷²

Merchant Co-ops

The three main independent merchant owned groups have grown during the 1990s to a combined turnover of around £100m. While the main emphasis is purchasing, their management have moved to co-ordinated marketing under common brands. Owner-manager tensions, diversity in products and locations, and the limited commitment of the members, have all militated against early and substantial progress. In 1991 Michael Chadwick attributed their lack of success to the lack of a national threat to their business.⁷³ However, the threats posed by Heitons and Grafton in both the merchanting and DIY hardware sectors are forcing the creation of a more co-ordinated approach. One worrying factor has been the loss through acquisition of some of their more prominent members, and the fact that the new owners seem less than impressed with how these businesses developed under group membership.⁷⁴ Performance issues have sparked merger talks between two of the groups in pursuit of greater efficiencies and reduced overheads.

¹ Time-series data drawn from census reports published between 1951 to 1993

² Heiton Catalogue

³ Haugh interview

⁴ National Prices Commission Monthly Report No. 85 June 1979 p. 34

⁵ Haugh interview

⁶ Constructed from data in *The Economy of Ireland* (5th ed.) 1987, O'Hagan, J. W.

⁷ CSO Principal Statistics displayed on its Internet Web Site in January 2000

⁸ Annual Services Inquiry 1993 Retail, Wholesale and Selected Services Sectors, CSO

⁹ published by *Irish Construction Industry Magazine* and shown in *Irish Hardware*, July 1991, p. 12

¹⁰ McGrath interview

¹¹ Heitons – A Managed Transition 1818-1996, Tony Farman (1996), A & A Farman p. 34

¹² Collated from information in McCauls Guide for Irish Ironmongers (1945)

¹³ Collated from information in McCauls Guide for Irish Ironmongers (1945)

¹⁴ Heitons – A Managed Transition 1818-1996, Tony Farman (1996), A & A Farman p. 54

¹⁵ This was disputed by Ronnie Guilford, former Director of Heitons and McFerran and Guilford, who insisted that the 'hardnosed' nature of UK firms ensured that they only firms that produced results

¹⁶ Inflation in house building between 1938 and 1949 ran at 138% in country and 193% in city. Total consumption of materials in 1952 was £14 million

¹⁷ Fair Trade Commission Report of Inquiry in Relation to the Supply and Distribution of Building Materials and Components 1956 p. 29

¹⁸ The editions of *Hardware and Allied Trader* during the 1930s and 1940s contain reports of company AGMs for both Brooks Thomas Ltd and T & C Martin Ltd

¹⁹ FTC Report 1956

²⁰ Interview with Finton Chadwick

²¹ FTC report 1956 p. 29

²² FTC report 1956

²³ *Hardware and Allied Trader*, Sept. 1945, p. 27

²⁴ *Hardware and Allied Trader*, Sept. 1947, p. 9

²⁵ *Hardware and Allied Trader*, Sept. 1950, p. 21

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- ²⁶ Hardware and Allied Trader, July 1952, p 17
- ²⁷ Interview with Ronnie Guilford, former Director of Heitons and McFerran and Guilford
- ²⁸ Interview with Ronnie Guilford, former Director of Heitons and McFerran and Guilford
- ²⁹ FTC report 1956 and interviews with T Spillane former Secretary General of HATA and Finton Chadwick former Chairman of Concrete Products of Ireland (now the Grafton Group)
- ³⁰ FTC Report, 1956, p 24
- ³¹ FTC Report, 1956, p 25
- ³² FTC Report, 1956, p 5
- ³³ Ibid
- ³⁴ FTC Report, 1956, p 37
- ³⁵ Interview with Finton Chadwick
- ³⁶ Recorded in the 1957 census of distribution
- ³⁷ Hardware and Allied Trader, May 1957, p 39
- ³⁸ FTC, Report 1959, p 5
- ³⁹ Interviews with Liam Haines chairman of the Gardiner Group and Gus Mullarkey former sales director of P E O'Brien Ltd
- ⁴⁰ Drawn from Heitons – A Managed Transition 1818-1996, Tony Farmar (1996), A & A Farmar, and interviews with Richard Hewat Chairman of Heitons
- ⁴¹ Farmar, 1996, p 88
- ⁴² Farmar, 1996, p 77
- ⁴³ Farmar, 1996
- ⁴⁴ Drawn from company publications and interviews with Finton Chadwick former chairman of Concrete Products of Ireland and Michael Chadwick current executive chairman of the Grafton Group
- ⁴⁵ Finton Chadwick's own assessment
- ⁴⁶ CPI Annual Report Sept 1969, p 15
- ⁴⁷ Richard Hewat, Maurice Brooks and Martin Simmons interviews The quote is from Simmons
- ⁴⁸ Hardware and Allied Trader, May 1968, p 41
- ⁴⁹ Farmar, 1996 p 121
- ⁵⁰ Martin Rafferty the former chairman of the Brooks Watson Group coined this term. However, the views underpinning it were also put forward during the interviews with both Terry Spillane and Martin Simmons
- ⁵¹ Interview with Myles O'Reilly who worked with Brooks between 1971 and 1976 as finance director and managing director. He also served as a director of the Brooks Watson Group
- ⁵² The view of Dockrells were provided by both Richard Hewitt of Heitons and former Dockrell director Martin Simmons. The Simmons family business, the Dublin Plywood and Veneer Company, was sold to Fitzwilton/Dockrells and Martin Simmons remained as Chief Executive. He held a number of posts in the Dockrell organisation up until its closure in the early 1980s
- ⁵³ Martin Simmons
- ⁵⁴ An investment company led by Tony O'Reilly
- ⁵⁵ Martin Simmons
- ⁵⁶ The account of the post-1973 oil crisis is based on interview material and Farmer (1996)
- ⁵⁷ Hardware and Allied Trader Jan 1981, p 28 extract from a report on cement and concrete consumption by An Foras Forbartha
- ⁵⁸ NPC Report 1979 p 42
- ⁵⁹ Interview with Alan Haugh
- ⁶⁰ Interview with Eddie Kelly
- ⁶¹ Both Richard Hewat and Maurice Brooks highlighted Michael Chadwick's role in leading the industry's computerisation
- ⁶² This view was put by David Tyndall the chairman of BWG Foods and a group director of Brooks Watson
- ⁶³ Interview with Maurice Brooks
- ⁶⁴ Interview with Martin Simmons
- ⁶⁵ Interview with Martin Simmons
- ⁶⁶ Interview with Alan Haugh
- ⁶⁷ Interview with Harry McGrath of Chadwicks
- ⁶⁸ Interview with Eddie Kelly
- ⁶⁹ This comes from a special feature 'The Builders Merchants Market – Profits or Pitfalls?' Irish Hardware Journal April 1991 p 29-33

⁷⁰ Interviews with Harry McGrath of Chadwicks and Eddie Kelly of Heitons

⁷¹ Interviews with Eddie Kelly and Ronnie Guilford

⁷² Interview with Maurice Brooks

⁷³ Interview conducted by author for previous research

⁷⁴ The interview with Richard Hewat covered Heitons experience of acquiring companies that were members of merchant co-ops

CHAPTER SIX: IRISH HARDWARE WHOLESALING

1. INTRODUCTION

At the turn of the 21st century, Irish hardware wholesaling is a fragmented industry. Old full-line industry leaders such as Thomas Henshaw & Co and J C Parkes Ltd, have given way to limited-line wholesaling, and no new leaders have emerged. Free trade has expanded options for sourcing internationally, while trade law and the EU single market have weakened protection for exclusive agencies. The sector faces increasing concentration in its customer base, particularly among the multiples and merchant-owned co-operatives. Although it has grown considerably in money terms since the 1930s, competition from direct supply and new retail channels has seen its share of the hardware market decline. In addition, some products have migrated to other sectors, while others now constitute sectors in their own right.

The changes are summarised in the tables below ¹

	1951	1956	1966	1971	1977	1988	1993	% Gain 1951/1993
Hardware Wholesaling	61	77	88	94	161	152	179	
% Change		27%	13%	8%	77%	(6%)	18%	193%

Table 6 1 Sales Per Employee in 1993 Adjusted £'000

	1951	1956	1966	1971	1977	1988	1993	% Gain 1951/1993
Hardware Wholesaling	3.47	3.91	4.28	4.66	4.48	5.28	6.01	
% Change		13%	10%	9%	(4%)	18%	14%	73%

Table 6 2 Stock Turn

Year	Number of Outlets	Industry Concentration	Size in £ millions (Inflation Adj 1993m s)	% Hardware Market	Leading Firms	Industry Recipe
1951	143	10 Firms = 39% 29 Firms = 62%	£9m. (£155m.)	75%	J C Parkes Ltd Thomas Henshaw & Co	• Small number of pure wholesalers • Large ones full line • Many mixed wholesale/retail
1956	135	8 Firms = 24% 17 Firms = 43% 25 Firms = 52%	£11m. (£155m.)		J C Parkes Ltd Thomas Henshaw & Co	• Small number of pure wholesalers • Large ones full line • Many mixed wholesale/retail
1966	57	14 Firms = 68% 29 Firms = 91%	£13m. (£131m.)		J C Parkes	• Mainly pure wholesalers • In transition to limited line/specialist
1971	98	9 Firms = 41% 29 Firms = 73% 55 Firms = 92%	£23m. (£180m.)	43%	J C Parkes.	• Mainly pure wholesalers • In transition to limited line/specialist.
1977	169	8 Firms = 38% 28 Firms = 65% 92 Firms = 72%	£117 (£421m.)		No overall leaders Different companies lead in individual product categories	• Mainly pure wholesalers • Mostly limited line/specialist.
1988	263	3 Firms = 15% 14 Firms = 45% 67 Firms = 77%	£320 (£375m.)	53%	No overall leaders Different companies lead in individual product categories	• Mainly pure wholesalers • Mostly limited line/specialist.
1993	240	N/a Unlikely to have changed from above	£549	>50%	No overall leaders Different companies lead in individual product categories	• Mainly pure wholesalers • Mostly limited line/specialist.

Table 6 3 Structural Changes in Hardware Wholesaling

2. DESCRIPTION OF THE INDUSTRY

The hardware wholesaling industry is one of the country's oldest and largest commercial sectors servicing hardware and DIY retailers, builders' merchants, agricultural merchants and industrial end-users. With limited manufacturing locally, wholesalers have played a major role in importing and distributing a wide range of hardware products, initially from Britain and the USA, but more recently also from Europe and Asia. The industry had its roots in ironmongery products, but by the early 1900s the product portfolio had expanded to include the following categories:

Iron Plumbing Ironmongery	Farm & Garden Tools Cutlery	Household & Horses Cycles Undertaking

Table 6 4 Product Categories Listed in J C Parkes 1910 Catalogue²

Over time, the product base has changed due to obsolescence, new technologies and the rearrangement of distribution channels. Although hardware originally included electrical appliances, their distribution has since become more specialised. The modern DIY superstore stocks building materials, DIY hardware, painting and decorating materials, gardening and nursery supplies, together with household and lighting products.³

Demand for builders' hardware follows the cycle in construction, while that for agricultural hardware depends on farm incomes and EU agricultural policy. Consumer products are influenced by changes in spending power. Demand also reflects product life-cycle stage, electrical and gardening products outstripping ironmongery and tools in recent times ⁴

Customer credit has traditionally been 60-120 days, while supplier credit is only 30-60 days. Overseas suppliers often require letters of credit, and wholesalers are generally exposed to significant currency risks on imports. Liquidity is therefore problematic, contributing to a cautious approach to investment ⁵. There has been significant growth in branded products and a tendency towards brand proliferation. Furthermore, manufacturers of volume brands and customers with sufficient demand increasingly deal directly with each other. Hardware wholesalers now supply less than 50% of the market ⁶

Most firms are owner-managed, with new start-ups often resulting from the acquisition of a sole agency and/or the demise of a former employer.

3. THE INDUSTRY AT PRESENT

Between 1995 and 1999, hardware sales grew by 44% and electrical products by 68%, driven by a booming economy ⁷. In 1993, industry turnover was £549m, and the number of outlets trading was 240 ⁸. Since then, sales are estimated to have grown to more than £700m, while the number of outlets has not changed substantially. The last detailed census in 1988 had only 5% of firms (14 firms) with turnovers greater than £5m and 75% with turnovers less than £1m. The 14 leading firms had 45% of the market, and focused mainly on large value items like electrical appliances and power tools. The 1999 Irish Hardware Directory includes only 50 Irish wholesalers while Woodies DIY lists only 89, so the number of significant players is probably less than 100 ⁹. British wholesalers supply product to larger firms in major population centres, and some Irish wholesalers supply the British market. In 1997, Woodies bought from 28 British wholesalers.

A 1998 breakdown of the Gardiner Group supply base illustrates the fragmented nature of hardware manufacturing and its reliance on wholesalers (table 6 5)

Categories of firms	No of firms	% of total firms
Small local firms	307	64
Large national firms	136	28
Multi-nationals	38	8
Total	481	100

Table 6 5 Breakdown of Gardiner Group Supplier Base¹⁰

There are no longer any dominant full-line wholesalers. Larger wholesalers tend to specialise and focus on sole agencies.

The number of outlets selling hardware is somewhere between 1,800 and 3,200.¹¹ There are also about 240 builders' merchanting outlets and an indeterminate number of industrial users. Three builders' merchanting groups account for 45% of the merchanting market, while three buying co-ops co-ordinate the buying activities of about 180 independent merchants. There are three DIY retail chains, Woodies, Atlantic Homecare and Homebase.

Grocery multiples are significant retailers of domestic hardware, while convenience stores also stock a limited range. The largest grocery wholesaler, Musgraves, also stocks a significant number of hardware items. The Electricity Supply Board (ESB) is a major electrical retailer, with 80 outlets. There are a number of large discount warehouses in the major cities, along with British chains like Dixons and Currys. The growth of retail chains, merchanting groups and buying co-ops has increased the level of buyer concentration.

4. THE ORIGINS OF IRISH HARDWARE WHOLESALING

The Irish hardware sector is mainly a distributive one, due to the historical inability of Irish manufacturers to compete with British imports.¹² Company histories show the emergence of an Irish wholesaling sector from the mid-19th century onwards, though little is known of its earlier origins.¹³ The two leaders up to the 1960s, Thomas

Henshaw & Co and J C Parkes Ltd, began wholesaling in the mid-1850s and were well established by the early 1900s ¹⁴

Up to the early 20th century, hardware was known as a '*Protestant trade*', with Protestant firms, such as Parkes and Henshaws, controlling the most important agencies ¹⁵ Masonic influences are believed to have shaped the regulation of competition and the supply of goods, particularly through selective employment and supply practices Many hardware merchants were also members of the Protestant community ¹⁶ This strong Protestant influence was attributed to easier access to capital and education, and the desire to provide jobs for their children By 1938, Protestant ownership at merchant/retail level had fallen to 40%, still impressive for a community representing less than 10% of the population ¹⁷

In the early 20th century there were only '*a dozen or so*' wholesalers trading on a national basis, mainly as full-line suppliers ¹⁸ Nevertheless, there were also many wholesaler/retailers In addition, large builders' merchants, like Brooks Thomas Ltd and Thomas Dockrell & Co Ltd, provided a national wholesaling service for building hardware However, the presence of domestic agents for British manufacturers and wholesalers allowed larger customers to bypass the Irish wholesaling system The initial policy after independence was laissez-faire, with little regulation evident However, with the coming into office of Fianna Fail in 1932, this was set to change

5. THE STRENGTHENING POSITION OF THE WHOLESALER· 1932-45

Following Irish independence, the status of hardware wholesalers changed from domestic distributors to importers, although this initially had little consequence In 1932, Fianna Fail came to power determined to encourage indigenous manufacturing Initially, the effects of the new policy were muted The new manufacturers needed local distributors, and tariffs were more disruptive to manufacturers' agents and British-based wholesalers However, there were longer-term implications

5.1 The Influence of Government Policy

Throughout the 1930s, the 'Economic War' and protectionism had significant repercussions for the sector's dependence on imports and reliance on sales to the farming community. Provincial merchants supplied agricultural hardware, and provided harvest-to-harvest credit facilities to the farmer.¹⁹ As tariffs rose, agricultural exports and farm incomes declined sharply, weakening demand and engendering 'hand-to-mouth' purchasing. However, tariffs and the *Control of Manufacturers Act*, caused even greater problems. Overall, a combination of shortages, tariffs and expensive domestic manufacturing caused prices to rise and liquidity to decline. Throughout the late 1930s *Hardware and Allied Trader (HAT)* editorials consistently railed against poor product-availability and high costs at wholesaler level.

During the 1930s, many manufacturers agents lost their livelihoods, including Joe McCaul founder of *HAT*.²⁰ *HAT* fervently attacked the government for ignoring the employment contribution of distributors in its determination to bolster manufacturing.²¹

5.2 Change in the Supply Base

Native manufacturers started up in metal-related industries. Some were former agents that set up on their own behalf or with the support of the British manufacturers they had formerly represented.²² However, by the late 1930s, many British firms were pulling out of Irish trade, and many local manufacturers needed wholesalers to sell their goods.²³ Furthermore, numerous products still needed to be imported.

5.3 The Structure of the Wholesalers' Customer Base

The customer base remained diverse and fragmented throughout the 1930s and 1940s. The 1933 Census of Distribution did not include hardware retailing explicitly, but such retailers were included in the following categories:

Category	Total number of shops	Sales (£m)	Number of shops with sales above £10,000
Metals metal goods, etc	324	0 88	22
Other and general shops	2880	8 31	173
Total	3204	9 19	195

Table 6 6 Number of Retail Shops in Categories Containing Hardware in 1933²⁴

The first hardware directory, published in 1945, recorded the number of firms in each trading category. By then, the customer base was extensive and mostly small and medium sized businesses, with some specialists in categories like tableware and electrical goods (table 6 7)

Customer Category	No of Businesses
General Ironmongers	429
Glass & China	198
Radio Cycle and Electrical Goods	415
Builders Merchants	54
General Merchants	112
Mixed Trading	643
Total	1841

Table 6 7 Categories and Numbers of Customers in 1945²⁵

The trade journal, *Hardware and Allied Trader (HAT)*, was launched in 1938 at a time of difficult trading conditions, and from it emerged the Irish Hardware and Allied Traders' Association (IHATA) a few years later. The main concerns of the retailer/merchant articulated in early editions of *HAT* included

- The perceived anti-distributor stance of government
- The restrictive practices of the major wholesalers
- The monopoly power of the new manufacturers
- The lack of capital in the sector
- The migration of drapers, chemists, grocers, etc into hardware products

Lack of capital perpetuated the '*silly huckstering habit many traders fell into pre-war of ordering in quarter dozens or quarter grosses when they should have been*

*buying in dozens or gross lots'*²⁶ Increased dependence on wholesaling tempered criticism for the duration of the war By 1945, IHATA had 365 members drawn from retailing and wholesaling, which surprisingly included Thomas Henshaw & Co and J C Parkes Ltd

5.4 The Structure of Wholesaling

Category	No. of Establishments	Sales (£ millions)	Employment
All other goods	495	14.7	8172

Table 6.8 Number of Unclassified Wholesale Establishments in the State in 1933²⁷

Category	No. of Establishments	% of Total
Under 5 years	112	23%
5-9 years	104	21%
10-29 years	183	38%
30 years or over	89	18%

Table 6.9 Duration of Present Ownership for the all Other Goods in 1933

Cork	Dublin	Galway	Limerick	Waterford
10	53	4	7	9

Table 6.10 No. of Wholesalers in the Five Principle Port Cities

The 1933 Census of Distribution included hardware wholesaling within the category of all other goods, and provided a breakdown of length of ownership (tables 6.8 & 6.9). The picture painted was of a small industry with small firms many of which were under 10 years old. The first hardware directory in 1945 listed 134 firms engaged in wholesaling activities, 40% of them in Dublin and a further 22% in the four other major port cities.

While a few national wholesalers like J. C. Parkes Ltd and Thomas Henshaw & Co existed, most firms were wholesaler/retailers, particularly in the provinces. The smaller wholesalers were mostly generalists with limited product range and geographical reach.²⁸ However, the large builders' merchants were also engaged in wholesaling ironmongery and tool products in competition with hardware

wholesalers By the 1930s, specialist electrical wholesalers like Kelly & Shiel and Carlisle Electrical, had also begun to emerge

The two Dublin firms, Parkes and Henshaws, were by far the leading general hardware wholesalers, each with national sales coverage and over 100 employees ²⁹ Their product portfolios included cooker ranges, electrical appliances, plumbing, ironmongery and tools, cycles, china and glass, wallpaper and paint, furniture, bedding and floor covering, cutlery and more ³⁰ Under protectionism the wholesalers' position strengthened for a time as cash-strapped merchants bought in smaller quantities, imports became more costly and native manufacturers needed distribution Wholesalers controlled supply channels, and builders' merchants used their trade association to dictate pricing and distribution policy ³¹

Access to capital and supply links bolstered the position of larger wholesaling firms Furthermore, Parkes and Henshaws, aligned themselves with the Irish Builders Providers Association (IBPA) and were part of a strong '*Protestant mafia*' During the war antipathy developed towards wholesalers Accusations of profiteering and inefficiency grew as prices rose by up to 200% ³² A *HAT* editorial caught the prevailing mood

Every merchant knows that wholesalers are only carriers of stocks Some even don't do that [and] are much in the same position as they were forty odd years ago it would take an electric drill to put new or modern ideas into the heads of their directors ³³

6 GROWING TENSION: 1946 - 1953

After the war tariffs were re-introduced and extended Nevertheless, the sector benefited from the release of pent-up demand and a boom in building activity Mounting demands for greater efficiency and flexibility were met with resistance from traditional wholesalers and protected manufacturers, as the old order was slow to change As a *HAT* editorial noted

far too many hardware traders, all over Ireland, are not awake to the fact that there is a very big change at hand in their trade Many ironmongers will

*never become modernised or machinery-minded the way that they should, and never give the service that they should, or help their customer, their trade, or themselves as they should*³⁴

At the time, several factors, including tensions with government over protectionism, new technologies and product categories, increased competition from other sectors, greater channel specialisation and new wholesaling entrants, all contributed to the developing climate for change in the sector³⁵

6.1 The Growing Impact of Government

In the post-war period, the government continued its policy of import-substitution. In the late 1940s, protectionism was seen by many as creating competitive weakness in the hardware sector and financial loss due to *'the stoppage of imports of delft, pottery, wallpaper, steel, and many other items'*³⁶. A *HAT* editorial accused protected manufacturers of

*reducing the quality and quantity of a great proportion of merchandise that used to flow through both the wholesale and retail traders at an economic price [causing] a loss in profits to the traders and a rise in the cost of living to the consumer*³⁷

In the early 1950s additional tariffs were used to improve balance of payments problems and hardware was one of the categories most targeted. In 1953, tariffs on imported tableware were doubled to protect a new manufacturer in Galway, increasing tensions with the sector. In outlining the government's stance, Sean Lemass explained that *'there was still importation of substantial dimension [but] It was hoped that with the alteration in the rate of duty the situation would be changed'*³⁸. A *HAT* editorial protested at the *'savage increase in the duty'*, claiming that hundreds of jobs in hardware distribution would be lost to create employment for 150 people in Galway³⁹. Around the same time, the government increased protection for glass manufacturers to help them secure the full domestic market⁴⁰. However, with concerns about inefficiencies and restrictive practices growing, the Restrictive Trade Practices Bill was passed in 1953 and the Fair Trade Commission (FTC) was established. It wasn't long before the FTC turned its attention to the hardware sector.

6.2 Changes Within the Supply Base

Under protectionism, new manufacturers continued to emerge, with many still reliant on wholesalers. However, some began to augment their catalogues with imported product causing disquiet among wholesalers and retailers.⁴¹ A 1948 *HAT* editorial highlighted the concerns:

*Another very unfair practice that has grown... is that of granting some [protected] Irish manufacturers... sole licence to import and sell foreign-made goods... [which they are offering]...on condition that the trader will also buy Irish-made articles.*⁴²

Developments in post-war Britain were also significant. As a *HAT* editorial noted, 'Modern machines that have been turning out munitions for the past six years will be devoted to new ideas in household or builders' hardware.'⁴³ Many new manufacturers' brands and products began to appear, with major implications for Irish wholesaling.⁴⁴ For example, the number of manufacturers of aluminium hollow-ware exploded from 26 to 200-300. New manufacturers advertised in trade publications for Irish agents and attracted ambitious entrepreneurs.

6.3 Changes Within the Customer Base

The 1951 Census of Distribution recorded 1,296 retailer/merchants much below the 1800-plus listed in McCaul's directory, and electrical retailing was designated as a separate category (table 6.11). Much of the decline may have been due to reclassification rather than consolidation.

Category	No. of Establishments	Purchases (£m.)
Hardware retailers	820	6.9
Electrical retailers	367	1.9
Builders' merchants	109	2.0*
Others †		1.0
Total	1296	11.8

Table 6.11: No of Hardware Related Retailers and Merchants in 1951⁴⁵

* Approx. 20% of builders' merchanting purchases relate to builders hardware

† Relates to department stores and grocery outlets

The ability of the large wholesalers and builders' merchants to force retailers and merchants to purchase through them rather than directly caused growing discontent. IHATA increased the pressure for more open distribution, and was partly responsible for the introduction of restrictive practices legislation. By the early 1950s, it was also sufficiently powerful to force concessions on some levies. IHATA's growing influence was evident in a Dáil reference by Sean Lemass to '*complaints of the refusal to supply delft on wholesale terms to individual traders*' and his threat that '*if the trade was not operated in accordance with the Fair Trading Rules... the Restrictive Trades Practices Act would operate*'.⁴⁶ Retailing by wholesalers was also an issue, leading to HAT calling for manufacturers to '*reconsider their present policy of confining the distribution of their products through semi-wholesale merchants*'.⁴⁷

The growing sales of keenly priced hardware by farmers' co-ops was a further concern. Anxiety was also voiced about the loss of key product areas such as agricultural tools which had become more automated and detached from mainstream hardware. HAT warned provincial hardware merchants to '*become more and more mindful of machinery and farm implements*' and provide '*the right services to the Irish farmers*', or '*other people will step in and take over their trade*'.⁴⁸ A further threat came from the ESB, which began retailing electrical appliances on attractive credit terms as part of its electrification drive. HAT reminded its readers that electrical goods were '*part and parcel*' of their trade, and urged them '*to develop this trade in a serious way*' or they would "*miss the bus*".⁴⁹ The hardware related activities of travelling shops, chemists, grocers, and department stores were also leading to considerable unease and uncertainty. By 1949 IHATA was promoting collective action, declaring that '*it is in the hands of our association to demand the selling policy of a manufacturer, importer, agent or wholesaler*'.⁵⁰

6.4 The Changing Face of Wholesaling

The leading hardware wholesalers and builders' merchants entered the post-war period with their power enhanced by war-time restrictions. The 1951 Census of Distribution showed the dominant position of the wholesalers, along with the small size of most of the firms (table 6.12). With turnover at retail of £11.8m, the market

share of the wholesale sector exceeded 75% Of eight firms engaged in electrical wholesaling, only three were specialists ⁵¹

Size of Turnover In £'000	No of Establishments	Sales (£m)
Less than 50	87	1.7
50 – 99	27	1.7
100 ~ 249	19	2.2
250 and over	10	3.5
Total	143	9.1

Table 6.12 No of Wholesalers in 1951 ⁵²

However, wholesalers faced mounting criticisms along with increasing threat of new entrants. A provincial merchant reported on a buying trip to Dublin where the wholesalers *'just didn't have what I wanted'* and *'were very short of cordial'* ⁵³ Entrepreneurs like Jim Hill entered the sector as manufacturers' agents, but quickly expanded into full service wholesaling when established players refused to stock lines that competed with existing ranges.

7 THE PASSING OF THE OLD ORDER: 1954-1961

Over 1954-1961, fundamental changes took place, influenced mainly by the shift in national economic policy from protectionism to export-led growth. As restrictive practices were dismantled, the traditional position of wholesalers was weakened, and they were slow to respond.

7.1 A Change in Government Economic Direction

In the early 1950s, it was apparent that protectionism had failed and a new approach was needed. While the FTC promoted greater competition and efficiency, a formal change in economic ideology only came with Fianna Fail's return to government in 1957. Import-substitution was then abandoned in favour of export-led growth and early entry into the Common Market.

The 1950s was characterised by policy conflict, with duties still levied on a diverse range of products while restrictive practices were being dismantled. Local politics

often seemed to play a part. For example, the protection of an agricultural machinery manufacturer in 1956 was motivated more by the preservation of 500 jobs in the Minister for Industry and Commerce's constituency than by ideological imperative.⁵⁴ However, in November 1953 the FTC initiated a major inquiry into the supply of building materials with a remit that extended to many hardware products.⁵⁵

The first FTC ruling was made in relation to delft and china and prohibited '*exclusive dealing and market sharing, the fixing of resale prices by the manufacturers or combinations of traders and the preparation or publication of black or white lists of traders or products*'.⁵⁶ Manufacturers were obliged to lodge a statement of terms and conditions of sale with the FTC and supply it to those engaged in the trade. Over 1954-1960, a series of FTC rulings were made in relation to tableware, building hardware, tools, batteries, plastics, electrical appliances and accessories, and IHATA records were investigated for evidence of collusion. Resale price maintenance ended, and discount structures changed from function to volume.⁵⁷

7.2 The Changing Power of Other Channel Members

Manufacturers

Despite tariffs most hardware products continued to be imported. Indigenous manufacturing continued to form under tariff protection but tensions increased as the business performance of other channel members eroded. The most celebrated clash came in 1956 with the establishment of Basta Locks by the politically well-connected Gallagher family. Locks were a major hardware category, but the Basta range was found to be unsuited for many needs.

In September 1956, a new 75% import duty was imposed on locks causing IHATA to protest strongly to the minister, William Norton.⁵⁸ Later, at the factory opening, Basta's chairman, Matthew Gallagher attacked the distributors saying that '*the firms in this country refuse quite blankly to stock our locks - do you blame us for going to the Minister for protection*'.⁵⁹ In his reply, IHATA general secretary, Terry Spillane, pointed out that the trade had

*told the company that what they were offering was a range for which there was no demand No 'ring' boycotted Basta If a ring existed it comprised those responsible for the unsubstantiated case made to cover up the fact that wrong patterns were manufactured*⁶⁰

Despite this, the government later mandated the use of Basta locks for housing grant qualification and directed local authorities to use them in their building programmes

Clashes over domestic manufacturing quality continued when tests revealed that imported saws were 400% more efficient than Irish offerings⁶¹ Further clashes came with the growth of direct trading, the dramatic increase in supply to non-traditional channels and attempts at reforming channel discount structures

Retailers/Merchants

The 1956 Census of Distribution showed no real growth in hardware retailing since 1951 (table 6 13) However, the FTC ruling had given co-ops, department stores and grocers access to best prices and the ESBs share of the electrical retail market reached 30%

Category	No. of establishments	Purchases (£m)
Hardware retailers	824	6.9
Electrical retailers	441	1.7
Builders merchants	186	2.5
Others		1.5
Total	1451	12.6

Table 6 13 No of Hardware Related Retailers and Merchants in 1956⁶²

The FTC unleashed unprecedented price competition, leading a *HAT* editorial to '*appeal to every merchant to resist any impulse to meet price with price [as] there can be no victors in modern price warfare*'⁶³ At the height of the FTC's activities, IHATA members were subjected to intimidation by protected manufacturers and were reluctant to participate in the association's affairs⁶⁴ IHATA went into decline and was held together only by the efforts of its president, Frank Egan

Faced with intensifying price competition, some hardware merchants formed ad hoc buying groups to secure lower prices. However, during the late 1950s, Frank Egan and other senior IHATA figures formed a more structured buying group, emulating developments in the grocery sector. IHATA also promoted greater professionalism by introducing courses leading to the examination of the British National Institute of Hardware in 1957.

7.3 The Declining Power of Wholesaling

After the FTC inquiries the power of the large wholesalers declined, the hegemony of the IBPA was broken and many provincial retailer-wholesalers saw their markets disappearing. The 1956 Census of Distribution showed a small decline in the number of wholesalers, and offered further insight into the size and structure of the hardware wholesaling industry (table 6.14).

Number of persons	No of Establishments	Sales (£m.)
Less than 10	75	1.7
10 – 19	35	2.6
20 – 29	8	1.0
30 – 49	9	2.1
50 and over	8	2.7
Total	135	11.1

Table 6.14 No of Wholesalers in 1956⁶⁵

As the 1950s progressed, new entrants such as P. E. O'Brien, Thomas Corry & Sons Ltd, C. M. Wilson Ltd and Hardware Distributors Ltd strengthened their positions, along with older specialists like Rutledge & Thompson Ltd that took their opportunities to expand. The new firms were lean and competitive, finding opportunities in the explosion of new products and the complacency of incumbents. For example, P. E. O'Brien Ltd used its sole agency for Stanley Tools as a base for expansion. By the late 1950s, the older incumbents faced serious problems, including a diminished position in the distribution chain, internal arrogance in customer relations, poor stock control, obsolete technology, poor liquidity, declining margins and un-ambitious shareholders.⁶⁶ Although new entrants were more efficient and entrepreneurial, poor liquidity hampered their development. Product portfolios were

often assembled piecemeal in response to demand, leading to quite eclectic product mixes ⁶⁷ As one new entrant noted *'in the beginning I was scratching around Over time I found out what worked and what didn't [and] with limited capital I couldn't afford to tie money up in dead stock'* ⁶⁸

Although tariffs were problematic for wholesalers, paperwork, exchange controls and up-front payment discouraged many traders from importing directly, restoring the balance somewhat That said, by the early 1960s, the wholesalers' market share was in decline Price competition spread up-channel from retailing causing established wholesalers like Henshaws to lose money

8 THE EMERGENCE OF A NEW INDUSTRY STRUCTURE: 1962-1977

Over 1962-77, radical changes took place in hardware wholesaling as it sought to retain its position in the distribution chain *HAT* recorded the mood at the outset

Recent developments represent such a complete break with the traditions of the past that it is difficult for the ordinary trader to understand exactly what is happening to his business For some years past the whole trade has been concerned about new forms of competition Price-cutting started in the retail trade and soon spread to the wholesale side where the results were chaotic

⁶⁹

Over time, government became less involved in the sector's affairs Direct supply increased, product categories were lost, and wholesalers were left servicing smaller accounts With the growth in supermarkets and cash and carry wholesaling, domestic hardware was sold increasingly by the grocery sector

Wholesalers began to look beyond traditional channels for customers Many also tried to reduce costs through group trading and cash and carry wholesaling, sometimes with disastrous consequences Full-service wholesaling continued to dominate, but firms began to focus their product portfolios By the late 1970s many older firms were gone, and newer ones came to the fore From the 1960s, the re-named Irish Hardware Association embraced wholesalers and manufacturers and half of the future presidents were to be wholesalers

8.1 The Receding Role of Government

By 1961, government was committed to joining the Common Market and focused on preparing the economy for free trade. The importance of an efficient distribution system was finally recognised, and an Efficiency of Distribution Unit was established in 1964.⁷⁰ While the sector retained the FTC's attention, most notably through an investigation into the supply of electrical appliances, its role in reforming the sector diminished and petered out by the mid-1970s.⁷¹

In the 1963-73 period, the tariff regime was dismantled, and a new Anglo-Irish Free Trade Agreement made importing from Britain progressively easier. However, protectionist tactics persisted for a time, with import levies and more subtle barriers used where expedient. For example, the requirement that Gaelic be used to identify country of origin neutralised the scale advantages of foreign producers on certain hardware products.⁷² The specification of Irish products, where public funding was involved, helped indigenous building hardware. Overall, however, barriers to trade diminished and with EEC entry in 1973, government regulation ceased to be a force

On the other hand, strategies promoting economic expansion and urban development rejuvenated the building sector. Regional development, stimulated considerable commercial building activity, while tax incentives encouraged private sector housing and commercial development. All of this spurred growth in the hardware market.

8.2 The Growing Impact of Channel Change on Wholesaling

8.2.1 Changes in Manufacturer Strategy

During the 1960s, the Federation of Irish Industries (FII) continued to seek protection, leading a *HAT* editorial to observe with dismay that '*its proposal would restrict importers to a degree acceptable only under the Emergency Powers Act of the war years, and would make normal distributive trade activity impossible.*'⁷³

Free trade, competition and the growth of branded packaged products caused manufacturers to turn increasingly to direct supply, with many categories such as painting and decorating ceasing to be wholesaling majors ⁷⁴ An increase in manufacturer-led marketing diminished the distributors' selling role, while new products undermined the need for specialised knowledge ⁷⁵ Specialist firms also emerged that assembled generic hardware products into pre-packed ranges ⁷⁶ All of this made the sale and use of many hardware products easier and their markets expanded ⁷⁷

Some manufacturers also entered third-party distribution For example, Irish Wire become distributors for six British manufacturers while Basta began distributing British manufactured brassware ⁷⁸ However, EEC membership and the ending of tariffs meant that wholesalers were soon importing hardware from as far afield as Asia ⁷⁹

8.2.2 The Modernisation of Retailers and Merchants

Between 1956 and 1971, the number of hardware outlets declined, while those in electrical retailing and builders' merchanting increased (table 6 15)

Category	No of Est. 1956	Purchases (£m.) 1956	No of Est. 1971	Purchases (£m.) 1971	No of Est. 1977	Purchases (£m.) 1977
Hardware retailers	824	6.9	766	20.4	777	58
Electrical retailers	441	1.7	769	11.8	581	34
Builders merchants	186	2.5	249	10.0	244	30
Others	N/a	1.5	N/a	10.0	N/a	40
Total	1451	12.6	1784	52.2	1602	162

Table 6 15 No of Hardware Buyers and their Purchases in 1956 - 1977⁸⁰

By 1977, the number of hardware and builders' merchants had stabilised and a significant shake-out had taken place in electrical retailing The significant changes that took place in hardware retailing were driven by increases in urban concentration and car ownership As *HAT* noted at the time

Every retailer now has available a bigger potential market, but often has to cope with more competitors When his customers all came to him on foot he

*was not over-concerned with what happened three miles away, when they have cars he dare not ignore what happens there*⁸¹

A greater emphasis on labour saving and convenience fuelled demand for electrical goods and the growth of large retailers like the ESB. Furthermore, the establishment of a national station in 1961 increased demand for TV sets, which resulted in a newly emerging rental sector. The growing impact of electrical products led to Burke Bros, a Dublin merchant, adding a two-level extension just for electrical items⁸²

Between 1962 and 1973, economic expansion generated a significant growth in sales. Then, the 1973 oil crisis prompted a downturn in building activity and a rise in inflation. This was somewhat offset by the expansion in agriculture following EEC membership but overall, hardware firms '*had to struggle hard to stand still*'⁸³

Kitchen, cleaning and tableware increasingly became supermarket lines with very competitive pricing. Progressive hardware retailers responded, with Buckley's of Cork becoming the first to introduce an electronic point-of-sale system⁸⁴

Between 1965 and 1973 three buying co-operatives National Hardware, Associated Hardware and Amalgamated Hardware were set up to co-ordinate the purchases of over 100 independent hardware and builders' merchants. They were soon buying key hardware products at wholesale prices, thus intensifying the pressure on wholesalers

8.3 The Restructuring of Hardware Wholesaling

By the 1966 Census of Distribution there were only 57 wholesalers compared to 135 in 1956. However, by 1971 the number of firms had grown once more as trade liberalisation, market growth, and new product developments encouraged new entrants (table 6.16). Despite this, the wholesalers market share had dropped below 50%.

Size of Turnover In £'000	No. of Est. 1966	Sales (£m.) 1966	No. of Est. 1971	Sales (£m.) 1971	No. of Est. 1977	Sales (£m.) 1977
Less than 50	18	0.4	28	0.7	19	0.2
50 – 99	10	0.7	15	1.1	14	0.3
100 – 249	16	2.7	26	4.4	44	1.1
250 and over	13	9.5	20	7.6	64	7.0
500 and over			9	9.6		31.4
1,000 – 1,999					14	19.2
2,000 and over					14	58.1
Total	57	13.3	98	23.4	169	117.3

Table 6.16: No. of Wholesalers and their Turnover in 1966, 1971, 1977⁸⁵

The Passing of the Old Guard

During the 1960s and 1970s, many of the older wholesalers disappeared while others lost their pre-eminence. Henshaws was liquidated in 1963 and J. C. Parkes was sold later in the decade. Parkes continued to trade, but *'were too widespread and didn't have any strengths or specialisms. They were attacked from the edges and lost business to a variety of competitors.'*⁸⁶ Scotts and Dwyers, both of Cork, and Stokes & McKiernan of Limerick all closed due to high costs and an inability to compete.⁸⁷

The two-tier supply system in builders' merchandising collapsed following the formation of the merchant co-ops and the 'A' merchants abandoned the primary wholesaling of building hardware. General hardware wholesalers became suppliers rather than competitors, and new opportunities opened up to sell to smaller builders' merchants. Conglomerates entered the sector, the Hely Group by acquiring Walkers Ltd, and the Smith Group with the acquisition of Hodges Ltd. and Hardware Wholesale Ltd. P. E. O'Brien Ltd. acquired the British-owned Tuck & Co. Ltd., while Rutledge and Thompson Ltd. professionalised its management and was early to embrace computerisation.⁸⁸

Many new firms were founded, such as Coopers Ltd, P. A. Stapleton, Dara Distributors, Walsh Kavanagh, Spense Agencies, CHM and Noel McCabe Distributors. CHM was started by former employees of Dwyers, and this was not untypical. During the 1960s sales grew from £50k, to £1m at P. E. O'Brien while Coopers grew from a single agency (Swish) to a firm with six sales representatives

and modern premises of 15,000 square feet. Firms with key brands, like O'Briens and Coopers, brought professional marketing practices into hardware wholesaling, improving merchandising and promotion.⁸⁹

However, none of the new players came to dominate as Henshaws and Parkes once did, nor did they develop as comprehensive a product offering. Some like Corry's, Burkes and McCabes stocked a broad range, but their offerings lacked depth. Others, like P. E. O'Brien, focused on building depth in a single category such as tools. In between were firms such as CHM and Coopers Ltd. Although there were several significant players, many competed only where product offerings overlapped and full head-to-head competition was rare.

The Mixed Experience With New Trading Formats

The introduction of the group trading and cash and carry formats in the domestic grocery and British hardware sectors sparked considerable interest and a number of failed attempts were made to introduce group trading during the 1960s and 1970s.

After years of losses, in April 1962, Henshaws launched a voluntary group, Free Alliance of Independent Retailers (FAIR) with the help of retail consultants George S. May. About 10,000 items were offered at cost plus 10%, and new IBM-based systems were installed to administer the venture. Problems emerged almost immediately when the trade accused Henshaws of below-cost selling and the manufacturers of supplying them at lower prices. By November, as a result of the backlash, deliveries had dropped to between 60% and 70% and in January 1963, Henshaws suddenly went into liquidation.

The collapse was triggered by a slow down in manufacturers' supplies caused by pressure from other distributors unhappy with the pricing strategy. Many believed that the concept was doomed as it failed to take account of the dynamics of the Irish hardware sector. Following the collapse, a *HAT* editorial argued that

Blame for the failure must be laid upon the Fair Trade Commission

Henshaws apparently, and quite understandably believed that they could bully

*manufacturers into conforming to the firm's price policies by the threat of invoking the big stick of the Fair Trade Commission should they refuse supplies, and thus eliminate all competition.*⁹⁰

Accusations of incompetence were also levied at the consultants, and later hardened to charges of dishonesty, when the liquidator revealed that half of the company's losses since the launch had been generated by consulting fees

In 1974, Thomas Corry & Sons Ltd formed an alliance with four British wholesalers to introduce the Pro-Hardware symbol throughout the British Isles. As the world's largest hardware symbol, the promoters hoped to replicate its US success. However, retailers would not accept the disciplines required, and the venture never took off.

While a Dublin firm, Burke Bros Ltd, became the first cash and carry hardware wholesaler in the 1960s, it was the success of grocery wholesaler, Musgraves, during the 1970s that forced the industry to take the format seriously. Musgraves had been wholesaling domestic hardware to provincial grocers and general stores since the early 1900s. However, during the 1970s it built a number of large scale cash and carry warehouses in Dublin, Cork and Limerick and signalled its intention to expand in hardware. While it focused on items suited to the grocery sector and the urban hardware store, the size of its operations put the trade on notice.

During the 1970s cash and carry operations were opened by Brooks Thomas, Munster Simms Ltd, and former Burke Bros manager, Noel McCabe. Moreover, Burke Bros built a new 60,000 sq ft facility. Fears grew that the format would undermine established distribution patterns.⁹¹ Of particular concern was the easy access that general traders had to Musgraves.⁹²

By 1977 hardware wholesaling had been transformed. A new breed had propelled it to higher levels of efficiency and professionalism, and many of the older players had been swept off the stage or relegated to minor roles.

9. A PERIOD OF CONSOLIDATION. 1978 – PRESENT

Changes since 1977 have not been as dramatic, with firms developing their product offerings and consolidating their positions. Despite entries and exits, the basic methods of trading have remained the same. There was significant growth between 1977 and 1980, following Fianna Fail's return to office. However, the second oil crisis and poor economic management brought a prolonged recession during the 1980s. Subsequent government action to stabilise the economy caused sales to decline, and growth did not return until after 1993.

The Single Market in 1992 brought increased competition from British wholesalers, while Irish wholesalers found new opportunities in Britain. It also undermined sole agency agreements, leading to parallel importing. Throughout the 1980s, different segments varied in their overall performance. Demand for builders' hardware weakened before recovering again after 1993. Changes to the Common Agricultural Policy reduced demand for farm hardware. In contrast, the demand for electrical goods rose and gardening/horticultural emerged as a new growth area and specialism.

The recently renamed The Irish Hardware and Building Materials Association, has proved useful as a discussion forum, as an arbitrator in members' disputes and in influencing some minor pieces of legislation. However, it has also pursued divisive issues such as the ban on Sunday trading. It has been weaker than similar bodies in other sectors in influencing government, failing to persuade it to extend planning controls to DIY superstore development. This stems from its diverse membership and lack of financial resources. Furthermore, government has proved itself more responsive to pressure from the representatives of sectors such as food and drink, because of their greater political sensitivity. As a result, the association has mainly sought to represent the hardware sector on national issues such as health and safety, the minimum wage and waste disposal.⁹³

9.1 Changes in the Channel Structure

9.1.1 The Growing Diversity in Supply

Throughout the 1980s wholesalers responded to intensified competition by turning to Europe, Asia and the Soviet Bloc to source goods. EU countries offered opportunities for new sole agencies, while Eastern Europe and Asia became the main low-cost sources of many commodity products. With the collapse of the Soviet Bloc, Asia increasingly became the source of many price-sensitive commodities such as nails, tools, hollowware and small appliances. Firms were helped in global sourcing by government agencies, both Irish and EU.

While the economics of global sourcing favoured wholesaling over direct supply, it did bring currency risk. After Ireland joined the ERM in 1978, volatility increased for UK imports while moderating for other EU goods. The ERM crisis of 1993 also left many companies with significant currency losses. Imports from the Pacific Rim became problematic due to volatility against the US and HK dollars, and the risk increased again with the decline of the new Euro.

9.1.2 The Growing Diversity in Buyer Types

After 1977, the number of hardware and electrical retailers rose, and the number of specialists increased, particularly in areas related to home improvement. Builders' merchanting became more concentrated, as national firms expanded and independent merchants developed their buying groups. Supermarkets and department stores expanded in household and gardening products, becoming dominant in kitchenware. Most significantly, superstores and UK multiples entered the market.

Growth also lay in supplying industrial and commercial end-users for manufacturing and maintenance. However, its extent is almost impossible to quantify. The changes that took place over the period are summarised in table 6.17 below.

Category	No. of Est. 1977	Purchases (£m) 1977	No. of Est 1988	Purchases (£m) 1988	No of Est. 1997	Purchases (£m.) 1997
Hardware retailers	777	58	840	150	973	352
Electrical retailers	581	34	732	130	923	368
Builders merchants	244	30	311	90	246	140
Others (Dept stores grocery commercial users)†	N/a	75	N/a	250	N/a	350
Total	1602	197	1923	620	2142	1210

Table 6 17 No of Hardware Related Buyers and Purchases in 1977, 1988, 1997⁹⁴

† The values in this category are based on rough estimates supplied by interviewees

The Arrival of the 'Shed' and the Electrical Discounter

During the late 1970s, the DIY 'Shed' and discount electrical formats, successful in the UK, appeared on the Irish scene. However, the 'Shed' format, named after its characteristic low-cost, out-of-town premises, experienced early difficulties. The first one, Big D, closed when its majority shareholder Dockrells collapsed.⁹⁵ Around the same time, Texas Homecare, entered the market under the name Atlantic Homecare but went into liquidation within two years. Its assets were purchased by former Big D chief executive, Martin Simmons, and successful trading ensued.

Meanwhile, the two largest builders' merchants, Heitons and Chadwicks entered retailing. They saw the cash flow in DIY retailing as an attractive counter-balance to their credit-intensive core businesses, and also wanted to discourage the entry of big British players. During 1987-88, the Grafton group, Chadwicks' parent, opened two Payless stores in Dublin and re-branded the venture as Woodies within two years. The number of stores was expanded gradually to 11 over the 1990s. After early losses and experiments with the format, Woodies became market leader, with a turnover double that of its nearest rival.⁹⁶

In the early 1990s, Heitons acquired Atlantic Homecare and had mixed fortunes. With improved retail management skills and the economic uplift of the 1990s, the business began to perform well. In 1991, British-based Texas Homecare entered the market, but experienced difficulties in both acquiring sites and transferring its trading format.

Following acquisition by Sainsburys, it was re-named Homebase. The 'Shed' format has led to higher market concentration in large urban centres, a trend expected to continue.⁹⁷ It has also expanded consumer hardware to over 50,000 items.⁹⁸ Furthermore, the demand for merchandising, packaging, bar-coding and more professional supplier standards has grown considerably. As the number of stores expands, the attractions of centralised distribution, and those of direct sourcing, increase.

In the late 1970s, the first electrical discounter, McKenna's, appeared in suburban Dublin. Others later emerged in major cities, including Shed-type retailer Power City. During the 1990s UK multiples Dixon's, Curry's and Courtt's entered the market. The traditional outlets backed away from audio-visual equipment and appliances as the superstores undercut them and engaged in price wars.⁹⁹ Even so, larger provincial merchants continue to devote significant space to electrical products. The ESB still commands a large market share, but is under increasing pressure.

Co-operative Retailing

During the 1980s, buying groups encompassed a widening range of products and initiated own-branding and promotional activity. However, members frequently bypassed their group buying structures and only half-heartedly implemented marketing programmes. Several reasons have been offered for this weak cohesion including the independent streak of the members and a lack of threat to provincial strongholds.¹⁰⁰

In the late 1990s, efforts to develop stronger market identities were intensified in response to growing competition from the 'Sheds' and electrical discounters. Symbol groups have emerged like 'Albany' in home decoration and 'Excel' in electrical retailing. Also farmers' co-ops have employed centralised purchasing, direct sourcing, long-term agreements and the extension of branch networks. However, product diversity and geographical dispersion have ensured that no coherent group-type marketing activity has yet emerged.

9 2 The Ongoing Development of Wholesaling

After 1977, the number of wholesalers expanded considerably, but mostly at the smaller end of the scale. Unambiguous statistics on changes since the early 1990s are not available, but information from industry sources suggests that the number of firms has not changed substantially since 1993, and while turnovers will have increased, size distribution is unlikely to have changed since the 1988 Census (table 6 18)

Size of Turnover In £'000	No. of Est. 1977	Sales (£m) 1977	No of Est. 1988	Sales (£m.) 1988	No of Est. 1993	Sales (£m) 1993
Less than 1 000	141	40	196	73		
1 000 and over	14	19	53	102		
2 000 and over	14	58			N/a	N/a
5 000 and over			14	145		
Total	169	117	263	320	240	549

Table 7 18 No. and Sales of Wholesalers in 1977,1988, 1993¹⁰¹

The Changing Industry Demographics

The post-1977 period brought many entries, exits and acquisitions. Herons Ltd and Goldcrop Ltd, were both bought out by management. Also, a number of multi-firm groups emerged. Most new firms were started by former employees and occasionally proved damaging to the original employer. The most dramatic example was Rutledge and Thompson Ltd, where internal management conflict led to several spin-offs. BW Hardware, set up by its former sales director and backed by Northern wholesaler James E. Ball Ltd, wrested the sole distribution of Union and Chubb locks away from Rutledge and Thompson, severely weakening it.¹⁰² A further start-up by a former purchasing director compounded the damage.

There were also new entries by larger entities. Multi-Products Ltd was set up by CPI, and Swedish Match subsidiary, Maguire & Patterson, expanded into hardware. A conglomerate, the James Crean Group acquired Munster Simms, Channel Distributors and Dara Distributors.

A number of established players grew through acquisitions and new ventures, creating the need for more professional management. In the early 1980s, Rutledge & Thompson set up a specialist industrial supply company because of its difficulties in servicing the different needs of both retailers and tradesmen. In 1985, it expanded into houseware through acquisition of Hardware Distributors.

The transition to professional management was most notable in the development of the Gardiner Group. P. E. O'Brien Ltd entered the 1970s with a strong position in hand tools, power tools and industrial hardware. A period of expansion began under the leadership of Piaras O'Brien and a growing team of professional managers. It led to the creation of Tucks Fasteners, a fastener distributor and Pace Marketing a hand tool distributor established with the American Tool Company. In 1987, Corrys, a significant general hardware wholesaler was acquired, and in 1995 MVI, a specialist wholesaler of cabinet furniture, was added.

Company founder Peter O'Brien described his main contribution as having surrounded himself with good people and having been *'lucky enough to have one son who could run a business'*¹⁰³ With many exclusive sources and agencies, supported by professional management and marketing, the group developed a strong position in wholesaling during the 1980s and 1990s, securing leadership in several product categories¹⁰⁴

The Survival of Full Service Wholesaling

Throughout the period, full service wholesaling remained dominant. However, broad-based wholesalers either disappeared or narrowed their focus, while newer entrants were specialised or limited-line. Specialists emerged to serve both product and customer categories, with further specialisation within categories, as electrical appliances separated from fittings and consumer products from commercial. Specialisation was also evident in ironmongery, tools and gardening/horticultural products. The Gardiner Group became a diversified specialist rather than a diverse generalist, and specialised entrants during the period included M. Donnelly & Co. Ltd (Ironmongery and Tools), J. Dargan Ltd (Ironmongery and Tools), BW Hardware Ltd

(Ironmongery) and the Delft Centre (Tableware) Companies like InterChem Ltd, Healy Horticulture Ltd (1984) and Goldcrop Ltd (1988) entered the market as horticultural specialists

In 1984, following years of losses, J C Parkes was merged with Walsh Kavanagh Ltd but was liquidated in 1986 By 1987, the general wholesaler Corrys had declined substantially and was take over by the Gardiner Group It quickly became evident that categories like household, electrical and decorating products were no longer contestable by generalists, and the business was re-focused onto ironmongery and tools

Sole agencies were a significant factor in the decline of the generalists Greater focus and skill was needed to manage them successfully, and scale economies gave specialist wholesalers cost advantages in particular categories Three firms, Coopers, Hanleys and CHM came to control the key agencies in housewares, while P E O'Briens Ltd held Stanley, the leader in hand tools However, the Single Market undermined the exclusiveness of sole agency, though parallel importing has been sporadic

Voluntary Group Trading

During the 1970s and 1980s, Musgraves had considerable success with its expanded cash and carry hardware offering In 1987, it launched ACE Hardware, a voluntary group aimed at urban hardware stores Having developed 14 own-brands and signed up 100 retailers, the venture failed Musgraves blamed its retailers for lack of commitment and discipline, while it was accused of seeking too much control and breaching faith by leading grocery retailers into hardware ¹⁰⁵

Cash and Carry

Cash and carry declined in importance and, by the early 1980s, Brooks Thomas and Munster Simms had abandoned it leaving only Burke Bros, McCabes, Musgraves and BWG still involved The latter two focused on products suited to grocery and urban

hardware stores. However, Burkes and McCabes stocked extensive ranges that exceeded those of other wholesalers. Furthermore, both firms built significant sales in electrical appliances, representing over half of their turnovers. For those retailers that still sold appliances, the cash and carry format provided the best price on small volumes of product. The format was also attractive to black economy operations. During the 1990s, a growing proportion of the format's turnover reverted to credit, driven partly by liquidity problems among the customer base and also by new tax regulations to track transactions.¹⁰⁶ Loss of competitiveness and reduction in cash flow led to the liquidation of McCabes in 1997.¹⁰⁷

¹ Time-series data drawn from census reports published between 1951 to 1993

² The J. C. Parkes catalogue was provided by Charles Harris, a former director of Parkes who had worked in the firm since the 1930s. He has become one of the industry's unofficial historians, having amassed a significant collection of old documents, catalogues and hardware items.

³ Ray Colman, chief executive of Woodies DIY, the largest superstore chain, was an interviewee for this research and following the interview he provided the researcher with a comprehensive report on the company's product and supplier base.

⁴ Quinn, J. (1992) *The Irish Hardware Industry: Wholesaling Strategies in a Changing Environment*. Unpublished MBA dissertation, Henley Management College.

⁵ The researcher was formerly chief executive of a major industry firm and as such has detailed knowledge of the industry's supply and credit characteristics.

⁶ This is based on comparing the total sales of wholesalers with the purchases of retailers and other customer groupings contained in the Census of Services 1993/1997.

⁷ Based on information contained on the Central Statistics Office Website on 28th January 2000 and that provided by interviewees.

⁸ Annual Services Inquiry 1993 Retail, Wholesale and Selected Services Sectors, CSO.

⁹ Supplied by Woodies.

¹⁰ These figures were compiled for this study by Liam Haines, executive chairman of the Gardiner Group, who was also an interviewee.

¹¹ The 1997 Government Census of Services puts the number of hardware and electrical retailers at 1,896, while the A. C. Nielsen report puts the figure at 3,253.

¹² Farmar, T. (1996) *Heitons – A Managed Transition 1818-1996*. P. 52. A. & A. Farmar.

¹³ Walter Thomas Meyler (1868, 1870) *Saint Catherine's Bells: An Autobiography* Parts I and II. Simpkin Marshall, London. Meyler, a prominent merchant, describes merchant life in Dublin during his lifetime. Also, over its lifetime the industry's trade journal has published profiles of hardware firms that trace their origins back to the 18th century. For example, December 1986 edition records that the firm of John Collin Ltd of Drogheda began trading in 1775.

¹⁴ Interview with Terry Spillane, the former Secretary of the Irish Hardware Association and editor of *Hardware and Allied Trader*, who is also seen as the hardware sector's historian. It is Spillane who is responsible for creating an archive that contains every issue of *Irish Hardware Journal* since its launch in 1938.

¹⁵ *Hardware and Allied Trader*, November 1952, p. 3.

¹⁶ Interview with Terry Spillane.

¹⁷ Charles Harris, a former Director of Parkes and Richard Stokes, a Director of both of Scotts and Henshaw's, discussed the issue during interview.

¹⁸ Interview with the late Richard Stokes, whose family owned Scotts of Cork, one of this grouping. He was also general manager of Thomas Henshaw and Co. and Newsomes of Limerick. This view was also shared by other older interviewees.

¹⁹ Interviews with Terry Spillane, Charles Harris, Jim Hill and Charles Wilson. All of these interviewees started their careers during the 1930s and went on to occupy senior positions within the industry.

²⁰ In October and November 1947 HAT carried the story of Joe McCaul's time in the hardware trade since he entered it in 1897. This quote is from the November issue, p. 21.

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- ²¹ Report in *Hardware and Allied Trader* July 1938
- ²² The Hoffman family, set up Arklow Pottery, Newbridge Cutlery, and Kildare Wallpaper. Also Archibald Kenrick Ltd, helped A H Masser, to establish firms like Waterford Iron Foundry
- ²³ Report in *Hardware and Allied Trader* Nov, 1938
- ²⁴ Obtained from the first Government Census of Distribution 1933, Central Statistics Office Dublin
- ²⁵ McCaul's Guide for Irish Ironmongers was published in 1945 by Joe McCaul the publisher of *Hardware and Allied Trader*
- ²⁶ Editorial in *Hardware and Allied Trader* March 1945 p 2
- ²⁷ Census of Distribution 1933
- ²⁸ McCaul's guide coded the firms on the basis of the activities that they engaged in
- ²⁹ This has been established from both interviews and articles in *Hardware and Allied Trader*
- ³⁰ The House of Henshaw, *Hardware and Allied Trader*, December, 1938. Also the J C Parkes catalogue from the 1930s provided by Charles Harris
- ³¹ The Fair Trade Commission Inquiry into the supply of building materials held in 1954 found extensive evidence of collusion and abuse of power on the part of the leading merchants that was exercised through the Irish Builders Providers' Association
- ³² An article entitled *The Right Price* tackled the issue of price in *Hardware and Allied Trader* June 1945 p 11
- ³³ Editorial in *Hardware and Allied Trader* March 1945 p 1
- ³⁴ *Hardware and Allied Trader*, January, 1949 p 1
- ³⁵ Between the end of the war and the coming of the 1960s it was possible, from the pages of *Hardware and Allied Trader* to identify the issues that were at the forefront of the industry's changing face. This was reinforced by the subsequent interview data
- ³⁶ Editorials in *Hardware and Allied Trader* for both September and November 1948 are essentially critiques of protectionism
- ³⁷ *Hardware and Allied Trader*, November, 1948, p 1
- ³⁸ Article entitled 'Tableware Supplies Debated in the Dail', in *Hardware and Allied Trader*, December, 1953
- ³⁹ Editorial entitled 'Trial by Tariff' in *Hardware and Allied Trader*, October 1953
- ⁴⁰ Contained in article entitled 'Tableware Supplies Debated in the Dail', in *Hardware and Allied Trader*, December, 1953
- ⁴¹ An editorial in *Hardware and Allied Trader*, July 1948 attacked manufacturers who controlled foreign imports and set their own prices
- ⁴² Editorial headed 'A Warning' in *Hardware and Allied Trader*, September, 1948 p 2
- ⁴³ Editorial in *Hardware and Allied Trader*, October, 1945 p 1
- ⁴⁴ *Hardware and Allied Trader*, July 1947
- ⁴⁵ Extracted from the Census of Distribution 1951 Stationery Office Dublin
- ⁴⁶ Article entitled 'Tableware Supplies Debated in the Dail', in *Hardware and Allied Trader*, December, 1953
- ⁴⁷ Editorial headed 'A Warning' in *Hardware and Allied Trader*, September, 1948 p 1
- ⁴⁸ *Hardware and Allied Trader*, January, 1949 p 1
- ⁴⁹ *Hardware and Allied Trader*, March, 1948 p 19
- ⁵⁰ Reported in *Hardware and Allied Trader*, November, 1949 p 4
- ⁵¹ McCaul's 1953 Guide for Irish Ironmongers lists Parkes, Henshaws and Dwyers, and the builders' merchant Baxendales as electrical wholesalers
- ⁵² Extracted from the Census of Distribution 1951 Stationery Office Dublin
- ⁵³ *Hardware and Allied Trader*, September, 1948
- ⁵⁴ Reported in *Hardware and Allied Trader* September 1956
- ⁵⁵ The announcement of the Inquiry was made in *Hardware and Allied Trader*, November, 1953 and the behaviour of the Irish Builders Providers' Association was revealed in the FTC Report published in 1956
- ⁵⁶ Reported in *Hardware and Allied Trader*, January, 1954 p 51
- ⁵⁷ The information on FTC activities was gleaned from interviews with Frank Egan and Terry Spillane who were respectively president and secretary general of IHATA at the time
- ⁵⁸ Reported in *Hardware and Allied Trader* September, 1956
- ⁵⁹ *Hardware and Allied Trader*, October 1956, p 11
- ⁶⁰ *Hardware and Allied Trader*, October 1956 p 2
- ⁶¹ *Hardware and Allied Trader*, November 1956, p 1
- ⁶² Extracted from the Census of Distribution 1956 Stationery Office Dublin

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- ⁶³ Drawn from an editorial entitled 'No Victory in price War' in *Hardware and Allied Trader*, November, 1957, p 1
- ⁶⁴ Recorded in an article 50 Years of *Hardware and Allied Trader* and the Association, Irish Hardware Special 50th Anniversary Edition, 1988
- ⁶⁵ Extracted from the Census of Distribution 1956 Stationery Office Dublin
- ⁶⁶ This list reflects the views of the older interviewees such as Richard Stokes, Charles Harris, Jim Hill, Charles Wilson and Gus Mullarkey. Richard Stokes had served as manager of both Scotts of Cork and Henshaws of Dublin which gave him a unique opportunity to comment on these older firms
- ⁶⁷ Charles Wilson and Jim Hill both described in detail the difficulties of getting established during the 1950s. Charles Wilson explained during interview how customers asked him to '*get things for them*'
- ⁶⁸ Interview with Jim Hill the founder of Hardware Distributors Ltd
- ⁶⁹ The quote is taken from an editorial in *Hardware and Allied Trader*, October 1962, examining the repercussions of Henshaws decision to launch group trading
- ⁷⁰ Lynch addressed the distributors federation at the Clarence Hotel in Dublin in May 1962. Terry Spillane was vice-president of the federation at the time and reported its proceedings in the May 1962 edition of *Hardware and Allied Trader*
- ⁷¹ Reported in *Hardware and Allied Trader*, September 1976
- ⁷² Charles Wilson noted the effect this had on his business and recalled having two years of protracted negotiation to have it removed
- ⁷³ *Hardware and Allied Trader* editorial of December 1964
- ⁷⁴ The growing trend towards direct supply is evident in a *Hardware and Allied Trader* editorial of September 1966 p 1. Furthermore, the interview with Liam Haines supports this shift. He regards the 1960s a key period for this transition
- ⁷⁵ 1966 report on distribution by the National Industrial Economic Council (NIEC)
- ⁷⁶ While this practice initially emerged in Britain the first Irish firm to do so, Irish Hardware Products Ltd had commenced operations by the mid-1960s
- ⁷⁷ National Industrial Economic Council Report on Change in Distribution. The Stationery Office Dublin 1968
- ⁷⁸ During the 1960s *Hardware and Allied Trader* reported a number of cases of such activity. This one was reported in the May 1964 edition
- ⁷⁹ Both Oliver Hilliard and Charles Wilson noted the involvement of their firms in sourcing products from Asia during the 1960s
- ⁸⁰ Extracted from the Census of Distribution 1956, 1971, 1977 Stationery Office Dublin
- ⁸¹ Taken from an article examining changes in distribution in *Hardware and Allied Trader*, July 1968 p 13
- ⁸² Reported in *Hardware and Allied Trader* in September 1960. The historic background comes from a profile of the company contained in a supplement carried in the January 1977 edition
- ⁸³ Based on an Irish Productivity Centre inter firm comparison survey published in *Hardware and Allied Trader* in September, 1976, p 2c
- ⁸⁴ During the 1960s *Hardware and Allied Trader* carried various reports on traders modernising their retailing operations. An example of this can be found in the report on Buckleys of Cork in the September 1968 edition
- ⁸⁵ Extracted from the Census of Distribution 1966, 1971, 1977 Stationery Office Dublin
- ⁸⁶ From the interview with Oliver Hilliard who was a director of Rutledge and Thompson at that time
- ⁸⁷ A profile of Dwyers in the September 1967 edition of *Hardware and Allied Trader* proclaimed the hardware division as the group's most successful division at the time
- ⁸⁸ *Hardware and Allied Trader* September, 1967
- ⁸⁹ The P. E. O'Brien figures were supplied by Gus Mullarkey, a former director of the company while the Coopers growth was obtained from a July 1971 company profile in *Hardware and Allied Trader*
- ⁹⁰ *Hardware and Allied Trader* January 1963 p 1
- ⁹¹ *Hardware and Allied Trader* March 1977
- ⁹² Interview with Jim Kennedy
- ⁹³ Interviews with both representatives of industry firms and IHA secretary general, Jim Goulding
- ⁹⁴ Extracted from the Census of Distribution 1977, 1988 and the Annual Services Inquiry 1997 Stationery Office Dublin
- ⁹⁵ Big D was a partnership between Dockrells (75%) and B&Q (25%)

⁹⁶ Richard Hewitt of Heitons identified Michael Chadwick's willingness to live with poor returns a major factor in Woodies eventual success. Michael Chadwick during interview attributed the slow start up to the fact that the market was not sufficiently developed for the concept at the time of launch.

⁹⁷ Interview with Ray Colman of Woodies.

⁹⁸ These figures were assembled from interview material acquired from Ray Colman of Woodies and Jim Kennedy of Killiney DIY.

⁹⁹ Feature in Irish Hardware, October 1995.

¹⁰⁰ In an interview conducted for earlier research in 1991 Michael Chadwick attributed the lack of success in galvanising group members behind a symbol group at the time to the lack of a national threat to their business. Liam Haines, when interviewed, put the problem down to a fierce independence on the part of hardware retailers in their relationship with the wholesaling sector coupled with a lack of loyalty.

¹⁰¹ Extracted from the Census of Distribution 1977, 1988 and the Annual Services Inquiry 1993. Stationery Office Dublin.

¹⁰² The formation of BW is recorded in Irish Hardware, July 1992. The events leading up to and subsequent to its founding were revealed by a number of interviewees.

¹⁰³ The author was hired as chief executive of Corrys after its acquisition in 1988. The quote is from a personal conversation between the late Peter O'Brien and the author after he joined the group.

¹⁰⁴ The author was a senior executive with the group for eight years between 1988 and 1995. The views of Peter O'Brien are recounted from conversations held before his death in the early 1990s.

¹⁰⁵ See Quinn, J. (1992) *The Irish Hardware Industry: Wholesaling Strategies in a Changing Environment*. Unpublished MBA dissertation, Henley Management College. Interviews conducted in 1991 with each party revealing differing stories. Bruce Carswell the Musgrave director responsible for the venture laid the blame on a lack of discipline and commitment on the part of retailers. The retailers, however, felt that Musgraves wanted too much control and also practised bad faith through trying to attract grocery customers into the hardware business.

¹⁰⁶ The decline of the cash and carry was discussed with Jim Kennedy during interview.

¹⁰⁷ Irish Hardware Journal, April 1997.

CHAPTER SEVEN: THEMATIC ANALYSIS OF THE CASE STUDIES

1. INTRODUCTION

In this chapter the empirical data are analysed thematically using the conceptual framework presented in chapter 2. Nine main empirical drivers of change are identified and examined (see figure 7.1), and the patterns of process are described and compared. The main implications for the literature will be drawn in the final chapter.

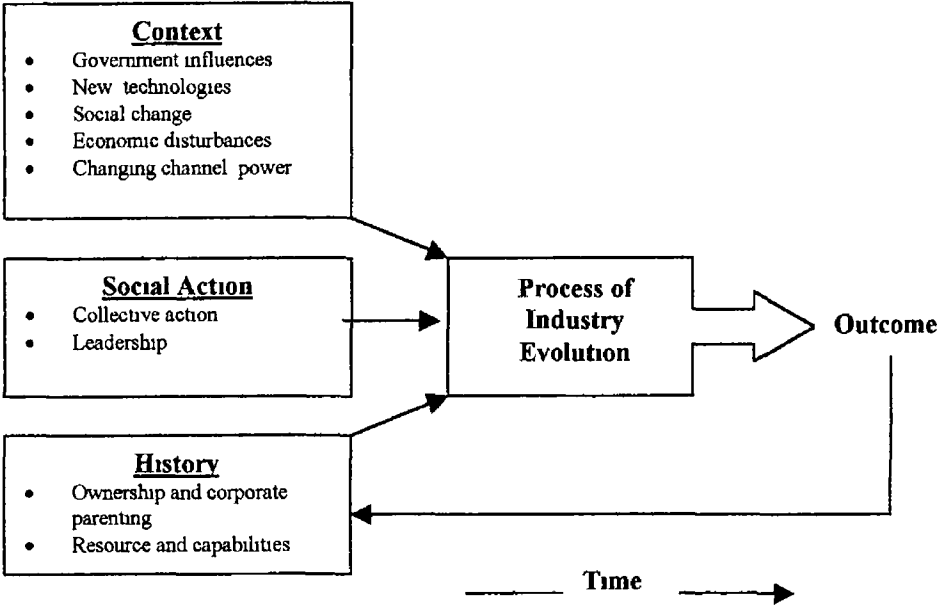


Figure 7.1 Analytical Framework for the Thematic Analysis

2. THE DRIVERS OF CHANGE IN INDUSTRY EVOLUTION

The empirical change drivers are identified and examined under the headings of context, social action and history and related to the more formal theoretical motors highlighted in the literature review.

2.1 The External Context

Comparative analysis of the case data highlights the significant role played by the external context in all three sectors studied. The analysis identifies five main

contextual drivers of industry evolution and shows how their influence changes over time

2 1.1 The Influence of Government

One of the strongest drivers to emerge is government, which can be seen to precipitate changes in structural variables such as entry and exit, expansion and contraction, levels of industry concentration and relationships with buyers and suppliers

The cases reveal several dimensions to government's role as a change driver. Political ideology is seen to shape overall industrial policy, leading to variations over time in government attitudes towards particular industries. Government influence may be exerted directly through legislation or indirectly through state agencies. Alternatively, industries can at times frustrate and alter government policy, demonstrating a two-way relationship.

The Basis of Government Policy

The data indicate how changes in political ideology, though infrequent, can have wide ranging consequences that may vary across industries. The main changes in this study were linked to particular eras and transcended governments of differing political hues. At times more pragmatic considerations tend to hold sway, as governments try to reconcile the needs of disparate political constituencies in ways contrary to their stated ideology.

Political Ideology and Industry Change

During the first decade after independence, industrial policy was largely laissez-faire. However, this changed to protectionism in 1932 and changed again to free trade in the late 1950s. Each policy shift had major implications for the industries studied.

The Protectionist Era and Industry Change

After 1932, the first Fianna Fail government pursued a more radical approach towards economic development and relationships with Britain. Unrestricted importing of British goods was blamed for Ireland's industrial failure, and protectionism was deemed essential for industrial development and job creation. Protectionism also reinforced Valera's vision of a self-sufficient, rural Irish society that was Gaelic and Catholic in ethos. The economic war bolstered this philosophy, which ultimately penetrated the political psyche of successive governments up to the late 1950s.

An array of policy instruments and agencies were developed to implement protectionism. Tariffs were used to protect indigenous manufacturing from foreign competition, and the Control of Manufacturers Acts (1932-4) and the Cement Act (1936) limited foreign ownership and control. However, it was clear that by the late 1930s the anticipated economic benefits were not forthcoming. Self-sufficiency had become more ideological than practical, and was generating an anti-competitive mindset. This is evident in the need for a Control of Prices Act in 1937 and in the growing number of firms participating in trade organisations.

The Effects of Protectionism on the Industries Studied

Government envisaged new manufacturing industries flourishing in a captive market. However, the effects on areas like distribution and services were not considered, and protectionism also affected these industries, in significant, but unintended ways.

The consequences of protectionism varied across the industries studied with the impact on builders' merchanting and hardware wholesaling being more significant than on grocery wholesaling. Yet, even grocery wholesalers sought to create strong, restrictive, trade associations to further their interests. Under protectionism, a significant number of protected manufacturers were established in building and hardware products. The impact on builders' merchanting was mixed. For example, native manufacturing had adverse consequences for merchants with import agencies. Furthermore, the Cement Act forced Chadwicks to diversify into manufacturing concrete products and more generalised builders' merchanting. The revival of

plasterboard manufacturing altered the distribution route, with adverse effects for 'A' category merchants. Conversely, the constrained trading environment allowed IBPA members to increase their control over key products. Hardware wholesaling was, by far, the hardest hit, as imported products became uncompetitive and direct supply by local manufacturers expanded. Over 1951-1966, the number of firms fell by 40% and the overall sector declined.

Export-oriented Free Trade and Industry Change

In the late 1940s, the political establishment became divided over the direction of economic policy. While Lemass began arguing for a government-driven expansionary free trade alternative, for almost a decade this view was successfully resisted. He had set out to reform industrial performance during the late 1940s, but momentum slipped when Fianna Fail lost power in 1948. On returning to office, Lemass resumed his attack on inefficiency through the Restrictive Trade Practices Act (1953) and the Fair Trade Commission (FTC), which proved instrumental in driving change in all three industries studied.

When Fianna Fail regained power again in 1957, official policy changed. Lemass then became instrumental in launching the First Programme of Economic Expansion and driving the agenda for free trade and Common Market membership. From the late 1950s the primary thrust of government policy was to create a more open, export-orientated and competitive environment. While international trade liberalisation ensured that exporters remained efficient, the FTC and later the Competition Authority ensured domestic competitiveness.

The Effects of Free Trade Policy on the Industries Studied

The period 1953-1965 was pivotal for all three industries. Inefficiency and restrictive practices took centre stage and the FTC was mandated to eliminate them. Its first report heavily criticised the stance of trade associations towards price competition, and ministerial orders served to emasculate many of them by ending resale price maintenance and supply restrictions.

The IBPA was identified as the main vehicle for restricting trade in builders' merchanting. Two ministerial orders aimed at freeing access to goods and generating price competition subsequently undermined the 'A' merchants' main source of competitive advantage. Over the next ten years, the dominance of the larger merchants declined while the total number of firms grew by 46%. The industry then went on to achieve levels of efficiency and competitiveness that removed it from further government attention.

The FTC investigations also affected a diverse range of hardware products. The elimination of resale price maintenance and supply barriers allowed larger retailers and co-ops to buy at best price from manufacturers. Inefficiency and more intense competition subsequently triggered the demise of many older wholesalers and facilitated their replacement by post-war entrants with superior cost structures and greater product focus. Free trade led to the demise of many protected manufacturers and a revival in international procurement by wholesalers. The number of wholesalers grew from 98 to 263 over the 1971-88 period and rising levels of efficiency and competitiveness ruled out further government attention.

In grocery wholesaling ministerial orders abolished resale price maintenance and ensured that best prices were available to multiple retailers and co-ops. By the early 1960s some well-known grocery wholesalers had ceased trading and others had begun converting to cash and carry and group trading. A process of industry concentration commenced through closures, mergers and collective agreements. By the mid-1960s the industry was forming into trading groups and new entries had ceased.

Competition between supermarkets and independent retailers acted as the main driver for cost reduction during the following two decades. However, unlike the other two industries, government continued to play an active role. From the 1970s onwards, grocery became the main focus for the FTC and its successors. A National Prices Commission (NPC) survey in 1973 highlighted how competition had narrowed the gap between the cheapest and dearest retailers considerably. Further investigations were carried out over the 1980s and 1990s, and the Competition Authority conducted a major review of the sector between 1998 and 2000.

Political Pragmatism and Industry Change

Political ideology and industrial policy were not the only dimensions of government influence. Government was also motivated by political pragmatism, reflecting the susceptibility of the political system to pressure from powerful interests.

In the post-war period, protectionism was sustained by practical politics as much as ideology. This was reflected in much of the opposition to industrial efficiency proposals in the 1940s, in tariff decisions relating to agricultural machinery, delph and earthenware during the 1950s, and in the use of Gaelic language labelling during the 1960s.

More recently, pragmatism has been evident in the success of the wholesaler-led IADT/RGDATA axis in securing a regulative framework for controlling the development of multiples. Successful lobbying has also ensured that successive governments of different political hues have continued to renew the 1987 grocery order. Regulative protection has proved critical for the wholesalers' recovery to a 50% market share.

Government Influence and Theoretical Motors of Industry Evolution

As the discussion above shows, government played a significant role in the evolution of all three industries. However, it is evident that the direction of government policy and its impact on the industries has not been uniform over the period studied. Since 1932 successive Irish governments have played a direct role in shaping industry behaviour. To relate the role of government to the more fundamental drivers of industry evolution highlighted in the theoretical literature, it is necessary to examine the motivation behind the different policy options adopted over time.

Through its protectionist policies, government disrupted the competitive process to reduce the country's dependence on outside resources and influences. Free trade was blamed for the lack of industrial development and as such the market was not seen as a suitable arbitrator. This attitude was evident again during the 1980s when regulation was used to defend the independent grocery sector from the threat posed by multiple

supermarkets. By intervening in the market the government reduced the consumer's dependence on multiples and in the process increased the relative or differential power of the wholesalers.

Protectionism proved to be largely dysfunctional, promoting an anti-competitive ethos and leading to economic stagnation as firms colluded to negotiate terms, set prices and entry requirements, and determine supply and demand. Considerable energy was expended in building the institutional power of industry groupings across the three sectors at the expense of efficiency. Similar behaviour has been evident in grocery wholesaling since the late 1970s. The desire to acquire and maintain protective measures has encouraged a considerable amount of power-building on the part of IADT/RGDATA in efforts to maintain member compliance. When it abandoned protectionism, government confronted the institutionalised lack of competitiveness by actively promoting efficiency. Through legislation and regulatory agencies, it forced the industries studied to change their behaviour. Over time, this new competitive ethos became institutionalised, and the hands-off approach by government to builders' merchanting and hardware wholesaling over the last 30 years is indicative of the alignment of these sectors with free trade principles.

In addition, the part played by the leadership of Sean Lemass warrants special consideration. Lemass occupied centre stage for over 30 years, during which time he played a major role in shaping Ireland's industrial policy. He was central to the development and implementation of both the protectionist and export-led policies, and acted as a pragmatic counterfoil to de Valera's romantic idealism. Lemass's own drive to transform the country adds a personal dimension to government as a driver of industry evolution. His reputation and vision were crucial in generating momentum for more expansionist policies and freer trade in the post-war era. Over 1945-54, he pursued a change agenda in the face of reactionary forces within cabinet. His readiness to abandon the protectionist doctrine when it was no longer seen to be delivering, and to tackle the problem of restrictive practices ahead of formal abandonment, were key in building momentum for policy change and had significant impact on the three industries studied.

2 1 2 The Influence of New Technologies

The case narratives reveal how technology also acted as a driver and enabler of industry change. For the most part, new technologies were transferred from the USA and Europe. Some of the impetus for technology driven change also originated in upstream and downstream industries. The data show how the impact of technology differed across the industries studied.

Organisational Technologies

The Impact of Downstream Technological Change

The emergence of cut-price grocery retailing during the 1950s triggered serious price competition nationally, putting pressure on existing channel cost structures and generating a need for new low-cost service technologies. Between 1950 and 1966, a change took place starting with the move from credit to cut-price cash sales and ending with the emergence of large-scale supermarkets in out-of-town shopping centres. This shift altered the economics of channel relationships and precipitated structural change throughout the sector, leading to a shift away from full-service wholesaling to the cash and carry and symbol group formats. In hardware and builders' merchanting, the new formats had more limited impact.

The Impact of New Wholesaling Technologies

The first major impact on grocery wholesaling came in the mid-1950s when retailers set up the co-ops, ADM and MNC. Alongside self-service, they provided a format more suited to cut-price retailing. The initial response of the main wholesalers was to form EDL, but Musgraves' adoption of cash and carry and group trading triggered a general move towards new wholesaling technologies.

Cash and carry supported the price-conscious independent retailer, and by the 1970s it was the norm for non-symbol group wholesaling. In contrast, group trading improved the independent grocer's marketing capability but tied him exclusively to one wholesaler. Its ultimate success allowed the franchise wholesaler to exert greater

control over the largest independent grocers Musgraves' success in extending group trading to trolley shopping reversed the decline of grocery wholesaling during the 1980s

From the early 1960s the grocery sector became a benchmark for some within the hardware sector and self-service spread gradually to hardware retailing. However, the supermarket format only took hold through the DIY superstore in the 1980s, and then just in urban centres. Cash and carry arrived in the hardware sector during the 1960s and was reinforced by Musgraves in the 1970s. However, its impact faded due to poor liquidity. Group trading also failed to take hold, with Henshaw's attempt having disastrous consequences while those of Dwyer's and Corry's met with little success. Musgraves' failure with ACE Hardware is the most indicative of industry variations, given their success in the grocery sector. Explanations for these failures centre on cultural differences between hardware and grocery retailing, the lack of a critical threat from multiples and lower purchase frequency.

During the 1970s and 1980s builders' merchanting adopted a degree of self-service but its impact was constrained by the nature of the product offering. The formation of the merchant buying groups prompted the 'A' merchants to abandon two-tier wholesaling and establish national branch networks. However, the groups themselves had limited success due to insufficient cohesion. Overall, the strong sense of independence characteristic of their sector cultures inhibited co-operation in hardware and builders' merchanting.

Physical Technologies

New organisational technologies were facilitated by changes in product characteristics, logistics, communications and information management. Product packaging hastened the adoption of self-service in all three industries, particularly grocery. Branded products were easier to ship, but required greater merchandising, leading manufacturers to focus on retailers and consumers. In hardware wholesaling, branding de-skilled the selling process and diluted profitability due to lower margins and higher stocking requirements. New product developments also brought changes in sector portfolios and boundaries. The upsurge in processed foods expanded the

grocery offering 10-20 fold. The development of frozen and chilled foods extended its remit into dairy products, vegetables, fruits and meats. In contrast, hardware wholesaling lost many traditional lines as product automation escalated and items requiring high technical support broke away into specialised categories. Similarly, the introduction of liquid cement and prefabricated products caused merchants to lose significant elements of their business.

In grocery wholesaling, new handling and storage technologies facilitated the adoption of cash and carry and symbol group formats. Likewise, refrigeration generated new scale economies in the distribution of chilled, frozen and fresh foods. In builders' merchanting and hardware, new materials handling and storage technologies heralded a cost-reduction wave during the 1970s. Improvements in transportation capabilities facilitated the development of national branch networks, and altered the economics of importing in favour of the smaller merchant in some major categories like timber.

The application of information technology (IT) altered work practices in all three industries. IT investment in builders' merchanting during 1980s yielded substantial reductions in labour costs while at the same time improving both the ordering process and the management of an enlarged product offering, while computerisation in hardware wholesaling had more conventional uses in terms of management information systems, inventory management and accounts handling. In the grocery sector, IT initiatives improved stock management, purchasing and market intelligence gathering. Central billing allowed wholesalers to exercise greater control over the relationships between symbol retailers and manufacturers, and shifted the power balance with manufacturers in their favour.

Technological Influences and Theoretical Motors of Industry Evolution

In sum, technology played a significant role in the evolution of the three industries studied. While the evidence suggests that the benefit sought was usually increased efficiency, technology also changed the power relationships among channel members. The effects were not uniform across the three industries. In particular, the failure of

new trading formats to take hold in the hardware case is an illustration of multiple motors of change at work and not always in the same direction

The new organisational and physical technologies produced greater efficiency. The arrival of supermarkets put pressure on the wholesalers to eliminate costs through the formation of buying co-ops, the cash and carry format and group trading. Savings accrued through increased purchasing, operational and marketing scale or through the elimination of labour costs. Likewise, technological developments relating to product, logistics, and information eliminated significant labour costs.

In the grocery sector technological change increased the wholesalers' differential power and control over key resources. The application of group trading reduced the autonomy of independent retailers, with the significant ones becoming tied to wholesaler-led symbol groups. Information technology facilitated central billing, which produced greater control over the negotiation and billing aspects of directly supplied products. The centralised distribution of chilled, fresh and frozen foods undermined manufacturers' distribution systems and reduced their power.

There is also evidence of the institutionalisation of new technologies. In grocery wholesaling, cash and carry and symbol groups quickly became the dominant service technologies and were widely imitated once shown to work. The same is true in builders' merchanting with the copying of merchant co-ops and national branch networks. Normative differences across the industries were seen to circumscribe technological change. While the grocery sector embraced wholesaler-led group trading, the hardware sector resisted it. Sector-wide resistance to the financial disciplines required and to ceding control over areas like purchasing and marketing explain the limited success of the merchant-led group format in both hardware and builders' merchanting.

2.1.3 The Impact of Social Change

The broader changes that took place in Irish society in the post-war years altered the industries studied. The most significant were population movements and lifestyle changes that affected the patterns of demand.

The Impact of Population Shifts

Changes in population level and distribution had a significant impact on the industries studied. The 5% decline in population up to 1961 along with the 28% increase since then was important. Furthermore, growing urbanisation supported the scale economies of the supermarket revolution. Migration to suburban estates generated new competition from new shops and van sales. In the grocery sector, in particular, this contributed to growing price competition during the 1950s. Builders' merchanting was also affected by population shifts. The construction of over 130,000 houses together with supporting infrastructure in the Dublin area alone between 1946 and 1985 encouraged new entrants, and created pressures for structural change. Sustained economic growth since the mid-1990s, and rising immigration, escalated demand for housing, and saw population expansion replace government intervention as the key driver of growth in the housing market.

The Impact of Changing Lifestyles

Increased car and appliance ownership changed shopping patterns significantly. Escalating car ownership was a key factor in the growth of suburban shopping centres and more recently has encouraged forecourt retailing, a trend favouring the wholesaler symbol format. Greater appliance ownership increased volume purchase and the trend towards processed foods, as weekly shopping became the dominant pattern in grocery during the 1960s.

Growing numbers of married women in the workforce and young singles forming households have increased convenience purchases and eating out over the last decade. This has favoured convenience retailers and the wholesale suppliers. However, the convenience lifestyle has also generated greater demand for pre-prepared and hot foods, loosening wholesaler control over symbol franchisees. Rapid growth in catering sales has also been driven by changing lifestyles, and supplying this trade has become critical to the survival of the smaller wholesalers. Escalating theft has led to the expansion of wholesaling in the drinks sector and forced cigarette manufacturers to adjust their policies to favour wholesaler distribution.

Lifestyle changes account for increased spending on home improvement and gardening. The ensuing concentration of buying power through DIY superstores and specialist retailers is shifting purchases towards direct supply and increasing demand for pre-packed products. These trends have favoured the emergence of specialist wholesaling in the hardware sector, focused on areas like gardening, timber products, tiling etc.

Social Change and Theoretical Motors of Industry Evolution

The analysis above highlights the importance of societal change in driving industry evolution. The primary impact is seen in the alteration of demand patterns in ways that favour or threaten the economics of wholesaling over time. In the grocery sector, the first major wave of demographic and life-style changes in the 1960s helped to create new economies of scale and scope in retailing, favouring the emergence of the supermarket multiples and the trend towards direct supply. The general increase in price and cost pressure worked against the independents in retailing and wholesaling, reducing their overall market share. In hardware, the growth in demand for DIY products has favoured the emergence of large scale retailing and promoted greater efficiency at wholesale level. In builders' merchanting, population shifts greatly increased demand and generated an influx of new entrants, with price competition adding to pressure for greater efficiency. A more recent wave of demographic and lifestyle changes since the 1980s have been favourable to wholesaling, as time has become the scarce commodity for dual-career and single house-holders, and convenience rather than price the major factor shaping demand.

2.1.4 The Influence of Economic Disturbances

Economic disturbances played a significant part in driving industry evolution. Shocks and cycles are particularly important, but the effects have varied across the sectors, with grocery wholesaling being the least susceptible.

Economic Shocks

Over the period studied, three economic shocks greatly affected the evolution of the three sectors, the Second World War and the two oil crises. War improved the position of wholesalers generally, particularly the larger ones with superior product access. In some instances, supply disruptions upset industry hierarchies, as when Musgraves used superior tea stocks to improve its position in Munster. War accelerated the development of new production and technological capacities, while generating considerable pent-up demand. The combination had dramatic effects in the post-war years. A raft of new convenience foods appeared in grocery, while the rapid expansion of new product agencies encouraged new entrants in hardware.

The effects of the two oil crises were more selective. The impact of the first crisis was limited in both grocery and hardware wholesaling. However, in builders' merchanting, it altered the industry hierarchy, leading to significant rationalisation. The collapse of construction activity and timber prices left importers with large overvalued stocks and severe cash flow problems. Heitons used its revenue from coal to cushion it, but Brooks Thomas was permanently damaged, as was Dockrells. In contrast, Chadwicks and Buckleys lack of exposure led to them improving their positions. A government demand stimulus was stopped in its tracks by the second oil shock in 1979. The resulting downturn saw building activity decline by 50% in the period 1980-1985 leading to severe rationalisation. Hardware wholesaling also entered a prolonged period of retrenchment, characterised by significant exits, particularly among the older firms.

Economic Cycles

The sectors have differed in their relative sensitivities to economic cycles with grocery revealing very little. In contrast, builders' merchanting has been very cyclical. Post-war boom was followed by downturn in the mid-1950s. This was followed by expansion in the early 1960s, and decline later in the decade as a credit squeeze took hold. The two oil crises also precipitated downturns while the most recent boom has been sustained for over five years. Boom times have typically drawn in new entrants, while downturns have seen acquisitions and closures. For example, during late 1960s

T & C Martin closed, while Heitons and Brooks Thomas made acquisitions. The recessions of the 1970s and 1980s saw Dockrells close and Heitons acquire F & T Buckley.

Hardware was more sensitive than grocery and less so than builders' merchanting, reflecting the spread of its activities across a wide range of categories. The demand for builders' hardware responds to the cyclical nature of building activity while the agricultural cycle was of greater significance to rural merchants. For example, the collapse of agriculture during the 1930s had a much greater effect on the hardware sector than on either grocery or builders' merchanting. In contrast, the prolonged prosperity enjoyed by agriculture following EEC entry in 1972 helped to cushion those hardware wholesalers most aligned with the needs of the farming community through the general economic downturns of the 1970s and 1980s.

Economic Disturbances and Theoretical Motors of Industry Evolution

It is clear that economic disturbances have played an important role in driving change, particularly in builders' merchanting and hardware wholesaling. However, the changes involved did not just promote greater efficiency, but also had implications for differential power. Economic disturbance from the oil shocks pushed these sectors towards greater rationalisation, while economic cycles prompted entries during upturns, and exits and consolidations during downturns. They also had enduring effects on sector power balance. For example, the disruption of normal market activity by the war enhanced the power of wholesalers like Musgraves with superior access to scarce goods. Similarly the timber problems precipitated by the first oil crisis altered the relative power positions within builders' merchanting, which favoured Chadwicks and Buckleys at the expense of Heitons and Brooks Thomas.

2.1.5 The Influence of Changing Channel Power

The actions of suppliers and customers and the emergence of new distribution channels were also important influences on the evolutions of the industries studied.

The Impact of Buyers and Suppliers

Efforts made by buyers and suppliers to absorb wholesaling activities played a significant part in instigating change, though the desire and capacity to bypass the wholesaler varied among channel members.

Buyer-Induced Change

When grocery retailers formed the buying co-ops ADM and MNC during the 1950s, the wholesalers responded by forming EDL, cash and carries and symbol groups. Likewise, the founding of the first buying co-op by category 'B' builders' merchants in 1965 prompted the large Dublin 'A' merchants to forward integrate into supplying builders directly on a national basis.

Manufacturer-Induced Change

When food manufacturers tried to increase direct supply and trim channel discounts during the 1950s, this impacted on wholesale costs and margins, driving change within the sector. Later, in the 1960s and 1970s, when manufacturers supported supermarket multiples with better trading terms, it led to a decline in wholesaling during the period. In hardware, the decline in wholesaling over the fifties and sixties can be partly attributed to the switching of major product categories to direct supply at that time. In builders' merchanting major product categories such as liquid cement, and prefabricated products also moved to direct supply and some specialist manufacturers initiated on-site van sales. However, in hardware wholesaling the effects have been less threatening due to lower levels of retail concentration and fewer dominant manufacturer brands.

The Emergence of New Channels

The emergence of new channels also had a significant impact. For example, in the post-war period the formation of farmer-owned co-ops disrupted existing trading patterns in all three industries and was one of the main developments prompting the

FTC decision to end resale price maintenance The subsequent expansion of this channel severely constrained the opportunities for wholesaling in many rural areas

Channel migration has had a particularly marked effect on the hardware sector For example, in the post-war years, new channels opened up for farm machinery and transportation leading to separation from hardware In addition, the growing involvement of the ESB, department stores and discount specialists greatly reduced the role of the traditional hardware sector in electrical products Furthermore, grocery outlets became dominant in kitchenware and other categories Such developments have had major implications for the hardware sector, prompting the growth of specialist wholesaling and the demise of some traditional full-line players like J C Parkes

In the grocery sector, supermarket multiples have grown to be the leading distribution channel Inter-channel competition between multiples and independent retailers has become a key determinant of events in wholesaling, driving out many small grocers and reducing wholesaler market share

Changing Channel Power and Theoretical Motors of Industry Evolution

It is clear that channel changes had a major influence on the evolutions of the three sectors, but they were not always prompted by efficiency considerations

Developments such as the formation of buying co-ops by grocery retailers and builders' merchants, and the direct supply of structural building products, were clearly pursued to increase efficiency Likewise, the search for lower costs prompted the emergence of many new channels The formation of farmers' co-ops intensified price competition and helped end resale price maintenance, and the emergence of multiple supermarkets generated new economies of scale and scope, releasing a dynamic that helped drive costs out of grocery wholesaling In hardware, the emergence of new channels for electrical, mechanical and domestic products also came about, at least in part, from the search for greater economies, and the entry of department stores and supermarkets into new hardware lines intensified competition and helped lower costs and prices

However, in many instances, differential power also comes to the fore. For example, in the grocery sector, up to the emergence of the supermarket multiple in the 1960s, wholesalers controlled the manufacturer's relationship with the retailer. The partisan behaviour of manufacturers during the 1960s and 1970s seems to have had more to do with increasing their channel power through strengthening their relationship with the multiples than with efficiency. Normative influences on channel relationships are also evident in the way that many new behaviour patterns quickly became institutionalised, amplifying their effects. For example, in the grocery sector, the early moves by the confectionery manufacturer's association to alter discounts were quickly followed by similar efforts on the part of canners and jam manufacturers. A further example is the rapid diffusion of group buying nationally, following the formation of ADM by Dublin grocery retailers. A similar pattern was evident in the builders' merchanting sector.

2.2 SOCIAL ACTION

The previous section reveals how key elements of industry context played a major part in initiating and directing change. However, the cases also show how social actors and agencies were influential in shaping the process of industry evolution. This influence took two main forms, collective action and leadership.

2.2.1 The Impact of Collective Action

Collective action in the industries studied was mobilised primarily through trade associations and trading cooperatives.

Trade Associations

The data highlight the influence of trade associations on the evolution of all three sectors, with the most pronounced impact on grocery wholesaling. Grocery has had two major periods of trade association influence, between 1937 and 1964 and from 1979 to the present. In the 1930s, AWGID and WGAI were founded to counteract collective action by manufacturers. They had three main objectives: to improve supply terms, regulate member behaviour and make representation to

government. They also used membership criteria to demarcate industry boundaries and combat dual trading. Tensions over dual trading eventually led to the demise of WGAI.

Throughout the 1930s and 1940s the focus was on controlling prices and improving margins through an industry price list and centralised bargaining with manufacturers. The price list was eventually abandoned in the post-war period under pressure from members faced with price competition. Subsequently, control over the membership weakened and price-cutting escalated. Manufacturers and traditional retailers pressed the associations to curb such behaviour, and while AWGID was successful, WGAI failed due to more fractious membership and was disbanded.

The formation of IWGA in 1956 re-established some discipline. However, the exclusion of smaller wholesalers and retailer/wholesalers meant that it could not act for the entire industry. IWGA focused initially on convincing the FTC to retain resale price maintenance and on pressing manufacturers to implement a strictly functional discount structure. For two years a united front prevailed. However, once resale price maintenance was abolished the focus shifted towards survival in a world where volume rather than function determined the best buying price. The need to increase buying power prompted the formation of EDL, causing the demise of IWGA. EDL ultimately proved ineffectual as the disparity in size, resources and ambition among the members proved irreconcilable. The more progressive members broke away to pursue their own separate interests.

IADT was formed in 1979 to counter the perceived bias of manufacturers. The successful boycott of the Willwood Group by an *ad hoc* alliance of wholesalers proved that collective action could yield results. Like its predecessors, IADT set out to extract better terms from manufacturers and engage in political lobbying. This time the smaller, more comprehensive membership produced a higher level of cohesion. IADT became the largest buying block in the sector and by 1980 it had extracted better terms from leading suppliers.

It also devoted considerable time to political lobbying and publicity. A critical factor was the co-option of the retailer association RGDATA, making Ireland unique in

uniting wholesaler and retailer interests. The joint association successfully focused attention on the social impact of large scale shopping and the threat to local grocery stores. Aggressive lobbying, particularly by rural retailers, secured the passage of legislation that curtailed the scale of future supermarket development, and banned below-cost selling, price fixing and 'hello money'. Further lobbying beyond 1987 secured the legislation to permanently limit the size of grocery supermarkets and defended the Grocery Order against numerous attacks. In sum, the actions of the IADT/RGDATA alliance proved critical for the industry's recovery and the growth of Musgraves and SPAR to a scale rivalling the multiples.

In builders' merchanting, from the 1930s through the 1950s, the IBPA and its predecessor established a clear boundary between 'legitimate' builders' merchants and other traders. They controlled the pricing of key building products and regulated the competitive tendering process. Furthermore, association membership and acceptance of its trading conditions were essential for supply. In contrast to grocery, they were able to enforce price control and this was seen as a legitimate trading practice by the IBPA leadership. The FTC review found considerable evidence of systematic restrictive practices, and on its recommendations resale price maintenance, restrictions on entry and the operation of approved lists were all ended by Ministerial order. The demise of the IBPA undermined the position of the 'A' merchants, and ended the 'A' and 'B' merchant industry structure.

While hardware wholesaling never had dedicated trade associations, leading firms such as J. C. Parkes and Thomas Henshaws formed part of the IBPA framework, benefiting during its heyday and suffering from its demise. From the 1960s, wholesalers became an important constituency within the Irish Hardware Association (IHA), providing half of its presidents. During the 1950s this association had fought to retain resale price maintenance while championing an end to restrictive practices. It also focused attention on education and training as a means of improving skills throughout the trade. The Association also provided the impetus for the formation of the first major independent buying co-op, National Hardware in 1965.

The Association has engaged in political lobbying and provided a forum for dispute resolution. However, it has not matched the success of the grocery association because

of its more diverse membership and product range, relative lack of financial resources and lower strategic and political importance at national level

Trade Associations and Theoretical Motors of Industry Evolution

Trade associations clearly played a major role in industry evolution across the three sectors. Efficiency considerations were rarely to the fore. Rather, they operated primarily as forces for stability, directly and indirectly seeking to establish and uphold industry norms and have the competitive environment regulated in their sector's favour. This can be seen in the efforts of the earliest builders' merchanting and grocery wholesaling associations to promote uniformity in margins and prices. It is also evident in efforts over the time to define 'legitimate' industry participation and acceptable trading practices. Examples include the use of membership by IBPA to regulate supply and AWGID to eliminate dual trading, IADT's rigid enforcement of its rules to restore wholesaler margin and the efforts by IWGA, IBPA and IHA to preserve resale price maintenance. Even relatively weak associations such as the IHA can be seen to have used normative pressures to regulate conflict between member groupings and vocational training to ensure uniformity in skills.

Differential power was also in evidence as a motive force. The associations demonstrated a strong drive to enhance channel power. This can be seen in the efforts by grocery wholesaling associations over time to force more concessions from manufacturers and prevent them from conceding better terms to co-ops and multiples. It can also be seen in the efforts of the IADT/RGDATA alliance to alter the public perception of the multiples from consumer champions to social pariahs. All of the sectors engaged in political lobbying to secure differential advantage. Grocery has been most effective, even to the point of being able to frustrate the efforts of the State's own competition authority to rescind the Grocery Order. Differential power was also sought within some sectors. A good example was the effort made in builders' merchanting by the IBPA to preserve the 'A' merchant franchise and prevent key manufacturers from supplying the smaller 'B' merchants directly.

Co-operative Trading

Co-operative trading was also a major force for change, particularly in grocery and builders' merchanting. The first significant moves in grocery were the establishment of ADM and MNC in the 1950s, which had profound implications for the wholesaling sector. The larger IWGA wholesalers responded in 1960 by forming EDL to enhance their purchasing power, which in turn prompted a group of smaller wholesalers to form the NWGA. Co-operative action also facilitated the formation of wholesaler-led symbol groups such as VG, SPAR and MACE later in the 1960s. Co-operative trading was also significant in builders' merchanting, where the formation of three buying groups over the 1965-1974 period precipitated the collapse of two-tier wholesaling and inhibited further industry concentration. While wholesale co-ops were never a major feature in hardware wholesaling, the three builders' merchanting groups expanded their activities into general hardware and intensified price pressure in that sector.

Co-operative groupings have by and large been transient, yet influential at key stages in the structural evolution of the grocery and builders' merchanting sectors. The more successful of them tended to evolve into consolidated organisations, as happened with VG and SPAR, for example, while those that did not consolidate, such as MNC, ADM and AND, were not as effective and many of them eventually disintegrated.

Trading Groups and Theoretical Motors of Industry Evolution

The formation of trading groups had the primary effect of lowering costs by allowing the participants to achieve economies of scale and scope that would otherwise not be available. As such they promoted greater sector efficiency. However, grouping for greater scale also served to increase differential power within the sector and with upstream and downstream sectors, and many of the benefits secured by such groupings flowed from appropriating value as much as creating it.

2.2.2 The Influence of Leadership

The case material reveals that leadership by firms and individuals was a significant influence and that it took two principal forms. Industry entrepreneurship was leadership that served as an exemplar for others to follow, while industry statesmanship was leadership that mobilised concerted action in pursuit of common interest.

Industry Entrepreneurship

All of the cases demonstrate how individuals and their firms served as exemplars for others, raising horizons throughout their sector and setting new performance standards primarily through innovation and entrepreneurship. The cases also show how firms came to lose their influence when they ceased to be enterprising and looked to size and position to sustain industry prominence.

The influence of industry entrepreneurship is most evident in the grocery sector. The change in leadership over the 1950s and 1960s demonstrates how the role of industry exemplar is lost and gained. For a considerable time prior to its demise, the firm of Hugh Moore and Alexander maintained its prominence on the basis of size and historic position, and channelled its efforts into preserving the old order. With the onset of new uncertainties, its influence dissipated rapidly when it proved unable to offer new solutions. By the early 1960s Musgraves and SPAR emerged to fill the leadership gap.

Musgraves' rise began in 1960 when it broke ranks with the IWGA to pioneer group trading and cash and carry wholesaling. By introducing these new formats, the firm attracted many of the more progressive independent retailers to its ambit. It helped to raise their aspirations through instilling the self-esteem and confidence needed to invest, and promoted greater commercial discipline through the influence that it exerted over them. During the 1970s, it further developed the symbol group format, through SuperValu, to a scale capable of competing with the supermarket multiples.

Musgraves' entrepreneurial leadership is derived from a visionary chief executive, a high quality management team and a capacity to innovate and take risks. Hugh Mackeown, is widely regarded as having been key to the success of the company and the well-being of the industry. He provided Musgraves with its sense of strategic direction and was looked to as industry visionary. His highly competitive nature and strong need to win for its own sake has driven him, not alone to business success, but also to a high level of attainment in sports. Without this aspect of his nature it is unlikely that the company would have succeeded. Mackeown's predecessor, Jack Musgrave, had already assembled the best management team in the industry and led the sector towards higher managerial standards. Under Mackeown, the company has continued to be foremost in leading change. He attributes this to an ambition to grow, lead and be the most successful. The firm has been more energetic than most in searching out new ideas in both Europe and the US and has invested more heavily than competitors in uncertain times.

SPAR-BWG was also to the fore in leading industry reorganisation. The SPAR franchise was secured through the formation of AWL and MUM, while national coverage was achieved through the co-option of partners in Limerick and Sligo. In 1968, the cash and carry operations of the constituent companies were pulled together under the Value Centre brand. Up to his retirement in 1984, David Tyndall played a pivotal role in the development of both the organisation and the industry. Although seen as more of an '*accountant*' than a '*visionary*', Tyndall possessed a strong will to succeed and an important ability to make acquisitions at favourable prices. It was his hunger for expansion that led to the creation of BWG Foods. By unilaterally backing AWL into BWG he left his SPAR partners with little option but to join him. Through a series of acquisitions and green field developments, Tyndall built a truly national organisation and a reputation as '*take-over Tyndall*'.

Under Denis Allman, the SPAR brand was revitalised and repositioned as a convenience store symbol, and the company brought the concept of convenience shopping to a new level. During the 1990s SPAR-BWG led the way in extending the symbol franchises of southern wholesalers to the whole island of Ireland and into a number of regions of England and Scotland. Musgraves followed with Super Valu in

N Ireland and Budgeons in Britain Between the two companies they have effectively reduced the likelihood of a UK assault on the Irish symbol group market

Similar to grocery wholesaling, the old leaders in builders' merchanting had come to rely on position and size to preserve the existing order With the advent of major change, firms like T & C Martin, Baxendales and Dockrells exited while the former market leader, Brooks Thomas, lost its pre-eminence Chadwicks and Heitons emerged to lead the modernisation of the industry through their early investments in branch networks, materials handling technologies and IT

Although the 1950s move to a lower cost site later prove to be inspired, the introduction of Marley as majority shareholder and its injection of capital provided the main impetus at Chadwicks Expansion came through pioneering the development of a national chain, a move that initiated a more general movement from regional to national coverage within the industry In addition, Finton Chadwick's early adoption of computerisation hastened similar developments throughout the industry During the 1980s the company was again to the fore in pursuing greater efficiencies through a significant restructuring of operations It also led the sector in diversifying into DIY retailing at home and expanding in Britain, moves that were followed by Heitons and other leading players

In the mid-1960s, Richard Hewat of Heitons was one of the first to foresee the opportunities presented by new technology, social change, economic development and shifting distribution patterns In response, he moved the company downstream to service builders and tradesmen directly through a national branch network and played a leading role in consolidating the industry During the 1960s, while many were pondering the industry's viability, Heitons' acquisition strategy made it a leading player Throughout the 1970s and 1980s, efficiency levels were transformed through relocating headquarters to a customised suburban site and successfully implementing major rationalisation programmes

During the 1980s investments in computerisation enabled Heitons to dramatically increase its product offering and put pressure on local independent merchants to change Investment during the lean periods was considerably helped by Richard

Hewat's astute disposal of old city centre properties. The acquisition of Buckleys in the early 1990s provided the widest market coverage in the industry and for a time a clear market lead. Heitons also diversified into DIY retailing and to the British market. The enterprising strategies of the two new leading companies have also served to deter new entrants. Their moves into DIY retailing discouraged major UK merchanting and DIY companies from entering the Irish market. Furthermore, Chadwicks' parent, the Grafton Group, through building an equity stake in Heitons, has further acted to protect the industry from foreign predators.

In hardware, Parkes and Henshaws occupied the leading positions up to the 1960s. By the 1950s, both had ceased to provide entrepreneurial leadership, relying for their position on size and historic pre-eminence. During the 1960s more enterprising players eventually swept them aside. However, in contrast to the other two sectors, hardware wholesaling became more specialised and fragmented, inhibiting the emergence of a dominant new leadership. Yet, even here, some of the more enterprising firms, like P. E. O'Brien Ltd (Stanley Tools) have led the way in specific product categories and aspects of service, setting new standards in the wholesaling and marketing of hand tools.

Entrepreneurial Leadership and Theoretical Motors of Industry Evolution

Clearly key individuals and firms act as drivers of change, though often in ways that are linked to both efficiency and power considerations. Entrepreneurial leadership was seen to promote greater efficiency, where firms such as Musgraves and SPAR in grocery, and Chadwicks and Heitons in builders' merchanting, led their industries in the introduction of technology and cost reduction. While less dramatic, the efficiency of hardware wholesaling has been advanced by individual firms that led the way in the adoption of new practices and technologies. Such leadership can also be seen to have had more normative influences, through the promotion of new standards in organisation and performance for others to follow. In grocery wholesaling, for example, this can be seen in the way that cash and carry and symbol group trading have been almost universally adopted. The growing professionalism of the more enterprising companies was also seen to stimulate improvements in overall quality and performance across the industries studied. Entrepreneurial leadership was also aimed

at protecting and controlling key resources. This is particularly so in grocery wholesaling where the move to symbol group trading was, in effect, a move to secure greater control over the customer base. It is also evident in hardware wholesaling, where product and marketing leadership accrued to firms successful in securing exclusive agency agreements.

However, efficiency and power (differential and normative) considerations were not the only ones in evidence. Entrepreneurial leaders are also seen to display motivations of a more aesthetic kind. For example, in the case of Hugh Mackeown of Musgraves, the desire to be different, to lead for its own sake and make a mark was integral to his make up. Not only did this help to instil a success-driven culture and the aspiration to be a world-class performer within his firm, but also to inspire competitors and other interests and build their faith in the industry and its future. Figures like David Tyndall, Finton Chadwick and Richard Hewat were seen to have had similar effects. This additional consideration highlights a major lacuna in current theory that will be taken up and examined in the final chapter.

Industry Statesmanship

The data also highlight a further type of leadership, industry statesmanship, where leading figures and their firms played key roles in mobilising collective action and maintaining industry order. Though industry statesmanship was evident at some time or other in all of the sectors, the most telling examples came from grocery wholesaling.

In the twenty years up to 1958, Reggie Knight of Hugh Moore and Alexander dominated grocery's main associations, AWGID and IWGA. Under his leadership, the wholesalers focused on building their channel power and later on preserving the old order. Knight was a commanding figure whose influence came from heading the industry's largest firm and from his high standing among manufacturers. He persisted in seeking accommodation with manufacturers long after the 'rules of the game' had changed. Furthermore, his belief in the value of existing channel structures convinced him that the FTC would support the wholesalers' position. Knight's standing ensured

that the balance of support remained with him, despite the efforts of other influential figures to promote change

David Tyndall presents a further example While President of the WGAI, he acted on his belief that members with mixed retail and wholesale businesses were damaging the industry His resolve to put the industry's house in order led him to precipitate the collapse of WGAI in 1955 and attract likeminded colleagues into the new IWGA He later led the breakaway from EDL, when its limitations became apparent

Industry statesmanship was also evident in the partnership of Michael Campbell and Hugh Mackeown during the late 1970s Campbell co-ordinated the successful boycott of the Willwood Group and subsequently championed the establishment of IADT It was their combined skill and political sensitivity that made the IADT/RGDATA merger work, creating an alliance of wholesalers and retailers that is without precedent in Europe Campbell credited Mackeown with holding the association together for over twenty years, and industry leaders have acknowledged him as '*pivotal to IADT's success*' Mackeown has been driven by a genuine desire for the industry's wellbeing and a determination (or '*cussedness*', to use his own phrase) not to see either his company or industry driven under Industry figures highlight the statesman-like side to Mackeown in his IADT role, where he is seen as being a cut above the rest, combining old world courtesy with an '*imperious air*', and as '*a shy man with steel in his back*' Association colleagues are impressed by his concern for the industry's future and see him as neutral

Campbell's role as a masterful political leader is also widely acknowledged As Director General of IADT/RGDATA he is seen to have brought a special drive to the job, coupled with a high level of organisational and interpersonal skills He is seen by politicians and journalists as '*a straight player*', and better than most at getting his industry's case heard

Industry Statesmanship and the Drivers of Industry Evolution

Industry statesmanship can be seen as largely grounded in individual qualities It was often seen to create the sector cohesion needed to enhance channel power and secure a

favourable legislative playing field. For example, in the grocery sector, during the 1940s and 1950s, Reggie Knight fulfilled this role by ensuring that collective power was directed at controlling a key external dependency, namely the relationship with manufacturers. Industry statesmanship was often seen to be at its most effective at times of significant threat, motivated by a strong collective instinct for survival. In more recent times, the threat posed by direct supply and hyper-scale retailing prompted the reinvigoration of trade association activity under the leadership of Hugh Mackeown and Michael Campbell. This not only served to ward off the threat, but also to increase the sector's control over critical dependencies, through mobilising political support behind the retention of the Grocery Order and counterbalancing the power of the manufacturers and multiples. However, the role of industry statesmanship in shaping the evolution of the industries under study cannot be fully explained by power considerations alone, as the ambitions and aspirations of key figures like Mackeown and Campbell for the future of their industry attested.

2.3 HISTORY

The data reveal that the evolutionary course taken by all three industries was also heavily influenced by sector history. Two historical influences were particularly noteworthy, ownership (including corporate parenting) and resource accumulation.

2.3.1 The Influence of Ownership and Corporate Parenting

The data show that the structure of ownership has been a determinant of firm performance and survival capability, with implications for how the three industries have evolved.

The Legacy of Religion

Religious affiliations played a major role in the evolution of the industries studied, and Protestant firms dominated their early development. This was a legacy of British rule. Following independence, Protestant business gradually became more removed from the centres of power, and a countervailing bias towards Catholic entrepreneurs came into play. Up to the 1960s, the Protestant nature of leading companies such as Hugh

Moore and Alexander in grocery, Brooks Thomas in builders' merchanting and Parkes in general hardware still had a major influence on industry practices. In the early days, Protestants had access to capital and control of the banking system. It was also widely believed by many Roman Catholic traders that Masonic influences ensured that the best business and employment opportunities were reserved for Protestants.

The early trade associations in the grocery and builders' merchanting sectors were dominated by Protestant firms benefiting from long-term relationships with Protestant suppliers. The IBPA, in particular, used these relationships to make themselves more powerful, for a time, than their grocery counterparts. Religious considerations frequently invaded the competitive arena. Over time, many of the leading Protestant firms failed to sustain the interest of family members, and several ended up with inferior management by restricting senior positions to Protestant employees, a talent pool that progressively dwindled to less than 5% of the general population, the so-called '*5% factor*'.

The Impact of Conglomerate Ownership

The data also show how conglomerate ownership has affected the evolution of the sectors studied, with mixed results for firm and sector fortunes. In builders' merchanting, industry leadership has been influenced significantly by events outside of the sector. For example, it was the decline in Chadwicks' cement importing business that prompted its migration to builders' merchanting, where acquisition by Marley provided the impetus for further expansion. Similarly, the decline in Heitons' coal distribution and shipping businesses, and the failure of its early diversification adventures, prompted it to intensify its efforts in builders' merchanting. Conversely, the later resurgence of its coal business cushioned the company from sector downturns following the oil crises.

The decline of Brooks and the demise of Dockrells demonstrate the less favourable influences. The sale of Dockrells to Fitzwilton ultimately proved to be fatal. Following the first oil crisis, Dockrells found itself seriously affected by the difficulties in Fitzwilton's fertilizer and textile businesses. This starved it of investment at a time when Chadwicks and Heitons were developing their branch

networks. Conglomerate ownership also destroyed the former culture of family loyalty that had characterised the firm, and the final demise came from the failure of the new parent to fully understand the cyclical nature and high working capital requirement of the sector.

Perhaps the Brooks Watson Group offers the most compelling evidence of the liability of conglomerate ownership. Following a period of success, the company was crippled by the oil crisis, its builders' merchanting arm, Brooks Thomas, having to absorb substantial write-downs on timber. The position was made worse by BWG's involvement in house building through Sylvan Homes. In 1974, the combined losses of the two building related businesses came to £1.5 million. During the mid-1970s, BWG suffered further setback from an abortive attempt to enter cash and carry hardware wholesaling.

Brooks Thomas was seen as a drain on BWG due to high working capital requirement, low margins and poor liquidity. BWG directors had not sufficiently understood the dynamics of the businesses that they had acquired. Furthermore, by diverting significant cash flows from BWG Foods, the parent deprived it of investment capital at a critical stage in its development. This was a significant factor in the group's SPAR activity losing ground to Musgraves. SPAR suffered further uncertainty following BWG's acquisition by the Irish Distillers Group (IDG). IDG's primary interest was in cash and carry drinks distribution and in using BWG cash flow to fund its spirits business. It was not until 1986 that SPAR was able to reinvigorate itself through the new convenience store positioning.

AND-MACE also suffered from being part of a diversified group. Its position declined due to lack of interest and investment on the part of its main owners: Punch & Co., Mangans and BWG. In contrast, Musgraves refocused its portfolio in the early 1970s to concentrate on its wholesaling activities. Private ownership also allowed the company to pursue long-term strategies with little interference. These were important elements in the company's success.

Ownership, Corporate Parenting and Theoretical Motors of Industry Evolution

Ownership and conglomerate parenting shaped industry evolution across the three sectors in ways that were linked to power and efficiency considerations. The religious bias in the industries studied reflected differential and normative power, and inefficient rigidities ultimately proved its undoing. In troubled political times, the loyalty of the Protestant-dominated business community had been a stabilising influence on industry evolution and traditional Protestant values were closely in tune with the requirements for economic development. Following independence, Protestant dominance generated countervailing tendencies at State and industry levels, with a new breed of Catholic businessmen replicating Masonic practices in the struggle for differential power. Protectionism provided a context for prolonging the influence of the religious dimension, until the change to a more open, export-led, economic strategy at national level rendered it less and less relevant.

Conglomerate ownership in this study is seen to be the product of a search for differential power and the reduction of dependency on any single business or sector. Too often in the cases studied, it seemed to come at the expense of efficiency and competitiveness at firm and industry levels. While diversifying dependency appeared to work for some, like Chadwicks and Heitons at various stages in their development, common ownership often undermined efficiency at the business level, particularly where corporate financial and strategic recipes were being uncritically applied across diverse business contexts as in the cases of BWG and Fitzwilton and their builders' merchanting activities.

2.3.2 The Influence of Resources and Capabilities

A feature of the three cases has been the role played by resources and capabilities. The capacity to fund development, the influence of long-term relationships and the cumulative development of competencies over time were the most significant elements.

Funding Capacity

The data reveal how the historic capacity to generate funding for growth affected industry performance and the relative position of firms. Two aspects stood out, the degree of liquidity and the level of investment. Up to the 1960s, extensive credit was a feature in all three sectors. Indeed, builders' merchanting and hardware wholesaling had traditionally filled a quasi-banking role for the construction and agricultural sectors. One of the major differences to emerge across the sectors was the virtual elimination of credit in grocery wholesaling as it evolved a new, low-price, cash-based model.

The need for improved liquidity was instrumental in pushing grocery wholesaling towards the cash and carry format and the adoption of a fast payment system for delivered business. Quick payment, coupled with manufacturer credit facilities, released working capital to fund lower prices. However, it also made grocery wholesaling a cash cow for conglomerates like BWG and Punch & Co., a significant determinant of asymmetrical performance among grocery wholesalers. In contrast, the product characteristics of hardware wholesaling continued to favour low stock-turns, high inventories and extended credit. Lack of customer liquidity inhibited the adoption of lower cost trading formats such as cash and carry and deprived most wholesalers of the cash for development.

The long credit cycle was also significant in builders' merchanting, exacerbating the industry's boom and bust tendency. A squeeze on credit prompted a spate of mergers and acquisitions during the late 1960s. The disillusionment of Brooks Watson and Fitzwilton with their builders' merchanting activities was mainly due to poor industry liquidity. Marley's disengagement from CPI was also attributable to the sector's poor financial structure, and poor liquidity pushed Grafton and Heitons towards more cash rich activities. Chadwicks' UK expansion was partly motivated by the British sector's more disciplined financial structure. On the other hand, poor liquidity has discouraged foreign entry on the home front.

It was only in the late 1960s that bank capital was available to distribution companies. Differential access to investment was a crucial determinant of grocery wholesaling's

evolutionary path, particularly over the 1965-80 period. A history of financial prudence made Musgraves one of the few companies able to help retailers to develop their stores. Furthermore, it was a trust fund that allowed the company to enter the Dublin market on such a large scale during the early 1970s. Its later ability to invest in SuperValue in the 1980s proved crucial for both the firm and the whole industry. Musgraves' success contrasts sharply with that of both BWG Foods and AND-MACE. Problems in the building sector deprived BWG Foods of capital at a critical time in the industry's history, making it fall behind Musgraves, and a similar lack of capital inhibited the growth of MACE. In hardware wholesaling, most businesses have remained small with turnovers below £5m. However, even here the Gardiner Group's superior marketing and financial management provided the capital to grow from a single company to a seven-company group.

The ability to access capital at critical times played an important part in the success of Chadwicks and Heitons. The Marley relationship provided Chadwicks with development capital just as the industry was beginning a critical period of restructuring. So did the early acquisition of the crucial Greenhills site at a fraction of the cost paid by Heitons and Brooks two decades later. Similarly, Heitons land portfolio provided critical capital during the slump of the early 1980s, while the profits from coal in the period 1974 to 1990 enabled it to withstand two major downturns in the industry.

Overall the value of accumulated property assets played an important part in the evolution of builders' merchanting in the crucial period between 1965 and 1985. Extensive sites built up over a century of trading appreciated considerably during the 1960s. Some, like T & C Martin and Baxendales, decided to realise the value of such assets rather than continue trading while others, such as Brooks and Dockrells, were acquired for their substantial undervalued assets.

Relationships as Resources

The cases also show how an industry's relationship with supplier and buyer industries can be a critical long-term resource. However, they also make clear the serious consequences of unfavourable changes in such strategic relationships. The survival

and prosperity of a wholesaling industry depends on its ability to be an effective gatekeeper between manufacturer and retailer/user, and wholesalers have looked to secure their relationship with either supplier or buyer as a means of preserving their position

Up to the 1950s, in a grocery sector consisting of mostly small independent retailers, the wholesalers' critical relationship was with the manufacturer. However, the emergence of supermarkets and retailer co-ops saw manufacturers downgrade their relationship with wholesalers, thus precipitating a contest to control the relationship with independent retailer. Wholesalers saw the survival of a sizeable independent retail sector as critical to their future. The development of symbol groups and the merger of IADT and RGDATA formed part of a strategy to strengthen the relationship and reverse its decline. Leaders like Musgraves and SPAR-BWG have built significant channel power through this strategic relationship, and over time grocery wholesaling has moved from controlling retailers access to manufacturers to controlling manufacturers access to retailers.

In contrast, the manufacturer relationship has remained more critical in the hardware sector. There, competitive advantage comes from exclusive agencies, and some of the larger wholesalers have sustained these for up to fifty years, as with P. E. O'Brien Ltd and Stanley Tools. The consequences of failing to sustain such a key relationship was evident in the rapid decline of R & T Hardware following the loss of its 80-year Chubb and Union exclusivity. In builders' merchanting, key relationships with manufacturing formed the basis of IBPA's power up to the mid-1950s. Their collapse precipitated structural change during the 1960s, when the determination of smaller merchants to by-pass the 'A' merchants played a critical part in changing the course of events. The establishment of buying groups prompted merchants like Heitons and Brooks Thomas to shift their focus from controlling access to key manufacturers to controlling the relationship with builders.

The Building of Competencies

It is evident from the cases that both inherited and acquired know-how shaped the evolutionary path. The companies that attained leading positions and/or influenced

industry behaviour frequently did so through overcoming skills deficits or applying skills inherited from earlier times. Where industries historically lacked skills, their acquisition proved significant in determining survival. Likewise, the transfer of prior learning to new situations proved to be competitively advantageous. A case in point was the historically low level of management ability in wholesaling. The overcoming of this re-invigorated grocery wholesaling and determined industry leadership in all three industries.

Grocery wholesaling was transformed by developing new management and retailing capabilities during the 1960s. Leading grocery wholesalers had to develop expertise in both areas that at least matched the multiples. Many of the older leaders failed because they lacked the management capability to handle the transition. New knowledge and skills were also transferred from franchisers such as VG, SPAR and MACE while firms like Five Star Supermarkets and Erin Foods were significant sources of 'new blood'. Musgraves looked beyond wholesaling to find new professionals with retailing expertise and paid them significantly above industry norms. The quality of its management team is credited with transforming the company and setting new standards throughout the industry. While Reg Fuller's arrival at SPAR provided critical retailing expertise, BWG's overall development was hampered by its failure to adopt a more professional management structure soon enough.

As builders' merchanting evolved, the key skills needed for success became tight financial control, efficient inventory management and strong relationships with builders and tradesmen. Both Chadwicks and Heitons have displayed superior expertise in applying tight financial control, a capability stemming from their roots in low margin commodity businesses. Heitons' history in coal and steel gave it significant experience in managing low margin products, and early on it developed excellent accounting procedures with departmental profit centres. It is no surprise that the company later led its industry into computerisation, alongside Chadwicks.

Heitons' materials handling expertise also has its origins in the coal business, where, by the turn of the 20th century, it was already a technological leader, employing modern screening plant, rail sidings and steam cranes to move coal from ship to railway wagon. The building of customised facilities on a new site during the 1970s

reflected a long tradition of leadership in such investment, and the experience gained in operating coal depots proved important when implementing the new branch strategy Chadwicks had similar origins in low margin cement importing, and its choice of the new Greenhills site during the 1950s stemmed from a tradition of having to buy at low price and low risk Its long history in running a very tight ship served it well when builders' merchanting entered an era of more open competition

Hardware wholesaling has been the least influenced by changing capabilities Over the years, significant changes in computerisation, materials handling, transport and communications have reduced costs and increased efficiency Likewise, firms such as the Gardiner Group and Coopers, have set new industry standards in management and marketing However, low entry barriers and industry fragmentation have allowed late entrants to compete successfully with more mature firms, and freer access to products across the globe has renewed the significance of primary wholesaling skills like sourcing and deal making Free trade has also allowed hardware wholesaling to retain a highly entrepreneurial approach

Resources, Capabilities and Theoretical Motors of Industry Evolution

The data highlight the influence of historical resources and capabilities on the evolution of the industries studied

Liquidity and access to funding have had differing implications for the three industries In hardware wholesaling, poor liquidity has served to reduce overall efficiency by inflating costs Industry fragmentation has tended to intensify competition and pressure on margins, pushing the sector towards low-cost global sourcing In builders' merchanting, the pressure on liquidity from the industry's traditional role as a 'banker' to the builder has prompted firms to follow risk-reducing strategies through engaging in cash generating activities such as DIY retailing In contrast, grocery wholesalers were forced to move to high liquidity positions by efficiency considerations, when the advent of a new low margin cash rich channel (multiple supermarket) ruled out alternative strategies The cash generating capability of the industry later became an attractive resource to fund both internal and external investment Access to investment capital in all three industries has contributed

significantly to the differing rates of performance among firms, with investment mainly directed towards improving efficiency through technology and scale economies. Favourable access to funds has also been instrumental in creating differential market power through investment in national branch networks in grocery and builders' merchanting and multi-company groups in hardware wholesaling.

The evolution of the three sectors has also been shaped by key changes in channel relationships. Crisis in the grocery sector during the 1950s changed the key channel relationship from manufacturer to independent retailer. Early movers, such as Musgraves and SPAR-BWG, tied the better independent grocers to their symbol groups and gained significant differential power over a substantial portion of the market. Strategic acquisition of key agencies has given similar differential market power to leading hardware wholesalers. In builders' merchanting, leading companies have sought to secure differential market power through relationships with builders and suppliers, the larger merchants focusing on the former and the merchant co-ops on the latter.

Differences in competencies have proved long lasting and of critical importance in driving industry change. The early building of management capabilities was a significant determinant of firm performance and industry health over the longer term. Musgraves built a level of expertise in both management and retail marketing that continues to surpass competitors and enhance the competitiveness of the whole sector. Similarly, Heitons and Chadwicks have used long-term core competencies in management to establish and consolidate their leadership positions. The success of the Gardiner Group in hardware wholesaling adds further weight to the significance of management superiority in creating differential power for leading firms, while ultimately serving to raise efficiency throughout the sector.

3. THE PROCESS OF INDUSTRY EVOLUTION

So far this chapter has focused on examining the main empirical drivers of industry evolution and relating them to the theoretical motors highlighted in the earlier literature review. In this section we turn our attention to describing and analysing the pattern of process.

3 1 A Phase Pattern of Industry Evolution

On comparing the evolution of the industries studied, striking similarities indicate a quite general pattern of process. The process of industry evolution in all three cases appears to have moved through five sequential phases as depicted in the figure below

Phase	Structural Reinforcement	Structural Tension	Structural Fracture	Structural Reconfiguration	Structural Consolidation
Duration	Grocery Wholesaling 1932-1945 Builders merchandising 1932-1945 Hardware Wholesaling 1932-1945	Grocery Wholesaling 1946-1953 Builders merchandising 1946-1953 Hardware Wholesaling 1946-1953	Grocery Wholesaling 1954-1958 Builders merchandising 1953-1965 Hardware Wholesaling 1953-1962	Grocery Wholesaling 1958-1973 Builders merchandising 1966-1974 Hardware Wholesaling 1962-1974	Grocery Wholesaling 1973-Present Builders Merchandising 1974-Present Hardware Wholesaling 1974-Present
Transition Trigger	Government influence (Protectionism)	Economic disturbance (End of war)	Government influence (Fair Trade Commission)	Leadership (introduction of new trading format)	Collective action (adoption of deep structure)
Common Empirical Drivers	Government influence Economic disturbance Collective action Changing Channel Power	Government influence Economic disturbance Collective action	Government influence Changing channel power New technology	Leadership Changing channel power New technology Resources and competencies Social change	Leadership New technology Resources and competencies
Main Features	Growth in power vis-a-vis suppliers and buyers Use of power by larger firms to reinforce existing structure Development of means to ensure conformity	Weakening power vis-a-vis suppliers and buyers Continuing efforts to reinforce existing structure Growing dissatisfaction with industry norms Blurring of existing industry boundaries	Mould breaking change in regulatory environment Old industry norms are discredited and rejected Power shift in favour of suppliers and buyers Intense price competition Pressure for greater efficiency	Emergence of new primary industry technologies Improved industry efficiency Changes in industry leadership Exit of old leading firms Boundary clarification Growth in concentration	General adoption and refinement of new industry technologies Consolidation of new leadership Development of new industry norms Supportive regulatory environment Growth in concentration

Figure 7.2 Five Phases of Industry Evolution

These phases can best be described as periods of (1) structural reinforcement, (2) structural tension, (3) structural fracture, (4) structural reconfiguration and (5) structural consolidation. The main features of each phase and the sequential pattern

are summarised in Figure 2. As can be seen, each phase is characterised by multiple change drivers, and an attempt has been made to identify the main triggers of each phase transition. The phase model is now developed in more detail.

3.4.1 Structural Reinforcement

The first phase can be depicted as one of structural reinforcement. It is associated with efforts by leading firms to preserve and strengthen the existing industry structure in the face of an external threat. This threat typically emanated from major changes in government policy and a changing disposition among suppliers and buyers.

The basis and magnitude of the threats, along with each industry's responses to them, varied. However, the overarching aim was to secure and reinforce the existing structure of relationships. The origins of many of the most important relationships stretched back before Irish independence and underpinned the commercial ascendancy of Protestants under British rule. As such, efforts at reinforcing the *status quo* came mainly from the larger Protestant-owned firms in each industry.

The analysis of process in all three industries supports the presence of this reinforcement phase. It reveals that the change from *laissez faire* to protectionism posed a significant threat to existing structures, while at the same time creating a strong climate for conformity. Economic nationalism enhanced the position of indigenous manufacturing *vis-à-vis* wholesaling activities and also promoted the development of a new Catholic business class. Furthermore, it cultivated a climate within which controlled trade increasingly replaced free market competition. These factors pushed the dominant wholesalers towards re-establishing and preserving the *status quo*. Two of the industries established trade associations as formal co-ordinating mechanisms, while the third continued to rely on less formal approaches.

Protectionist policies significantly affected supply conditions for both builders' merchanting and hardware wholesaling. The establishment of indigenous manufacturers and the imposition of tariffs threatened the position of established firms. Furthermore, some buyer groupings attempted to gain a more favourable supply position. Builders' merchants responded through their trade association, which

devised membership criteria that defined a 'legitimate' firm. They then formalised their role as gatekeepers for the supply of key building materials, gaining control over entry to the industry and the pricing behaviour of members. Hardware wholesalers acquired less formalised control over their environment. However, the mainly Protestant leading firms colluded informally to maintain their control over both British and domestic supply sources. They also selectively hindered the development of new (Catholic) merchants before the Second World War in order to control the customer base.

Grocery wholesaling was not affected significantly by import restrictions during the 1930s. However, key manufacturer groupings threatened the industry's margin structures and customer base. The industry responded by forming the two trade associations to co-ordinate their actions. The associations improved the industry's position *vis-à-vis* suppliers and ensured that members conformed to industry norms in terms of price and trading. This can be seen in the efforts to eliminate joint trading and to enforce an industry price list. All of this took place within a national business environment that increasingly moved away from free market competition.

The shortages and rationing caused by the Second World War enhanced the period of reinforcement in all three industries. The restrictions created a seller's market, which further strengthened the role of the wholesalers and allowed them to maintain their profitability. The larger companies, in particular, benefited because of their superior access to goods.

Throughout the reinforcement phase, change was of a convergent type aimed at bolstering the position of the existing firms, particularly the leaders. A number of common empirical drivers were observed across the three industries, including government influences, economic disturbances, changing channel power and collective action, though they tended to vary in relative influence across the sectors. The theoretical motors at work were mainly power related, with differential and institutional power producing convergence and conformity. However, conformity was achieved at the expense of alienating various interests, including suppliers, buyers, firms outside the leadership grouping and aspiring new entrants.

3 4.2 Structural Tension

The structural tension phase was triggered by the economic shock brought on by the ending of the war. It is distinguished by the emergence of destabilising factors and more active opposition to the *status quo*. The established firms within each of the industries continued to strive to protect and strengthen existing structures. By this stage, sets of industry norms had become firmly established in areas such as the supply of goods, price structure, method and degree of competition and trading format. A number of factors progressively acted to destabilise existing practices. The product/market expansion that resulted from new technologies and changes in population demographics increased industry attractiveness. More competition emerged through new entrants and the raised aspirations of more peripheral firms. Furthermore, adjacent industries looked to improve their relative positions by redefining channel boundaries.

By the end of the war, small groups of leading firms controlled all three industries and clear structural relationships were evident. However, the behaviour exhibited during the reinforcement phase had damaged channel relationships. Buyers and suppliers, firms outside the leading groups and aspiring entrants had all become increasingly dissatisfied with existing industry structures, which they saw as inefficient and unfair. At a national level the impact of protectionism on industrial efficiency was also becoming a serious political issue. These features were manifested in the three industries studied in the following ways.

In addition to creating pent-up demand, the war spawned new manufacturers and technologies. As war conditions eased, there followed a spurt of growth in all three sectors. Builders' merchanting benefited from a building boom, while an explosion in new manufacturers and products propelled growth in hardware wholesaling. Meanwhile, the end of rationing and the growth in urbanisation expanded the market for groceries and grocery wholesalers. Growth, and the blurring of sector boundaries, encouraged new entrants, both start-ups and migrants from other sectors.

In builders' merchanting there was growing pressure on industry organisation from new firms, provincial merchants and farmers co-ops all looking to exploit the post-war

building boom. All encountered barriers established by the IBPA and dissatisfaction was rife. Co-ordinated opposition began to emerge and was channelled through organisations like the Irish Hardware and Allied Traders Association and through the political system, but the power of the leading builders' merchants continued to prevail. In hardware wholesaling, the failure of existing firms to absorb the growing level of product proliferation allowed others to step in, and technological divergence forced the industry to forfeit product categories or share them with other channels. In grocery wholesaling, guaranteed margins and the growth in urban retailing attracted new firms. In addition, retailing was being changed through cut-price trading, travelling shops and farmer co-ops. Tensions grew between traditional wholesalers and firms opting to supply cut-price retailers, and by the late 1940s the industry price list had been abandoned. During the early 1950s, manufacturers and retailers became increasingly dissatisfied with the wholesale sector and manufacturers attempted to reorganise channel discount structures.

The tensions that emerged during this phase put the spotlight on restrictive practices and the costs associated with the inefficiency of existing structures. This became a source of concern to government, and a weakness that was exploited and leveraged by those opposed to the existing order. A range of empirical drivers was seen to be at work across all three sectors including economic disturbances, government influences, collective action and changing channel power. Social change and new technology were also observed to drive change in two of the industries.

In all three industries the structural tension derived from the pressure built up by the opposing forces of those promoting greater efficiency and those intent on maintaining the *status quo*. It can also be seen as a power struggle between the beneficiaries of the existing structure and a growing array of other actors intent on improving their own relative positions.

3.4.3 Structural Fracture

During this phase the old order was fractured as the pace of change quickened and became discontinuous, and the efforts of government, manufacturers, retailers and smaller wholesalers to discredit the old structure were key to the fracturing process.

The power of the leading incumbents in all three industries declined, benefiting peripheral firms, buyers and suppliers. This encouraged growth in direct trading between manufacturers and larger buyers and led to a substantial decline in the market share of wholesaling in all three industries.

The fracturing phase opened up opportunities for entrepreneurial non-core firms to enhance their relative position. In many cases, a sustained pressure for change was initiated and maintained through downstream trade associations, trading co-ops and informal co-operation. The arrival of formal retailer buying co-ops, in particular, signalled the development of a new technological response to the supply of goods. Throughout this phase, firms that had only recently come to dominate their industries were subjected to levels of price competition and margin reductions that were unsustainable given their cost structures. However, despite a decline in profitability, there was reluctance to engage in a fundamental transformation.

The leading firms continued to adhere to old industry recipes, and remained convinced that the changes were reversible or at least capable of being absorbed within existing structures. The wholesale grocers association, under Reggie Knight, remained wedded to the existing relationship structures between manufacturer, wholesaler and retailer. A similar situation existed in builders' merchanting. The passing of the Restrictive Trade Practices Act (1953), establishing the Fair Trade Commission, was a defining moment for all three industries. The subsequent ending of resale price maintenance and restrictions on supply and entry changed the fundamental rules of the game. Volume rather than function came to determine discount structures and this opened the way for any volume buyer to purchase goods at best price.

The FTC ended the IBPA's capacity to regulate the supply of building materials. The established order consequently crumbled under intense price competition, increasing direct supply and the rise in collective buying by smaller merchants. In hardware, the removal of resale price maintenance allowed groups of retailers and merchants to buy directly, and farmer co-ops and non-hardware retailers to access goods. In grocery, manufacturers and retailers acted in anticipation of the FTC's rulings, and wholesalers were rocked by the formation of retailer co-ops and by manufacturers looking to reduce wholesaler discounts and to supply both co-ops and large retailers. On top of

this many smaller wholesalers were left free to supply goods to cut-price retailers following the collapse of WGAI

During this phase of structural fracture, government acted as a primary empirical driver of change across all three industries. So also did the changes in channel power as manufacturers and buyers became increasingly influential. The introduction of new technology was also significant. Other drivers relating to economic disturbances, social change and new technology were also active to varying degrees across the sectors. Efficiency considerations were most prominent, as government, buyers and suppliers all began to focus on cost related issues. At the same time, the differential power of other channel members increased and it was mobilised to improve relative positions. Leading incumbents remained in the grip of old industry norms and lost their ability to control events. Their institutionalising influence ceased to have a major impact.

3.1 4. Structural Reconfiguration

The key characteristic that distinguished reconfiguration was the active quest for solutions to the problems that emerged during the fracturing phase. Following the dramatic changes that ended the old order, there was a response lag by the older firms, opening up opportunities for others with more entrepreneurial tendencies.

During this phase new service technologies generated greater efficiency and restored industry competitiveness. In conjunction with this, substantial partnership behaviour was exhibited, particularly in grocery wholesaling and builders' merchanting. In grocery wholesaling, cash and carry and symbol group formats were developed, while in builders' merchanting a single-level structure based on scale economies was built around three firms with national branch networks and three merchant-owned buying groups. In hardware, there was a shift from full-line to limited-line, specialised wholesaling. The identification and adoption of the new technologies saw a shift in focus from industry-wide solidarity to competition. Firms that were imbued with the requisite resources and capabilities moved ahead of those that did not possess them, and provided the entrepreneurial energy that generated new solutions and defined the new way forward.

The reconfiguration phase saw the emergence of new leadership from within each of the three sectors, including firms such as Musgraves and Heitons with long established industry links. Of the three industries, hardware wholesaling experienced the greatest turnover of firms with most of the old pre-war firms exiting. The new leaders had varying impacts on industry reconfiguration across the three sectors. As reconfiguration proceeded, boundaries became clearer and channel roles more precisely defined. Mixed trading ceased to be a significant factor in the grocery sector, builders' merchanting changed from two-tier to a single-tier structure and the new breed of hardware wholesaler eschewed involvement in the retail sector. Overall, the phase was associated with greater industry-concentration brought about through exits, mergers, acquisitions, strategic partnerships and product specialisation.

In grocery wholesaling, the 1958 Ministerial Order, and Reggie Knight's departure of from the IWGA chair, prompted a new approach. The initial response was to form EDL. However, before long dissenting voices were raised and EDL began to break up as member capabilities proved too diverse. Musgraves was the first to leave in 1960 when it switched to the cash and carry and group trading formats, David Tyndall and David O'Connell initiated SPAR Ireland, while other members acquired the MACE franchise. By the early 1970s, the old leaders had disappeared and EDL merged with MACE to form AND-MACE. Musgraves and SPAR became major forces for change. The wholesaler's role became more clearly defined, more national in scope and more highly branded. Furthermore, symbol group trading led retailers to become more tightly coupled to individual wholesaling groups. By the end of the period the industry had become more concentrated, with its activities centred on cash and carry and symbol group trading.

In builders' merchanting, the formation of the first buying group, heavy competition and poor liquidity hastened the decline of the leading incumbents. Between 1965 and 1974 the industry was transformed by the emergence of the three merchant buying groups and the three multi-branch chains. In the process, Brooks Thomas and Dockrells lost their leadership positions, T & C Martin was liquidated and a number of other leading merchants were taken over or closed. Heitons and Chadwicks became the new industry leaders. Superior management and access to capital allowed both firms to pioneer a strategy of national branch-building.

Although the fracturing phase had been less traumatic in hardware wholesaling, it was nonetheless critical. The FTC rulings exposed the older firms to new competition, and by the early 1960s profitability was problematic. During the 1960s, the industry declined in both sales and firm population, and it was only through the preparation for free trade and EEC membership that conditions improved. Firms experimented with a number of wholesaling formats with widely varying effects. Henshaws' failure with group trading marked the beginning of the reconfiguration process. Other well-known firms closed and were replaced by newer ones with lower-cost structures and more narrowly defined product offerings. Some, like O'Briens and Coopers, introduced modern operating and marketing practices. However, group trading was rejected and there was only a limited adoption of cash and carry.

During this phase, a number of primary empirical drivers were at work in all the three industries, including leadership, social change, changing channel power, new technology and resource-competency legacies, while the influences of collective action, government, and ownership and parenting were more varied. The reconfiguration period was heavily focused on efficiency issues, with the adoption of more cost-effective technologies. However, differential power was also a factor in securing key resources. The move to symbol group trading by some wholesalers, and the formation of both co-ops and national branch networks, were aimed at ensuring control over buyers and suppliers.

3.4.5 Structural Consolidation

This phase was characterised by the deeper embedding of the technological solutions and leadership elites that emerged during reconfiguration. Change was primarily convergent, notwithstanding the oil crises that shook the general trading environment during this phase. For the most part, the phase was marked by a consolidation of the new industry order. In grocery and builders' merchandising this was accompanied by an increase in industry concentration over the period. In hardware, the industry consolidated around the new, more focused, pattern of narrow-line specialisation.

In grocery wholesaling this phase was associated with the standardisation of trading around cash and carry and symbol groups. Furthermore, the new leadership elite

became more firmly ensconced. A return to collective action helped to reverse a decline in sector market share. There were no new entrants as scale economies, tight margins and symbol groups acted as entry barriers. Considerable rationalisation took place within the four main trading partnerships as the stronger firms absorbed the weaker ones. The two new industry leaders, Musgraves and BWG moved further ahead through greater investment in their core activities and through international expansion. Industry entrepreneurship was significant in moving the industry forward, Hugh Mackeown and Musgraves leading the way. The scaling up of SuperValu was crucial in stabilising competition with the multiples. The industry also strengthened its links with independent retailers and broadened its customer base by bringing new categories like chilled and frozen foods, alcohol and tobacco into its ambit. Information technology helped to further strengthen its position with suppliers and retailers. Collective action, mobilised through the statesmanship of Hugh Mackeown and Musgraves, further improved the sector's channel power, and successful lobbying secured it favourable legislation.

In builders' merchanting, the new industry structure consolidated around three national firms and the three merchant buying groups. However, direct supply continued to pose a threat in a number of product areas, and the sector's share of the building materials market continued to decline. The 1977-1980 building boom attracted new entrants, but the industry further consolidated during the prolonged downturn of the 1980s. The effects of the two oil crises pushed the industry towards greater efficiency and better technologies, shifting the productivity level upwards. The leading players consolidated their positions by acquiring some of the larger independent merchants, and Heitons' acquisition of the Buckley group concentrated the industry further. The performance gap between the leading elite and the rest widened due to superior strategy, management and capital. Chadwicks and Heitons led the way, with Richard Hewat and the two Chadwicks, Finton and Michael, displayed outstanding leadership and entrepreneurial skills.

In hardware, the demise of the old leadership elite allowed the post-war entrants to consolidate their position. However, in contrast with the other industries, no new overall industry leaders emerged. Attempts to create new scale economies through the adoption of the symbol group and cash and carry formats floundered due to poor

liquidity, the protection of sector boundaries and the unwillingness to cede control to wholesalers. Sole agency and low-cost global sourcing became the key advantages, encouraging more focused product offerings and allowing smaller firms to be competitive. While some large players emerged, for the most part the small single-site firm became predominant.

During this phase, the primary empirical drivers were leadership, new technology and resource-competency legacies. However, other drivers were also in evidence to varying extents across the sectors, including government, collective action, changing channel power, ownership-parenting, social change and economic disturbances. Efficiency considerations dominated builders' merchanting and played a major part in the globalisation of hardware sourcing. Differential power and leadership were also prominent, particularly in grocery wholesaling as the sector battled to improve its position vis-a-vis the manufacturers and multiples.

4. Conclusion

This chapter analysed the empirical data in comparative mode to identify the main drivers of industry evolution and examine the main pattern of process. Nine main empirical drivers of industry change were identified and these were related to the main theoretical motors highlighted in the literature review. The process of industry evolution was then examined and the relative influence of the drivers tracked over time. A five-phase pattern common to all three cases industries was then identified. The implications of these findings for the current literature and for future research and practice will be examined in the final chapter.

CHAPTER EIGHT CONCLUSIONS AND RECOMMENDATIONS

1. INTRODUCTION

This study of industry evolution had two primary objectives. The first was to identify the main drivers of change and assess their relative importance. The second was to describe and explain the process of change.

Although the economics literature has long been concerned with industry structure, its contribution to our understanding of industry evolution has been limited. Recent work on evolutionary economics is promising, but even here it is recognised that the work so far has been '*designed to explore the logic of evolutionary processes*' rather than to present '*explanations of observed patterns of economic phenomena put forward by empirical researchers*' (Malerba et al 1999: 3). This study has traced the evolution of three wholesaling industries over a 70-year period from a multi-level and multi-modal perspective, allowing economic and non-economic aspects of the process to reveal themselves. The study has identified and examined a range of change drivers, and revealed a phase-pattern of process.

The purpose of this concluding chapter is to examine the implications of these findings for the present state knowledge and for further research.

2 THE DRIVERS OF CHANGE

2.1 Linking the Empirical and Conceptual Drivers

The review in chapter two reveals considerable diversity in perspectives on the drivers of industry evolution, at both empirical and theoretical levels. The theoretical literature tends to vary in giving primacy to efficiency, differential power or institutional power, while descriptive studies tend to stress a range of factors including government, technology, competition and professional bodies, among others. How these factors are interrelated at either theoretical or empirical levels is rarely examined. This study has gone some way towards addressing this weakness in the literature.

The thematic analysis in the previous chapter identified the main empirical drivers of industry change as evident in this comparative study, and categorised them as contextual, agency and historical in line with the organising framework developed in chapter 2. The analysis also examined how these empirical factors drive change and how their relative influence varies with time and context. The empirical analysis also examined how these descriptive factors relate to three main theoretical drivers, efficiency, differential power and institutional power and found that full correspondence was not possible without the introduction of a fourth theoretical driver. The missing element at a conceptual level was a motor to explain the drive for change generated by inner purpose and evident in the leadership of such people as Hugh Mackeown of Musgraves, at both firm and industry levels, and Sean Lemass at the level of national economic development.

The term '*thymos*' is chosen here to characterise this fourth driver, a word of Greek origin with philosophical roots in the classical perspectives of Plato and Socrates. In translation it has been taken to mean 'spiritedness', and is associated with man's desire for recognition and significance. In the *Republic*, the concept of '*thymos*' is shown as being related to the value one sets on oneself. This term has recently been re-adopted for modern use by Francis Fukuyama (1992: 162-3) in his provocative book, *The End of History and the Last Man*, to characterise the "struggle for recognition" and to denote

that part of man which feels a need to place a value on things – himself in the first instance, but on people, actions or things around him as well. It is the part of the personality which is the fundamental source of emotions such as pride, anger and shame, and is not reducible to desire, on the one hand, or reason on the other.

As the thematic analysis in the previous chapter demonstrated, industry evolution was found in this comparative study to have been driven by a range of empirical factors, underpinned by varying degrees of efficiency, differential power, institutional power and thymotic motors, as indicated in table 8.1

EMPIRICAL DRIVER SET	CONCEPTUAL DRIVER SET			
	Efficiency	Differential Power	Institutional Power	'Thymos'
CONTEXT				
Government influences	✓	✓	✓	✓
New technologies	✓	✓	✓	
Economic disturbances	✓	✓		
Social change	✓			
Changing channel power	✓	✓	✓	
SOCIAL ACTION				
Collective action	✓	✓	✓	
Leadership	✓	✓	✓	✓
HISTORY				
Ownership and corporate parenting	✓		✓	
Resources and capabilities	✓	✓		

Table 8 1 Drivers of Change from Empirical Study

The debate over *'the relative attractiveness of efficiency and power as fundamental concepts in economic organisation'* is still very much alive (Francis,1983 7), and efficiency still enjoys the lion's share of support. However, critics have questioned the lengths to which organisational economists have gone *'to refute the power hypothesis in favour of their own efficiency explanations'* (Rowlinson,1997 105), and their tendency to lump all power explanations together under *'the power hypothesis'* (Williamson, 1993 107).

The empirical findings here, as summarised in table 1, have shown that efficiency and power are both prime motors of industry change, primacy varying over time and context. They have also lent support to those who distinguish between two different types of power motor, differential power and institutional power (Fincham 1992, Greenwood and Hinings1996). The evidence also challenges the high degree of determinism reflected in the mainstream efficiency and power (differential and institutional) perspectives on industry change. It shows the importance of human agency in the initiation, direction and control of industry evolution at different times, in different contexts.

Conceptual Driver	Empirical Driver Frequency
Efficiency	9
Differential Power	7
Institutional Power	6
<i>Thymos'</i>	2

Table 8 2 Conceptual Driver Frequency

The empirical analysis in the previous chapter identified significant empirical drivers, and related them to theoretical motors Table 8 2 presents a summary of the relationship in frequency form It indicates that the efficiency considerations were the most prevalent, power considerations somewhat less so and thymotic considerations least prevalent of all However, frequency is only one aspect of relative importance and further discussion is warranted

2.1.1 Efficiency as a Driver of Industry Evolution

The empirical analysis supports the view that efficiency considerations played a crucial part in driving change within all three industries Time-series census data from 1951 to 1993 show significant cumulative efficiency gains for all three industries, as measured by stock turn and sales per employee (Tables 3 and 4)

	1951	1956	1966	1971	1977	1988	1993	% Gain 1951/1993
Grocery Wholesaling	119	120	154	204	302	323	451	
% Change		1%	28%	33%	48%	7%	40%	279%
Builders' merchanting	97	81	72	109	125	140	148	
% Change		(16%)	(12%)	52%	15%	12%	5%	53%
Hardware Wholesaling	61	77	88	94	161	152	179	
% Change		27%	13%	8%	77%	(6%)	18%	193%

Table 8 3 Sales Per Employee Between 1951 and 1993 in 1993 Adjusted IR£'000

	1951	1956	1966	1971	1977	1988	1993	% Gain 1951/1993
Grocery Wholesaling	10.5	10.78	11.3	10.91	9.02	11.45	15.01	
% Change		3%	5%	(3%)	(17%)	27%	31%	43%
Builders' merchanting	3.83	3.08	4.28	5.12	3.82	4.77	4.67	
% Change		(20%)	39%	20%	(28%)	25%	(2%)	22%
Hardware Wholesaling	3.47	3.91	4.28	4.66	4.48	5.28	6.01	
% Change		13%	10%	9%	(4%)	18%	14%	73%

Table 8.4: Changes in Stock Turn Between 1951 and 1993

Overall, the evidence would seem to support the view of organisational economists like Williamson (1985, 1996) that economising offers the strongest long-term explanation for change. In addition, the data are consistent with the proposition that greater firm level efficiency is the main determinant of industry leadership. In all three cases there were repeated examples of industry leadership passing to new players that were either first movers towards superior cost structures or new entrants with a lower cost base. Musgraves and SPAR in grocery wholesaling and Heitons and Chadwicks in builders' merchanting achieved first mover advantages from lower-cost technologies while in hardware wholesaling newer entrants started with lower costs.

The empirical evidence showed efficiency seeking to be shaped by exogenous and endogenous influences. Firstly, industry-wide efficiency seeking was seen sometimes to be ideologically driven, and not always arising voluntarily at firm or industry level. For example, in the 1950s, greater efficiency in all three industries resulted from a national policy shift to free and open markets. This finding supports Scott's (1995, 1998) contention that environments should be envisaged not as single entities but separated into technical and institutional components, and highlights the limitations of theories such as transaction cost economics (Williamson, 1975, 1985, 1996) and resource dependency theory (Pfeffer and Salancik, 1978) in multi-level studies. Such perspectives operate primarily at the level of the organisational set and tend to focus purely on the technical environment. As such, crucial agency and institutional influences at higher levels of the economic and social structure are often missed.

The empirical evidence also pointed to two forms of efficiency, strong and weak. The strong form was associated with 'efficiency shifts'. These were evident when stresses, which accumulated over time, resulted in multiple forces merging to produce

dramatic and wide-ranging economising behaviour. This resembles Li's (1996) notion of multiple drivers acting like chemical reactions. The outcome is a dramatic shift in industry cost structure. The most notable examples were the efficiency-shifts caused by the FTC in the 1950s and the oil crises of the 1970s. The efficiency-shift associated with computerisation in the 1980s and 1990s had somewhat similar effects, if not of the same seismic proportions.

Outside of such dramatic episodes, economising is still evident in weaker form but is not the most influential determinant of industry change. Indeed, the empirical analysis establishes that economising was not a constant feature of industry conduct throughout the period studied. In fact, for long periods, efficiency seems not to have been paramount. Such considerations do not explain events between 1932 and 1956 in all three industries, or in grocery since 1978. Nor can the behaviour of key firms be consistently attributed to efficiency considerations alone. In fact, the evidence highlights the way that efficiency was linked to institutional power between 1932 and 1956, as policy changed from protectionism to free trade, and to differential power in the grocery industry since 1978, as political muscle was exercised to secure favourable legislation.

In fact, efficiency has held primacy in the grocery sector over less than a third of the study period. This suggests that organisational economists typically overestimate the role of efficiency in driving industry evolution and the extent to which it is ever active and decisive. This is not helped by their pre-disposition to cross-sectional studies and path-independent assumptions.

2.1.2 Differential Power as a Driver and the Efficiency-Power Debate

The empirical evidence shows power-directed behaviour at firm and industry levels playing a significant role in shaping the direction, pace and outcome of industry change. A good example is the grocery sector. Between 1958 and 1978, change was largely efficiency-directed, but after 1978 the balance swung towards power. Despite efficiency gains, the sector remained weakened by unfavourable supply terms, as manufacturers bowed to the buying power of the multiples. The manufacturers' support for the multiples fundamentally altered power relationships within the sector.

The wholesalers learned from the Willwood boycott that power-directed behaviour worked and since then, greater emphasis has been placed on enhancing power than pursuing efficiencies.

Overall, the data show power-directed behaviour to have been quite pervasive across sectors and periods, suggesting that economising theories of industry evolution need to be balanced with power perspectives. Differential power was associated with most of the empirical drivers. Four examples are chosen for illustration. It was there in the struggle between incumbent Protestant businesses and emergent Catholic entrepreneurs during the protectionist era. Government influenced change by stimulating power-directed behaviour at the industry and firm levels in all sectors over the protectionist era. It also intervened in a partisan way in response to power-based pressure in the grocery industry after 1982. Technology, in the guise of symbol group trading, stimulated power-directed behaviour. While group trading produced efficiency gains, its main effect was to tie retailers to particular wholesalers. This allowed Musgraves, BWG and MACE to secure a critical resource and ensure that its behaviour was controlled and channelled in a professional manner. The failure of the format to take hold in the hardware and builders' merchanting sectors further illustrates the point. Here, merchants/retailers were determined to maintain favourable differential power positions *vis-à-vis* wholesalers even at the expense of cost savings.

Power-directed behaviour was also clearly associated with collective agency. During the protectionist era, in particular, trade associations emerged to enhance the differential power of their members and countervail the power of others. In builders' merchanting the large merchants used associations to consolidate their power by controlling the price and supply of key materials. The grocery wholesaling associations were formed in the late 1930s to counteract the efforts of manufacturers to recover margin. The Irish Hardware and Allied Traders Association was formed to counter powerful builders' merchants and hardware wholesalers. While some efficiency gain resulted, the action was power-directed. In short, the three cases are in many respects stories of the creation, maintenance and loss of channel power among manufacturers, wholesalers and retailers, between incumbents and entrants and large and small firms.

Among the major perspectives, the influence of differential power in industry change is problematic. Organisational economists like Williamson (1995: 335) claim that power explanations have '*relatively little to offer*' in the study of intermediate markets, and tend to dismiss the power-directed behaviour of firms as mere '*strategising*' (Williamson 1991). The population ecology perspective is also dismissive (Hannan and Freeman 1989). While accepting that selection processes can be influenced by political factors, purposeful action by individual organisations is seen as ultimately playing a minor role. In contrast, power-directed explanations of change are central to the resource dependence and industrial networks perspectives (Pfeffer and Salancik 1978, Hakansson 1992, Easton 1992). This study clearly supports a central role for power-directedness. However, it also suggests that the efficiency versus power debate may be more one of degree than dichotomy, with primacy ebbing and flowing over lengthy periods of time, as was most clearly illustrated in the grocery case.

This study also goes some way towards redressing a recognised weakness in resource dependency theory, stemming from its reliance to date on macro-level time-series/cross-sectional studies, with the problem of aggregation bias (Finkelstein 1996, Pfeffer, 1997). Pfeffer (1997) has recently attributed this limitation to the difficulties in accessing finer grained data. A feature of this study is its fine detail, and this reveals numerous instances where power-directed behaviour offered the most robust explanation for events.

The strong empirical evidence presented here of differential power as a driver of change highlights a conceptual chasm between the resource dependence and population ecology perspectives and suggests that bridging it might be a fruitful research priority for both perspectives. The resource dependence perspective emphasises the centrality of power-directed behaviour at firm level in industry change, but underplays collective action (Pfeffer and Salancik 1978). On the other hand, population ecologists exclude a role for power-directed behaviour at firm level, but remain open to its efficacy at industry level. As Hannan and Freeman (1989: 42) point out, '*the difference between adaptation and selection processes depends on the level of analysis*', and Aldrich (1999: 252) concedes that '*if cooperation emerges in a population, then that population will gain a selective advantage*'. The significance of

power-directed behaviour at both firm and industry levels presented here suggests that it is time that resource dependence theorists paid more attention to collective power and population ecologists softened their determinism at firm level

2.1.3 Institutional Power as a Driver of Industry Evolution

The study also highlighted the importance of institutional power in industry evolution. It differs from the other conceptual drivers in being more of a force for stability than change, but no less significant for that. Empirically, the two main factors associated with this were government and trade associations, and the two were not unconnected.

The normative or regulatory influence of government pervaded all three cases. After 1932, Irish governments actively shaped industrial and commercial behaviour. The most obvious contrast was between the protectionist era of 1932-57, and the subsequent era of free trade. In each case, different norms were established, first by regulation and state agencies, later through evolving into ideologies and mind-sets. Under protectionism, firms had to conform to the agenda laid down to foster industrialisation. The effects were most pronounced in the hardware and builder's merchanting sectors due to their reliance on imported goods, though they were also evident in the grocery sector.

At sector level, one marked response was the emergence of collective action and the rapid growth of trade associations. The empirical evidence also shows the strong normative influence of these associations. For example, in grocery wholesaling, AWGID and IWGA tried to standardise margins at 15% and create stability through enforcing a discount structure and eradicating mixed trading and price competition. In builders' merchanting, the normative influence of the IBPA and its forerunner during the 1932-53 period demonstrated that competition can be stabilised and continuity preserved over a significant timescale. A dramatic example of institutional power is also apparent in the failure of Henshaws and Musgraves to introduce group trading to hardware.

The persistence of such institutional pressures highlights the limitations of single driver explanations of change, whether they be efficiency or differential power. Institutional economists like Williamson (1975, 1985) focus on the efficiency of institutional arrangements rather than on their normative properties. Interest in institutional power has traditionally been the province of institutional sociologists (Zucker, 1988, Powell and DiMaggio, 1991, Scott, 2000), though more recently population ecologists are showing a growing interest (Hannan and Freeman, 1989, Hannan and Carroll, 1995, Carroll and Hannan, 2000).

The institutional literature highlights government and professional associations as the main sources of normative influence. DiMaggio and Powell (1983, 147) view them as *'the great rationalisers of the second half of the twentieth century'*, while Scott (1995, 93) argues that *'in this role, they have come to replace the competitive market'*. While this study provides further support for the centrality of government, there was little evidence of influence by professional association. That said, trade associations were pivotal in creating and maintaining industry norms and customs.

There is a clear lacuna here in the institutional perspective, which gives very little attention to the normative influence of trade associations. The literature on trade associations remains under-developed, with the most cited references being to studies adopting resource dependence (Pfeffer and Salancik, 1978), transaction cost (Schneiberg, 1990, 1999) or ecological perspectives (Staber and Aldrich, 1983, Aldrich and Staber 1988). Beyond these, the treatment has been highly descriptive and situated within broader studies of national or regional political economy (see for example Berger, 1981, Okimoto, 1984, Whitley, 1994). In short, the findings here suggest that trade associations are worthy of much more research attention in their own right, from institutional theorists in particular.

2.1.4 'Thymos' as a Driver Of Industry Evolution

In this study industry change cannot be fully explained in terms of efficiency, differential power and institutional power. The cases revealed a further driver, not found in the main theoretical perspectives. This relates to human drive and aspiration of a more transcending nature than wealth, power or security-seeking behaviour. The

term chosen here for this further category of drive is *'thymos'*. The evidence indicates that this drive is quite pervasive but its relative influence varied across the three cases

The outstanding example at firm and sector levels has been Hugh MacKeown's influence on the development of grocery wholesaling, a consistent theme in both the archival and interview data. Views like *'Musgraves had a strategy before anyone else'*, *'the vision of Hugh MacKeown' being a 'key element in Musgraves success'*, and Musgrave's being *'far and away the most outstanding company in Ireland's grocery trade'*, from competitors and journalists attest to the signal influence that he had on his industry's evolution. His own comment that that *'there was always an ambition to grow and be the best'*, and a desire to go after things *'that other people are not doing or can't do'*, gave some insight into the nature of the thymotic drive itself. Since the 1970s he has provided Musgraves and the rest of the industry with strength and confidence.

Even more outstanding at national level was the example of Sean Lemass and the influence that he had over national economic development as minister and taoiseach over the 1932-66 period. Historian Joseph Lee's description of Lemass as a *'conquistador of the spirit'*, in spearheading Ireland's economic revival in the late 1950s, is an accolade that few would question, and captures the essence of the thymotic driver in a pithy phrase (Lee 1989: 22).

None of the major perspectives reviewed give much prominence to the thymotic dimension. Indeed, all are marked by determinism to varying degrees. The transaction cost approach (Williamson, 1975, 1985, 1996) is instrumental in its treatment of the individual, and the rational-economic model of human behaviour implicit in the perspective is characterised by self-interested opportunism. Leadership is given little significance. Beyond economic self-interest, the only significant motive recognised is management's drive for power, which Williamson (1985) views as dysfunctional. Although the resource dependence viewpoint is somewhat less deterministic, Pfeffer and Salancik (1978: 13) still note that *'individuals account for relatively little variance in the performance and activities of organisational systems'*. Overall, the

perspective sees leadership mainly as '*a symbol of the organisation and its success or failure*' with little substantive impact (Pfeffer and Salancik, 1978:263).

Hannan and Freeman (1989: 40) freely acknowledge '*the anti-heroic implications of population ecology*'. By emphasising the survival of the successful organisational variant, population ecology plays down the role of management. It is only where the odds are stacked against particular organisational variants that managerial skills might matter much, but mainly only to delay the inevitable (Hannan and Freeman, 1989). As Aldridge (1999) has noted, the freedom to act is often mistaken as indicative of the efficacy of such action.

In institutional theory '*most of the verbs used to describe organisation-environment relations carry the connotation that environments dominate or overpower organisations*' (Aldrich 1999:50). Like population ecology, it has paid little attention to the role of the individual or to concepts like entrepreneurship, though DiMaggio (1988) has coined the term '*institutional entrepreneur*' for people who mobilise resources within institutions in order to change them.

In the industrial network approach '*no single actor is capable of maintaining or changing the structure of the network*' (Håkansson and Snehoda, 1995: 273).

However, this perspective reflects structuration theory (Giddens, 1985) and the social theory of becoming (Sztompka, 1991), viewing context as both shaping and enabling action in a reflexive way. This comes closest to the perspective on context and action that emerges from this empirical study, though the evidence here suggests a greater role for individuals and agencies.

The general failure to recognise the thymotic drive in the main perspectives reflects a '*much wider debate on voluntarism versus determinism in theories of organisation*' (Wilson 1992: 25). As Gouldner (1980:54) has summarised it, this is a debate between those who see the social world as one in which '*human decisions can make an important difference*' and '*human courage and determination count*', and those who see it largely in terms of the '*lawful regularities that inhere in things and set limits on human will*'. The main perspectives on industry evolution lean heavily towards the determinist side of this debate.

In the face of the empirical evidence presented, it is worth examining why a thymotic dimension is not recognised more widely in mainstream theory. Hodgson (1993) believes that much of the recent theorising about organisations has developed in response to the pervasive influence of methodological individualism in the orthodox economic model. While other frameworks soften the emphasis on economic rationality, they tend to stress the more constraining dimensions of social systems and institutions, and paradigm differences have tended to inhibit the cross fertilisation of ideas in relation to such a fundamental issue (Wilson, 1992; Pfeffer, 1997). The predominance of cross sectional studies may also have contributed, since they tend to be favoured by researchers working within determinist perspectives. In addition, theoretical argument often relates more to ontological disposition than to empirical evidence. As Pfeffer (1997: 80) has noted '*the relative prevalence of the various models of behaviour in the organisations literature is only loosely related to the empirical support that they enjoy or the reasonableness of their assumptions*'.

2.2 Context and Action

Overall, the evidence in this study emphasises context somewhat more than action, but points to a very substantive role for both and a reflexive relationship between them. Contextual influences were often seen to be mobilised by actors and agencies as well as shaping their actions. This view is closer to that of the Warwick studies on strategic change (Pettigrew 1985a, 1990, Pettigrew et al 1989, Pettigrew and Whipp 1991) than to mainstream organisational economics, resource dependence, institutional or population perspectives. The influence of government, technology, social change, economic shocks and buyer/supplier relationships clearly underlined the importance of context, though it was interesting to note how differently such factors played out from case to case.

Also clear in the data were the many episodes where strategic behaviour was the major driver. This was the case for much of the protectionist era in all three cases. In addition, while contextual factors may have led to new ground rules and trading situations after the 1950s, firms like Musgraves and Chadwicks acted both purposefully and innovatively to mobilise them in rising to industry leadership. For example, Musgraves use of SuperValu to attack the multiples was highly innovative,

with major implications for industry structure Chadwicks early adoption of computerisation presaged the industry's technological development, and its early move into DIY pre-empted competition These are just a few examples of strategic choices evident in all three industries with implications for industry trajectory This is at variance with the population ecology view that industry change is largely driven by exits and entries rather than strategic action, and adds further empirical weight to those who find transaction cost theory deficient in explaining innovation (Lazonick 1991)

The long historical perspective allows the oscillation of the context-action relationship to reveal itself in ways not possible in more episodic research, suggesting that the short time span of most studies may contribute to polarisation in the literature In particular, the data show the locus of influence varying over time and between industries sharing the same overall macro-context For example, in grocery, developments between 1950 and 1970 were mostly influenced by context, while the period since the late 1970s has been marked by the purposeful action of industry actors, both individually and collectively The mam builders' merchanting firms were the major drivers of change from 1932 to 1953, as they harnessed protectionism to control the distribution policies of indigenous manufacturers In contrast, the FTC largely shaped events over 1953-65, though some smaller players harnessed the new context to advance their position

What comes across is not just a picture of the locus of control shifting between context and players but how industry actors contribute to the creation of the contextual forces that later come to shape their actions As such, it provides further empirical support for the concept of enactment (Weick 1977, Smircich and Stubbart 1985) It also provides further empirical support for the Leavy and Wilson (1994 191) view that no longer need the voluntarism-determinism debate *'be couched in terms of either/or'* since *'where and when are equally important'*

2.2.1 Efficiency and Power – Context and Action

The study also shows how pursuing the question of where and when can lead to fresh insight For example, during the prolonged periods when industry actors were in the

ascendancy, there was considerable differential and institutional power-building which caused shifts in power relativities within channels and power differentials within industries. As such, more importance needs to be attached to power behaviour over larger time periods than economists would admit. It also points to the way that pressures emanating from power behaviour eventually erupt and drive change. For example, the builders' merchandising case revealed how the actions of industry leaders over the 1930-50 period caused growing resentment that generated countervailing power through a trade association (HATA) and restrictive practices legislation.

By pressing for better discounts and failing to control mixed trading, grocery wholesalers' provoked a collective response from manufacturers aimed at recovering margin and bypassing the industry. Likewise, the failure to respond to the needs of customers, threatened by 'price-cutters', contributed to the decision to set up retailer-owned buying organisations. Subsequent moves to block manufacturers from according wholesale terms to co-ops contributed to the ending of resale price maintenance and the loss of the functional discount.

The empirical evidence suggests that contextual factors are by far the most influential when industries are being pushed towards discontinuous structural reforms. More specifically, context seems to be in the driving seat when strong form '*efficiency shifts*' take place. This is of theoretical importance as sociological theories like population ecology and institutional theory, which emphasise context, also highlight organisational inertia and reject Williamson's efficiency argument. This study shows that contextual factors are crucial in overcoming industry inertia and promoting strong form efficiency. The critical role of context during periods of discontinuous structural reform can be best seen over the 1953-70 period, when the proportion of goods going through wholesalers in all three industries declined substantially. The combined effects of regulatory change, changing channel power and technological developments all drove the search for new and more efficient industry recipes.

The empirical evidence also shows that the context-action relationship is bi-directional for some contextual factors and unidirectional for others. In particular, it is clear that the factors such as government and channel members influenced industry action and were influenced by it. In contrast, the influence of variables such as social

change, economic shocks and technology was largely one-way. This finding highlights a weakness in the way that environment is conceptualised in many organisation-environment frameworks. It is often portrayed as impersonal, homogenous, unidirectional and two-dimensional. The picture of context that emerges from this study is heterogenous, bi-directional and multi-dimensional. It is also far from impersonal and closer in perspective to the '*ensemble des jeux*' concept of Crozier and Friedberg (1980), which links the rational-economic and power-behavioural dimensions of process across multiple levels of analysis (Leavy, 1998). This perspective is not mainstream, and is unlike the major theories featured in the literature review. Yet, it is one that seems to accord most closely with the empirical findings in this study and to offer some overall synthesis among the major conceptual drivers identified. It incorporates a role for economising, differential power and institutional power drivers and would seem to provide some opening for the incorporation of a thymotic driver through the notion of '*systemic learning*'.

There are still far too few empirical studies of industry evolution that allow the interaction between context and action to be revealed and examined. One interesting focus for future research would be to examine more intensively the process dynamics involved when the locus of influence is changing from context to voluntary action and vice versa. The indications from this study are that the cycle is related to periodic efficiency-shifts and this proposition should be tested through more extensive research. More intensive research might also focus on developing a fuller understanding of the antecedents of locus change than has been possible in this study, because its long historical perspective meant trading off more detailed episodic insight. Furthermore, the indication that industry actors often shape contextual forces that later come to determine their fates is also worthy of closer, more intensive study.

2.3 Government and Industry Evolution

In all, the study identified nine empirical drivers of industry evolution as most significant. In the previous section an attempt was made to relate these substantive drivers to more formal theoretical motors in the tradition of grounded theory development (Glaser and Strauss 1967). In this section we return to three of the empirical drivers at a substantive level either because they are underplayed in the

literature to date or because the findings offer some conceptual insights at this level. The three chosen were government, trade association and leadership.

The influence of government as revealed here is more striking than is apparent from much of the literature and somewhat at odds with it. The three industries were heavily influenced by government policies and actions, both ideological and pragmatic. There was also a recurring pattern of policy evolution, from party manifesto to national consensus and ideology. Moreover, conflicts within the political system influenced the pace and direction of change at various times. Such findings and their implications will now be examined in some detail.

The data highlighted how changing economic ideology affects industry evolution, a relationship underplayed in the mainstream literature, and revealed some fresh insight into process. Economic ideology changed from *laissez-faire*, to economic nationalism, to state-regulated free market capitalism and in different periods, these overarching ideologies gave coherence to policy development. The transitions from one to the next were major contextual inflections that led to changes in the structure of all three industries.

Each of these ideologies first appeared with a change in government. The *laissez-faire* approach reflected the political outlook and dominance of the propertied classes at the foundation of the State. Protectionism was associated with the economic nationalism of the first Fianna Fáil government. Most interestingly, the abandonment of protectionism was associated not only with a new administration, but also with an ideological realignment within the governing party. These ideological changes also transcended parties. The three changes of administration over the 1932-57 period did not in themselves bring changes in economic ideology, as neither inter-party government attempted to change the protectionist regime. Fianna Fáil did this itself in the late 1950s.

The story of this change also highlights how important individual politicians can be to industry evolution. In this case, an internal ideological struggle was finally resolved when a Lemass supporter, Jim Ryan, was made Finance Minister in preference to his doctrinaire opponent, Seán MacEntee. Grocery wholesaling during the 1980s offers a

further striking example. The grocery wholesalers' request for government intervention was opposed on ideological grounds by Desmond O'Malley (Fianna Fáil) and John Bruton (Fine Gael), but was more favourably received by less doctrinaire ministers like Michael Noonan (Fine Gael) and Albert Reynolds (Fianna Fáil). These personal differences, which transcended governments and parties, had a significant influence on the sector.

Government is recognised as important in the literature, but perspectives vary on just how important. Furthermore, ideological considerations tend to be underplayed. In economic perspectives, they do not figure strongly. Mainstream neo-classical economists tend to '*stress the neutrality of the state*' (Dietrich 1995: 165). Evolutionary economists like Nelson and Winter (1982: 372) do acknowledge a significant role for government but concentrate on '*the roles for government to play in industrial innovation*' (see also Mowery and Nelson 1999). Organisational economists have tended to concentrate on government's antitrust role, while challenging those who view vertical integration as inherently anti-competitive (Williamson 1985, Shelanski and Klein, 1995). Overall, their position seems to be close to that of government as neutral actor.

In contrast, this study shows that government was rarely a disinterested party. Furthermore, economic efficiency was not always its prime objective, as evident with protectionism when national self-sufficiency took precedence.

The more sociological perspectives do not see government as neutral. The resource dependence perspective (Pfeffer and Salancik, 1978:203) looks at how the coercive power of government can be harnessed by organisations to provide favourable regulatory environments, and how '*industry comes to capture the regulatory agency*'. However, research has focused mainly on government's influence on the evolution of individual firms within an ideologically stable US business environment. This limits the opportunity to examine the link between national economic ideology and industry evolution. Population ecologists tend to focus on government actions that affect selection at firm level and most provide very limited insight into how government influences industry evolution. Among the exceptions is Aldrich (1999) who has identified political turbulence, regulation, direct government support, and macro-

economic policies as the four ways by which government can impact on organisations. He also recognises that *'changes in political leaders or governing parties sometimes bring about substantial changes in organisational environments'* (p208), and that *'political and legal events often mark the beginning of a new historical period that significantly changes the environment for populations'* (p291). However, there is little direct interest in government motivation or ideology, and how they influence industry evolution.

Institutional theorists see government as a powerful force for conformity and as an initiator of change (Scott 1995,2000). Again, the interest is more on power and action rather than motivation or ideology. This pre-occupation is evident in Fligstein's (1991:314) reflection that

By defining the rules of the game the state provides for continuity. If the rules are changed, then the state can manipulate the actions of organisations in the field. Sometimes the actions of the state provide shocks to the system that bring about unexpected consequences.

Similarly, Campbell and Lindberg (1990) focus on actions the state engages in to influence behaviour, including the granting of charters, allocation of resources, imposition of taxes, regulation, conferring of legitimacy, adjudication of conflict, and the defence of property rights.

Overall, the link between government ideology and industry evolution has received little attention in mainstream quarters. Among the exceptions is Kim's (1997) study of Korean industrialisation. Although its primary focus was on the role of the Korean government in promoting innovation, it did examine the impact of the ideological change that followed Park Chung Hee's succession to Syngman Rhee in 1961. However, the impact that contrasting ideological positions between government ministers can have on industry evolution was not examined. The evidence from this research suggests that the question of the link between changing government ideology and industry evolution is important and worthy of more intensive research in its own right. Also worthy of closer study is the relationship found here between cabinet dynamics and sector outcomes.

Another interesting finding was the way that government impact varied across different sectors and why. Protectionism tilted the playing field in favour of manufacturing over distribution, but government was unrepentant. Furthermore, the grocery sector enjoyed greater political influence than the other two, again challenging the notion of government as neutral broker. In his study of Irish dairying, Leavy (1990) highlighted the interventionist role that government played in the restructuring of the industry and suggested that the strategic significance of an industry might be a more important determinant of industry evolution than the type of industry itself. This would certainly help explain why manufacturing was favoured over distribution under protectionism. However, the empirical evidence in this study suggests that political sensitivity is a further consideration, balancing ideology and pragmatism. How else can we explain the intense interest taken by government in the grocery sector? Since the 1930s, government has directly intervened through a variety of methods related to supply, price control, hygiene, opening hours, planning and competition. On the other hand, government confined its direct interest in builders' merchanting and hardware mainly to promoting a more competitive environment and backed away once this had been achieved.

Moreover, the findings illustrate how industries can influence government policy, challenging the unidirectional bias in some perspectives. For example, after 1979 grocery wholesalers marshalled sufficient political support to secure regulatory protection from a government ideologically committed to trade liberalisation. Of the major frameworks reviewed, the resource dependence perspective is the one that shows most conceptual interest in a negotiated environment and this study provides empirical support for the importance of this idea. However, resource dependence theorists tend to play down the role of a direct electoral impact by organisational actors. The evidence in this study indicates that this process is worthy of more attention. In the grocery sector during the 1980s, for example, political power was mobilised through the independent retailers, who were numerically strong and enjoyed substantial popular sympathy. As a leading politician put it bluntly in interview, the numerical strength of the lobbying industry counts. Even where they had a case to push, builders' merchants and hardware wholesalers lacked the numbers and the emotional appeal.

Finally, the study highlights some issues between government and state agencies that are of potential research interest in their own right. The main examples relate to competition policy. During the 1950s, industry representatives believed that the FTC was operating to a hidden political brief. It was perceived to be overly concerned with efficiency within distribution rather than manufacturing, leading to a gap between the Commission's stated aims and the Government's agenda. A further example concerns the 1987 Grocery Order. Since 1991, the Competition Authority has fought with various governments, anxious not to upset a powerful constituency, over the annual renewal of the order. These examples of ambiguity and conflict between policy instrument and policy-maker are also linked to the wider issue of social actors enacting environments that shape their subsequent actions in ways not always intended, and should be of interest to researchers within the field of public policy and beyond.

2.4 Trade Associations and Industry Evolution

The empirical findings of this research give a prominence to trade associations not reflected in the literature. A recurring theme was how trade associations influenced industry structures for long periods by controlling members' behaviour, limiting entry, securing a favourable regulatory environment and appropriating value from suppliers.

Yet trade associations tend to be peripheral in mainstream economic and organisational perspectives. For example, Granovetter (1995: 96) specifically excludes them from his examination of business groups. More generally, economic and social theorists tend to focus on their dysfunctional impact on markets and social order. Two issues that have attracted some special attention are formation conditions and their relationship with the state. Schmitter and Streeck (1981) have characterised the logics that underlie these as the '*logic of membership*' and the '*logic of influence*'.

During the 1980s, literature emerged on private-interest government and corporatism that focused on the role of trade associations in self-regulation (see, for example, Streeck and Schmitter 1985, Grant 1987). However, this offers little insight into the agency aspects that were prominent in this study or into how such associations

emerge and develop over time (Van Waarden, 1992) Some unsuccessful attempts have been made to apply Mancur Olson's (1965) work on collective action (Van Waarden, 1992) Also historians have shown some interest in how and why trade associations form at particular times in response to competition, channel behaviour or government regulation (Chandler, 1977, Yamazaki and Miyamoto, 1988)

There have also been attempts to examine trade associations in terms of transaction cost economising (Schneiberg and Hollingsworth, 1996), as a form of multilateral governance (Lindberg et al 1991), as sectional power brokers (Pfeffer and Salancik, 1978, Meyer and Scott, 1983), as legitimisation vehicles (Aldrich and Staber, 1988, Aldrich et al 1994), as rule making bodies (Scott and Mayer, 1991) and as a form of private-interest government (Streeck and Schmitter, 1985, Grant, 1987) However, a small number of references are cited again and again across the different theoretical streams Recent personal contact with Jeffrey Pfeffer (Stanford), Howard Aldrich (North Carolina), Marc Schneiberg (Arizona) and Robert Hanneman (California) suggests that there is little significant work in progress in this area

This study offers some fresh perspective on trade associations with implications for the current literature and for future research In particular, it offers some fresh insights into how and why such associations emerge and disband and on the relationship between member diversity and problems of governance This study suggests that changing supply conditions were the most significant determinant of trade association emergence, while government regulation was the primary influence on disbandment In addition, legitimacy seems to have been more relevant to formation than membership numbers The findings also suggest that efforts to increase member homogeneity can lead to governance problems in certain contexts, contrary to expectations

The founding of each of the associations in this study was triggered by actual or potential deterioration in supply conditions During the 1930s, the builders' merchants organised themselves to ensure that the new protected manufacturers adhered to established channels and pricing practices Likewise, the Hardware and Allied Traders Association was formed to overcome the supply barriers created by the

IBPA and by government tariffs. The grocery wholesalers formed AWGID, WGAI and IADT to press the leading manufacturers to cede better margins.

The disbandments came about because of government action aimed at eliminating restrictive practices. The IBPA lost its *raison d'être* once the FTC outlawed its practices and enforced new rules relating to supply, entry and pricing. In grocery, the WGAI was wound up because the FTC began to undermine resale price maintenance and some members would not refrain from mixed trading and supplying cut-price outlets. The IWGA came to an end as members increasingly went their own ways commercially. When the FTC ended resale price maintenance in 1958, commercial matters began to dominate through the formation of EDL. However, the differences in resources and competencies on the part of the members made this increasingly unviable.

The findings also highlighted instances where efforts to increase association homogeneity led to the emergence of countervailing forces with knock-on effects for control and governance. In builders' merchanting, the established companies defined membership in terms of having a minimum 75% wholesale sales of building products, designated stocking and purchasing levels and suitable premises and showrooms. This did not take note of the provincial situation where mixed merchanting was the most prevalent form of trading. By drawing tight boundaries, the IBPA and its forerunner excluded a large number of potential competitors with no vested interest in the association's objectives. When the smaller and more general firms organised themselves in HATA, the IBPA found itself being attacked by a large organised group and in an increasingly untenable position. Pressure from these outsiders played a considerable part in provoking the government to ban the restrictive practices of the IBPA.

Likewise, in grocery wholesaling, the AWGID was formed by the 25 largest wholesalers. However, this excluded a large number of smaller firms. These went on to form the more unstable IWGA or were left outside the system altogether. While the AWGID succeeded in controlling its membership in the long run, the 75-member WGAI failed in its attempts to eliminate mixed trading and enforce price control and eventually collapsed as a result. As such, the problems caused by those

outside of AWGID membership impacted on the whole industry. When the new IWGA was formed in 1956, only 46 of the 100 significant grocery wholesalers were admitted to membership. By leaving so many firms on the outside, the IWGA left itself unable to influence their behaviour or speak authoritatively for the whole industry. In contrast, the current association, the IADT represents all grocery wholesalers and possesses considerable political and commercial power.

The literature on the emergence and disbandment of trade associations, such as it is, does not present a consistent picture. To begin with, the transaction cost perspective finds difficulty in dealing with the phenomenon of trade associations at all, let alone offering any explanation for how and why they emerge and disappear. There is little mention of them in Williamson's work. As Lindberg et al (1991: 15) have noted, *'the markets and hierarchies literature completely ignores collective action'*, while such action *'is also the kind of behaviour that the neoclassical paradigm is least capable of handling'*. TCE's lack of contribution to the literature on trade associations reflects the under-socialised emphasis in the perspective (Granovetter 1985, Nilikant and Rao 1994), with its tendency to *'overstate the role of individually orientated economic incentives in organisations and understate the importance of social exchange reciprocity, co-operation and trust'* (Aldrich 1999: 70).

More recently, sociologist Mark Schneiberg (1999, 2000) has extended the analytical categories of markets, hierarchies and networks to embrace association as a form of embeddedness. Schneiberg believes that associations emerge in response to certain types of market failure that are not highlighted by existing research on networks and hierarchies. In particular, he suggests that association and price-control can be efficient organisational solutions to market failures fundamentally different from the transaction economies that drive vertical integration or network formation. More specifically, he suggests that when associations overcome problems of trust and predatory behaviour, they create opportunities for bargaining, learning, deliberation and collective goods production that are beyond the reach of other governance forms. The prominence of trade associations in this study suggests that this line of research is promising and should be encouraged by all those interested in market failure. More specifically in terms of the founding and disbandment of trade associations, Schneiberg and Hollingsworth (1996) tested the TCE proposition and found it lacking.

when trying to explain either the initial emergence or the ongoing reproduction of associations, and found power/strategic explanations more insightful

In contrast to TCE, the resource dependence perspective takes explicit interest in trade associations. It sees the major purposes of associations as being related to information exchange and the exertion of political influence. Their formation is seen as frequently coinciding with major changes in an industry brought about by unexpected shifts in demand or by the threats posed by new external competition or government (Pfeffer and Salancik, 1978). In particular, Pfeffer and Salancik (1978: 179) have argued that such associations *'were more likely to occur when there were too many participants in the industry to be co-ordinated either through tacit co-ordination or through semiformal inter-firm linkages'*

Curiously, however, this conceptual interest has not been strongly underpinned by empirical evidence to date. Pfeffer and Salancik (1978) originally found that despite their abundance there was remarkably little literature on trade associations. A decade on, Pfeffer (1987: 50) noted that while scholars operating from a resource dependence standpoint had made progress in exploring a variety of types of inter-corporate relations such as mergers, joint ventures and boards of directors, *'trade association membership and activities have been largely unexamined thus far'*. Recent personal communication with Pfeffer reveals the situation to have changed little since then.

The findings in this study provide broad empirical support for the resource dependence proposition that organisations form trade associations to gain greater control over their environments. Certainly the finding here that changes in supply conditions were the most significant determinant in the emergence of trade associations fits well with this perspective. However, this study's account of the founding of IADT appears to conflict somewhat with the resource dependence perspective. Pfeffer and Salancik (1978) suggested that the emergence of a trade association was an appropriate response when there are too many firms in the industry to collaborate on a more informal basis. Following this logic, once grocery wholesaling had been organised into four trading organisations by the late 1970s, the conditions were more suited to a less formal arrangement among them. Yet, the study reveals how IADT has been the most effective grocery wholesaling association to

date, precisely because of its small numbers and cohesiveness. Furthermore, prior to the founding of IADT, the wholesalers had shown themselves to be just as effective in a less formal way through the successful boycott of the Willwood Group. The main rationale for the more formal association seems to have been to legitimate standing with manufacturers, retailers and government. This finding seems to accord more closely with the recent view of Hanneman (1997) that trade associations come into being and evolve through isomorphism with an industry's surrounding environment, where legitimacy considerations heavily influence their structures, activities and financing, reflecting institutional thinking.

While considerable attention has been paid to the role of professional associations within the institutional literature, to date there has been only nominal coverage of trade associations. Structurally, they are seen as standing between their stakeholders and various parts of the environment (Scott, 1994, 1995). However, as suggested earlier, institutional theorists (see Scott 1998, 2000) tend to draw off the limited stream of work that has emerged relating to ecological thinking and private-interest government. The convergence of population ecology and institutional theory has meant that contributions to the institutional perspective have tended to emerge through the work of ecology writers. As such, references to associations within the institutional perspective frequently draw on the work of population ecologists such as Howard Aldrich and Udo Staber. Because of this, it is more useful to deal with the contribution of these two frameworks jointly.

Within the institutional/ecology literature the role of trade associations is mostly seen as context driven. American scholars, in particular, tend to see them as more important to the European context due to the higher level of corporatism evident there (Aldrich and Staber, 1988, Lindberg et al 1991). The implication is that associations are primarily concerned with industry/government relationships. Hannan and Freeman (1989: 42), for example, recognise the possibility of strategising through trade associations at the industry level in noting that

Selection at the level of organisational populations may be adaptation at the level of federations of organisations. Trade associations are a useful example. They are created to organise the firms in an industry so as to boost the fortunes of these firms at a societal level.

Although this role has been recognised, only one significant stream of work has emerged that is specifically devoted to such associations. This has focused primarily on the rates of foundings, transformations and disbandments of the population of associations nationally. Furthermore, there has been a tendency to focus on general population-level conclusions or draw cross-comparisons with other similar populations such as trade unions and professional bodies. All of this has limited the insights offered into the role of trade associations and their relevance to their industry.

Finally, the finding here that efforts to increase association homogeneity led to governance problems is somewhat at odds with the prevailing view in the literature that governance issues tend to increase with diversity of membership. For example, Staber and Aldrich (1983: 167) suggest that there is a '*direct relationship between the scope of an association's boundaries and its capacity for self-governance*'. As such, the logic of membership suggests the need to minimize internal diversity (Aldrich et al., 1994). Schmitter and Streeck (1981) have proposed a high degree of specialisation as a means of reducing internal tension, creating a differentiated population of associations and reducing the likelihood of domain overlap. It seems that this question of the relationship between member diversity and governance remains problematic and worthy of further study in its own right.

2.5 Leadership and Industry Evolution

The third empirical driver singled out for further discussion is leadership. The empirical analysis clearly revealed a central role for industry actors in driving change. This was highlighted earlier when proposing the addition of '*thymos*' to the three main conceptual drivers that feature most prominently in the relevant literature. In this section we take a closer look at the implications of the empirical findings for the substantive literature in the leadership area.

2.5.1 Industry Entrepreneurship and Industry Statesmanship

Aside from the support that this study gives to the proposition that key individuals matter in industry evolution, the empirical findings also highlighted the importance of two different types of leadership at the industry level. These are identified here as

industry entrepreneurship and industry statesmanship. Industry entrepreneurship refers to the role played by key actors and their firms in leading change by being first movers in the introduction of major innovations in management technologies and business formats to advance their own commercial interests. This type of industry leadership serves the wider interest by raising competitive standards and becoming the performance benchmark for others to emulate. However, the data also highlighted another form of leadership, less entrepreneurial but no less significant for industry evolution. Industry statesmanship refers to the leading role played by key individuals and firms in trying to protect the industry as a whole from common threats and destructive competition.

Industry Entrepreneurship

Industry entrepreneurship was widely evident across the cases. It was manifest in the leading roles that firms like Musgraves, BWG, Chadwicks and Heitons played in bringing change to their industries, and in the key parts played by such outstanding individuals as Jack Musgrave, Hugh Mackeown, David Tyndall, Finton and Michael Chadwick and Richard Hewat, to mention the most prominent. The evidence suggests that without these individuals, industry outcomes and evolutionary paths would have been substantially different. As leaders, they were typically first to introduce new ways of doing things and set new standards of performance for others in the industry, as Jack Musgrave did in introducing cash and carry, group trading and professional management into grocery wholesaling and Hugh Mackeown did in showing how to scale up the cash and carry format and build a symbol group, SuperValu, capable of competing with the multiple supermarket chains. Similarly, the two Chadwicks initiated national branch networks and computerisation.

The absence of any outstanding figures in hardware wholesaling poses an interesting issue. Was this an accident of history, or was there a more favourable context for leadership in the grocery and builders' merchanting sectors than in the hardware sector? Given the long historical perspective, the odds of it being an accident of history would seem to be quite small. Furthermore, the data certainly indicate key contextual differences, which seem to point towards this alternative. For example, grocery wholesalers and builders' merchants have a relatively homogeneous product

offering that lends itself to the emergence of greater concentration and scale. In contrast, hardware wholesaling is highly diverse, with lots of opportunities for achieving competitive advantage through exclusive agency and product specialisation, and the industry has remained comparatively small and fragmented. Efforts by several different players, including Henshaws, Corrys and even Musgraves, to introduce the symbol group format innovation were notable failures.

Even where the context for outstanding leadership was more favourable, however, it did not always appear, or appeared in different firms at different times, suggesting that individuals also matter to firms and industries alike. The leaders that stood out were widely seen as gifted and farsighted by their contemporaries. Others in their industries willingly emulated the Hugh Mackeowns, Finton Chadwicks and David Tyndalls mostly because they saw them as having the surest view of the way forward. The capacity for visionary thinking was typically underpinned by openness to outside influences and eagerness to search for better ideas from home and abroad. Many of these leaders were also marked out by their ability to persuade other players in their industries to embrace major change, particularly in relation to structural rationalisation. This was epitomised by David Tyndall, and his role in the creation of BWG foods.

Industry Statesmanship

Whereas entrepreneurial leadership expressed itself mainly in competitiveness, industry statesmanship typically manifested itself in the quest for consensus and co-operation, transcending normal competitive tensions to achieve cohesion in matters of common concern. Also, while these were distinct leadership roles, they were not mutually exclusive. There were several cases of individuals who played each of these roles at different times in different circumstances. This was common, but not universal.

In this study, industry statesmanship typically emerged in response to a wide-ranging industry threat. Of the three industries studied, grocery wholesaling was the one that had to contend with commercial forces powerful enough to threaten its existence or reduce it to a fraction of its former size, and the one with the most pressing need for

co-operation among competing firms. The evidence here suggests that personal traits and contextual pressures are both significant in the emergence of industry statesmanship. The industry statesmen in this study all occupied top positions in leading companies, together with leadership positions (chairmanship/presidency) of industry associations. Industry crisis was also evident. Industry statesmanship is currently epitomised in Hugh Mackeown's chairmanship of IADT. However, it was also present in the 20-year reign of Reggie Knight as President of AWGID and its successor IWGA, and for a shorter period in David Tyndall's leadership of both WGAI and IWGA.

For two decades, Knight presided over AWGID and its successor IWGA. The need for statesmanship came from the threat posed by the concerted action of manufacturers' associations during the 1930s. There are many striking similarities between Knight's role in the 1938-58 period and Mackeown's in more recent times. Both were men with a mission to preserve and enhance their industry and prepared to use their standing to achieve it. Both led the largest firm in the industry and were widely perceived as authoritative. Knight derived his credibility from his standing among the industry's most critical resource at the time, the manufacturers. Mackeown's key role in holding IADT/RGDATA together is widely acknowledged and seen as *'pivotal to IADT's success'*. He is widely regarded as industry visionary and consensus builder. His genuine desire for the industry's well-being, and his determination not to see either his company or industry driven under, characterise his approach, and have helped peers to accept him as non-partisan on major issues. Like Reggie Knight, he is seen as a cut above the rest, combining old-world courtesy with an *'imperious air'* typical of his *'wealthy Cork merchant class'* background. He is perceived as *'a shy man with steel in his back'*, widely admired for his willingness to acknowledge when others are right and for his capacity for restraint.

A further example of such statesmanship is evident in David Tyndall's presidency of the WGAI during the 1950s, where he showed a strong determination to put his industry's house in order. His standing among his peers was reflected in the acclaim by a predecessor of his 1953 report to the members as *'one of the finest and most courageous reports which had been heard from a president of the association'*. It was further evident in his engineering of the collapse of WGAI in 1955, when he became

convinced that members with mixed retail and wholesale businesses were undermining the future of the industry in pursuit of short-term gain. It was also seen in his leadership of likeminded former colleagues into the new IWGA and in his later leadership of the break with EDL, when that organisation's limitations became apparent during the 1960s.

2.6 Implications for the Leadership Literature

The empirical evidence presented here does not accord with the determinism of the major frameworks reviewed. Key actors do appear to matter. Conversely, context was seen to shape firm and industry outcomes to a degree not reflected in the substantive literature on leadership.

Personal leadership has received little attention within current approaches to industry evolution. For example, the recent study by Mowery and Nelson (1999) into sources of industry leadership lacks any reference to key individuals in the seven industries studied. It figures little in the seminal works of Williamson (1975, 1985) or Pfeffer and Salancik (1978) on TCE and resource dependency theory respectively, the former more or less ignoring it altogether and the latter seeing it as largely symbolic. The network paradigm lays the emphasis on firm interaction in explaining industry change, downplaying the role of key individuals. Leadership is heavily circumscribed in the institutional and population ecology perspectives, with some population ecologists going so far as to dismiss accounts of leadership as retrospective mythology.

Despite the heavy determinism of the major frameworks, academics and practitioners alike have remained fascinated with the topic of leadership, and the debate about its significance swings like a pendulum and continues unabated. As Meindl, Ehrlich and Dukerich (1985: 78) have observed, *'it appears that the concept of leadership is a permanently entrenched part of the socially constructed reality that we bring to bear in our analysis of organisations'*. Some see it as pivotal to explanations of change (Zaleznik 1977, Bennis and Nanus 1985). Others see it more in terms of *'symbolic performance, expressing the hope of control over destiny'* (Czarniawska-Joerges and Wolff 1991: 529). As Pfeffer (1997: 127) sees it, *'the issue in the literature is not*

whether differences in leader behaviour might matter', but whether *'the effects of leadership are of substantial importance'* Is leadership of substantial importance to change at firm and industry levels? The empirical evidence in this study clearly says yes Is it as significant as the literature on leadership itself tends to portray? The answer is less clear

In general, the literature on leadership stands in sharp contrast to the determinism of the major frameworks reviewed Bryman (1996) has characterised theoretical development and research on leadership as having moved through a number of distinct phases during the 20th century These have been changes of emphasis rather than paradigm shifts For the most part, the leadership literature has been voluminous, but inconclusive As Burns (1978 2) put it, *'leadership is one of the most observed and least understood phenomena on earth'*, while Bennis and Nanus (1985 4) observed that *'never have so many laboured so long to say so little'* Indeed, for a time during the late 1970s and early 1980s, there was a real danger that the topic might cease to attract further serious research effort (Mc Call and Lombardo 1978) It has only been with the emergence of a new focus on leadership as the management of meaning that the field has been rescued and a sense of direction has returned (Bryman, 1996, House and Aditya 1997, Boal and Hooijberg 2001)

Up to the late 1960s, the literature had concentrated mainly on personal traits and styles, until both approaches fell into disfavour due to both methodological difficulties and conflicting evidence This was followed by the situational-contingency approach (Fiedler, 1967, 1993, Fiedler and Garcia, 1987) Again, inconsistent results led to frustration and disillusionment Since early 1980s, a number of fresh approaches have emerged around similar themes and are collectively becoming known as the *'new leadership theories'* Within these perspectives, the leader is typically seen as someone *'who defines organisational reality through the articulation of a vision which is a reflection of how he or she defines an organisation's mission and the values which support it'* (Bryman, 1996 280) These new theories are centred on the related but distinct concepts of transformational (Burns 1978, Bass, 1985, Tichy and Devenna, 1986), charismatic (House, 1977, Conger, 1989), visionary (Sashkin, 1988, Westley and Mintzberg, 1989) and strategic

(Hambrick 1989, Finkelstein and Hambrick 1996, Cannella and Monroe 1997)
leadership

On the central question of whether leaders matter, perhaps Hambrick's (1989 2) pithy remark that '*some do, some don't, and a lot more could*' best sums up the collective position of these new leadership theories. What is still missing in this new literature is sufficient attention to context (Bryman 1996). Much of it tends to downplay context in emphasising the capacity of transformational leaders to control their own destinies (Bennis and Nanus 1985, Avolio and Bass 1987, Tichy and Sherman 1994). In contrast, Pettigrew and Whipp (1991) have been to the fore in emphasising that '*leadership is acutely context sensitive*'. This is a view that is finding growing support (Keller, 1992, Leavy and Wilson, 1994, Bryman et al, 1996). For example, Bryman (1996) has stressed that '*situational constraints may be much more important in restricting the transformational leaders' room for manoeuvre than is generally appreciated*'. In this he is echoing the finding of Leavy and Wilson (1994 113) that strategic leaders are '*tenants of time and context*', where context both enables and circumscribes leadership impact.

This study supports such a contextualist perspective on leadership and suggests a variation on Hambrick's reflection along the lines that some do, some of the time, and perhaps more could, more of the time. The issue is not just about variation in impact across leaders but also about variation in impact within leaders over time. In part, this is a reflection of the changing locus of influence between leaders and contexts, as discussed earlier in the chapter. However, it is also related to changes within leaders themselves, particularly over lengthy tenures. Do they tend to grow '*stale in the saddle*' (Miller 1991)? Are there different '*seasons*' in their tenures (Hambrick and Fukutomi 1991)? Research into variation in leadership impact over time remains under-developed. Seán Lemass, the outstanding national figure in the data, clearly believed that there are seasons in leadership tenure. Admirers regret that he came to the highest office too late and left too early (Lee, 1989). However, he felt that his predecessor had held on for too long, and he was determined not to make the same mistake. The example of Reggie Knight in the grocery sector presents a different insight. Knight dominated the grocery scene for over 20 years. Early in his tenure he was a radical, later a reactionary. The strength of his impact didn't change so much as

its direction. Do some contexts provide a poor stage for leadership, as seems to have been the case in the hardware sector, and if so, why? How much do variations in leadership impact over time reflect changes in capacity as distinct from circumstance, and why? These and related questions now seem worthy of further, more intensive study in their own right.

The empirical findings in this study also extend to leadership at industry level. In particular, the study identified and examined two distinct types of leadership at this level of analysis, entrepreneurial leaders and industry statesmen. The categories refer to distinct processes rather than attributes, and there were many examples in the study of the same person performing both. Entrepreneurial leadership at industry level exerts influence on others indirectly, as exemplars Jack Musgrave, Hugh Mackeown and David Tyndall in grocery wholesaling and Finton Chadwick, Michael Chadwick and Richard Hewat in builders' merchanting all stand out in this regard, in not only propelling their firms to market leadership but in shaping the future direction of their industries.

Industry statesmanship tends to be more direct and concerned with forging collaboration among competing firms. Such personal leadership at industry level opens up a new avenue for research in the leadership field. The topic is just beginning to attract attention and empirical studies are few, the recent study by Beyer and Browning (1999) on the US semi-conductor industry being a rare exception. The empirical evidence presented here and in the Beyer and Browning study is limited, but consistent. It suggests that industry statesmen are most likely to emerge in times of crisis, when industries face external threats. Furthermore, the informal pecking order among leading personalities, usually linked to market position, seems largely to determine who gets to fill the statesman role. For example, in the case of the US semiconductor industry, it was Robert Noyce, co-founder of Intel and co-inventor of the integrated circuit. A similar pattern was evident in this study. In addition, the statesman role often finds concrete expression mainly through formal association. In the case of the US semiconductor industry it was through a consortium, SEMATECH, formed to do pre-competitive R&D on a cooperative basis.

In Irish grocery wholesaling, for example, a parallel can be seen in the forging of the sector into a formidable collaborative force by Hugh Mackeown through IADT, the trade association.

Many interesting questions for future research arise from these findings. For example, how prevalent are these two types of personal leadership at industry level, and are they analytically and empirically distinct as suggested here? Are there more than two meaningful types? Do industry statesmen only emerge in times of crisis or is this kind of leadership evident at other times? If so, in what way does it express itself in more benign contexts? Furthermore, why do industry leaders of both types tend to be more evident in some industries (grocery, builders' merchanting) than others (hardware)? These and related questions should now become the focus for more intensive investigation.

3. THE PROCESS OF CHANGE

The literature review highlighted the relative scarcity of empirical studies of industry evolution to date, and the pressing need for more research on the process and how it unfolds (Malerba and Orsenigo 1996). This study has examined the industry evolution process in longitudinal-comparative mode across three different wholesaling sectors. Such studies of industrial and corporate change as do exist have mainly focused on manufacturing industries. As such, this study contributes valuable empirical insights into a process and context that are both under-explored.

The empirical analysis of industry evolution in the previous chapter revealed a common broad phase pattern across the three cases, as summarised in figure 8.1 (similar to figure 7.2 in the previous chapter with the addition of conceptual drivers). In overall terms, the pattern that has emerged in this study seems to challenge the conceptual soundness and empirical accuracy of single-driver theories of industry change such as transaction cost economics (Williamson, 1975, 1985, 1996) and resource dependency theory (Pfeffer and Salancik, 1978), as do the network, institutional and population ecology perspectives. In addition, the model is closer to the punctuated equilibrium than gradualist perspective, and questions the applicability

of the industry life-cycle concept. At finer-grained level, the model also shows how the relative influence of change drivers tends to vary within and between phases.

Phase	Structural Reinforcement	Structural Tension	Structural Fracture	Structural Reconfiguration	Structural Consolidation
Duration	Grocery Wholesaling 1932-1945 Builders Merchanting 1932-1945 Hardware Wholesaling 1932-1945	Grocery Wholesaling 1946-1953 Builders Merchanting 1946-1953 Hardware Wholesaling 1946-1953	Grocery Wholesaling 1954-1958 Builders Merchanting 1953-1965 Hardware Wholesaling 1953-1962	Grocery Wholesaling 1958-1973 Builders Merchanting 1966-1974 Hardware Wholesaling 1962-1974	Grocery Wholesaling 1973-Present Builders Merchanting 1974-Present Hardware Wholesaling 1974-Present
Generic Transition Trigger	Government influence (Protectionism)	Economic disturbance (End of war)	Government influence (FTC)	Leadership (Introduction of new trading format)	Collective action (Adoption of deep structure)
Generic Empirical Drivers	Government influence Economic disturbance Collective action Changing Channel Power	Government influence Economic disturbance Collective action	Government influence Changing channel power New technology	Leadership Changing channel power New technology Resources and competencies Social change	Leadership New technology Resources and competencies
Generic Conceptual Drivers	Differential power Institutional power	Institutional power (for continuity) vs Efficiency (for change)	Efficiency Differential power	Efficiency Differential power	Differential power Institutional power Efficiency
Generic Features	Growth in power vis à-vis suppliers and buyers Use of power by larger firms to reinforce existing structure Development of means to ensure conformity	Weakening power vis à-vis suppliers and buyers Continuing efforts to reinforce existing structure Growing dissatisfaction with industry norms Blurring of existing industry boundaries	Mould breaking change in regulatory environment Old industry norms are discredited and rejected Power shift in favour of suppliers and buyers Intense price competition Pressure for greater efficiency	Emergence of new primary industry technologies Improved industry efficiency Changes in industry leadership Exit of old leading firms Boundary clarification Growth in concentration	General adoption and refinement of new industry technologies Consolidation of new leadership Embracing of new industry norms Supportive regulatory environment Growth in concentration

Figure 8.1 A Phase Model of Industry Evolution

3 1 The Phase Model of Industry Evolution – An Interpretation

The five-phase model presented in this study is a punctuated change model that offers the kind of fine-grained insight into the industry evolution process that Malerba and Orsenigo (1996) have been calling for, and yet also covers a longer time-frame than other studies of its kind. For example, Meyer et al (1990, 1993) covers 30 years, Romanelli and Tushman (1994) about 20 years, while Dean et al (1999) cover only four years.

Models of punctuated change tend to be characterised by alternating evolutionary and revolutionary periods, and the model presented here fits into this broad pattern. However, on closer examination, it reveals three distinct phases within the convergence or evolutionary period and two within the discontinuous or revolutionary one. All of these phases were found to involve quite lengthy time-frames, challenging the predominant notion of long periods of evolution punctuated by short revolutionary periods which tends to predominate in most punctuated models (Miller 1982, Gersick 1991, Romanelli and Tushman 1994). The interpretive analysis that follows concentrates first on the three phases of convergence and then on the two phases of discontinuity as the most fruitful way to link to the relevant literature rather than by chronological sequence.

3 1.1 Convergence and Continuity – Three Phases

The three periods of convergent change - structural consolidation, structural reinforcement and structural tension - are quite distinct. Furthermore, despite the long time-frame covered, the study only covered one five-phase sequence and did not extend to showing whether or not this pattern is periodic. Consequently, it must be acknowledged at the outset that the following analysis should be viewed as at best partial, for two reasons. One is that it assumes that the consolidation phase marks the beginning of a three-phase convergence period and that it loops back into the reinforcement phase. This assumption of periodicity seems plausible based on the literature, but it is speculative and not empirically conclusive. The second is that analysis starts at a point when all of the industries concerned are already well

established and assumed to be consolidated. The analysis does not attempt to deal with the initiation of the cycle.

Structural Consolidation

Structural consolidation is the first phase of convergence following industry discontinuity. It is seen to begin once the industry has established a new deep structure (Gersick 1991). In this study, the three sectors are seen to emerge from the previous reconfiguration phase consolidating around new trading formats. As the consolidation phase progresses a new deep structure is refined and a new set of industry recipes widely adopted around technologies, relationships and practices (Grinyer and Spender 1979). There is also a stabilisation of the leadership order at industry level. Further, during this phase, consolidation takes place within a supportive and stable regulatory environment. For the grocery sector, we see government providing a favourable planning and competitive framework, while for hardware and builder's merchanting it facilitates global sourcing and allows the competitive process to operate with little intervention.

During this phase, also, personal leadership is seen to remain important as the new elite which emerges from the reconfiguration phase continues to provide direction for their own and other firms. In the grocery sector, for example, we see industry entrepreneurship continue to play a key role in directing overall sector performance. This is evident in the parts played by Hugh Mackeown and Musgraves in the grocery sector and Finton Chadwick and his company in builders' merchanting. This contrasts with the literature. The Meyer et al (1993) study does not accord any significance to leadership during the convergence phase, while Romanelli and Tushman (1985, 1996) see executive leadership as focused on *'the management of symbols and values during converging periods'*.

A further feature of the consolidation phase as evident in this study is the widening of the gap between leaders and followers. The empirical evidence suggests that much of this is attributable to historical factors such as resource endowment, path choice and corporate parenting. The rise of Musgraves and BWG in grocery and Chadwicks and Heitons in builders' merchanting can be attributed to superior management and

leadership, inherited financial strengths, and being first to adopt and develop their industries' new business models. Corporate parenting also proved important, as evidenced by the performance problems of Brooks Thomas and Dockrells in builders' merchanting and BWG Foods and the MACE franchise in grocery wholesaling. The influence of historical factors is in line with the general thrust of the punctuated equilibrium model, but the importance of corporate parenting is not usually highlighted.

The phase is characterised by an intertwining of change drivers. Refinement is seen to involve the alternating influences of efficiency and power. The thymotic motor was also in evidence, particularly in the grocery sector.

Structural Reinforcement

In the structural reinforcement phase we see the leading players successfully defend and preserve favourable industry structures for lengthy periods. This period is marked by heightened trade association activity. In grocery wholesaling, Reggie Knight is seen to assume the leadership mantle of the sector's association, while key figures in the other two sectors perform similar roles. Overall, the phase is characterised by the strengthening of channel power through the establishment and/or reinforcement of industry norms by the sector leaders. In contrast, the efficiency motor is less prominent in all three sectors. In this phase, the industry seems to have arrived at a new efficiency level or productivity frontier that is linked to established technologies and practices (Porter 1996), and to settle there for some time to come.

The diminished role for efficiency evident in this phase seems consistent with the shift in emphasis from technical to institutional factors that Tolbert and Zucker (1983) have suggested is associated with industry consolidation. The reinforcement of industry norms by leading incumbents that also characterised this phase is widely recognised in previous literature, where the differential power of leading players is seen to give them a key role in shaping archetypical behaviour (Miller and Friesen 1980; Greenwood and Hinings (1988, 1993, 1996) and in keeping weaker players in line (Fligstein 1991).

Structural Tension

The empirical data reveal a build-up of structural tension in the later stages of convergence and continuity. This phase is included in the continuity cycle here because existing structural forms are still holding out and considerable forces for continuity continue to persist. A similar build-up of tension can be seen in the Meyer et al (1990) study of change in San Francisco Hospitals. Indeed, in the case of builders' merchanting, we see these reactionary forces strengthen for a time as the forces for change intensify. At the same time this phase sees growing opposition to the status quo, fuelled by changes in the wider context and government pressure.

The identification of such a phase is consistent with the perspective of Gould and Eldridge (1977) in evolutionary biology. They suggest that punctuated change is normally preceded by a gradual build-up of tension, which is resisted until a system reaches breaking point or ruptures in response to a triggering event. However, the punctuated model, as currently presented in the business literature does not yet yield much detailed insight into nature of the often lengthy lead up to revolutionary change. Greenwood and Hinings (1996:1035) refer to the corresponding phase in their study as one of competitive commitment, where *'some groups support the template-in-use while others prefer an articulated alternative'*. As such, this phase of structural tension provides a rare opportunity to examine empirically what Oliver (1992:563) terms *'the antecedents of de-institutionalisation'*.

Greenwood and Hinings (1990) ask what situations are likely to lead to the erosion of commitment to an existing archetype-in-use? The evidence here suggests two. One is the growing sense of grievance among peripheral groups, heightened by fears of losing out on the next wave of market growth, which in this study was post-war expansion. The second was a more general concern about loss of system efficiency, similar to the performance issues identified in the studies of Child and Smith (1987), Oliver (1992), Pettigrew (1985a) and Romanelli & Tushman (1985). Such a concern spreads well beyond the industry leaders to other interests, including buyers, suppliers, peripheral firms and government. As Oliver (1992:572) observes, faith in an institutionalised practice will be *'reassessed when economic criteria of efficiency and effectiveness begin to conflict with or intrude on institutional definitions of*

success' The findings here show much of the impetus for reassessment coming from adjacent industries, government and firms at the periphery The role of non-core firms in challenging institutionalised practices is of particular interest As Leblebici et al (1991) observe, firms at the periphery tend to be less embedded in industry structure and less committed to prevailing practices This can be seen here in the increasing opposition of general and hardware merchants and new entrants to the practices of the leading 'A' category builders It can also be seen in the behaviour of the smaller grocery wholesalers in persisting with mixed trading despite industry disapproval and in breaching the discipline of the national price list

Greenwood and Hinings (1996) also pose the question as to how change oriented groups acquire the power to effect change The answer from this study would seem to be a combination of collective action and the co-option of support from the political establishment In the builders' merchanting case, for example, we see this in the activities of buyer associations like the Hardware and Allied Traders Association and in the elevation of the issues into the national political arena, as evident in the behaviour of the grocery wholesalers during the consolidation phase

In sum, this phase appears to be characterised by growing tension between the stabilising forces of differential and institutional power supporting the status quo and the adverse economic implications for actors nearer the periphery, in short a tension between power and efficiency Network theorists, such as Håkansson and Snehota (1995), see periods of continuity as times when the focus is on honing efficiency through homogenisation and routinisation However, in this study, only the consolidation phase appears to be clearly linked with increasing efficiency The other two phases in the continuity cycle see industry leaders increasingly turning to power, rather than efficiency, to secure their interests

3.1.2 Discontinuity – Two Phases

Most punctuated change models tend to present a single revolutionary phase, usually very compressed in time For Gersick (1991: 21) such revolutionary bursts are typically characterised by *'first, a breakdown of the old equilibrium and a period of uncertainty about the future, before choosing a new basis around which to crystallize*

a new deep structure ' The empirical evidence in this study reveals that the discontinuity cycle consists of two distinct phases. The first, termed here as structural fracture, accords closely with the breakdown of equilibrium and period of uncertainty described by Gersick (1991). The second, the structural reconfiguration phase, involves the building of a new deep structure.

Structural Fracture

The structural fracture phase shared a number of common features across the different sectors. In this phase, we see all of the sectors experience severe environmental discontinuities. These are followed by significant declines in overall sector performance and the leading players fail for some time to recognise the revolutionary nature of the changes taking place. As established practices breakdown, buyers, suppliers and peripheral firms intensify competitive pressure. Efficiency considerations and the growing differential power of suppliers and buyers win out over institutional power, and result in an irreversible change in industry structure, where the existing deep structure is shattered but a new one is yet to emerge. This phase can be seen as representing a period of de-institutionalisation. Scott (2001) has noted both the limited understanding and rarity of empirical studies of the process of de-institutionalisation achieved, to date. This has been further confirmed through recent personal contact with two leading writers in the field, Pamela Tolbert of Cornell University and Christine Oliver of York University in Canada.

In terms of the phase's main features, there is a substantial literature on the role of sudden jolts in triggering discontinuous change at organisational level (Miller and Friesen 1982, Nadler and Tushman 1989, Romanelli and Tushman 1985), though studies at industry level are still too few, that of Meyer et al (1990, 1993) on San Francisco hospitals being among the exceptions in the strategy literature. The main external jolt featured here came from government through competition legislation designed to end some deeply embedded business practices. The role of government as a change trigger is highlighted in the institutional literature (Fligstein 1991, Oliver 1992, Scott 1995, 1998, 2000, 2001). However, less attention is given in the literature to date to the role played by other industry actors in bringing about government intervention. The evidence here suggests that failure on the part of industry leaders to

anticipate the consequences of their over-use of power on other interests eventually led to the government action that shook up the industry structure and released a fresh efficiency dynamic. More specifically, the ending of resale price maintenance and restrictive channel practices led to the rapid growth in direct supply, the emergence of buying co-operatives and more intense competition from firms on the periphery, all of which amplified the jolt. It seems then, from this study at least, that the strong form of efficiency, as it is known in the TCE perspective, tends to require external pressure for activation. The evidence from all three sectors indicated that once a new efficiency frontier is established during the convergence cycle, no further significant cost improvement impetus is evident in the behaviour of the leading incumbents. Whether or not this is a more general pattern should be a fruitful question for further research.

The empirical evidence in this phase also highlights the long time-lag before industry leaders grasp the discontinuous nature of the changes taking place all around them. While inertia is a strong theme in the change literature (Gersick 1991, Hannan and Freeman 1989, Scott 1995, 2001, Tushman and Romanelli 1985), most punctuated models do not highlight its significance during the revolutionary cycle itself. For example, Oliver (1992: 569) argues that during a period of crisis, leading incumbents tend to '*abandon consensually defined rules of collective behaviour in favour of self-interest gain or individual protection*'. However, the evidence here suggests that this process takes a considerable length of time, sometimes years. For example, the leading incumbents in grocery wholesaling are seen to continue their collective effort to resist change for almost five years, and during this time to consolidate their hold on their trade association in order to strengthen their cohesion. In builders' merchanting, the leading incumbents did not begin to reconfigure for 14 years, in spite of losing business to firms on the periphery and to direct supply. This again is an interesting departure from current thinking that seems worthy of further study in its own right.

Many punctuated change models highlight the mediating role of leadership in linking evolutionary and revolutionary cycles. For example, Tushman and Romanelli (1985: 180) argue that '*only executive leadership can mediate between forces for convergence and forces for change and initiate a strategic reorientation*', through generating enthusiasm for a new direction (Tushman et al 1986) and providing the

insights around which a new deep structure can crystallise (Gersick 1991) What is not clear is from where this leadership is expected to come The empirical evidence here in fact highlights the failure of the leading incumbents to generate new insights during the structural fracture phase, as they continued to hold on tightly to existing recipes Further, more intensive, research on this phase of structural fracture is needed to examine why it tends to take so long, particularly in cases such as those featured in this study where industry transformations are eventually led by existing incumbents rather than disruptive new entrants (Foster 1986, Utterback 1994)

Structural Reconfiguration

The reconfiguration phase sees the industry responding strategically to structural fracture It is characterised in this study by the emergence of new insights in the form of new technological solutions and also by change in industry leadership It is a phase associated with exits, acquisitions, mergers and partnership-formation in pursuit of greater efficiency and access to key resources The outcome is a shift in industry recipe (Spender 1980) and design archetype (Greenwood and Hinings 1988, 1993) It is this phase that sees the abandonment of collective behaviour in favour of self-interest and protection that Oliver (1992) has predicted For example, in both the grocery and builders' merchanting sectors, core firms are seen to leave behind their old alliances, while in the hardware sector the more progressive wholesalers are seen to pursue more focused and secure positions The overall pattern fits well with what McCann and Selsky (1984) refer to as a process of social triage, where '*organisations that are relatively resource rich come together to form social enclaves*', while resource poor organisations are '*left to fend for themselves*' A similar pattern is evident in the Meyer et al (1993) study of the hospital industry

The finding that in each case transformation was led by a long-established incumbent outside of the sector's leading group is of particular interest, and has its own implications for current literature To begin with, it is not what is expected in the more deterministic perspectives like population ecology (Hannan and Freeman 1977, 1989) and institutional theory (DiMaggio and Powell 1991, Scott 1995, 2001) Neither cater for transformational change nor elaborate a role for leadership Population ecology theory, in particular, holds that major industry change results

from the replacement of old firms by new firms, not from firm-level change. While this phase was associated here with greater entry and exit activity across the three sectors, established firms led their transformations, not new entrants. For example, the change leader in grocery wholesaling, Musgraves, was founded in the 19th century, while its counterpart in builders' merchanting, Chadwicks, dated back to 1906.

These findings are closer to the position of the punctuationalists like Tushman and Romanelli (1985), who see firms as capable of successful change and leadership as central to the transformation process. However, Tushman and Romanelli (1985) moderate their position on the centrality of leadership in cases where it coincides with ownership because they see this combination as unlikely to produce transformational change. This position is not supported in the data since many of the firms leading change are seen to be family-owned during this phase. Overall, the evidence here suggests that firm age and ownership are not the key considerations. More significant are entrepreneurial ambition, resource endowment and management quality. As Meyer et al (1990: 108) have put it, *'managers in the throes of revolutionary change assume the role of entrepreneurs reinventing both their organisations and their environments'*. The findings here add the qualifier that at industry level only some managers assume this role and those that do tend to come from outside the current leadership crop.

A further finding of interest from this reconfiguration phase was the evidence of cooperative trading behaviour, particularly in grocery wholesaling. Pfeffer (1997: 50) notes the particular difficulty that organisational economics has with such co-operation because it is assumed not to exist *'among larger social entities intent on maximising shareholder wealth and efficiency'*. In this study, however, it is seen to play an important part in the introduction and diffusion of new service technologies, like symbol group trading, where scale and scope are important but individual firms lack the critical mass. Granovetter (1995) identifies a number of reasons for such cooperative behaviour among firms, including market failure in developing economies, a response to agency and transaction cost problems, a means of securing cheaper goods and resources and network creation. The findings here suggest an additional role for such business groupings as co-owners and managers of a common

brand, as well as supporting his view on network creation. During the reconfiguration phase, the industries are all seen to exhibit strong tendencies towards isomorphism in the adoption of new recipes (DiMaggio and Powell 1983). This is seen in the rapid diffusion of the cash and carry format throughout grocery wholesaling, the trend towards specialisation in hardware and the spread of branch network and buying group configurations in builders' merchanting.

3.2 The Phase Model - Implications for the Literature

The related questions of whether the process of industry evolution shows any clear pattern and what the nature of that pattern might be are still very open in the literature. Some still question whether any clear pattern is discernable. For example, in their recent study, Mowery and Nelson (1999: 374) found '*the picture revealed by our seven industry studies of how technologies and industries evolve over time*' to be '*a complex and variegated one*', with '*no single pattern that fits all industries*'. Their conclusion is consistent with the concerns about process held by others (Malerba and Orsenigo 1996, Malerba et al 1999). On the other hand, there is a strong tradition in the literature centred on the concept of industry life-cycle (Keppler 1993, 1997).

The evidence presented in this study does suggest that a clear pattern can be discerned. On the other hand, it is a pattern that does not readily accord with the industry life-cycle literature, but corresponds more closely with the punctuated change perspectives of organisational theorists (Tushman and Romanelli 1985, Tushman and Anderson, 1986, Gersick, 1991, and Meyer et al 1990, 1993) and extends empirical support for such a perspective to industry level. However, the pattern of process that emerges from this study departs from the dominant perspectives on punctuated change where the discontinuity cycle is typically portrayed as short and sharp. Rather, it seems to support the concern of Child and Smith (1989: 583) that punctuated models '*over-separate temporally the continuities and discontinuities*'. The phase model presented here underlines the path-dependent nature of industry evolution. The implications of these findings for the literature are now examined in further detail.

3.2 1 The Phase Model and Industry Life-cycle

The industry life-cycle model (Abernathy and Utterback, 1978, Utterback and Suarez, 1993, Utterback, 1994, Klepper, 1993, 1997) is the dynamic perspective that enjoys most empirical support to date (Malerba and Orsenigo, 1996). However, as a model of industry evolution, it appears to be of limited use in explaining the pattern of process that emerges from this study of Irish wholesaling.

To begin with, the industry life-cycle model provides little role for actors other than firms. As such it does not account for the importance of many of the change drivers such as government, trade associations and co-operatives identified in this study. Furthermore, it is a deterministic perspective that provides little place for leadership and 'thymos', which is clearly at odds with the findings here. Moreover, as Klepper (1997) acknowledges, while industry life-cycle can be shown to do a good job at describing industry evolution during the formative eras of many industries, it offers little insight into the dynamics of the mature stage, and may not hold for non-manufacturing sectors like wholesaling and retailing, where the influence of technological change tends to be less dramatic (Utterback 1994). In sum, the data in this study tends to support the view of Mowery and Nelson (1999: 371) that *'theories of industry life-cycles that focus on the evolution of limited product classes are of limited use'* in cases where the period covered is long and the product range is wide.

The industry life-cycle model has been supported mainly by studies of manufacturing industries with narrow product ranges and frequent technological innovation. Industry maturity has rarely been a major focus of attention since many of the industries studied are of fairly recent origin and few have substantial periods of maturity to study. In contrast, the study of wholesaling in grocery, hardware and building materials featured here, presents an opportunity to examine old and broad-based service industries that had already reached maturity by the beginning of the period covered in the study and highlights the influences of drivers other than those of efficiency and technological development which predominate in life-cycle models. In sum, although this study covers a period of almost seventy years, the pattern of change to emerge does not correspond closely to the life-cycle model. In particular, the inadequacy of the life-cycle model in addressing industry change and regeneration

during maturity suggests the need for more detailed process modelling of this stage, and this should be a fruitful focus for further research.

3.2.2 The Phase Model as a Punctuated Model

Is industry change in maturity gradual or punctuated? The pattern of change to emerge in this study suggests that it is punctuated, though not as sharply as much of the literature portrays. The pattern of convergent and discontinuous change in the phase model is one that includes both first-order and second-order change and falls within the punctuated category. Tushman and Romanelli (1985:213) see the punctuated perspective at organisational level as presenting a model of evolution *'based on a simultaneous consideration of forces for stability, forces for fundamental change, and the role of executive leadership in mediating between these contrasting forces'*. The five-phase model of industry evolution that emerges from this study is largely consistent with this perspective. However, it also extends it and departs from it in a number of important respects.

In the first instance, a modified version of the firm-level notion of strategic reorientation is required for industry-level second-order change, since industries do not tend to develop strategies in the same sense that firms do. The concept of changing industry recipe (Spender, 1980) or design archetype (Greenwood and Hinings, 1988, 1993) seems more useful. Secondly, the role ascribed to agency is somewhat different. At organisational level, the exercise of executive leadership is seen as crucial to revolutionary change (Tushman and Romanelli, 1985; Miller and Friesen, 1980). At industry level, the influence of agency on radical change is seen through two types of leadership process, exemplary entrepreneurship at firm level and industry statesmanship at sector level. On the other hand, Tushman and Romanelli's (1985) portrayal of change as being mainly driven by lower levels of management during periods of convergence and by executive leadership during times of discontinuity has no clear parallel at industry level.

The main contrast relates to time. It appears from this study that the rapid change associated with discontinuities at the organisational level is not reflected quite so sharply, and that generic models of punctuated change need to be modified to

accommodate the longer time horizons and distinct fracture and reorientation phases that seem to operate at industry level. More specifically, the Romanelli and Tushman (1994: 1143) argument that *'the first and principle hypothesis of the punctuated equilibrium model is that the pattern of fundamental organisational transformation is one of radical, brief, and pervasive change'* is not fully supported at this level. Rather, this study's five-phase pattern of industry evolution seems to be more consistent with the perspectives of Smith and Childs (1987) and Pettigrew (1985a) that radical change can often take decades, not years.

3.2.3 The Phase Model and Path-dependence

In the literature review, the main perspectives on change drivers were found to vary markedly in relation to path-dependence. The TCE perspective is explicitly ahistorical and resource dependency theory pays little attention to history, while the population ecology, industrial network and institutional theories all acknowledge a role for path-dependence to varying degrees. On the other hand, the literature on the process of change places strong emphasis on the importance of history and antecedents in shaping both the trajectory and outcome of the change process. A major debate within the process literature is whether the primary historical influences are endogenous or exogenous. Life-cycle models at firm and industry levels (Kimberley 1980, Klepper 1997) tend to emphasise endogenous influences, as do some of the early firm-level punctuated change models (Greiner 1972). Contextualist perspectives (Pettigrew 1985a, Leavy 1991, Pettigrew and Whipp 1991) tend to balance this with more emphasis on exogenous factors.

The empirical findings here indicate strong path-dependence. History was clearly important in patterning the evolution of the three industries under study. As to the question of endogenous versus exogenous influences, the overall picture to emerge from the data is intriguing. The similarity in the sequencing of the five-phase pattern of change at industry level suggests a strong endogenous dimension at this level. Yet, the closeness in the timing of the phase transitions, and their clear linkage with patterns of history in the shared national context, indicate a strong exogenous dimension. The dynamic interplay between exogenous and endogenous dimensions in

the phase patterning of industry evolution seems worthy of more intensive research in its own right.

In relation to specific endogenous historical influences, the data here suggest a wider range than that normally highlighted in the literature (Arthur 1989, David 1985), where technological lock-in and network externalities have been the most commonly cited (Aldrich 1999), with some acknowledgement also given to learning processes and scale economies (Lundgren 1995). Among the most prominent in this wider range were the form of governance and resource/competency accumulation. The benefits that accrued to firms from the accumulation of resources and competencies are evident in the rise to leadership of firms such as Musgraves, Chadwicks, Heitons and P. E. O'Briens, at key stages in the evolution of their industries. First mover advantages also flowed to firms providing entrepreneurial leadership during sector reconfiguration. Historical chance was also seen to play its part, perhaps best exemplified in the fortuitous meeting between Terence Chadwick and the Chairman of Marley during the 1930s that came to have such a significant and lasting impact on the company and the industry.

A historic influence of particular interest was the part played by privileged groups and corporate parenting in firm and industry outcomes. The historical legacy of Protestant ownership of the leading firms had a significant bearing on the evolution of the industries studied. In the early phases it was a source of cohesion and power. Later, this same historical legacy proved a liability as the context changed and the lines of management succession grew too narrow. The impact of privileged societal groupings on the historical trajectories of the major industries revealed here offers an interesting and important area of research that warrants further study in its own right. A further area of importance was the negative impact of corporate parenting by diversified conglomerates in the early 1970s. The effects on key firms such as BWG Foods, Brooks and Dockrells fundamentally altered industry outcomes. This suggests that corporate parenting is a significant historical influence in its own right, and often not for the better in terms of firm and sector fortunes. These findings also contribute to the ongoing debate within the strategy literature as to whether and how more value is created than destroyed by the common parenting function in the multi-business firm (Rumelt 1974, Schmalensee 1985, Porter 1987, McGahan and Porter 1997,

Goold and Campbell 1998, Leavy 2001). In the cases of the firms listed above, value was clearly destroyed by corporate parenting through inadequate investment, lack of industry knowledge at parent level and cultural incompatibility. Most studies of corporate parenting to date tend to be static and cross-sectional in design. The findings here suggest that there is much further insight to be gained into how value is created and destroyed by corporate parenting through more dynamic, longitudinal and comparative research approaches.

3.3 Limitations of the Phase Model Findings

While the phase pattern revealed in this study contributes to the existing literature on industry evolution along a number of fronts, it also leaves many questions unanswered that now require further study.

In the first instance this research focused purely on wholesaling industries and does not provide a ready basis for direct comparison with the studies of manufacturing industries that predominate in the literature. Even the existing studies of manufacturing industries themselves have not produced clear conclusions on the pattern of process as evident in the conflict between those like Utterback (1994) and Klepper (1993, 1996) that embrace the life-cycle concept and those like Mowery and Nelson (1999) whose findings seem to question its accuracy and utility. Does industry type matter when it comes to patterns of process? This study found a strikingly similar pattern across three wholesaling sectors in a shared national context. Are they similar because of shared sector regularities or is shared embeddedness in the same national context more significant? To gain more insight into these questions, further comparative research of a longitudinal-processual type is needed to explore how the pattern of process varies across service industries, and between services and manufacturing. Such studies should also extend across different national contexts.

4. THE IMPLICATIONS OF THIS STUDY FOR MANAGEMENT PRACTICE

In addition to the contribution that this study makes to the research literature on industry evolution, its findings have several implications for the world of practice.

Given its strategic management orientation, the dissertation concludes with some implications for firm-level strategists.

4.1 Collective Sector Strategies

The prominent influence of trade associations on industry evolution has implications for company strategists, particularly in relation to how, where and when collective sector strategies are likely to be appropriate and successful. In this study, collective action at industry level was prompted primarily by government action and the action of agencies in adjacent buyer and supplier sectors.

4.1.1 Managing the Relationship with Government

Firm strategists need to be cognisant of government as a change driver, as its attitude towards an industry can have a significant bearing on sector and company fortunes. Throughout this study the attitudes and actions of successive governments had a significant impact on the industries studied. Not all sectors are of equal strategic significance at national level, and this tends to be reflected in government policy and action. Throughout the protectionist era government policy favoured manufacturing over distribution. Later during the 1950s, when government became concerned about efficiency in distribution, it brought about fundamental changes through the abolition of resale price maintenance.

Even within wholesaling, the political sensitivity of the product and sector was found to make a difference. The distribution of food attracted far greater attention from government than building and hardware products. In recent years, successive governments have renewed planning legislation designed to protect the independent grocery sector from the threat of multi-national hypermarkets. In contrast, the hardware sector has been singularly unsuccessful in securing similar planning controls.

All of this suggests that company strategists need to work together to manage their sector's relationship with government. This implies a willingness to devote sufficient financial resources and lobbying effort to achieve their objectives. The contrast

between the hardware trade association and the grocers association as political lobbyists serves to highlight this point

4.1.2 The Need to Manage Relationships with Adjacent Industries

For firm-level strategists, this study highlights the need to manage relationships with adjacent industries and monitor their changing strategic significance, as buyers and suppliers were seen to have a major impact on the fortunes of the industries studied throughout their histories. Their influence tended to be manifested in boundary/channel disputes over the allocation of functions or the division of profit margin.

The findings showed how one or other of the adjacent industries tends to be more critical to competitiveness at any point in time and how differential advantage can depend on securing the more vital relationship. For example, they revealed how the relationship with manufacturers proved to be the more critical for all three industries in the study up to the 1950s, but how the relationship with buyers became more important for grocery wholesaling and builders merchanting during the 1960s. The formation of symbol groups became a key success factor in grocery wholesaling while the decision to focus on the relationship with the builder proved critical to the success of both Heitons and Chadwicks in the builders' merchanting sector. In hardware, control of key supply sources continued to provide significant advantage.

4.1.3 The Need to Exercise Restraint

The findings highlighted the tendency by dominant incumbents to emphasise coercive power during periods of convergence and continuity, in an effort to maintain established industry norms and rules of the game. However, they also show how over-reliance on such pressure for conformity tends to alienate peripheral firms along with buyers and suppliers, and contributes to a build up of tension with the risk of subsequent structural fracture. Leading incumbents need to be aware of such risks and find ways to manage these key relationships in a manner less likely to provoke the kind of countervailing response that will ultimately dislodge them from their leadership positions. While individual firms on the periphery may not appear to pose

a significant threat, this study demonstrates how prolonged subjection to 'unfair' pressure encourages them towards countervailing collective action and the clamour for government intervention

4.2 Understanding the Nature and Impact of Punctuated Change

The punctuated pattern of industry evolution that emerges from this study has particular implications for firm-level strategists. A unique feature of this study was its identification of a two-phase punctuation cycle – the first phase triggered by an environmental jolt and the second by strategy innovation within the industry. The second phase was always triggered by an industry incumbent, but not from the current leadership group.

4.2.1 Environmental Punctuation and Collective Inertia – The Risks to Leading Companies

In all three industries studied, the leading incumbents were seen to remain wedded to the old industry recipe for too long and to make inappropriate responses to the onset of environmental punctuation. There were considerable time lapses between the environmental jolts and fundamental responses. Much of this period was taken up with either resistance to change, as in grocery wholesaling, or denial, as in the other two industries. The end result was that the leaders of the old order typically failed to maintain their positions following industry transition.

The findings demonstrate the difficulty that senior managers in core firms typically have in differentiating between reversible and irreversible changes in their environment. This was particularly evident in grocery wholesaling where even Musgraves and D. Tyndall & Sons, the eventual architects of the new order, succumbed for quite some time to the collective paralysis that seemed to beset the executive of the Wholesale Grocers Association of Ireland. The new leaders were the ones to break free first and establish a new order based on innovative strategies and new business formats. While this highlights the advantage that can accrue to first movers in industry change, it also highlights the need for more effective and

responsive environmental scanning and for better ways to prevent the strategic blind-spots that tend develop around industry recipes and conventions

4.2.2 The Importance of Business Strategy Innovation for Industry Well-being

A significant lesson to be taken from this study is the important part played by firm-level strategy innovation in industry renewal. Strategy innovation or business model innovation proved important not only for the innovative firms but also for the health of their industries. The rejuvenation of grocery wholesaling was moulded to a significant extent by the achievement of both Musgraves and BWG Foods in formulating and implementing innovative strategies for counteracting the rise of the multiples and halting the decline of independent retailing. This proved to be highly inspirational for others in the industry. The same can be said of builders' merchanting, where the new strategies embraced by both Heitons and Chadwicks served not only to benefit these firms but also to set new performance standards for the industry as a whole.

4.3 Poor Corporate Parenting

The study highlights the capacity for corporate parenting not just to fail to add value to a business but to destroy value and undermine a firm's position in its own industry. The risk seems particularly high where the new parent is a diversified conglomerate.

The demise of Dockrells and the decline in Brooks Thomas in builders' merchanting can be directly linked to a failure on the part of the corporate parent to understand the cyclical and liquidity requirements of the building sector. Similarly, the example of Dockrells, BWG Foods and the MACE franchise serve to demonstrate how individual businesses in leading positions can be starved of resources at critical periods as funds are diverted to areas of greater need elsewhere in the parent company.

There are lessons here for two levels of management. At a corporate level, managers need to understand the fundamentals of the industries in which acquisitions are being made. At business level, managers should be aware of the need to garner corporate as

well as market support, or risk finding their business aspirations undermined because of different resource priorities at corporate level

4.4 The Human Spirit Matters

The concept of '*thymos*' and its influence on firm and industry fortunes is of great significance to the practice of management. It places human talent and aspiration firmly at the centre of the industry evolution process. The outstanding example of its embodiment in this study was in the persona of Hugh Mackeown. Leaders like him demonstrate the capacity of the individual to transcend the limitations of conventional management thinking within their industry. For example, it is generally accepted in the grocery sector that were it not for Mackeown's personal drive it is unlikely that Musgraves would have challenged the multiples on their own territory. Without this, in turn, the evolution of grocery wholesaling would have been fundamentally different.

The emergence of '*thymos*' as a major change driver and its manifestation in industry entrepreneurship and industry statesmanship demonstrates that people matter and that exceptional individuals can have a differential effect on firm and industry fortunes.

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APPENDICES

APPENDIX A

Interviewees

Interview Sources	Title	Organisation	No. of Interviews
Aidan Morrison	Sales Director	Spar Ireland Ltd	1
Alan Haugh	Managing Director	CPI Ltd	1
Alex Findlater	Chairman	Alex Findlater & Co Ltd	2
Arthur Creighton	Former Director	Musgraves Ltd (SuperValu and Centra)	1
Bob Cullen	CEO	AND Ltd (Mace & Keencost) 3 rd largest grocery wholesaler	1
Charles Harris	Former Director Former President	J C Parkes & Co Ltd Irish Hardware Association	2
Charles Wilson	Former CEO Former President	C M Wilson Ltd Irish Hardware Association	1
David Tyndall	Former CEO Former President	BWG Foods Ltd (Spar, Value Centre) 2 nd largest grocery wholesaler Wholesale Grocers Association of Ireland	3
Denis Allman	Chairman Director	BWG Foods Ltd (Spar, Value Centre) 2 nd largest grocery wholesaler Irish Distillers Group (BWG Parent)	1

Edward Kelly	Director President	Heiton McFerran Ltd Irish Hardware and Building Materials Association	2
Finton Chadwick	Former CEO	CPI plc (Chadwicks parent 1965-1987)	2
Fiona Murphy	Marketing Manager	SmithKline Beecham (Ireland Ltd	1
Frank Egan	Former Director Former President	P & H Egan Ltd Irish Hardware Association	1
George Cooke	Chairman Founder member	George Cooke & Co Ltd NWGA	1
Ger Ralph	Proprietor	Spar Retailer (1 st to join in 1964)	1
Gus Mullarkey	Former Director	P E O'Briens Ltd	1
Harry McGrath	Director	Chadwicks Ltd	1
Hugh Mackeown	Chairman Chairman	Musgraves group Ltd (SuperValu and Centra) IADT	3
Ivan Yates	T D and Former Minister for Agriculture Former Chairman	Fine Gael Party Dail Committee on Small Businesses	1
James Goulding	Director General	Irish Hardware Association	1

James Hill	Former Chairman	Hardware Distributors Ltd	1
James Kennedy	Proprietor Former President	Killiney DIY Ltd Irish Hardware Association	2
Jeremy Hennessy	Editor	Irish Hardware Journal	1
John Clohessy	Chairman	Eight to Twelve Ltd (largest Spar retailer – 80 stores)	1
Kevin Kelly	Publisher Former CEO	Checkout Ireland Magazine AND Ltd (Mace & Keencost) 3 rd largest grocery wholesaler	1
Liam Haines	Chairman	Gardiner Group Ltd	2
Martin Rafferty	Former Chairman	Brooks Watson Group Plc	2
Martin Simmons	Former Director Former CEO	Thomas Dockrell & Co Ltd & Heiton Holdings Plc Atlantic Homecare Ltd	1
Mary Brophy	Editor	Checkout Ireland	1
Maurice Brooks	Director	Brooks Group	1
Michael Campbell	Director General Former CEO	IADT/RGDATA AND Ltd (Mace & Keencost) 3 rd largest grocery wholesaler	2
Michael Chadwick	Chairman	Grafton Group plc (Chadwick's parent 1987 – present)	1

Michael Keyes	Director	Cadbury Ireland Ltd	1
Oliver Hilliard	Former Managing Director	Routledge & Thompson Group Ltd	1
Ray Burke	Director Former Director Former Director General	Musgraves Group Ltd (SuperValu and Centra) BWG Foods Ltd IADT	2
Ray Colman	CEO	Woodies DIY Ltd	1
Richard Hewitt	Chairman	Heiton Holdings Plc	1
Richard Stokes	Former General Manager	Robert Scott & Co Ltd Thomas Henshaw & Co Ltd	2
T K Whitaker	Former Secretary	Department of Finance	1
Terry Spillane	Former Director General Former Publisher and Editor	Irish Hardware Association Hardware and Allied Trader	3
Tom Nolan	Commercial Director	Tesco Ireland	1
Ronny Guilford	Former Director Former Director Chairman	McFerran and Guilford Ltd Heiton Holdings Plc Irish Timber Trade Association	1

REFERENCE

Myles O'Reilly	Former Director Former Chairman Consultant on competition policy	Brooks Thomas Ltd The Fair Trade Commission IADT/RGDATA	1
Tom Shipsey	CEO CEO	NWGA 4 th largest grocery wholesaling group Stonehouse	1

APPENDIX B

Product Range Stocked By Tesco Ireland in 1998

Some measure of the extent of the extent of the product offering in the modern grocery sector can be gauged by the following product categories stocked by Tesco Ireland, the largest multiple retail chain

Product Segment	Number of Products	Segments % of Total Market
Dry Grocery		50%
Edible	16,000	
Non-edible	1,900	
Fresh Meat	550	6%
Chilled Foods	2,500	13%
Frozen Foods	800	5%
Fresh Fruit and Vegetables	800	8%
Alcohol and Spirits and Tobacco	1,300	9%
Standard and Seasonal	14,000	7%
Hardware		
Textiles	7,000	1%
Retail Grocery Sector Product Portfolio¹		

¹ Collated for this research by Tom Nolan, Director, Tesco Ireland