Government Activism and Industry Change: The Structural Evolution of Irish Wholesaling

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INTRODUCTION

Empirical studies of the structural evolution of whole industries are still quite rare in the economics literature, and rarer still beyond that discipline (Malerba and Orsenigo, 1996; Malerba et al., 1999). Within mainstream economics, industries are assumed to evolve quickly towards their most efficient or lowest cost configurations. Rarely is much interest taken in how industry structure changes from one configuration to another or how such transitions might be stimulated by factors other than technological breakthrough (Christensen, 1997; Tushman and Anderson, 1986). This strong focus on technology remains and is evident in the preface to a recent special issue of *Industrial and Corporate Change* on industrial dynamics (see Dosi and Malerba, 2002).

This paper is drawn from a recent study of the evolution of three Irish wholesaling industries: grocery, builders' merchanting and hardware. The research strategy was multi-level, multi-modal and longitudinal, using a comparative case-based methodology, and was akin in method and perspective to the contextualist approach developed for the Warwick studies on corporate change (Pettigrew, 1990, 1997). This is further elaborated in Appendix 8.1.

The full study tracked the structural evolution of wholesaling in the three sectors over most of their histories, particularly since Irish independence in 1922. It set out to examine two fundamental questions: what are the main explanatory drivers of industry evolution and what are the main patterns of process? While a number of empirical drivers were observed to be significant over time, the central role played by government and its agencies, is the primary concern of this paper. Among the most striking findings were that all three sectors experienced their most radical phases of structural change over the 1948 to 1963 period and that the primary stimulus for change came from government activism, not technology.

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A common pattern in all three sectors was the rise to prominence of trade associations during the protectionist era and the rupture of their influence following the change in public policy to trade liberalisation in the 1950s. Within each sector this transition led to major change in channel power, trading formats and industry leadership. At national level, the key date in this transition is normally associated with the appearance of Ken Whitaker's landmark *Economic Development* in 1958. However, what this study shows is that for much of the wholesaling sector the watershed came earlier with the establishment of the Fair Trade Commission (FTC) by the government of the day in 1953.

This paper will now set out to examine in some detail these major change episodes in the histories of two of the industries studied: grocery and builders' merchants. Such an examination is of value for three reasons. To begin with, it is one of the first empirical studies of the dynamics of change within Irish wholesaling. In addition, it provides rare insight into the relationship between public policy and industry change over a pivotal period in modern Irish economic development. Finally, and more generally, it informs the debate between the gradualist and punctuated perspectives that continues to energise the change literature, extending empirical support for the punctuated model to industry level and highlighting the importance of factors other than technology as catalysts for major change.

The remainder of the paper begins with a brief overview of the genesis of the FTC in national historical context. It then goes on to review the process of industry structural change in each of the two cases and the pivotal role of the FTC in this process. The article concludes with some implications for future research and practice.

Historical Context and the Genesis of the Fair Trade Commission

Following independence in 1922, the Irish Free State came into being "virtually without a manufacturing sector" (Ó'Gráda 1997: 108) as a result of a "long trend away from manufacturing into the import and distribution of British goods" (Farmar 1996: 52). In terms of economic policy, the Cosgrave government made a "virtue of continuity and caution" (Ó'Gráda 1997: 4) and to a great extent followed a laissez-faire approach to trade (Lee, 1989). This all changed when the first Fianna Fáil administration came to power in 1932, "ideologically committed to as much self sufficiency as possible" (Lee, 1989: 184). This policy was mostly pursued through the selective use of tariffs and duties on imports of finished goods to provide incentive for domestic assembly. For the sectors under study, it had a significant impact on the dynamics of channel power and gave major impetus to the rise of trade associations.

Protectionism and the Rise of Trade Associations

Between 1931 and 1937 the number of items subject to import controls rose more than twenty-fold from just under 100 to almost 2,000. The first Fianna

Fáil government also introduced the Control of Manufacturers Act (1932) to mandate majority Irish ownership with few exceptions. In response, many British firms looked to form alliances with native businesses to shield their Irish sales from the effects of tariffs. In practice, the new economic policy also resulted in "positive discrimination in favour of Catholic firms", as import substitution favoured newly established Catholic manufacturing businesses at the expense of traditional Protestant importers and wholesalers (Farmar, 1996: 89).

Overall, the initial effects of protectionism were dramatic, with industrial output rising by 40 per cent during the five years to 1936. This was overshadowed by a decline in performance of older exporting industries and the loss of many jobs in traditional distributive sectors that were dependent on imports for survival. The onset of the Second World War then saw the Irish economy become virtually closed off from overseas markets (Ó'Gráda, 1997: 18).

After the war the economy experienced a period of short-lived, consumer-led, growth. However, the boom masked underlying problems. As Houghton (1995: 34) noted, by the 1950s "much of the industrial sector could only survive because of protection, it was too inefficient to export successfully, although it was certainly strong enough to lobby against any liberalisation". As the number of local entrepreneurs grew, so did their economic influence. A particular feature of the period was the explosive growth in trade associations and employer organisations of one type or another. Between 1931 and 1950, the number of such organisations grew fifteen-fold, from 10 to around 150. In practice, many of them turned out to be "little more than cartels" (O'Hearn, 1990: 12).

THE ESTABLISHMENT OF THE FAIR TRADE COMMISSION

By the late 1940s, the Minister for Industry and Commerce, Sean Lemass, was already losing confidence in the capacity of native enterprise to serve the national interest "except under compulsion" (Lee, 1985: 291). In 1947, he introduced the Control of Prices and Promotion of Industrial Efficiency Bill, aimed at tackling excessive profits and restrictive practices. Faced with strong opposition from the Department of Finance and the business community, the Bill was substantially altered before lapsing with the dissolution of the Dail in 1948.

However, on his return to power in the early 1950s, Lemass introduced the Restrictive Practices Act (1953), which set up the Fair Trade Commission (FTC) and gave it sweeping powers to investigate any industry or trade. In addition, the new legislation gave the Minister power to issue binding orders on the advice of the Commission. In its first report, the FTC found the general attitude of trade associations to price competition to be "disturbing". Throughout the rest of the decade, the Commission's activities emasculated many of these associations and in the process stimulated radical structural change in a range of Irish industries, including those of grocery wholesaling and builders' merchanting.

CASE 1: STRUCTURAL CHANGE IN THE GROCERY WHOLESALING INDUSTRY

In the 1930s, a substantial proportion of the national wholesale grocery market was controlled by a small group of firms. Among the most prominent were the Dublin-based firms of Hugh, Moore & Alexander, and Shirley, Spence & Bedford, both part of "a business establishment and philosophy which tended to think the grocery business was theirs as of royal decree". In Cork, the major players were Newsoms, Punch & Co., Ogilvie & Moore and Musgraves. This period also saw some notable new entrants, including D. Tyndall & Sons and Mangan Bros. Ltd.

The decade proved difficult, with duties and levies affecting the importation of several grocery products. Protectionism also brought an insularity that undermined competitiveness and allowed some in the sector to extract excessive profits. Manufacturing trade associations began to emerge and press for lower margins within the distribution channel. In response, the twenty-five largest wholesalers formed themselves into the Association of Wholesale Grocers, Importers and Distributors (AWGID) in 1937. Two years later, seventy-five of the smaller firms set themselves up as the Wholesale Grocers Association of Ireland (WGAI).

From the beginning, both wholesaler associations used their collective power to press for better terms from manufacturers, stabilise prices and discipline any individual members acting "in a manner detrimental to the interests of the association", particularly those seeking to trade as both wholesalers and retailers. The Second World War brought shortages and rationing to the grocery sector. Price controls were enforced and a system of registration was introduced to control access to key commodities. These measures strengthened the position of the wholesalers, as they became the mechanism for implementing the controls. However, the period also saw a growing sense of grievance amongst retailers, which found expression through the formation of the Retail, Grocery, Dairy and Allied Trades' Association (RGDATA) in 1942.

After the war food shortages continued for some years and many wartime price controls remained in place. However, tensions began to build in grocery wholesaling. Government increasingly believed that food distribution was grossly inefficient and used controls extensively to limit margins. In spite of this, however, price inflation continued during the early 1950s, with food prices rising by 10 points in 1951 alone.

Between 1951 and 1952, the government's Price Advisory Body held a number of inquiries into grocery prices and margins. The ensuing publicity was damaging for wholesaling, leading J.E. Lalor, then president of WGAI, to complain that "due to factors beyond our control, our position as wholesale distributors has been assailed by misinformation and irresponsible criticism". When the FTC was established in 1953, the grocery sector was among the first to come under its scrutiny.

By the early 1950s price controls and outdated work practices made many of the older wholesalers inefficient and vulnerable to aggressive competition. The period was marked by increasing channel tensions as wholesalers sought to protect their margins against erosion in the face of new trading formats, particularly cut-price retailing in the large urban centres and mixed trading in the provinces. Cut-price retailers began to form their own co-operative wholesaling groups to help secure supplies at keener margins, while many mixed traders sought access to "wholesale" terms from the manufacturing sector. One example of the thrust and counter-thrust characteristic of the period was the unilateral attempt by confectionary manufacturers in 1952 to rationalise distributor discount structures, which distributors successfully fended off on point of principle. As David Tyndall the then president of WGAI recalled, "if this ill-conceived action had been allowed to pass unchallenged", the wholesale grocery trade would have suffered "penal reductions" in their "already meagre profit margins". However, rising tensions within the wholesaling sector over the mixed-trading format led to the collapse of the WGAI in 1955 and further consolidation of the trade, as the more prominent members of WGAI joined with the industry leaders in the AWGID to form the more concerted Irish Wholesale Grocers Association (IWGA).

In May 1955, the FTC launched a public inquiry into the supply and distribution of grocery goods and provisions in response to the continued attempts to control prices and margins and hinder new forms of competition. In June 1956, it recommended that resale price maintenance should be abolished and the collective fixing of prices and discounts be legally prohibited. Prices were to be based on purchase volume rather than function, extending "wholesale prices" to large retailers and co-ops. Furthermore, the FTC could see no reason why the integration of wholesale and retail activities should be prohibited, nor why further entry should be limited, thus opening up the sector to co-operative formats.

Following the FTC draft report, the IWGA submitted a memorandum to the Minister suggesting amendments to the proposed Order. Throughout 1956 and 1957 the Association fought hard to convince the FTC to retain retail price maintenance, resist attempts by manufacturers to reduce discounts, block the retailers' co-ops and multiples from getting full wholesale terms and pressurise manufacturers not to supply cut-price retailers directly. By then, however, it was an agenda that was clearly running against the tide of public policy. The wholesalers soon came to realise 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.

The FTC recommendations precipitated a period of widespread uncertainty, during which some manufacturers reduced channel discounts and created new discount structures for multiples and retailer co-ops. A defining moment came when the IWGA acceded to demands from the Jam Manufacturers and Canners' Association for lower discounts. As the IWGA's then chairman, Reggie Knight, observed at the time, the climate of uncertainty had "permitted the development of forces in the grocery trade which ... [acted] ... to make it extremely difficult to re-instate the system of maintained prices as an effective protection of the interests of the members." When the Restrictive Trade Practices (Groceries) Amendment Order 1958 turned the FTC's recommendations into law, resale price maintenance was abolished and co-ops and large retailers gained access to best manufacturer prices. In the wake of the Order's enactment, IWGA Secretary Kevin Clear openly recognised that the writing was on the wall for the old order when he warned his Executive that it was no longer realistic to "plan and think in terms of the maintained price system" and advised that they "prepare themselves for an era of keen and unrestricted price competition".

Over the following decade, the structure of the sector changed beyond recognition. The early 1960s brought the demise of the old establishment as long-time leading incumbents like Hugh Moore & Alexander and Shirley Spence & Belford failed to adapt and ceased to trade, and recidivists of the period, like Reggie Knight, long the industry's most influential figure, faded from the scene. Progressives, like David Tyndall of SPAR (later BWG Foods) and Hugh Mackeown of Musgrave's came to prominence as the industry reconfigured around new commercial formats, most notably cash and carry and symbol group trading. Industry leadership passed to players in the van of these innovations, particularly to those that realigned themselves under the Musgraves-VG (later Supervalu and Centra) and SPAR banners. The new order that emerged from this turbulent period in the industry's history has remained remarkably stable over several decades.

Case 2: Structural Change in the Builders' Merchanting Industry

The historical pattern of industry change just described, and the pivotal role played by the FTC in that pattern, was not unique to the grocery sector. It was also to be found in other sectors, including builders' merchanting, as we shall now see.

At the beginning of the 1930s most of the building materials used in Ireland were of British origin and distributed through local merchants. By then, the industry had developed a two-tier structure, dominated by a small number of "A" merchants, or primary importers, that then sold on to smaller "B" merchants and general traders. The leading "A" merchants were the three Dublin-based firms of Brooks Thomas Ltd., Thomas Dockrell Ltd and T. & C. Martin Ltd. British manufacturers typically fixed resale prices and enforced their maintenance by withholding supplies and other methods.

The advent of protectionism brought change to the industry. The new policy of self-sufficiency encouraged import substitution and was so successful in this regard that by the early 1950s, the bulk of building materials were made in Ireland. This expansion in local manufacturing affected the distribution sector. The Cement Act (1936), for example, gave a local monopoly to Cement Ltd and ended imports of the commodity. Many of the new indigenous manufacturers did not prescribe resale prices, so "associations of merchants themselves undertook the fixation of margins and sought the co-operation of the home manufacturers in ensuring compliance with them". The early 1930s saw the formation of an association, later known as the Irish Builders Providers' Association (IBPA), to represent merchanting interests. Membership was confined to those with a minimum of 75 per cent wholesale business with builders, plumbing contractors and other relevant trades. New trading standards were introduced to establish clear lines between "legitimate" merchants and the hundreds of provincial hardware and general providers trading in building materials. The new association negotiated prices with manufacturers and administered a national price list.

As the 1930s progressed, the leading merchants, through their association, developed exclusive relationships with indigenous manufacturers and gained control over the supply of key building materials. Dissatisfaction with the growing inequality in distribution prompted the formation of the Hardware and Allied Traders Association (HATA) in 1938 to represent the interests of the smaller urban and provincial merchants. With the outbreak of war in 1939, commercial activity was increasingly disrupted by shortages, but the leading merchants suffered only small reductions in their pre-war levels of profitability.

In early 1944, the government produced plans for post-war building projects valued at £68m. This, together with the release of pent-up demand, saw the number of builders' merchants grow from 54 to 109. It also spurred the "A" merchants in IBPA to consolidate their control over the industry, to the growing concern of others in the trade. Beginning in 1949, HATA, through its own trade journal, Hardware and Allied Trader, mounted a sustained campaign against the restrictive practices of the "A" merchants. By the early 1950s, it had already become a political issue, as evidenced in a 1952 parliamentary exchange between James Dillon and Sean Lemass over the refusal of Irish Founderies Ltd to supply a small merchant not in the IBPA. Shortly after its establishment, the FTC announced an inquiry into the supply of building materials.

The FTC inquiry provoked an early reaction when it singled out the IBPA and its affiliates for special attention. The leading figures in the association at the time included Herbert Garner of Baxendales, its chairman, along with George S. Gamble of Brooks Thomas, Henry Morgan Dockrell and two directors of T. & C. Martin. It is clear from the evidence given that controlling trade was seen to be a legitimate practice by those involved. The chairman of one of the affiliates defended the actions of his association by explaining that they stemmed from "the fact that quite a number of people invaded this trade who were not in it before" and that "the older established houses just said – 'Well, we are not going to let them in'".

The FTC recommended that the Minister prohibit the restrictive practices and price collusion identified in its investigation and 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 withholding of supplies unfairly. The work of the commission also served to reduce barriers to entry and increase price competition. As a consequence, the 1957 census of distribution records the number of merchanting outlets having risen from 109 to 186. In time the FTC actions would be seen to have precipitated changes that radically altered the industry.

The changes were quick to take hold. 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. Competition in timber and cement became particularly severe. Former customers such as public authorities, manufacturers of concrete products and builders were now 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.

The stimulation of the building sector by a new housing bill and the national programmes for economic development did little to ease the pressures mounting on traditional merchants in the wake of the FTC investigation. By 1961, two of them, J. J. O'Hara, a large Dublin merchant, and W. & L. Crowe, a major timber importer, had already been forced to exit the business. By the early 1970s both Baxendales and T. & C. Martin had also passed into history, while the fates of both Dockrells and Brooks Thomas had fallen into the hands of then newly emergent conglomerates, BWG and Fitzwilton. Even then, they were on their way to further decline. By the early 1980s Dockrells had closed and Brooks went out of Irish ownership, sold on to a Scandinavian timber supplier.

Once again, as in the case of the grocery sector, industry leadership passed on to a new order, as the firms of Heitons and Chadwicks rose to prominence on the back of innovative strategies and organisation, and the entrepreneurial talents of Richard Hewat and Finton Chadwick respectively. Both companies anticipated the collapse of the old "A" and "B" regime in the wake of the FTC investigation and accelerated its demise by introducing the multiple outlet innovation to the sector through the progressive development of nation-wide chains. Again, as in the case of the grocery sector, the new order that emerged from this most turbulent period in the sector's history has remained remarkably stable to the present time.

Implications and Conclusions

This brief examination of the effect of the FTC on the structural evolution of the Irish grocery and builders' merchanting wholesale sectors is of interest in several respects, empirically, historically and analytically.

At the descriptive level, it is of interest because there have been so few empirical studies of industry evolution carried out to date and direct knowledge of the process dynamics remains quite scant and underdeveloped. As Malerba and Orsenigo (1996: 66) point out, not only does the research to date "provide few case studies of the structural evolution of industries", but even where it does it is mainly as a by-product and not as the primary research objective. This present study goes some way towards addressing this lacuna. Moreover, such few studies as do exist have tended to focus on manufacturing industry. As Fein (1998: 232) notes, "there has been little research into evolutionary processes in distribution", and this study is one of the first of its kind in an Irish context.

For Irish economic historians, the study also offers valuable insight into how the major policy changes at national level over the period from the early 1930s to the late 1950s were reflected in developments within particular sectors. In this respect, at least three points are noteworthy. The first is how the early 1930s shift in national policy to economic self-sufficiency led to the rapid rise in trade association activity across the board, as channel politics began to take precedence over economic efficiency. The second is how this process was seen to more or less reverse itself as protectionism was discarded during the 1950s. Most strikingly, the data also highlight the significance of the 1953 FTC in the national turnaround and renewal process of the 1950s. Dr Ken Whitaker, architect and author of *Economic Development* (1958), the landmark blueprint associated with the recovery effort, was among those interviewed for this study. Characteristically, he was quick to acknowledge the importance of antecedents, such as the FTC, that rarely receive the credit due. Again, this study goes some way to redress this shortcoming.

At the analytical level, the study provides at least two features of interest to researchers and practitioners involved with industry evolution. Firstly, it provides further empirical support for a punctuated perspective on structural change, but grounded in a sector that, so far, has been little researched. It also highlights the role played by government activism as a trigger for industry structural change.

Up to now the study of industry structure has remained primarily the province of economists, where the tendency has been to study industries at equilibrium. In this tradition, industries are taken to gravitate rapidly towards their most efficient configurations, so that interest in what these configurations are, and how they might vary across different industry contexts, has taken precedence over how they change with time. This primacy of interest in structure over process is reflected in the structure-conduct-performance (SCP) perspective in the Industrial Organisation tradition (Bain, 1968) and in the transaction cost economics (TCE) perspective that is still dominant in organisational economics (Williamson, 1975, 1995).

Elsewhere in the social sciences, researchers have concerned themselves for some time with the process of structural change, but mostly internal to the firm. At organisational level, one of the major debates in the change literature concerns the longer run pattern of change and whether it is gradual or punctuated.

On the one side of this debate, much of the traditional organisational development literature, from the late 1960s onwards, has tended to present "an ideology of gradualism", as Dunphy and Stace (1988: 317) have pointed out. The gradualist perspective is also strongly reflected in James Brian Quinn's (1980) theory of logical incrementalism. While Quinn does not exclude the possibility of revolutionary change, it is not his central concern. Implicit in his perspective is that all but the most catastrophic events can be coped with relatively smoothly through a well-conceived gradualist approach. His model is based on two underlying assumptions. The first is that organisations are very adaptable. The second is that adaptation can be purposefully managed, if an organisation's leaders follow the right model. Quinn's twenty-year old perspective remains one of the most influential at the organisational level and his conceptualisation of strategic change as an emergent process of purposeful experimentation and learning has been reflected in much subsequent work (Collins and Porras, 1996; de Geus, 1988; Mintzberg, 1987; Senge, 1990; Waterman, 1994).

However, as a model of change at the organisational level, the gradualist perspective is far from universally shared. Over the last two decades, many have been drawn to a more punctuated perspective in which the process of major change is characterised by long periods of evolutionary change interspersed with shorter, sharper bursts of revolutionary or disruptive transformation (Foster and Kaplan, 2001; Gersick, 1991; Greiner, 1972; Johnson, 1990; Miller and Friesen, 1980; Pettigrew, 1985; Tushman and O'Reilly, 1996). Underlying this more punctuated perspective on change is the recognition that there are many forces in organisations – psychological, historical, structural, cultural and institutional – that tend to resist the pressure for change until it becomes almost overwhelming. This more punctuated perspective questions the two key assumptions underlying the gradualist view, i.e. the adaptability of organisations and the degree of influence that any incumbent leadership tends to have over the change process. As Miller and Friesen (1980: 591) have argued, the "one theme that stands out in the literature is that organisations tend to demonstrate great sluggishness in adapting".

Within the punctuated perspective at organisational level, one of the most robust portrayals of the dynamics of process is the classic unfreeze-change-refreeze model, first developed by Kurt Lewin (1951), and most of the more recent frameworks are variations on the original (Antonioni, 1994; Johnson, 1990; Leavy, 1997; Miller, 1982; Pettigrew, 1985). As Nonaka (1988: 57) succinctly characterised it, the process of organisational transformation can best be seen as a "process of dissolving an existing order and creating a new one". What this present study shows is how the punctuated perspective and this model of process also extend to structural change at the sector level.

The overall interpretation of process common to most of these firm-level models can be summarised as follows. Structural change happens mainly in disruptive shifts from one structural configuration to another, rather than through continuous renewal and adaptation. The main elements that bring stability to any new configuration are shared ideology or mindset, political balance and cultural traditions, and as time progresses the growing alignment among all three. The result is that every such order eventually becomes over-adapted to the conditions of its early development and increasingly out of kilter with emerging realities. The ever-growing tensions between the congealed order and the new realities are held to breaking point until, finally, something triggers a rupture.

The relevance of such an interpretation of structural change to the cases under study here is not too hard to find. Following the change in national policy to economic self-sufficiency in the early 1930s both sectors gradually became over-adapted to protectionism, ideologically, politically and culturally. This was most manifest in the rapid rise of trade association, which became a major force for stability in each of the sectors studied. Equally striking and consistent with this interpretation were the lengths to which these associations were seen to go in trying to preserve the old order in the face of increasing pressure for change and the cost that many of the industry leaders later came to pay for such conservatism.

In sum, this brief analysis shows the relevance and utility of a punctuated "unfreeze-change-refreeze" process perspective to the interpretation of structural change at the sector level. From a research standpoint, this should be of some interest to those, in the vanguard of reviving the Austrian non-equilibrium tradition in economics, seeking more empirical insight into the dynamics of industry evolution, Schumpeterian or otherwise, and how they play out over time. It should also contribute to the developing view of process within the emerging field of evolutionary economics, where support for the punctuated perspective on industry evolution remains equivocal (Mowery and Nelson, 1999). At a more practical level, greater recognition of the punctuated nature of industry structural change, and further insight into its underlying dynamics as illustrated in studies such as this one, should help those with an interest in how industries evolve to better understand why "rational" industry change tends to take so long, and how to intervene in the process to best effect.

Finally, a key element in any such punctuated perspective is the triggering mechanism. To date, the primary trigger in industry studies is taken to be disruptive technological breakthrough. A classic illustration is the impact of the mini-mill technology on the structural evolution of the steel industry, on the basis that if it can happen in such a traditional industry, it can happen anywhere (Christensen, 1997). What this current study shows is that there are at least some contexts in which technology is not the primary catalyst. In the case of each of the sectors studied here, pride of place belonged to the activities of the FTC, and government activism, not technology, was the primary trigger for industry revolution.

This is a finding of significance to all those with an interest in industry evolution. It is also one that should be of special interest to public policy makers concerned with the development of industry strategy. Beyond this, it indicates that government activism should figure more prominently in conceptual frameworks guiding future empirical studies of industry evolution. More such studies are now urgently needed.

Appendix 8.1
A Note On Research Methodology

This paper draws from a research programme that studied the drivers of industry evolution and the temporal pattern of the associated processes (Quinn, 2002). The study sought to explore how context, social action and history interplay in driving and patterning the process of evolution.

A number of writers (see Gersick, 1991; Meyer et al., 1990; Pettigrew, 1990, 1997; Scott, 2001) have advocated *multi-modal* approaches to studies of change. Furthermore, both Pettigrew (1985, 1987) and Scott (2001) have advocated a *multi-level* approach. Few templates are available to guide inductive research into the dynamics of industry evolution using multi-level, multi-modal approaches. This study adopted a contextualist research strategy of the type developed in the Warwick Studies on Corporate Change and well proven in use (Leavy and Wilson, 1994; Pettigrew, 1985; Pettigrew and Whipp, 1990). In common with most qualitative methodologies, it is not defined by highly specified techniques. Rather, as Pettigrew (1985: 38) has explained, there are a number of "broad principles informing a contextualist analysis of process". Briefly these are:

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

A contextualist perspective emphasises the importance of embeddedness (and multi-level analysis), the importance of temporal interconnectedness and history, the search for holistic rather than linear explanations and the role in explanation of both context and action (Pettigrew, 1997). It is a perspective that resonates strongly with the *ensemble des jeux* perspective of Crozier and Friedberg (1980), the structuration theory of Giddens (1985) and Sztompka's theory of social becoming, in its emphasis on the reflexive and recursive nature of the relationship between context and social action, social structure and human agency, where context is seen to both enable and constrain social action, social action is seen to both shape and be shaped by social structure, and these relationships are seen to be dynamic and contingent.

Contextualist analysis encourages the examination of 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.

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" (1997: 338–9).

Case selection was governed by several considerations. The initial interest in the wholesaling sector came from professional experience. However, it was also sparked by prior research (Quinn, 1992) which found that the literature on wholesaling was under-developed and that significant variations were apparent in the structure of Irish wholesaling. Furthermore, there is a distinct shortage of fine-grained longitudinal studies of non-manufacturing industries in the evolutionary literature (Klepper, 1997; Orsenigo and Malerba, 1996; Utterback, 1994). What's more, industry studies on Irish wholesaling may present particular attractions as small country context facilitates multi-level analysis (Leavy and Wilson, 1994). Finally, Pettigrew (1990) advocates a strong contrast in case selection, which was particularly evident in the contrast between grocery and building materials/hardware.

High quality access to respondents and archives was achieved. It was possible to draw on an extensive network of business contacts which ensured that respondents were generous with their time and forthright. Industry associations were particularly helpful in securing interviews with key respondents and accessing valuable archival material. During interview, many industry veterans provided invaluable personal insights, allowing these to be documented before they were lost forever.

The data was gathered between 1997 and 2001. In total, 59 lengthy interviews were held with 44 different individuals. As respondents were asked for accounts of different episodes from a range of perspectives the approach taken to the interview process was one of customised planning. A number of the interviewees were long-retired senior figures, able to provide invaluable first-hand insight into key episodes going back over 50 years. The archival and documentary sources included trade journals, written histories, minutes of trade associations and reports and records of associated public bodies such as the Competition Authority and the Fair Trade Commission, in addition to industry statistics from various census sources. As is typical in this kind of study, data collection and analysis proceeded in tandem, particularly during the latter stage of the project.

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