

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

The Struggle for Control of the Modern Corporation

Organizational Change at General Motors, 1924–1970

The Struggle for Control of the Modern Corporation provides a fascinating historical overview of decision-making and political struggle within one of America's largest and most important corporations. Drawing on primary historical material, Robert F. Freeland examines the changes in General Motors' organization between the years 1924 and 1970. He takes issue with the well-known arguments of business historian Alfred Chandler and economist Oliver Williamson, who contend that GM's multidivisional corporate structure emerged and survived because it was more efficient than alternative forms of organization. This book illustrates that for most of its history, GM intentionally violated the fundamental axioms of efficient organization put forth by these analysts. It did so in order to create cooperation and managerial consent to corporate policies. Moreover, it was the top managers who advocated these changes. The corporate owners vehemently opposed them, touching off a struggle over corporate organization inside GM that lasted for decades. Freeland uses the GM case to reexamine existing theories of corporate governance, arguing that the decentralized organizational structure advocated by efficiency theorists may actually undermine cooperation, and thus foster organizational decline.

Robert F. Freeland is Assistant Professor of Sociology at Stanford University. He has published in the *American Journal of Sociology*, the *Journal of Law and Economics*, and *Business and Economic History* and is the recipient of the 1998 Social Science History Association's President's Book Award for this book.

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational
Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

Structural Analysis in the Social Sciences

Mark Granovetter, editor

Other books in the series:

1. Mark S. Mizruchi and Michael Schwartz, eds., *Intercorporate Relations: The Structural Analysis of Business*
2. Barry Wellman and S. D. Berkowitz, eds., *Social Structures: A Network Approach*
3. Ronald L. Breiger, ed., *Social Mobility and Social Structure*
4. David Knoke, *Political Networks: The Structural Perspective*
5. John L. Campbell, J. Rogers Hollingsworth, and Leon N. Lindberg, eds., *Governance of the American Economy*
6. Kyriakos M. Kontopoulos, *The Logics of Social Structure*
7. Philippa Pattison, *Algebraic Models for Social Networks*
8. Stanley Wasserman and Katherine Faust, *Social Network Analysis: Methods and Applications*
9. Gary Herrigel, *Industrial Constructions: The Sources of German Industrial Power*
10. Philippe Bourgois, *In Search of Respect: Selling Crack in El Barrio*
11. Per Hage and Frank Harary, *Island Networks: Communication, Kinship, and Classification Structures in Oceania*
12. Thomas Schweizer and Douglas R. White, eds., *Kinship, Networks and Exchange*
13. Noah E. Friedkin, *A Structural Theory of Social Influence*
14. David Wank, *Commodifying Communism: Business, Trust, and Politics in a South China City*
15. Rebecca Adams and Graham Allan, *Placing Friendship in Context*
16. Robert L. Nelson and William P. Bridges, *Legalizing Gender Inequality: Courts, Markets, and Unequal Pay for Women in America*

The series *Structural Analysis in the Social Sciences* presents approaches that explain social behavior and institutions by reference to *relations* among such concrete entities as persons and organizations. This contrasts with at least four other popular strategies: (a) reductionist attempts to explain by a focus on individuals alone; (b) explanations stressing the causal primacy of such abstract concepts as ideas, values, mental harmonies, and cognitive maps (thus, “structuralism” on the Continent should be distinguished from structural analysis in the present sense); (c) technological and material determinism; (d) explanations using “variables” as the main analytic concepts (as in the “structural equation” models that dominated much of the sociology of the 1970s), where structure is that connecting variables rather than actual social entities.

The social network approach is an important example of the strategy of structural analysis; the series also draws on social science theory and research that are not framed explicitly in network terms, but stress the importance of relations rather than the atomization of reductionism or the determinism of ideas, technology, or material conditions. The structural perspective has become extremely popular and influential in all the social sciences, and this series brings together such work under a single rubric. By bringing the achievements of structurally oriented scholars to a wider public, the *Structural Analysis* series hopes to encourage the use of this very fruitful approach.

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational
Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

Structural Analysis in the Social Sciences 17

The Struggle for Control of the Modern Corporation

*Organizational Change at
General Motors, 1924–1970*

Robert F. Freeland

Stanford University



Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

CAMBRIDGE UNIVERSITY PRESS
Cambridge, New York, Melbourne, Madrid, Cape Town,
Singapore, São Paulo, Delhi, Mexico City

Cambridge University Press
The Edinburgh Building, Cambridge CB2 8RU, UK

Published in the United States of America by Cambridge University Press, New York

www.cambridge.org
Information on this title: www.cambridge.org/9780521630344

© Cambridge University Press 2001

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 2001

A catalogue record for this publication is available from the British Library

Library of Congress Cataloguing in Publication Data

Freeland, Robert F., 1957–

The struggle for control of the modern corporation: organizational change at General Motors, 1924–1970 / Robert F. Freeland.

p. cm. – (Structural analysis in the social sciences; 17)

Includes bibliographical references and index.

ISBN 0-521-63034-7

1. General Motors Corporation – Management. 2. Organizational change.
3. Industrial management. I. Title. II. Series.

HD9710.U54 G397 2000

338.7'6292'0973 – dc21

00-036302

ISBN 978-0-521-63034-4 Hardback

ISBN 978-0-521-67791-2 Paperback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party internet websites referred to in this publication, and does not guarantee that any content on such websites is, or will remain, accurate or appropriate. Information regarding prices, travel timetables, and other factual information given in this work is correct at the time of first printing but Cambridge University Press does not guarantee the accuracy of such information thereafter.

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational
Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

For my parents

and to the memory of Carol Hatch

*... we must shake off the sadness and take her and place her
before us, though she may be faded, a figure from days long past,
and we must have the confidence to be amazed that she ever did
exist.*

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational
Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

Cambridge University Press
 978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational
 Change at General Motors, 1924–1970
 Robert F. Freeland
 Frontmatter
[More information](#)

Contents

<i>List of Figures and Tables</i>	page x
<i>Acknowledgments</i>	xiii
1 The Modern Corporation and the Problem of Order	1
2 Creating Corporate Order: Conflicting Versions of Decentralization at GM, 1921–1933	43
3 Administrative Centralization of the M-form, 1934–1941	81
4 Participative Decentralization Redefined: Mobilizing for War Production, 1941–1945	127
5 The Split between Finance and Operations: Postwar Problems and Organization Structure, 1945–1948	175
6 Consent as an Organizational Weapon: Coalition Politics and the Destruction of Cooperation, 1948–1958	223
7 Consent Destroyed: The Decline and Fall of General Motors, 1958–1980	271
8 Conclusion	295
<i>Appendix: General Motors' Financial Performance, 1921–1987</i>	324
<i>References</i>	340
<i>Index</i>	355

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational
Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)*Figures and Tables*

Figures

1.1	The multidivisional form	<i>page</i> 10
3.1	General Motors' top governing committees, 1937	105
3.2	Return on invested capital and related performance indicators, GM and Chrysler, 1934–1941	124
5.1	General Motors' top governing committees, 1946	195
6.1	General Motors' top governing committees, 1958	266

Tables

3.1	Responsibilities and powers of General Motors' top governing committees, 1933 versus 1937	102
3.2	Membership of Policy Committee and Administration Committee, May 1937	106
3.3	General Motors' Policy Group membership, November 1937	108
4.1	General Motors Corporation: turnover broken down into constituent elements, 1937–1941 versus 1942–1945	140
4.2	General Motors Corporation: return on invested gross and net capital, 1937–1941 versus 1942–1945	141
4.3	Membership of Administration Committee, 1941, and membership of War Administration Committee, 1942	146

x

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational
Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

	<i>Figures and Tables</i>	xi
4.4	General Motors Policy Group membership, February 1943	155
4.5	Membership of War Administration Committee, 1944, and membership of Administration Committee, 1945	170
5.1	Responsibilities and powers of GM's top governing committees, 1946	196
5.2	Membership of Financial Policy, Operations Policy, and Administration Committees, June 1946	197
6.1	Turnover of real estate and plant, working-capital turnover, and return on investment, 1942–1945 versus 1950–1953	238
6.2	Membership of Operations Policy Committee and Administration Committee, January 1955	242
6.3	Turnover of real estate and plant, working-capital turnover, and return on investment, 1948–1956	247
A.1	Financial data, GM 1921–1987	327
A.2	Period averages for selected data	339

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational
Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

Acknowledgments

This book has been a long time in the making. Without the intellectual and personal encouragement of my closest friends and colleagues it would have taken longer still, for it is only through my relationships with them that this endeavor in sociology has taken on and sustained meaning. Their friendship and intellectual engagement have sustained me; without them, this book could not have been written. Theirs is a gift I scarcely know how to acknowledge, much less repay. Fortunately, none of them are highly calculative exchange theorists, so they are not awaiting repayment with balance sheet in hand, ready to figure the sum due. That is why I treasure them so highly, and it is undoubtedly why I have learned so much from them.

I have been very fortunate to have had two teachers whose commitments to scholarship and to their students have been without parallel. It would be difficult to overstate the influence that Mark Gould has had on my intellectual development in general, and on this work in particular. During my years as an undergraduate at Haverford College, Mark introduced me to social theory and taught me how to do social science. Any ability that I have to construct a logically coherent theoretical argument comes largely from the courses that I took with him and the continuing exchanges that we have carried on for more than two decades. During the period in which I researched and wrote this book he has patiently provided me with invaluable feedback, guidance, and encouragement. In the process he has become not only the most important intellectual influence on my work but also one of my closest and most valued friends, one who has had an enormous impact on my life.

Michael Burawoy became my mentor and advisor while I was a graduate student at Berkeley, and there is no way I would have finished this book without him. Michael was crucial in helping me to link general theoretical concepts to concrete evidence, and I still marvel at his ability to extract a compelling sociological analysis from data in which I see only a jumble of details and contradictions. More than anybody else, Michael also had the unenviable task of combining coercion and consent to moti-

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)xiv *Acknowledgments*

vate me to finish the dissertation from which this book is drawn. That was no easy task, but Michael managed it with his usual charm and aplomb, proving – much to his horror, I'm sure – that he's pretty good at manufacturing consent. Over the years, Michael has also given much of himself – taking me out to meals, introducing me to the intricacies of academe, helping me through difficult times, delivering delightfully inebriated readings from works such as *The Art of Massage*, and even buying me a Lexus. Perhaps the major drawback to leaving graduate school is that I have had much less opportunity to enjoy his company.

Another important teacher was the late Carol Hatch, to whose memory this book is dedicated. Carol did not have a teaching position at Berkeley, but she nonetheless had a significant intellectual influence on generations of graduate students there. Over the course of countless conversations Carol forced me to examine many assumptions that I took for granted, pointed out contradictions in my theoretical arguments, and exploded many of my pretenses and intellectual rigidities with her humor. More than anybody I have known, she drew me out and enabled me not just to talk about my ideas, but to play with them in order to see what, for better or worse, they might have the potential to become. Even as she did this, drinking endless cups of coffee and chain-smoking cigarettes, Carol would always be carrying on at least four other conversations with me – plotting over department politics, discussing current events, comparing personal histories, excoriating the nefarious, and looking through the mountains of paper on her desk for some memo that she had to finish immediately. And of course, even when she was relentlessly critical, Carol was also fiercely loyal; she never lost faith in me. At those times when I found it difficult to keep working on this book for myself, I vowed to complete it as a gift for her. All things considered, I'm sure she would have preferred some expensive jewelry. But I'm equally certain that were she still here, Carol would be delighted to accept this book, criticize it, and help make it a much better work.

Marc Schneiberg has been one of my best friends and most important intellectual collaborators since we met as undergraduates. Because he too is an organizational and economic sociologist, our almost weekly conversations have been crucial in helping me to shape the conceptual framework and the arguments contained within this book, and he has been a never-ending source of ideas for me to steal and claim as my own. Marc's friendship, generosity, and emotional support have also helped me to endure manifold disasters – deaths, divorce, deflagration, and graduate school, to name but a few. More important, having Marc around just makes life a lot more meaningful and a lot more fun. I look forward to collaborating with him for many more decades to come.

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)*Acknowledgments*

xv

Two other people have had especially important positive influences on this book. Neil Fligstein played a key role in helping me to situate this project in the wider context of the sociological literature on organizations, and he repeatedly urged me not to lose track of the political dimensions of social order. Beyond that, his optimism and enthusiasm for my project had an impact even on my usually dyspeptic nature, helping me to see beyond whatever substantive difficulties I faced at the moment. It would be difficult to imagine a better colleague than Mark Granovetter. Mark has provided crucial feedback that has helped me to sharpen and refine the analytical arguments contained in this book, and he has demonstrated considerable patience and good humor during the revision process. As a colleague, Mark has pushed me to broaden my intellectual horizons, while also helping me to keep the academic process in proper perspective.

Because this book has been a long time in the making, numerous other people have had opportunities to comment on various portions of the manuscript. At Berkeley, Suava Salameh provided particularly insightful criticism, while her friendship and support helped make life much more enjoyable. I also received considerable feedback from the “Smith group,” which included at various times – in addition to Suava and the secretive and anonymous Mr. Smith – Patrick Heller, Mary Kelsey, Hyun Ok Park, Chris Rhomberg, Brian Rich, Anders Schneiderman, Gay Seidman, Rob Wrenn, and Mona Younis. Nancy Chodorow and Jerry Karabel also provided helpful input at various junctures. At Columbia, Richard Nelson, Harrison White, Patrick Heller, Yasuo Watanabe, and David Gibson were sources of useful feedback on various aspects of this work. And at Stanford, John Meyer and Dick Scott provided written and verbal comments that have been more important than they probably realize in helping me to rethink various aspects of the argument contained in this book. Finally, Charles Perrow provided detailed critical commentary of the entire manuscript, which was of enormous help during the revision process. The initial research for this project was supported by a grant from the Hagley Museum and Library’s Center for the History of Business, Technology, and Society. At Hagley, Patrick Nolan, Michael Nash, Marjorie McNinch, and Gail Pietrzyk were particularly helpful.

There are many others on whom I have relied for intellectual and moral support. Though most of them don’t give a damn about organizational sociology, they have been no less fundamental in helping me to complete this project. Karla Hackstaff has long been one of my closest friends, and there is no way I can adequately express how important she has been to me. Her intellectual influence has taken a number of forms,

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)xvi *Acknowledgments*

including reading and commenting on early chapter drafts of this book and providing comments on job talks. Most important, however, is that Karla has always been there for me when I have needed her, whether helping me through personal tragedies, commemorating triumphs, or simply sharing her life with me. Jennifer Pierce was my best friend for years, and later my wife, during which time she helped sustain me intellectually and personally. Over time I have come to realize that much of what she gave to me during those years remains with me, even though our relationship does not. As a fellow traveler from Haverford, Ward Bell has always challenged me to deliver when I have made glib and dismissive theoretical pronouncements. He also continues to indulge my vanity by assuring me that, despite our pointed lack of success in the academic world, we are still smarter than the rest of our erstwhile colleagues. Throughout my years at Berkeley, and beyond, Vicki Smith and Steve McMahon have been constant sources of intellectual engagement and friendship. In addition to helping me keep academe in its proper perspective and providing transcontinental intelligence reports, Mary Waters has offered support and advice at various junctures. Karla, Jennifer, Ward, Vicki, Steve, Mary, Michael Burawoy, Carol Hatch, Mark Gould, Marc Schneiberg, Suava Salameh, Judy Auerbach, Karen Chin, John Diliberto, Kimberly Haas, Maureen Katz, Kwok Kian Woon, Tom Long, Zena Ratner, Terry Strathman, and Chris Williams have all been important in a variety of less (and sometimes more) tangible ways as well, providing intellectual stimulation, camaraderie, fine and not-so-fine dining, music, gossip, flirtation and debauchery, friendship, transference and countertransference, network diagrams explaining a great deal of what goes on in academe, and much more – I leave it to them to figure out who provided what. Little of this is evident in the book that follows, but the book would never have been written without it. I owe them all an enormous debt of gratitude.

Finally, it is no coincidence that the bulk of this book was written only after I met Jodi Lerner. Jodi has been my companion, partner, and closest friend for more than seven years. Throughout this time she has supported me wholeheartedly in my endeavors, and she has never lost faith that I would surmount whatever difficulties I encountered. More importantly, she has accepted me as I am, something all too rare in my life. Knowing that she will be there at the end of the day makes facing blank pieces of paper (or computer screens) much easier. By sharing her love, she has reawakened joy in my life. Through Jodi I have also come to know the Honorable Winston K. Lerner. Although he is not an academic, and although he retains an unfortunate theoretical and practical bias in favor of fiat, Winston is certainly the intellectual equal of many social scientists. He has used his acumen repeatedly to remind me that even the most

Cambridge University Press

978-0-521-63034-4 - The Struggle for Control of the Modern Corporation: Organizational
Change at General Motors, 1924–1970

Robert F. Freeland

Frontmatter

[More information](#)

Acknowledgments

xvii

sophisticated theoretical arguments are useful only insofar as they have practical applications. In addition, his curmudgeonly good nature and his playful sparring have been sources of great warmth, affection, and companionship. I am grateful that he and Jodi have seen fit to make me part of their family.