

## **Avoiding ‘negligence and profusion’: Ownership and organization of Anglo-Indian trading firms from 1813 to 1870.**

### **Abstract**

Extensive debate in economics, management and history focuses on the role played by the form of ownership and organisational structure in the performance of firms, and subsequently on industries and economies. Alfred Chandler asserted that the adoption of hierarchical managerial structures and joint-stock ownership enabled unprecedented expansion of the scale of business in the late 19<sup>th</sup> century. The dominant historical thesis that emerged around Chandler’s assertion has been widely critiqued in the past decade. An evolving literature has looked at the role played by different forms of business organization dismissed in the Chandlerian paradigm, such as the partnership and cooperative, in enabling firms to succeed in a range of economic conditions.

This thesis contributes to these debates through an investigation of Anglo-Indian trading firms in the 19<sup>th</sup> century. Constructing a new data-set of trading firms in Calcutta, a range of firm types, with different ownership forms and organisational structures were identified, including the well documented agency houses and managing agents. Drawing on the ‘analytic narratives’ method, a novel analysis using transaction cost and agency theory was conducted of four representative case studies. This revealed that changes in the economic environment altered the transactions undertaken by the firms and incentivised a shift to different forms of ownership. In turn, the internal organisation and governance of the firms had to adapt to mitigate costs of agency caused by the new choice of ownership and organisational structure.

These findings have reinterpreted existing readings of the failure of the agency houses and the proliferation of the managing agency firms, and more generally of the effects of transaction and agency costs on trading firms in the mid-19<sup>th</sup> century. These developments have improved understanding of the rationale by which entrepreneurs choose, and the mechanisms through which, a change in ownership and organisational structures occurred. It revealed that entrepreneurs did not see the choice of ownership and organisation as dichotomous, with one form replacing the other, but rather sought adaptive solutions to solve the problems they faced. The thesis supports the assertion of the challengers to the Chandlerian paradigm that the development of business organizations should be seen, not as a teleological progression discarding ‘weaker’ forms, but an evolutionary process.