QUESTIONING THE IMPACT OF ORGANIZATIONAL MEMORY ON ORGANIZATIONAL PERFORMANCE: A CASE STUDY OF STUDEBAKER CORPORATION

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ABSTRACT

Beginning in the early 1980's, a great deal of space in management literature was dedicated to attempts to link various intangible aspects of an organization, such as organizational culture, to organizational performance. The express or implied rationale was that managers could somehow enhance organizational performance by adhering to what often were prescriptive lists of techniques to "manage" culture. Taking that somewhat problematic concept one step further, Zhang, Tian and Qi (2006) published a study of 164 Chinese manufacturing companies which they asserted demonstrated a correlation between strong "organizational memory" and positive organizational performance. This study examines that conclusion of Zhang, Tian and Qi (2006) in light of the collapse of Studebaker Corporation forty years earlier. It suggests that the broad attempt to link organizational memory and organizational performance should be viewed with caution, and that the utility of organizational memory to enhance organizational performance may be somewhat limited. This study recommends further qualitative case studies to understand the concept of organizational memory and its impact.

INTRODUCTION

A significant emerging issue in business and technology over the past twenty years has been the elusive concept of "organizational memory." A useful definition of organizational memory, for purposes of this paper, is "knowledge, learned from past organizational experience, that can be brought to bear on present decisions" (Stein, 1995; Johnson and Paper, 1998). Ackerman and Halverson (2000) correctly suggest that this concept has become "overworked and confused," with the nature and functions of organizational memory (OM) often becoming marginalized in the effort to prescribe methods for augmenting memory in organizations. In other words, the issues of whether and to what extent organizations utilize memory are often subordinated to the issue of how memory occurs and methods of enhancing memory. Therefore, as observed by Walsh and Ungson (1991), in their seminal article on this subject, "the understanding of this concept is limited, particularly in theories about organizations" (p. 57).

Ackerman and Halverson (2000) lament the lack of empirical studies in this area, and appear to suggest ethnographic case studies as constituting a valid approach for analyzing OM within an organizational setting, in order to provide "a context of everyday use." Yet those empirical studies of OM which do exist seem to be presented from a micro perspective, not focusing on what the concept means to management, what Baptiste (2000) might term the *utility* of the concept. An issue of more significance in examining this concept would be the impact of application of OM upon unique (perhaps non-recurring) senior management level strategic decisions where that application is crucial to approval and implementation of the decisions (Siegel, 2006).

Inevitably it seems, like many other management concepts, the concept of OM would be applied to ascertaining organizational performance (OP).[v] Zhang, Tian and Qi (2006) have recently published an interesting quantitative study ascertaining the impact of OM on OP, based upon survey data of 164 Chinese manufacturing firms. Their conclusion that "organizational memory has a strong positive impact on organizational performance" (p. 232), bears some scrutiny, particularly in light of my earlier research on the effect of OM on Hewlett-Packard Company (H-P) during the tenure of former CEO Carly Fiorina (Siegel, 2006).

METHODOLOGY

This study is a qualitative case study. Qualitative research is defined as "an inquiry process of understanding a social or human problem, based upon building a complex, holistic picture. . . " (Creswell, 1994, pp. 2-3). The qualitative methodology permits eliciting of "thick description," (Patton, 1990, p. 375), useful in an historical analysis such as this one. A case study is defined as exploring a single entity , bounded by time and activity, with data collected from a variety of sources (Creswell, 1994). Patton (1990) instructs that case studies are particularly valuable "where one needs to understand some special people, particular problem, or unique situation, and where one can identify cases rich in information. . ." (54). Merriam (1998) suggests that the case study design is "employed to gain an in-depth understanding of the situation and meaning for those involved" (19).

Specifically, this case study will apply the four "organizational memory constructive factors" presented by Zhang, Tian and Qi (2006), in a study discussed below, that they used in determining the positive correlation between OM and OP in an empirical study of 164 Chinese manufacturing firms, to an American organization, Studebaker Corporation, which, like H-P, was steeped in OM, and which attempted to make effective use of that concept, but which failed in 1964, after over a century in manufacturing first carriages and then automobiles. The purpose of this study is to determine limitations, if any, upon the somewhat broad and unqualified conclusion by Zhang, Tian and Qi (2006) of a positive correlation between OM and OP. Studebaker was selected for this study rather than, for example, H-P, because the record on Studebaker is complete. It is not celebrating a period of ascent nor enduring a period of descent in its life cycle; rather, its life cycle was completed over 40 years ago, and many would argue, for all intent and purposes, over 50 years ago. The purpose of the study is to determine whether there are limitations to the conclusion expressed in the Zhang, Tian and Qi (2006) quantitative study that perhaps are made more apparent in this qualitative case study.

The record on Studebaker is clear in one respect: the company certainly made heavy use of its organizational memory, as, especially in times of turmoil, it was able to trot out reminders of its history again and again. Critchlow (1996) suggests that "The Studebaker tradition, as it emerged in the late nineteenth century, offered a means for subsequent managerial regimes to articulate their own goals and vision for the corporation" (7). Along those lines, a former Studebaker president recalled a 1912 meeting with the last of the Studebaker brothers, who supposedly related to him, "….perhaps you would like to know why I think we have been successful. It's because we always give our customers more than we promise" (quoted in Bonsall, 2000, 91). That refrain would echo through the decades as a Studebaker mantra, and it served as the subtitle of Bonsall's (2000) book on the company. From earliest times through the decline, recollections of the proud history of the company were brought to bear; witness this excerpt by the company's president to employees in 1954 (less than a decade before the closing of the South Bend plant): "If we carry on the tradition of Studebaker, if we work together, cooperate and fight the good fight to achieve our common goal…I sincerely believe that today can mark the beginning of a great new chapter in the history of Studebaker" (Critchlow, 1996, 139). Note also the smugness of these words from the 1952 centennial publication: "The significance of Studebaker's first century is that in the ideas and ideals of those who today plan for Studebaker's tomorrow, we find a point of view not held by men of younger companies" (Bonsall, 2000, 469). Few would dispute that Studebaker, regardless of its other failings, represents a strong organizational memory case study, as will be apparent from the history presented below. The company's OM was largely built prior to World War II. Its application to post-war events is what is especially interesting and meaningful for this study.

Data on Studebaker Corp. has been extracted from numerous secondary sources described in more detail below. The sources tend to triangulate each other (Patton, 1990), and provide the "thick description" (Patton, 1990) required in a qualitative study. The data was examined for each of the four "organizational memory constructive factors" described in the Zhang, Tian and Qi (2006) study. Application was bounded by the time frame of post-World War II to the collapse of Studebaker in the early 1960's. Themes appeared for each factor, based upon an analysis of the data. Those themes are described in this study. As with any qualitative study, generalizability is a limitation; however, although this case study of Studebaker viewed through an organizational memory lens is bounded by the nature of the study, perhaps some modest extrapolation to future circumstances is possible (Patton, 1990).

REVIEW OF THE APPLICABLE ORGANIZATIONAL MEMORY LITERATURE

A. Pre-2006 Literature

First of all, it should be apparent that much of the organizational memory literature that will be reviewed and presented was written long after the collapse of Studebaker. However that does not mean that its application to Studebaker is invalid. To the contrary, Lehner and Maier (2000) state that the existence of organizational memory traces its roots back over one hundred years, although interest in the concept dissipated early in the 20^{th} century. According to Park and Bunn (2003), OM "appears to be a useful concept, yet it remains rather loosely defined and under-developed" (p. 240). The concept of OM predates the fall of Studebaker, although little literature was in existence at that time which discussed the concept within the concept of organizations. For example, although Gareth Morgan's (1997) *Images of organizations*, well-known for its development of organizational metaphors, and published over thirty years after Studebaker's demise, dedicates an entire chapter to "Organization as Brain," nowhere within the text does it discuss organizational memory, which is itself a classic metaphor (Ackerman, 1994). This somewhat surprising omission is indicative of the relative scarcity of literature conceptualizing organizational memory. There were relatively few studies on OM in 1963[vi]; there still are relatively few studies on it today.

Ackerman and Halverson (2000) lament the variations in definitions and, more seriously, the lack of empirical studies in this area, while not recommending that the entire OM subject area be abandoned, suggesting that they find the subject matter "compelling." In fact, an influential study by Argyris and Schon (1978) rejected the concept of OM as nothing but a metaphor! To the contrary, Hymowitz (2001) suggests that OM is especially important in an environment of corporate downsizings, when senior-level and veteran employees are terminated from employment or retire, resulting in severing links to the past. Much of the contemporary OM literature focuses on information-retention systems for organizations, how to retain and access information, rather than the broader issues of whether and how that information is used. Nevertheless, there are a number of important studies in this area that go beyond simply presenting technological solutions with respect to preserving organizational memory. This paper will focus on those studies addressing the *application* of OM rather than its retrieval and storage.

One major study dominates in the area of conceptualizing OM. Walsh and Ungson (1991) begin by providing an often-cited definition of organizational memory as "stored information from an organization's history that can be brought to bear on present decisions" (p. 61). Their study is famous for introducing the five "retention bins" for information storage: individuals; culture; transformations; structures; and ecology. They also suggest the importance of external archives to an understanding of OM. Of importance to our study, though, is their recognition of the positionality and fallibility of those presenting the memory: "The 'why' in a decision . . . will distort and decay as it is passed over time from person to person as a part of an organization's culture. As such, a culture may carry an interpretation of why a decision was made but this received wisdom from the past may or may not be accurate" (p. 68). Their study represents one of only a few which address the "use, misuse and abuse of organizational memory," recognizing that OM fulfills three roles in an organization: informational; control; and political. Their observation that "The principles of organizational memory are most evident when the organization's environment changes profoundly" (Walsh and Ungson, 1991, p. 78) is very relevant to our study of H-P, as is much of their discussion of the uses of OM. Five years later, Orr (1999), in an article designed for HR executives, suggests, similarly to Walsh and Ungson (1991), that "organizational memory isn't always such a good thing" and cautions that "Organizational memory is a power asset that every organization must manage carefully."(p. 9). He notes that managers can often be "blinded" by past practices and thus fail to discern changed circumstances (p. 9).

Stein (1995 provides a useful review of the conceptual foundations of OM, integrated with practice-oriented recommendations to management for its use. He suggests that the importance of this concept is based upon the following: "(i) [it] is a rich metaphor that provides insight into organizational life; (ii) organizational memory is embedded in other management theories; [and] (iii) organizational memory is relevant to management practice" (p. 17). Stein (1995) bifurcates the definition of OM into a *content* versus *process* dichotomy and links the concept to learning theory. Although much of this article is focused on practice orientation, and uses of OM to benefit the organization, Stein (1995) cautions "we should be careful not to assume the availability of organizational memory necessarily leads to organizations that are effective; it can also lead to lower levels of effectiveness and inflexibility" (p. 21).

Even though the Walsh and Ungson (1991) and Stein (1995) studies appear to constitute the dominant theoretical explorations of OM, a number of empirical studies also do address its theoretical basis. Johnson and Paper (1998) attempt to identify the nexus between OM and empowerment. They suggest a useful distinction between *organic memory* (those of individual organization members, the culture, standard operating procedures, etc.) and *constructed memory* (knowledge stored in facilities deliberately designed for that purpose). Johnson and Paper's (1998) qualitative study was based on data collected from interviews at eight organizations, mostly from information systems workers with whom the authors had developed prior relationships. They concluded that, although information technology can and should be used to enhance OM and empowerment efforts, the combination of empowerment and OM was not at the forefront of organizational strategic deliberations.

A significant interest in OM is evident outside the United States. For example, Randall, Hughes, O'Brien, Rouncefield and Tolmie (2001), all from the United Kingdom, reported on the results of a seven-year ethnographic study of a bank, focusing on the use of OM in order to determine the connection between knowledge and action. They were able to distinguish three situations: knowing *how*, knowing *who*, and remembering cases as being *like this*. One conclusion is relevant here: "understanding knowledge requires close and careful empirical investigation of the way in which knowledge is used" (p. 120). The study appeared to cast doubt on the effectiveness of information retrieval systems as a significant component of OM. Again, though, it is not a study of application of OM to strategic organizational activities.

Park and Bunn (2003) published an interesting recent study suggesting the importance of OM to the organizational buying process. Their study presents the distinction between the following attributes of OM: content; accessibility; dispersion; level; and form. Another important distinction presented by the authors is between *physical memory* (information repositories such as manuals, files, etc.) and *cognitive memory* (beliefs and behavioral routines). The authors developed and applied OM to eight different types of buying situations, and suggest that marketing managers consider the distinction between physical and cognitive memory when seeking to influence organizational purchasing decisions.

In addition, the literature is abundant with studies discussing the *how* aspect of OM, particularly how to store and retrieve information. Often cited in this regard is Ackerman's (1994) introduction of the "answer garden" computerized organizational memory system (OMS). A comprehensive review of OMS literature is presented in an article by German researchers Lehner and Maier (2000). They note that the term "organizational memory" actually originated in a study by Hedberg (1981). Of importance to this article is their admonition that "pursuing the concept or construct of organizational memory is not an end in itself. It serves to explain complex developments in organizations and should, among other things, support the active structuring of processes of change" (p. 294). Although they suggest a number of areas for future research, they do not include application of OM among them, but their "examples" come closest to constituting significant organizational events.

Ackerman and Halverson (2000) attempt to ground OM within a field study involving a Silicon Valley telephone helpline group. Their study purports to demonstrate the existence of varying and distributed memories, and is interesting in that it suggests "decontextualization" and "recontextualization" as necessary components of the memory process. Once more, the study subjects are not involved in major organizational activities.

Two interesting studies involving application of OM were published in the same edition of *The Academy of Management Review*. Anand, Manz and Glick (1998) define OM as "a convenient metaphor that can be used to define the information and knowledge known by the organization and the processes by which such information is acquired, stored, and retrieved by organization members" (p. 796). They suggest application of the model of group transactive memory to multiple organizational groups in an effort to assist organizations to address information management challenges. This would be effected by incorporating information and knowledge into "systemic memory" via development of a system of directories and locators. Of interest to this study of Studebaker is their concept of disrupting and re-creating organizational memory, not unrelated to the "decontextualization" and "recontextualization" described in the Ackerman and Halverson (2000) piece. Moorman and Minor (1998) suggest that OM is influenced by yet moderates the impact of what they term "organizational improvisation," defined as "the degree to which composition and execution converge in time" (p. 698). Their distinction between *procedural memory* (memory for how things are done) and *declarative memory* (memory for facts, events or propositions) is useful but the authors never address the use and misuse of OM outside of the improvisation context.

Finally, Feldman's (2002) book entitled *Memory as a moral decision: The role of ethics in organizational culture* deserves to be mentioned in this review. Feldman suggests that "The past carried in a tradition is the perceived past, not the past that historians attempt to discover. The perceived past is recorded in memory and writing and is capable of being retrospectively reformed by those working in the present" (p. 89). He concludes that "memory is a moral decision because it represents a choice to learn or to forget a moral lesson from the past" (p. 163). Postmodernists would argue "whose memory?" and that "memory" can be a tool for manipulation and control by elites. Yet except for a few studies, most notably that by Walsh and Ungson (1991), and, to a much lesser extent, that by Stein (1995), these issues of use and misuse of OM, and the limitations of OM, are rarely raised and discussed in the literature, primarily because none of the studies focus on macro-level organizational events. That would change somewhat in 2006, however, with the publication of two studies which examined the impact of OM from two different continents and research methodologies.

B. Zhang, Tian and Qi's (2006) Empirical Study of the Impact of OM

The empirical study by Zhang, Tian and Qi (2006) is interesting because they focus on what they consider the "knowledge contents of OM." They first distinguish the impact of the internal versus the external environments of an organization on OM and then formulate four "organizational memory constructive factors" which would provide the framework for their study. The four factors can be summarized as follows:

- *Management-oriented Organizational Memory (MG-OM)*: knowledge of maintaining the regular operation, consisting of organizational structure and managerial methods (internal).
- *Technology-oriented Organizational Memory (T-OM)*: special knowledge promoting development and operation, consisting primarily of modularization, product memory and information technology (internal).
- *Culture-oriented Organizational Memory (C-OM):* intellectual capital, such as values and employee behavior (internal).
- *Market-oriented Organizational Memory (MK-OM):* knowledge related to the market, such as competitor, competitor and supplier knowledge (external).

The study itself sought to test hypotheses related to the "strong positive impact on OP" of these factors. Data was extracted from a "Company Knowledge Management and Operation Survey" administered to 164 Chinese manufacturing companies. Unidentified variables representing each factor were rated on a five-point Likert scale, and then analyzed by canonical correlation. The researchers concluded that "organizational memory is a dynamic process, that organizational memory has a strong positive impact on organizational performance, that effective MG-OM, T-OM, and C-OM improve management performance, and that effective MK-OM improves market performance" (p. 232). OP appears to be defined in the study based upon the variables assigned: "for manufacturing companies…product quality and reliability, equipment change over time, volume flexibility, time to market, delivery reliability, manufacturing lead time, environmental performance, recruitment of outstanding employees, customer satisfaction, return on investment, market share, sales growth, and profitability" (p. 229). The "four factors" described in the Zhang, Tian and Qi (2006) study will be applied to Studebaker in the present study, in attempting to understand the impact of OM to Studebaker's OP. The period post-World War II to the collapse of Studebaker in the early 1960's will serve as a bounded time frame for this examination.

C. Siegel's (2006) Case Study of the Effects of OM on H-P

Before doing so, however, it is instructive to examine Siegel's (2006) case study of the effects of OM on H-P. The Hewlett-Packard Company, steeped in the famed "H-P Way," provided an interesting case study for examining application of OM. Most business students are familiar with how two young engineers, "Bill" Hewlett and "Dave" Packard, began their organization in a garage in Palo Alto, California in the late 1930's, with capital of $538.00. They wanted their organization to be managed differently, and, by 1957, after a senior management meeting in Sonoma, California, adopted the rudiments of what came to be known as the "H-P Way." Packard summarized it as "We have a set of values – deeply held beliefs that guide us in meeting our objectives, in working with one another, and in dealing with customers, shareholders and others" (Packard, 1995, p. 82). Collins and Porras (2002) describe it as a form of "corporate existentialism" (p. 56). What we do know is that "Bill" and "Dave" were determined to form an organization that would be different. Over 40 years ago, "Dave" Packard wrote that "Our main task is to design, develop, and manufacture the finest [electronic equipment] for the advancement of science and the welfare of humanity" (cited in Collins and Porras, 2002, p. 207). They intended to structure and manage their organization to meet that lofty goal, what has been described as a "capitalist utopia" (Burrows, 2003, p. 50). "Bill" summarized the philosophy they would follow as the "Four Musts": "The company *must* attain profitable growth; the company *must* make its profit through technological contribution; the company *must* recognize and respect the personal worth of employees and allow them to share in the success of the company; and the company *must* operate as a responsible citizen of the general community" (p. 207).

This mantra would guide the organization through the next forty years, creating a rich OM tradition useful for analysis, particularly in the late 1990's, when Bill and Dave were gone and, with financial performance lagging, the organization turned to "Carly" Fiorina as the first "outsider" CEO. Siegel (2006) describes how Fiorina attempted to utilize the rich OM of H-P to her advantage, with mixed results. But the data became even more interesting when, in 2002, Fiorina announced the impending acquisition of Compaq Computer Company, resulting in a shareholder proxy fight pitting herself against Hewlett scion Walter Hewlett. By the conclusion of the shareholder action, in which H-P and Fiorina were successful, it was clear that both Fiorina and Hewlett had discarded utilization of OM to sway voters to their respective positions. The conclusion suggested by Siegel (2006) was that, although OM can be effective to influence *internal* audiences, i.e., employees, it may be less effective in influencing *external* audiences, such as shareholder and investment bankers. Certainly, by the late 1990's, the positive impact of OM on the performance of H-P was not evident; in fact, the H-P Way appeared to many to have become an albatross which was dragging down H-P and not allowing it to progress (Siegel, 2006). However, as indicated above, because H-P continues as a very viable organization, including performance ascents and descents, it was not selected for this particular case study at this time.

REVIEW OF APPLICABLE STUDEBAKER CORPORATION LITERATURE

Studebaker Corp. has been the subject of a number of books, both while it was still in existence and after it collapsed. The official company history was Longstreet (1952), *A century on wheels*: *The story of Studebaker*. Earlier, former president Erskine, before taking his own life, wrote *The history of the Studebaker Corporation* in 1924. Raymond Loewy, architect of some of the most famous Studebaker designs, authored a book entitled *Industrial Design* in 1979, where he discussed and presented sketches of some of the designs that made Studebaker successful aesthetically, if not always commercially. In addition, an excellent website containing photos of the various models and presenting a critical and often insightful perspective is found at *Studebaker: The First 100 Years*, found at http://studebaker100.com/stu/index.html.

From the historical and business perspectives, there have been three major books (not commissioned by the company[vii]) on Studebaker that any researcher of this company should access. The earliest is Cannon and Fox (1981), *Studebaker: The complete story*. This book is packed with outstanding photos but presents more of a design and mechanical perspective, and less of a business focus. The authors celebrate (or lament) Studebaker from a car-lover's lens. Insights into the rise and fall of the company are more incidental than intended, and the authors appear almost apologetic when presenting business or strategic assessments. Yet, the book was written shortly after the events resulting in Studebaker's decline, and is filled with excellent primary source data. It also presents the environment, internal and external, of this car manufacturer during its tumultuous existence.

The most important, from a business perspective, of the Studebaker books is Critchlow's (1996) *Studebaker: The life and death of an American corporation*. Critchlow, a history professor, views his purpose as representing an anti-Chandler focus on structure and strategy in understanding the life cycle of organizations. Rather, his focus is on understanding "the importance of managerial decisions and corporate culture in shaping a company's fate…The history of Studebaker and the automobile industry in general should be seen in terms of managerial choice and corporate culture" (p. 1). Tedlow (1996), renowned in business research, commended Critchow's book, while cautioning that it tends to draw "big lessons" from history (591), and appears to limit its importance to that of company history. Perhaps that reaction is not surprising, as Critchlow minimizes utilization of quantitative analysis in his study, and appears to marginalize environmental impact.

The most recent of the Studebaker books is Bonsall's (2000) *More than they promised: The Studebaker story.* Bonsall is an automotive historian. His book is less scholarly in tone than is Critchlow's, and tends to rely on company sources and documents. It also focuses more heavily on the automobiles and designs that the company produced, not surprisingly, given the background of the writer. Bonsall (2000) is more willing to attribute environmental effects to the demise of Studebaker, although certainly not absolving management errors and questionable strategies as well. Readers interested in Studebaker within the context of the industry and without a focus on organizational theory would be led to Bonsall's book.

BACKGROUND OF STUDEBAKER CORP.

Before examining the case of Studebaker Corp. viewed through the lens of the Zhang, Tian and Qi (2006) "OM constructive factors," it is useful to understand the extensive and diverse background of this company, which began as a wagon and carriage manufacturer well before the turn of the 20th century. We will briefly review the early history of Studebaker, its "heyday" and decline as an automobile manufacturer, and the circumstances surrounding its sudden departure.

The Early Years (1852-1902)

One cannot understand the history of Studebaker Corp. without understanding the background of its founders, the Studebaker brothers. They were the progeny of German Dunkards who moved to Ephrata, Pennsylvania in the late 1700's. The father of the Studebaker brothers was forced to head west because of constant financial problems, eventually settling in South Bend, Indiana. The four Studebaker sons opened a blacksmith shop in South Bend in 1852, the forerunner of Studebaker Corp. Despite the seeming dissonance of deeply religious, passive Dunkards making money out of wartime, H. & C. Studebaker took off because the brothers made a profit selling wagons to the military during the Civil War. Crtichlow (1996) suggests "The principle of pacifism had been replaced by the principle of profit" (22). It would not be the last time that Studebaker Corp. would financially benefit during wartime.

Studebaker became a wagon industry leader and business flourished, not just as a result of high-quality products but also a careful system of management wherein the brothers were able to divide up duties effectively. Their success emanated from "volume production, technological innovation and national marketing" (Critchlow, 1996, 26). An early advertising slogan during this period came from one of the Studebaker brothers in summarizing the company's success: "Always give more than you promise" (Cannon and Fox, 1981, 44), which was adapted to be a subtitle of Bonsall's (2000) recent history of the organization. The company continued to prosper despite several fires and the Panic of 1893, under the leadership of the remaining Studebaker brothers, who were considered "enlightened managers" for their time, particularly in respect to their generous relations to their employees. No doubt this was a result of their religious background. That generosity to employees would be a theme (some would suggest it sounded the death knell) of Studebaker going forward, but, interestingly, during the early years, the company was perceived, accurately, as hostile to unions. Their piety did not prevent the Studebaker brothers from building large mansions and living the life of the wealthy at South Bend, as the wagon and carriage industry continued to flourish into the 1890's.

From Carriage Maker to Automobile Manufacturer (1902-1945)

As a result of marrying one of the Studebaker daughters, Frederick M. Fish became part of the family. With only one of the original Studebaker brothers alive by 1901, Fish assumed the presidency of the organization and began its transition from a wagon and carriage manufacturer to an automobile manufacturer. For all of his faults, Fish, a New York corporate attorney, did have the vision to recognize that the automobile represented the future of transportation in the United States. Critchlow (1996) suggests that "Fish's reputation as a man with close ties to Wall Street and a Republican concerned with the laboring classes fit the Studebaker brothers' perception of themselves as enlightened capitalists and progressive employers" (43). He was largely responsible for dragging the reluctant remaining Studebaker brothers into examining the possibilities of the automobile in the 1890's. Eventually, in 1902, a Fish-led Board of Directors authorized Studebaker to begin production of automobiles while certainly not abandoning the lucrative wagon and carriage business. Bonsall (2000) notes that, although many of the early automobile companies were outgrowths of the carriage industry, Studebaker, due to the efforts of Fish, "would be the only top-ranked carriage builder to make a direct transition to being a top-ranked automobile producer" (43).

At this point, Studebaker was not a manufacturer of cars, per se, but, like Cadillac, Ford and Oldsmobile, simply an "assembler of components" (49). It had abandoned early forays into electric automobiles but needed a partner as it pursued the gasoline-driven vehicle. Its first important inter-organizational relationship in the automobile era was with Garford Manufacturing Company, which it eventually purchased, to be followed shortly afterward by the purchase of another fledgling manufacturer, Everitt-Metzger-Flanders, in 1907. Some people predicted that the vehicle which emerged, the "EMF," would overtake sales of Ford's Model T, which, obviously, was a less-than-prescient prediction (Critchlow, 1996). A squabble with EMF founders, however, was resolved, ominously, only by the interference of another inter-organizational relationship which would plague Studebaker until the end: commercial and investment bankers. "Banking interests were now to play a key role in shaping Studebaker's destiny" (Critchlow, 1996, p. 62). Also, the above acquisitions arguably did little overall to improve Studebaker, other than providing it a start in manufacturing of components. Initially, production boomed, but a reorganization resulted in the elimination of the Studebaker family from the company in all but name by 1915, when the presidency of the company was assumed by Albert Erskine, then its Treasurer (at the recommendation of Wall Street investment banker Henry Goldman, not surprisingly).

Erskine, during his eighteen years at the helm, would be the architect of Studebaker's greatest successes and, some would argue, failures. Chief among the early successes was elimination of the troublesome EMF line of vehicles (Garford vehicles had previously been terminated) and emergence of Studebaker as an automobile name in its own right. Erskine, not being a member of the Studebaker family by blood or marriage, quickly attempted to introduce himself as honoring the "organizational memory" (Walsh and Ungson, 1991) of the organization, which was still producing wagons in 1913 (and would continue to do so until after the conclusion of World War I) as well as cars:

> Has Studebaker no traditions? The name Studebaker has stood for all that is sound and honest and staunch and durable in vehicular transportation for seventy years. No business in America, no business in the whole world, has better traditions to live up to than we of the Studebaker Corporation have. Studebaker traditions, Studebaker reputation enters into the building of every car we produce (cited in Bonsall, 2000, 95).

Many readers would be surprised to learn that the advent of World War I actually *increased* demand for horse-drawn wagons for Studebaker, with the government ordering 73,000 units in 1917. Overall, though, the world wars and the Korean War, while generating lucrative government contracts, would negatively impact the production of American automobiles, as production was geared to wartime vehicles. Studebaker liquidated its horse-drawn vehicle business in 1920, focusing strictly on manufacturing automobiles at its South Bend, Indiana, plant, which was extensively renovated. The "golden age" of Studebaker in the 1920's was fueled by a focus on six-cylinder, medium priced vehicles. Sales tripled between 1920 and 1923. Studebaker also determined to combat Ford's highly popular Model T with a four-cylinder model named after Erskine that never caught on with the public, evidencing a strategic blunder they would compound in succeeding decades. Another unfortunate inter-organizational relationship was its acquisition of fading luxury car maker Pierce-Arrow in 1928. Pierce-Arrow was "prestigious but not profitable" (Bonsall, 2000, 140), a respected brand which had long since lost the luxury car market to GM's Cadillac brand. In fact, of the 142,696 cars sold by the combined Studebaker and Pierce-Arrow in 1928, only 6,491 of them were Pierce-Arrows! Then the Great Depression struck. Unfortunately for Studebaker, a failed potential acquisition target during this period was Maxwell-Chalmers, which later served as the foundation of Chrysler Motors.

The Great Depression, beginning in 1929, hit Studebaker hard, as it did all of the other automobile producers. The difference is that most of the larger ones (Ford, General Motors and Chrysler) had the capital to better withstand the economic collapse than did Studebaker. Also, Erskine made the disastrous prognosis that the Depression would be short-lived, and therefore Studebaker, with plummeting car sales, continued to pay high dividends out of dwindling capital, exacerbating a chronic capital problem from which arguably they never recovered. In addition, Erskine was determined to force Studebaker into the small car market, despite the earlier failure of his namesake vehicle. The company's next four-cylinder foray, the Rockne, also proved to be disastrous, and it was discontinued after one year!

Bear in mind that Studebaker throughout this period continued to exhibit the paternalism espoused originally by the Studebaker brothers as far as its workforce relationships. Erskine, following the mantra that loyal workers built better cars, even went so far as to set up a "Cooperative Department" within management to handle labor relations, quite a novel idea in the 1920's (Critchlow, 1996). As a result of the "enlightened" employee relations, including with unions, Studebaker would not, other than sundry localized wildcat walkouts, be victimized by a strike until late in its existence. The downside, though, was establishment of what many in the industry felt was a "giveaway" to the unions, and costs per vehicle approaching twice those of the other domestic automakers. The result was that the company was placed in receivership in 1933. Shortly thereafter, a despondent Erskine took his own life.

The Studebaker story might have ended there save for the outstanding leadership of Harold Vance and Paul Hoffman, the court-appointed receivers. They immediately made use of organizational memory again, a venerable tool in the Studebaker toolbox, by proclaiming that "Studebaker carries on" (studebaker100.com). Again depending heavily on external financing by investment bankers, Vance and Hoffman retooled the Studebaker models, re-established cozy relationships with the unions, including adopting the slogan that "Studebaker is America's Friendliest Factory" (Critchlow, 1996, 105) and, amazingly, resurrected the venerable company! Once again, the company decided to venture into the inexpensive car niche, but this time its "Champion" model was quite successful, generating sales of 72,000 units alone in 1939, which vaulted Studebaker to being the largest independent automobile maker in the United States.

The advent of World War II, while resulting in curtailment of automobile production once again, was certainly not unprofitable for Studebaker, which always was seeking government contracts. Studebaker became a leading producer of military trucks, particularly for distribution to the Soviet Union, being hard-pressed by Nazi Germany. In fact, so many Studebaker trucks were shipped to the Soviet Union that many soldiers treated the term "Studebaker" as English for "truck (Bonsall, 2000). By 1945, 200,000 trucks had been produced for the war effort, in addition to 83,000 engines for the Boeing B-17 Flying Fortresses (studebaker100.com).

The Decline and Death of Studebaker (1945-1963)

To its credit, Studebaker seized the moment even before the conclusion of World War II to become the first US automaker to come out with a new postwar model (Critchlow, 1996). Their slogan was "First by far with a postwar car" (studebaker100.com). That strategy, although since criticized for weakening a company always in a tenuous capital position to begin with, seems sound compared with Vance and Hoffman's decision to directly compete with the Big Three "by pursuing enlightened industrial relations with organized labor" (117). Even the union felt Studebaker was too lenient in negotiations. Also, rather than modernize the South Bend plant, the Board determined to continue paying ruinously high dividends to shareholders. However, the public embraced the new 1947 models, with their wraparound rear windows and Studebaker once more became profitable. Applying a vertical integration strategy, Studebaker purchased Empire Steel Corporation that year. Studebaker's automobile designs continued to be at the forefront, courtesy of designer Raymond Loewy, including the famous "bullet-nose" design in 1950, so popular that the automaker reached its all-time production level of 268,229 cars that year (studebaker100com). Yet, ominously, it missed out on a great opportunity by refusing twice refusing the distribution rights to a pesky foreign competitor: the Volkswagon Beetle (Bonsall, 2000).

Studebaker proudly celebrated its centennial in 1952, but the collapse thereafter, while not unforeseen, was sudden and dramatic. Within a year, the effects of poor workmanship, the Korean War, and a price-cutting war between Ford and General Motors left Studebaker reeling. Its stock, which sold for $11.70/share in 1949, had dropped to $1.13 by 1953, as its market share plummeted to a paltry 2.4% (Critchlow, 1996). In 1954, Studebaker was acquired by flailing Packard Motor Company. At that point, Studebaker labor costs were twice the industry norm (Bonsall, 2000). By 1958, its workforce, which had numbered 21,977 in 1924, was down to 8,175! Some have said that the Studebaker-Packard merger was planned as a first step toward a merger with what became American Motors, but the huge success of the AMC Rambler dissuaded them from joining forces with Studebaker-Packard to form a conglomerate of the former independents to combat the Big Three (Bonsall, 2000). Regardless, not even Studebaker's introduction of its compact Lark model, with a brief spike in sales in the late 1950's, a belated attempt at diversification into non-automobile industries, and introduction of the sporty Avanti in 1962, remarkable considering the nonexistent capital and few resources of the corporation, could stave off the inevitable result, and Studebaker's South Bend, Indiana, plant closed in December, 1963, heralding the end of a colorful and important epoch in American business, the demise of an organization that sold over $6 billion of vehicles from 1852-1952 (Studebaker 100.com). The collapse of Studebaker also resulted in about 11,000 workers being affected by termination of its pension plans, expediting enactment of the Employee Retirement Income Security Act of 1974 (ERISA). Since its collapse, as we will see, business historians have argued over the causes. This case study, however, focuses on post-World War II application of the Zhang, Tian and Qi (2006) "OM constructive factors" to Studebaker in an effort to understand their impact on its organizational performance, particularly in the post-World War II era to its collapse in the early 1960's.

APPLICATION OF OM CONSTRUCTIVE FACTORS

Management-oriented Organizational Memory (MG-OM)

The first of the "OM constructive factors" identified in the study by Zhang, Tian and Qi (2006) as having a positive impact on organizational performance (OP) was what they termed "management-oriented organizational memory (MG-OM)." For manufacturing companies, they identified the variables comprising MG-OM as:

- emphasis on system construction and standard management
- experienced managers
- rapid and valid internal communication and feedback
- enhancing empowerment to employees
- performance-based promotions, encouragement and treatment
- standard procedure for new product development
- quality authorization of product
- continuous improvement of product quality (p. 228).

If these variables appear to be geared more toward organizational *knowledge* rather than *memory*, one must recognize that they defined OM utilizing a *content* approach: "OM, consisting of documentary materials, regulations, procedures, conventions and organizational culture, provides necessary knowledge for organization" (p. 227).

Yet, they also borrow the definition from Stein (1995) to the effect that "OM is a method by which previous knowledge is brought to bear on present activities" (p. 227). For purposes of this study, it will be assumed that the intent of Zhang, Tian and Qi (2006) was that the MG-OM variables described above were intended to look retrospectively and then apply that knowledge or memory to the present for the organizations they researched. That same methodology will be used here in examining Studebaker.

There can be little doubt that Studebaker scored highly on the MG-OM scale for most of its history. It became famous for what was termed "enlightened management":

> Thus, while Studebaker looked at the practices of other companies, it developed its own practice of enlightened management. In turn, Studebaker employees actually viewed Studebaker as an exceptional place to work. In short, both the employees and management at Studebaker accepted and acted upon the rhetoric of corporate paternalism (Critchlow, 1996, p. 76).

Product quality? Amberg (1989) suggests that Studebaker had a "tradition of product quality" (p. 193). Experienced managers? Former president Erskine was once quoted as bragging, "Yes, sir, I defy anyone to take a Studebaker man away from us, defy anyone. I simply say it cannot be done" (Critchlow, 1996, p. 76). And how did employees feel about Studebaker for much of its history? Amberg (1989) summarizes it as a "strong sense of company allegiance…intensely loyal to the company itself" (p. 195).

As described above, Studebaker's contribution to the United States during wartime, particularly World War II, was exemplary and remains one reason it is viewed so fondly and positively, even decades after its demise. But, even in the post-World War II period, MG-OM remained strong. For example, Studebaker designer Raymond Loewy and president Harold Vance were featured on the cover of *Time* magazine in 1949 and 1953, respectively (Bonsall, 2000). Even at the end, the management of Studebaker attempted to resurrect the company through introduction of an innovative sports vehicle, the Avanti, but ran out of time and money. In retrospect, Studebaker historians (Critchlow, 1996, Bonsall, 2000, Beatty, Furlong and Pennington, 1984) certainly have pointed out mistakes made through the course of 100 years by Studebaker management. Yet even Loewy, the great designer whose contract with Studebaker was terminated years before its demise, stated, "My decades with the company were exhilarating and unforgettable, and my respect for its engineering department immense. I leave it to others to uncover the reasons why such a great, prestigious firm…finally disappeared at a time when it was admired throughout the world…" (Loewy, 1979, p. 137).

In short, it is evident that a strong MG-OM was very evident at Studebaker through much of its history. It was only in the last ten years or so, after its "acquisition" by Packard, that employees sensed the demise of the old traditions, resulting from restructuring and a tougher stance with the unions

(Critchlow, 1996) and customers noticed a marked decrease in quality of the automobiles produced. It is suggested that these changes, with their negative impact for the organization, had little to do with OM and much to do with Studebaker's financial deterioration. But, even as the company was drawing its last breaths, a veteran manager, Eugene Hardig, with over 40 years of service to the company, attempted to single-handedly save Studebaker by developing the Lark. His heroic efforts were remembered years later, after the company was gone, by a fellow employee: "We'll never forget how Hardig, held back by lack of funds, designed the Lark with a blow torch and scrap metal. He's one of those real believers in the auto industry. He burns with a bright blue flame" (cited in Bonsall, 2000, p. 335).

Few of the companies used by Zhang, Tian and Qi (2006) in their research could have had a stronger MG-OM component than Studebaker, regardless of whether all of the decisions its management made, in retrospect, look well-reasoned and strategically sound to us today. Zhang, Tian and Qi (2006) suggest that "Compared to other OM constructive factors, MG-OM is more subjective and flexible" (p. 229). Let's grant them that, and still give Studebaker an "A" grade for this variable.

Technology-oriented Organizational Memory (T-OM)

The second "OM constructive factor" identified by Zhang, Tian and Qi (2006) is what they term "technology-oriented organizational memory (T-OM)." For manufacturing companies, the variables tested included the following:

- undertaking programs for improvement of equipment productivity
- engaging in process automation programs to enhance productivity
- restructuring manufacturing processes to obtain process focus and streamlining
- needing extensive professional knowledge in production
- introducing new technologies to improve production
- developing new products
- transferring technological knowledge through document and flow
- using information technologies (p. 228).

Certainly, technologically, it is important to view Studebaker within its context, remembering that it closed its South Bend, Indiana, plant back in 1964. Although always constrained by being financially strapped for cash, Studebaker was a leader in design and other automotive technologies for most of its history. The company's 1950 Annual Report to Shareholders, in introducing the "bullet nose" Loewy design, proudly states, "Since the introduction of our first models of postwar design in 1946, we have gained recognition as the industry's style leader" (quoted in Bonsall, 2000, p. 256). Although Studebaker has been criticized for failing to upgrade its South Bend, Indiana plant, Amberg (1989) suggests that "the company had invested in new plant and machinery at a rate equal to the Big Three after the Second World War, providing up-to-date facilities" (p. 193).

Even more significant, Amberg (1989) provides a technological perspective on Studebaker missing from other analyses of this organization. He suggests that Studebaker had in place a flexible manufacturing system (FMS) which might have saved the company had they not decided to instead compete directly with the Big Three behemoths. While modern organizational theory defines FMS in terms of using computers to link manufacturing components to enable expeditious switching from one product to another (Daft, 2004), the rudiments of that process predated computers. Amberg (1989) suggests that Studebaker's major contribution to T-OM, for which it was remembered, was "Rather than driving to standardize products and the production process, Studebaker management emphasized distinctive product design and quality" (p. 192). It did so by implementing an FMS, beginning in the 1920's, described as follows:

> Studebaker had an incipient flexible specialization strategy. Crucial to successful flexible specialization is that the production process and market strategy depend on each other: filling product niches as they develop requires that process technology and labor-management relations adjust flexibly to accommodate new products (Amberg, 1989, p. 192).

The problem for Studebaker was not technological organizational memory. It scores highly in this factor, as it did in MG-OM. The problem was a disastrous management change of strategy in the 1950's to try to match the Big Three at their own mass production techniques, a battle that Studebaker could not win. History often does not treat Studebaker kindly, portraying it as technologically inferior and producing "clunkers" that the public did not want. To the contrary, from a technological and design perspective, Studebaker was almost always ahead of its time. Even toward the end, its last two major products, the Lark and the Avanti, were both ahead of their times. Only when it was so financially strapped that it was unable to produce innovative, quality vehicles, from the late 1950's (after its introduction of the Lark), did its T-OM decline. Studebaker should receive a grade of "A-" for its T-OM, taking into account its overall innovative history.[viii]

Culture-oriented Organizational Memory (C-OM)

The third "OM constructive factor" identified by Zhang, Tian and Qi (2006) is "Culture-oriented Organizational Memory (C-OM)." For manufacturing companies, the variables they measured included:

- organizational goal and promise
- leaders learn from experience
- leaders are enlightened
- leaders care about the organizational culture
- the organization cares about the employees' personal growth and development
- employees' innovative work will be encouraged and rewarded
- employees identify with organizational culture
- employees dare to query and challenge authority
- employees cooperate well
- employees participate in the active discussion of the organization
- employees adapt to and learn from change quickly (p. 228).

As should be evident by now, culture was the essence of Studebaker, dating from its humble beginnings by the Studebaker brothers. Zhang, Tian and Qi (1996) suggest that "C-OM exists almost everywhere in the history of the organization, its shared values, and in suggestions from the employees" (p. 230). To that end, Critchlow (1996) asserts "the general theme that emerges from this history of the Studebaker Corporation is that tradition – as construed by management – played a fundamental role in molding corporate culture, rhetoric and strategy at Studebaker. Historical perspective and corporate tradition were closely interwoven as management sought to construct an outlook that rationalized corporate strategy and employee relations" (p. 7). Organizational culture is often transmitted via stories (Daft, 2004). Note this classic in organizational culture, recounted by Studebaker president Paul Hoffman, in 1933, about a meeting he had with J.M Studebaker, last of the brothers, late in his life, in 1912, while Hoffman was still a young salesman:

> He (Studebaker) said, 'You're just starting out in business, and perhaps you would like to know why I think we have been successful. It's because we always give our customers more than we promise. This way you hold customers and get more customers.' He waited a moment and then added, 'But don't give them too much more, or you'll go broke' (Bonsall, 2000, p. 91).

"More than they promised" became a Studebaker mantra for many years, driving the company, as well as serving as the title of Bonsall's (2000) history of the company, borrowed from an earlier history of the company (that of Smallzreid and Roberts, 1942)

Did the employees of Studebaker identify with the organizational culture? Amberg (1989) assures us that "Although Studebaker workers would prove extremely militant when defending what they considered customary work norms, these same workers were intensely loyal to the company itself. . . Studebaker workers combined a solidaristic tradition of active unionism with a strong sense of company allegiance"
(p. 195).

Also of significance is the manner in which Studebaker sought to propound its tradition and culture. These words from former presidents Hoffman and Vance, contained in Longstreet (1952), Studebaker's centennial history (which it commissioned)[ix], sound the theme for its first 100 years: "the significance of Studebaker's first century is that in the ideas of those who plan today for Studebaker's tomorrow, we find a point of view not held by men of younger companies" (Longstreet, 1952, p. 120-121).[x]

As mentioned earlier, one strong theme throughout the history of Studebaker, rampant within its culture, was its tradition of rising to the occasion during wartime. An excellent example of the organization propounding this aspect of its culture came from its 1941 Annual Report to Shareholders, as reported by Bonsall (2000):

> Studebaker has been called upon on numerous occasions to make its contribution in an emergency involving the United States. Studebaker vehicles saw active service in the Civil War, the Indian Wars, the Spanish-American War, and World War

> I. In the present World War [World War II], as in the first, Studebaker will produce a variety of war materials and will cooperate to the fullest extent in the nation's war effort (p. 229).

True to their mantra, they did so, "more than they promised," and will forever be remembered for their tremendous effort in supporting the Allied war effort.

Obviously, many, many other examples of the strong culture of Studebaker could be set forth in this article, except for space constraints. The point is that few organizations whose data was analyzed by Zhang, Tian and Qi (2006), and linked positively to OP, could have had a much stronger organizational culture than Studebaker. Almost fifty years after it closed its South Bend plant, effectively ending its existence as an automobile producer, it continues to attract a strong following; a Google search of the name "Studebaker" proves fruitful, to say the least.

Market-oriented Organizational Memory (MK-OM)

The fourth "OM constructive factor" identified by Zhang, Tian and Qi (2006) is "Market-oriented Organizational Memory (MK-OM)." For manufacturing companies, the variables they utilized included:

- discussing market tendency and developing direction through cross-departmental meetings
- effective marketing channels and strategies
- obtaining market information quickly and accurately
- predicting market trends
- sharing information customers [note: this is unclear]
- anticipating demand
- special department to communicate and coordinate with customers
- using evaluation of supplier potential
- quality of products/services offered as the criteria of selecting suppliers
- using willingness to disclose cost/other information as the criteria for selecting suppliers
- suppliers participate in the innovative and cooperative design

This is the only externally-related factor. It appears from the study that the researchers did not specifically correlate this factor to OP. Therefore, this article will not address at length this factor as it impacted Studebaker. For one example of its marketing prowess, though, Studebaker's management did anticipate a huge post-World War II demand for vehicles and, according to the 1953 Annual Report to Shareholders:

> *In the spring of 1946, Studebaker introduced completely new postwar models of passenger cars at a time when all other automobile manufacturers were offering to the public only slightly altered versions of prewar cars. The resulting pubic interest in Studebaker products was an important factor in the progress which was made in the succeeding six years (reported in Bonsall, 2000, 268).*

Nowhere do even Studebaker's harshest critics link its OP to failure of marketing organizational memory. To the contrary, many of the organization's marketing decisions were grounded in tradition and appear to have been effective, going back to when it manufactured wagons and carriages.

SUMMARY OF APPLICATION OF "OM CONSTRUCTIVE FACTORS" TO STUDEBAKER

Although Studebaker had essentially disappeared from the American industrial scene some 50 years before the study by Zhang, Tian and Qi (2006) of the impact of OM on OP of manufacturing companies, it is evident from the above presentation that the "OM Constructive Factors" they devised to measure that impact were very evident at Studebaker. Because the Zhang, Tian and Qi (2006) study largely utilized data secured from a prior study in 2003[xi], little information is presented as far as the 164 Chinese manufacturing companies actually surveyed. Thus, although the scope of the quantitative data used in the Zhang, Tian and Qi (2006) research is broad, it lacks the "thick, rich description" (Patton, 1990) so evident in qualitative research.

That qualitative data from Studebaker reflects an organization which faced numerous challenges and which may have been victimized by unfortunate management decisions (Critchfield, 1996) throughout its long history, but which was an organization heavy in MG-OM, T-OM and C-OM, and MK-OM, although that factor was not discussed at length above. Critchfield (1996) goes so far as to assert that "the history of Studebaker suggests that individual managers often made decisions within the context of corporate culture and traditions that were incongruent with 'the logic of the marketplace'" (p.

7). The point which has been emphasized with the discussion of the application of each of Zhang, Tian and Qi's (2006) "OM Constructive Factors" to Studebaker is how strong the company was in each aspect. The writer is confident, not knowing any of the 164 Chinese companies whose data was used in testing these factors, that few of those organizations could have had a stronger OM base than did Studebaker. This article, while applying data from Studebaker to each of those factors, does not in any manner do justice to just how strong was the OM at Studebaker throughout its history. Whether or not the "OM Constructive Factors" had been devised, or whether or not the concept of organizational memory itself (or qualitative methodology, for that matter) had found a large research audience at the time of Studebaker's demise is of little consequence because all of those concepts can be applied retrospectively to organizations in which data is available, which certainly was the case with Studebaker Corporation. In short, it is apparent from this article that the concepts described in 2006 and before, which form the theory base of this paper and the data it cites, existed at Studebaker and can be mined from primary and secondary sources, regardless of whether the specific nomenclature representing those concepts existed 50 or even 100 years ago.

IMPACT OF OM ON OP AT STUDEBAKER

So what does all of the above discussion represent? Of what utility (Baptiste, 2000) is an application of "OM Constructive Factors" presented in a 2006 study to a company which, for all intent and purposes, closed its doors in 1963? The answer to those inquiries lies in the broad conclusion propounded by Zhang, Tian and Qi (2006) as a result of their empirical study: "The results show that organizational memory is a dynamic process, that organizational memory has a strong positive impact on organizational performance, that effective MG-OM, T-OM and C-OM improve management performance, and that effective MK-OM improves market performance" (p. 232).

Three points can be made as a result of application of the "OM Constructive Factors," which served as the variables in the Zhang, Tian and Qi (2006) study, the findings of which form the basis for the conclusion expressed above. The first, and most obvious, is that Studebaker appears to represent a case contrary to their broad conclusion. The strong OM presence which permeated Studebaker for such a long time did not prevent the company from disappearing from the manufacturing scene. Studebaker met and no doubt exceeded the standards represented by these variables, yet its poor financial and sales performance, understood within the dynamic context of the automobile industry throughout its existence (Critchfield, 1996) led to its demise. In the final analysis, neither OM nor anything else had a "strong positive impact" on Studebaker, particularly in the final decade of its existence.[xii] Acquisition by a stronger company (perhaps American Motors) would have had a far stronger impact on Studebaker than its massive OM roots. One must always be cautious of studies that attempt to link largely intangible concepts such as OM to an organization's performance.

The second point is that the Zhang, Tian and Qi (2006) study neglects an important aspect of OM: the ability of management and others to reinterpret it as situations change. Studebaker's history is replete with attempts to reinterpret, to decontextualize and then recontextualize (Ackerman and Halverson, 2000) its organizational memory (particularly where labor relations were concerned) to serve the needs of management at a later time. Although Zhang, Tian and Qi (2006) acknowledge that OM is "dynamic" (p. 232), they do not discuss the essential point made years ago by none other than "Dave" Packard at Hewlett-Packard, another organization strong in OM, when discussing the venerable "H-P Way" which served as the foundation of that organization's OM: "The H-P Way is what I damned well say it is" (Collins and Porras, 1994).

The final point is, to the contrary of the conclusion reached by Zhang, Tian and Qi (2006), correlating strong OM to positive OP, strong OM may actually become a deterrence to positive OP. By that, the writer means the following. Although certainly there is nothing wrong with organizations being proud of their traditions and past, Critchlow (1996) suggests that "Tradition haunted corporate leadership at Studebaker before it closed its doors in 1963" (160). Perhaps management felt some obligation, even as early as the 1930's to maintaining high dividends not justified by earnings, maintaining the higher than average remuneration to workers begun in another era for other reasons, maintaining the outdated plant in South Bend, Indiana. Siegel (2006), in his study of Hewlett-Packard Company, suggests that the strength of application of organizational memory is internal, primarily for employees, and its utility decreases when it is continually applied to external stakeholders, such as stockholders. Perhaps a corollary resulting from an understanding of the demise of Studebaker is that even internal application should be made sparingly.

Orr (1999) cautions that the problem with organizational memory occurs when organizations blind themselves to the present by relying on past circumstances etched into its organizational memory and fail to discern changed circumstances. Studebaker's leaders may have eventually been hamstrung by the very traditions they extolled. The study by Zhang, Tian and Qi (2006) appears not to have taken that consideration into account in extolling the virtues of OM to improving an organization's OP.

CONCLUSION

Other than its historical significance and the nostalgia it generates, are there any lessons to be learned from the decline and death of Studebaker? Recently, behemoth General Motors announced yet another layoff of 25, 000 workers, blaming its pension and health care costs and undervalued Asian currencies (Keller, 2005). The claim by GM's management that "next year's models" will pull the company out of its decline is eerily reminiscent of Studebaker's dependence on the Lark and Avanti to pull it out of its death spiral while its competitors were able to bring compact cars to market less expensively. Studebaker's deserted, crumbling South Bend plant remains today a haunting reminder of the principle of entropy: the natural progression of an organization is to decay and die unless it is able to change to meet circumstances. Organizational memory provides us a framework for understanding and addressing the contexts and culture of organizations. GM, as is the case with Ford Motors and was the case with Studebaker, is an organization which is steeped in OM. It is suggested here that strong OM will no more contribute to reversing the organizational performance of GM and Ford than it did for Studebaker. The conclusion expressed in the study by Zhang, Tian and Qi (2006) must be limited in its scope and, as suggested above, certainly may not be valid for all organizations. Critchfield (1996) produces this recollection by a Studebaker employee given the task of closing the gates to the company's South Bend plant for the final time: "I went up to the second floor and walked along the empty assembly line. . . Everything was still in place and I thought, 'we could start production tomorrow.' I couldn't believe there would never be a tomorrow" (p. 181). The strong OM which permeated Studebaker throughout its existence could not prevent that empty outcome.

It is recommended that further qualitative case studies of organizations be undertaken to examine the impact of organizational memory, although not necessarily upon just organizational performance, nor necessarily making use of the "OM Constructive Factors" applied by Zhang, Tian and Qi (2006). Qualitative research might be useful in this area because it allows the researcher to examine more closely an intangible aspect of organization such as OM. Although organizations steeped in OM which are no longer in existence, such as Studebaker, allow for the case study to be bounded, an organization such as Hewlett-Packard, driven for decades by the "H-P Way," might prove an interesting subject for research, where that organization has an extended history. Others to consider examining for the impact of OM include Disney, IBM, with strong "values of the founder" and even institutions of higher learning, as manufacturing companies are not the only organizations which may have been strongly impacted by OM. The impact of OM may one day prove to be an essential element of any analysis of an organization, not just through an attempt to broadly link its impact to the organization's performance in an attempt to suggest means for "managing" OM and thus selling "how to" books and consultation services, but through a more serious and careful examination of the organization itself.

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[v] For purposes of this paper, "organizational performance" is defined as…
[vi] One exception was a study by Cyert and March (1963) that depicted memory from a management science perspective as contained in procedures.
[vii] Two books on the history of Studebaker were commissioned by the company: Longstreet, S. (1952). *A Century on Wheels: The Story of Studebaker***,** and the earlier Smallzreid and Roberts (1942) *More than you promise.*
[viii] It should be noted that Zhang, Tian & Qi (2006) view T-OM primarily in the sense of contemporary technology: "T-OM affects OP in a steady way and the function lies in the type of technology. Through the development of an organization, the increase in OP depends on reengineering, and the reengineering always begins with new technology, such as application of E-commerce and Internet" (p. 250). No comment is made on the validity of the above statements, but the variables for T-OM stand as they were presented, certainly applicable to Studebaker, even if it existed pre-Internet and E-commerce.
[ix] Studebaker also commissioned an earlier corporate history: Smallzreid and Roberts (1942) *More than you promise.*
[x] Sadly, yet ironically, ten years later the South Bend plant would forever close its doors.
[xi] The empirical data utilized by Zhang, Tian and Qi (2006) actually was derived from a much larger pool of data "from the Company Knowledge Management and Operation Survey (CKMOS), initiated by the School of Management, Harbin Institute of Technology, in 2003" (p. 230). Data on OM constituted only one of five parts of the actual questionnaire used in the CKMOS.
[xii] Bear in mind that Studebaker also went into receivership in the early 1930's as well, but was rescued by the efforts of Vance and Hoffman.

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