

## MANAGING

## Companies should learn from history to avoid repeating mistakes of the past



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SPECIAL TO THE GLOBE AND MAIL  
PUBLISHED 1 DAY AGO  
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*Those who cannot learn from history are doomed to repeat it. -George Santayana*

Joe Martin, a professor of Canadian business history and strategy at Rotman School of Management, is on a mission. He believes Canadians lack sufficient knowledge of history in general and business history in particular. But rather than seize upon Santayana's famed quote about the value of history, he points to an anonymous businessman who said, "I study history so I can make my own mistakes."

We fail at teaching history in elementary and secondary schools, as well as university, where few courses are offered, Prof. Martin says. We fail in business schools, where virtually no courses are offered (other than at Harvard Business School, which has included history programs since its founding in 1908 and now has about 20 historians affiliated to the school). And we fail in corporations, where new leaders think history begins with their ascension and the few histories produced on the organization tend to be heavily sanitized.

Certain themes recur in business history, of course. Recessions are one. Some signs suggest we may be on the cusp of one now, but each time they hit many corporate leaders seem flabbergasted, as if nobody ever experienced this situation before. A consultant for 40 years, and partner in charge of Touche Ross Management Consultants for 12 years, Prof. Martin said in a 2017 speech "as a manager, I certainly wish I had had more experience with downturns than I did when we entered the 1982-83 recession. I quickly learned why auditors pay so much attention to balance sheets, especially to cash."

Then there's boom-and-bust. In the dot-com heyday of the late 1990s, Prof. Martin notes in an interview, he was chairman of Angoss Software Corp. and watching his net worth go up \$250,000 a week. It was glorious until it started going down \$250,000 a week. It seemed new, but history is littered with equivalent situations. He shared his prime lesson with the dean of his business school: "We do a good job of teaching business and strategy but not history." Soon, he began teaching in that area.

Social history is ascending in most curricula these days but he argues that by ignoring business history, we are ignoring more than 50 per cent of what goes on in our economy. One problem is that to teach business

history you must be numerically literate and able to handle statistical data, a weak point for many historians and why he often turns to geographers who are better in that realm.

At the core of understanding the history of our economy should be the baseball diamond growth model developed at the Stern School at New York University. At home plate is government because an effective political system enables economic growth. First base is a sound financial system, to allow growth. At second base are enterprising entrepreneurs to build upon that. Third base is for sophisticated managers of large corporations.

Canada has done well from home plate to second base. But we struggle at third base because for so long our large corporations were American subsidiaries, Prof. Martin says. The United States, he says, has been very strong at second and third base but weak at home plate, with separation of powers allowing the states a greater role while diffusing the banking system. (And at first plate, we saw the collapse of their financial system – not for the first time – in 2008.)

Perhaps our first lesson in business history comes from that. He notes Sir John A. Macdonald went into the 1864 Charlottetown conference with a marked up copy of the deliberations the Americans had held in forging their independence, determined to learn from history. We have a federal system, they have a state system. To Prof. Martin, we made the right choice, as the financial collapse in the U.S. – but not Canada – shows.

As for corporate histories, he prefers them done by historians, with full access to the material, including key players. He recently read a corporate history where the author was prevented from conducting interviews, left only to quote from minutes. The company loses, by not understanding the richness – and mistakes – of its past. “Learn from history so you don’t repeat the mistakes of the past. That’s critical,” he says.

### **BEST BUSINESS HISTORY BOOKS**

If you want to improve your knowledge of business history, two good places to start might be Prof. Martin’s books, *From Wall Street to Bay Street*, the first overview of the Canadian financial system in half a century, co-written with Christopher Kobrak, and *Relentless Change*, the only case book for the study of Canadian business history. Beyond that, here’s three others he suggests you could benefit from:

- *Northern Enterprise: Five Centuries of Business History* by Michael Bliss;
- *Historical Atlas of Canada, Volumes I to III* with different editors;
- *Madisson Database Project 2018* by The Groningen Growth and Development Centre, Faculty of Economics and Business, University of Groningen, The Netherlands.

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